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CHEMICAL INDUSTRY FEATURED IN THIS ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

If campaign oratory this year continues in the vein that has characterized the output so far, and if the voting is decisively influenced by what the party spellbinders have to say, the outcome in November must be regarded as in the lap of the gods. Several months have elapsed since Senator McCarthy seemed to be saying that his position in the Senate would (or ought to) be a decisive influence in the elections this autumn, and the President countered with the observation that communism in the Federal Government would be eliminated by this autumn, and that the Republican party would be returned to power on the merits of the legislative record of the Administration. At this moment it is a little difficult to be certain that either of these predictions will prove true.

The fact of the matter—with deep regret be it said—is that many of the official strategists of both parties seem to believe that the situation now calls for a campaign of wild charges and wilder counter charges, if not "mudslinging," confusion and *ad hominem* pleadings. The outlook is neither encouraging nor uplifting. Mr. Stevenson, the glib phrasemaker, some say wisecracker, has rather plaintively decried some of the tactics now being employed even at this early stage of campaigning. What he now has to say is reminiscent of some of his earlier utterance in the 1952 campaign. Take this passage, for example:

"Even in these sobering times it would be too much to hope that there might be an end to the extravagant and dogmatic claims that one party represents all that is good and the other all that is evil. And we know that shrill voices filled

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Energy Sources Of the Future

By DR. C. C. FURNAS*
Chancellor, University of Buffalo
Formerly Director, Cornell Aeronautical Laboratory

Prominent scientist, in forecasting energy sources of the future, discusses present and future prospects of: (1) Water Power; (2) Fossil Fuels; (3) Nuclear Energy, and (4) Solar Energy. Concludes there are a lot of problems to which we do not now know the answers, but which must be solved before we can see our way clear to supplying our long-time energy needs, and, therefore, he holds solutions will only come through intensified research, and the time to start this research is now.

Water power constitutes roughly one per cent of the energy input of the United States and of the world. But it's an extremely important one per cent. Not only is it convenient and often inexpensive, it frequently serves as an aid and economic justification for flood control and navigation. Though hydroelectric power will probably always be utilized, it will not solve the world's energy problems. The total world hydroelectric potential is estimated at roughly 10-fold the present installed capacity. Even if this were eventually fully exploited, the percentage of energy supply will remain small in view of the rapidly increasing world demand.

Dr. C. C. Furnas

As a matter of sentiment, I hope that the complete potential is never completely harnessed. Though a large dam may be beautiful and useful, it would certainly be aesthetically and sociologically desirable to leave some water courses *au naturel*.

In general, water power seems to be approaching a point of stable maturity. It has no major research and

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*From an address by Chancellor Furnas before the Division of Industrial and Engineering Chemistry, American Chemical Society, New York, Sept. 14, 1954.

The Chemical Industry in The Financial News

By DONALD I. ROGERS*
Business and Financial Editor
The New York "Herald-Tribune"

Asserting there can be little cause for conservatism in the chemical industry, New York financial editor urges greater and broader steps in publicizing chemical news. Advocates stripping chemical industry news of tecnicalities, so as to be understood by the "average man." Points out bulk of investors now come from ranks of the common man, and the newspaper as well as the chemical industry must adjust their ways to reach this enlarged group. Stresses importance of broad field covered by economic news and information.

It was last Spring when a delegation from the Chemical Society called on me and asked if I'd speak on the awesome subject of "Dissemination of Financial News by the Chemical Process Industries." My immediate reaction was that this was a pretty silly subject for me to talk on—after all, hasn't the chemical industry got a veritable army of high-priced public relations men, all of whom have given much more thought to the problem and all of whom are far better qualified than I to talk about the dissemination of the industry's news?

Donald I. Rogers

However, I wanted to get to meet more of you ladies and gentlemen in the industry and it seemed like a good opportunity to do it. Furthermore, the more I thought about it, the more it seemed that there was something, after all, that I wanted to tell you about the Chemical Story.

I'll tell you why: It's because I'm convinced that you

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*A talk by Mr. Rogers at an American Chemical Society luncheon, New York City, Sept. 15, 1954, in honor of Dr. Walter J. Murphy of Washington, D. C. Dr. Murphy is Editor of the American Chemical Society and President of the Society of Business Magazine Editors.

CANADIAN ISSUE ON SEPT. 30—There's still time to make advertising space reservations in the CANADIAN SECURITIES ISSUE which will be published on Sept. 30.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Mission Corporation — Seymour Katzenstein, Manager of Statistical Dept., Hirsch & Co., New York City. (Page 2)

North American Refractories Co. —Arthur Marx, of Andrews, Posner & Rothschild, New York City. (Page 2)

SEYMOUR KATZENSTEIN
Manager Statistical Dept.
Hirsch & Co., New York City
Members: New York Stock Exchange and Other Exchanges

Mission Corporation

At a time when discounts for holding and investment company equities have narrowed very perceptibly, the large discounts still available in Mission Corp. lends considerably greater interest to its common shares than has been true for a long time. Of equal significance is the representation it affords in two strong and promising oil situations.

Seymour Katzenstein

For each share of its outstanding stock Mission Corp. owns approximately ⅘ths of a share in Skelly Oil and 2/5ths of a share in Tide Water Associated, most of the latter indirectly through holdings in Mission Development. With Skelly and Tide Water selling at 45 and 22 respectively, Mission Corp. has an asset value of 45. Selling at 33, the discount from asset values comes to an eminently satisfactory 25%. Moreover, the discount rises dramatically if asset values are calculated in terms of underlying crude and natural gas reserves.

Using decidedly conservative valuations of 75¢ a barrel for crude oil and 4½¢ per thousand cubic feet for natural gas, Skelly's reserves are worth $71 a common share, including working capital, but after deducting outstanding senior securities. Similarly, Tide Water with a capitalization consisting solely of common stock, has a value of about $40 a share. On this basis, Mission may be said to have an underlying asset value of about $75 per share or almost 2½ times prevailing market prices for its stock.

Tide Water Associated Oil is selling at conservative ratios, relative to estimated 1954 earnings which should about equal the $2.75 a share reported last year. The cash flow should run close to $5 a share. A refiner on balance, about 50% of Tide Water's refining facilities, are located on the West Coast, one of the most rapidly growing U. S. markets. More important, however, Tide Water has embarked on a program designed to strengthen both producing and refining facilities. In a move to reduce operating expenses, the large but old Bayonne refinery will be replaced by new facilities located elsewhere on the East Coast. Not only can operating efficiency be expected to improve considerably, but the new location should effect material savings in local taxes and provide more adequate space for future growth. In addition, as part of a program to build up crude reserves, Tide Water in partnership with Ohio Oil, Atlantic Refining and Columbia Carbon has renewed exploratory permits on about 8½ million acres of prospective oil land in southern Saskatchewan.

In order to finance expansion and development programs, cash dividends have been discontinued, and instead the company has been making stock distributions. Many other oil companies have found this formula successful. However, the company is also considering the feasibility of permitting shareholders to exchange their common stock for a regular cash dividend paying preferred. It is doubtful whether any of the Getty interests which control the Mission System will avail themselves of any such offer. Under these circumstances any exchanges made under these proposals by outside stockholders would have the effect of increasing the Mission Group's equity in Tide Water. At the same time, any contraction in Tide Water's outstanding common stock could result, of itself, in higher common per share holdings.

Skelly is a relatively small well integrated unit engaged in all major phases of the oil industry. It is, however, a substantial crude producer on balance. Its dividend policy has been extremely conservative and this program of plowing back earnings has been a significant factor in the company's exceptional success in building up reserves and earnings. It is this success which also helps to explain the generally high regard in which this company is held. Its longer term growth possibilities remain unusually attractive.

In conclusion, Mission Corporation provides an interesting means of participating in Skelly Oil and to a lesser extent in Tidewater Associated at attractive discounts from underlying market values, not to mention much more substantial discounts from underlying reserve values for these two enterprises. Should the day ever come when Mission Corp. is disbanded and its holdings distributed, an attractive discount situation would then become a most exciting workout. The stock is listed on the New York Stock Exchange.

With Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Emanuel T. Boll has become associated with Newhard, Cook & Co., 4th and Olive Streets, members of the New York and Midwest Stock Exchanges. He was formerly with Slayton & Company, Inc.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

ST. JOSEPH, Mo.—Donald W. McMachen has become associated with State Bond & Mortgage Co. of New Ulm, Minn.

ARTHUR MARX
Andrews, Posner & Rothschild, New York City
Members, New York Stock Exchange and American Stock Exchange

North American Refractories Co.

North American Refractories Co. has been serving the nation's industries since 1856 with various types of refractory bricks. Its products are sold principally to the steel industry; however, manufacturers of glass, cement, lime, plaster, copper, nickel, silver also use its products.

Arthur Marx

The earnings for the past six years are as follows:

1953	$4.30
1952	3.17
1951	4.65
1950	3.82
1949	2.19
1948	3.86

This is an average of $3.66 per annum. During this period average dividends declared were 85 cents for the 6-year period. At present the dividend is $1.20 per annum. During this time over $2 million of earnings was added to plant and equipment to enlarge and modernize the facilities.

Earnings for the first six-months of 1954 were 89c per share and compare favorably with other companies in the same business. Any improvement in the steel industry will reflect higher earning power for refractory companies.

Current assets as of June 30, 1954 were more than 5½ times current liabilities.

Capitilization consists of a $500,000 note due from June 1958 to Dec. 1962 and 198,360 shares of common stock.

The book value of the common stock is over $40 per share.

I believe we have entered a period of acquisitions and mergers throughout American industry. H. K. Porter Co. of Pittsburgh have acquired two refractory companies in the past 12 months. Perhaps some day there may be an interest by someone to purchase or merge North American Refractories and I am sure they would pay much more than the current price of 17½ a share at which price the return on the basis of the present dividend is almost 7%.

The stock is traded in the Over-the-Counter Market.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Charles S. Miller is with the First Trust Company of Lincoln, 10th and O Streets.

Joins Walter Raynor

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Frank H. Wulf has joined the staff of Walter V. Raynor & Co., Inc., First National Bank Building.

The Logic of Appeasement

By MELCHIOR PALYI

Dr. Palyi reviews recent diplomatic developments with reference to the Cold War, and sees conflict between American and British points of view. Notes a defeatist or appeasement attitude by Britain, and gives views expressed in recent book of Sir John Slessor on "Strategy for the West." Says British Empire is in full and premature retreat, while the defeat of the European Defense Community is latest in a series of first rate American defeats. Concludes "confusion reigns on the Potomac."

The Anglo-American Conflict

There is a great deal of hush-hush about it. But the Churchill-Eden visit to Eisenhower last June was for the express purpose of bridging the ever-more yawning gap between the British and the American approaches to the Cold War. The complete failure of the conference was covered up by the sanctimonious assertion of common objectives and human rights.

Dr. Melchior Palyi

The truth is that this intra-Western conflict goes far beyond the — very significant — question of China's seat in the UN. Potentially, it negates the purpose of the Great Alliance, frustrates American policies, and promotes the consolidation, even the expansion (if only in the Far East, for the time being) of the Soviet empire. The defeats in Korea and Indo-China, the wrecking of the EDC, the broadening of the East-West trade, etc., are as many symptoms and by-products of the Anglo-American tension. It is time that we face it squarely.

The British Point of View

The British point of view — shared by the vast majority of Eurasian "free" nations — could not have been more succinctly brought home than it has been in the August issue of the conservative and unreservedly anti-Bolshevist "Twentieth Century" (London). The essential passage of the editorial deserves to be quoted at length:

"The crucial question in policy is not what one desires, but the price one is prepared to pay—or the risk one is prepared to take. *British and French* statesmen would undoubtedly like to halt the spread of Communism in South East Asia, but they are *unwilling to take extreme measures* to do so. If the pressure becomes too strong, *they will yield and abandon the field rather than risk a major armed struggle*. France has sacrificed many thousands of her soldiers in the prolonged warfare in Indo China, but no French Cabinet has ever prosecuted this war as though victory were a vital matter, and *the British* would probably by this time have found reasons for *withdrawing from Malaya* if they had had to undergo there a half of the strain endured by the French. Neither Britain nor France are ready to divert a substantial part of their all-too-scanty military forces from their vital strategic sphere in Europe to reinforce their positions in the Far East to the extent necessary for winning a major war. And since . . . they are *unable or unwilling to defend their Far Eastern territories and interests* by force . . . these territories and interests tend to become hostages in the enemy's hands. From being the dominant imperial powers disposing of the affairs of weak and passive Asian peoples, Britain and France have now become 're-treaters' seeking desperately to save by conciliation, concessions, flattery and inducements some residue of possessions they can no longer hold. . . . The French and British stakes in *Indo China, Hong Kong* and *Malaya* are *liabilities rather than assets for the global diplomacy of 'containment'*; they are the cause of weak and vacillating policies in which *even defensive pacts* are decried because they *might 'provoke' Peking* (or Delhi) and have an adverse effect on super-delicate negotiations. There is annoyance when such an attitude is called 'appeasement,' but it is only necessary to compare the firmness of the Western stand at Berlin, where the three Powers were united . . . to resist further Soviet encroachments in Europe, with the course of the Geneva Conference, where negotiations have taken place in the shadow of French military defeat." [Italics ours.]

Note the defeatist attitude, the British unwillingness to fight for Malaya. This may come as a surprise. (More about it presently.) Not less surprising is the bluntness in expressing it—as if to invite the Soviets to come and try. It was Mr. Acheson's unwise declaration, supported by the Pentagon, that Korea is not worth fighting for, that clinched the "incident." Do the British suffer from congenital *appeasement-itis?* Don't they realize that the Soviets follow carefully the expressions of Western thinking? Of course, the thoughts of an editor, well-informed as he may be, have no official status. But basically the same attitude has been aired by an outstanding spokesman of the British Government, the Marshall of the Royal Air Force, Sir John Slessor.

Sir John's recent book, "Strategy for the West," expresses the official point of view. The British press recognized that at once and criticized the wisdom of making it public. It may be boiled down to a few essentials. "War—in the sense of total world-wide 'shoot-

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Regular Features

*Column not available this week.

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Keeping Tabs on Chemical Labs

By IRA U. COBLEIGH

Enterprise Economist

An autumnal glance at a few chemical companies with some comment as to how they are living up to their billing as growth enterprises.

This piece will start out in an off-beat manner; while purporting to talk about chemicals, the first paragraph will be about a railroad. Had lunch some weeks ago with an executive of an eastern railway and he grew quite lyrical about all the millions of dollars plowed back into the line, postwar. "But," I carped, "none of this dough shows up in your current earnings statement. You're making less now than before you did all this plowing." "Yea," he said, "but look at how many new diesels we've got!" "Diesels, schmiesels," I gibed, "you shudda put the dough in General Electric, General Motors, IBM and Standard of Jersey. You'd have done better that way!" End of quote, and end of lunch! My economic heresy had given him indigestion!

Ira U. Cobleigh

This little colloquy is offered slyly to suggest that merely because the management of an enterprise has spent millions improving or expanding plant, is no assurance that the money has been wisely deployed, or that shareholders have, in respect to either earnings, dividends or market price, received commensurate benefits. And, quite frankly, this little argument might be, in a few instances, applied to chemicals, whose postwar expenditures on plant account have been loudly trumpeted. As a field study of your own, compare, in representative chemical companies, the amount, since 1946, spent in capital improvements against the increase in earnings per share. Some of these capital additions well appear to have justified themselves handsomely; the contribution of others to corporate forward motion is far less perceptible. (The chemical industry spent $1.8 billion on capital improvements in 1953 and will spend around $1.6 billion this year.)

But enough of this "hindsight" wisdom. Let's see how the fabulous chemical trade has been making out, during a period when industrial production generally has been backspinning 10% or so. Since July of last year, chemical production did slip off, accompanied by a wide list of price reductions from antibiotics to ammonias, glycols, phenol, methanol and ethylene oxide, etc. But a corner of some sort has now been turned, and the present total level is at, or near, the best rate of 1953. For the first six months of this year, Allied, and the Mathieson wing of Olin-Mathieson (the merger came later) showed sales increases, against lower sales totals for the other majors; and most, if not all, of the majors had their first six months net reduced by larger amortization and depreciation charges — a number of them of the accelerated varieties.

A further word about this Olin-Mathieson Industries might not be amiss here. Merger of Mathieson Chemical and Olin Industries was approved by stockholders June 29, 1954, and created a chemical corporate entity now ranking fourth in size in the industry. By any standard, it's quite an impressive combination of research, manufacturing, merchandising and management. Look at some of the original components — Mathieson Chemical, which started out in alkalis, Squibb in ethicals and proprietary drugs (now grossing over $100 million a year in that department); and on the Olin side, Western Cartridge, which blended with Remington Arms, and Ecusta Paper Co., largest manufacturer of cigarette papers. Olin operates under the du Pont patents for the manufacture of cellophane and its production of this commodity is believed to be exceeded only by du Pont itself. On the management side, Mr. John Olin, Chairman, Mr. Thomas Nichols and Mr. Robert Haines (sometime Under Secretary of Treasury) create an imposing triumvirate of top-flight executive; administrative and progressive talent.

Olin-Mathieson cash dividend indicated is $2, which at 47 shows a 4.23% yield and there is a history here of paying extra dividends on stock. The merger hasn't been cooking long enough to reveal its full earnings potential, but it can safely be observed that you do not here pay the same market premium in price times earnings that you do in, say, Dow or Monsanto — and the yield is higher. It does not appear that recent market enthusiasm for Olin-Mathieson is ill-founded.

With 1953 sales of over $1 billion, Union Carbide and Carbon ranks second only to E. I. du Pont de Nemours in the industry. Its first half (1954) was a little disappointing, with sales off 17.5% due to slackened demand for ferro alloys. In the net earnings department, while UK benefits by the departure of EPT, actually, for this year, the increased debit for depreciation and amortization will hold down the per share, probably below the 1953 figure of $3.55. UK is, however, in a long-term earnings uptrend that started at 33c a share in 1932 and seems likely to resume next year, when the bookkeeping bite is less burdensome.

Union Carbide is the largest producer of plastic materials and big in batteries, carbons, petrochemicals, and industrial gases. It's putting up a new plant for plastics and silicones and has pioneered in the hyrogenation of coal.

Everybody is looking these days for a company with an atomic energy angle, and on this count, too, Union Carbide qualifies. It ran the Oak Ridge plant for the government, and will run the new one—in Paducah, Kentucky. These contracts may not be very profitable but they give Union Carbide a wonderful opportunity to develop a staff of experts in atomic energy, an asset of great future value in a vastly expanding field. UK also runs, through a subsidiary, two uranium processing mills.

The common of UK has made its way into many of the biggest trust portfolios as a top-grade equity. 200 plants giving employment of 70,000 odd, make it a significant chemical empire, and a source of some investment serenity to 110,000 shareholders. Common sells around 82 with an indicated $2.50 dividend.

Spencer Chemical is somewhat of a newcomer among the important chemicals but it stacks up pretty well in the growth department, pushing net sales up from $11.8 million in 1948 to $30.8 million last year.

Spencer's main line is in ammonia, methanol and formaldehyde, which it produces by what is called high pressure reforming of natural gas. From the ammonia come a batch of nitrogen products —nitrates for fertilizers, nitric acid and ammonium nitrate for explosives. Last year, the future horizon of Spencer was broadened by obtaining the process rights of Imperial Chemicals Industries, Ltd. for polyethylene. This new production involves a $15 million plant in Orange, Texas, with Gulf Oil delivering the base ingredient, ethylene.

The progressively good results of Spencer, year by year, have been favorably accepted by the investing public, as evidenced by the fact that Spencer common sells at 71 at almost 18 times last year's earnings. The $2.40 dividend paid now, is up from 32c in 1948. While lacking the broad diversification of many of its larger brethren, Spencer is a text book example of solid growth in major industrial and agricultural chemicals.

International Minerals and Chemicals has just published its annual statement — year ended 6-30-54. Net sales were up almost $5 million to $93,591,934—a new high. Per share net was down a bit to $2.44 (from $2.87 last year). The earnings slippage was due to problems connected with a new phosphate chemical plant in Bartow, Florida and another new but smaller one in Carlsbad, New Mexico. The Florida plant has received special notice because of the uranium oxide it can turn out as a by-product. Despite the new plant setbacks in the past year, the position of IGL as a leading producer of potash and phosphate rock, and commercial fertilizers, plus extensive poultry and animal feed production, amino acids and industrial minerals gives breadth to the promise of larger earning power to come. Dividends have been paid steadily since 1941 and the expansion of annual net sales from $30 million in 1945 to almost $100 million now should be noted by growth minded investors.

Moving over to the drug department, the ethical drug companies have advanced about even with the Dow Jones averages in the past year, with about average performances turned in by G. D. Searle & Co. and Abbott Laboratories. Abbott sells about 18 times its 1953 net and at 42 yields 4.2%. Traditional consistency of earning power here (dividends have been paid since 1926) may be buttressed by a new product, erythromycin, developed jointly by Abbott and Eli Lilly. Merck and Parke Davis retain their attraction, and American Cyanamid is perennially excellent. Among the proprietaries, American Home Products at 60 paying $2.40 has a lot of solid investment merit.

This piece, containing as it does merely random current jottings, has not touched upon the expanding W. R. Grace chemical wing (Davison, Dewey and Almy, etc.), nor some of the other up and coming enterprises like Blockson, Harshaw (with nuclear overtones) and a dozen or two others. The industry as a whole looks better than it has in months and can be further "revved up" by the discovery of another new major wonder drug, and the broadened application of nuclear by-products. And if selection baffles you here, there's Chemical Fund, Inc., a $60 million mutual devoted to this industry.

Chemical Industry's Accomplishments

In series entitled "It's Your Business," the National Association of Manufacturers on Sept. 18 has representatives of Chemical industry reveal present status and future prospects of rapid advancement in production of chemical products.

To acquaint the American public with up-to-the-minute facts about the chemical industry, the National Association of Manufacturers, in a broadcast on Sept. 18 over the American Broadcasting Company, constituting part of a program series entitled "It's Your Business," had the public hear of the progress and outlook of one of the nation's largest and most rapidly growing industries, the Chemical Industry. Kenneth R. Miller, senior Vice-President of NAM, acted as moderator and his guests were Fred J. Emmerich, President of Allied Chemical and Dye Corporation, New York, who is also Chairman of the Manufacturing Chemists' Association, Inc., and William C. Foster, President of the Manufacturing Chemists' Association.

William C. Foster Fred J. Emmerich

The transcript of the Broadcast follows:

Announcer: The American Broadcasting Company and its affiliated stations make available the following 15 minutes — transcribed—to the National Association of Manufacturers to present another program in its current series of "It's Your Business!" broadcasts. The NAM, whose more than 20,000 member companies produce 85% of the nation's manufactured goods, believes that well-informed citizens maintain this nation's strength, progress and prosperity. Each week at this time the NAM presents a timely discussion on an important industry or profession. This week's subject: The Chemical Industry. Here is Kenneth R. Miller, senior Vice-President of the NAM, to conduct the discussion. Mr. Miller.

Mr. Miller: Thank you. We're happy to have as our guests this week Mr. Fred J. Emmerich, President of Allied Chemical & Dye Corporation, New York, and Chairman of the board of the Manufacturing Chemists' Association, Inc.

Mr. Emmerich: I'm very happy to be here, Mr. Miller.

Mr. Miller: Our second guest is Mr. William C. Foster, President of the Manufacturing Chemists' Association, Inc., of Washington, D. C.

Mr. Foster: Thanks for inviting me, Mr. Miller.

Mr. Miller: Gentlemen, everyone, of course, is interested in business conditions and so I'd like to ask you what is the general business condition within the chemical industry?

Mr. Emmerich: Well, the chemical industry today finds itself in a period of continued expansion and relatively good business activity and intensified competition. During the last year there have come declining chemical sales. Sales were affected by a decline in general business occurring between the middle of last year and the present time.

Mr. Miller: Mr. Foster, what would you like to add to that, sir?

Mr. Foster: As Mr. Emmerich says, there's no doubt that we're in a period of a great deal more competition. However, we believe that's good. We believe that's healthy for the industry. I also would like to point out that last year's sales reached almost $20 billion, 19.8 to be exact, and that is against about 18.5 billion in 1952 and about 16.4 in 1950. In other words, the industry is growing rapidly.

Mr. Miller: Mr. Foster, you've given us an indication of the size and scope of your industry by the figures you have quoted with respect to sales. How many employees are there in your industry?

Mr. Foster: We figure there are 800,000 today, of which about 550,000 are production employees. As another fact about sales, I think it would be useful to point out, Mr. Miller, that in 1939, just 15 years ago, the sales were only 4.3 billion, so we've had an increase of 350% in that decade and a half.

Mr. Miller: What would you say is the average investment behind each employee in your industry?

Mr. Emmerich: Because of the wide variety of products made and the difference in equipment used to make them, the average investment varies from company to company. But the average investment per employee in the industry as a whole is approximately $25,000. However, in some instances the investment per worker is as high as $100,000.

Mr. Miller: Now, those figures show the great amount of capital investment necessary to provide just one job for one production worker. Mr. Foster, does a shortage of engineering and scientific personnel exist in the chemical industry?

Mr. Foster: It certainly does, Mr. Miller. It exists not only in the chemical industry but, as you probably know from your own membership, it exists throughout industry. I happen to think that's one of our most important problems in all industry, and particularly in our industry, which needs so many scientific personnel. I'm told that engineers are needed at the rate of about 30,000 a year. That's to meet replacements and meet the growth which we and other technical industries are encountering. Unfortunately, with the increasing need, the number of graduates has actually dropped. In 1950 there were 52,000 engineering graduates, and in '53-'54 this past scholastic year, 20,000, and of that about 4,700 were chemical engineers. We're getting more needs and fewer people, and we're running into—more important for the long-term future—a shortage of the teachers who will provide the future engineers. So that something has to be done. I don't know what the answer is but I hope that we will get better instruction and will begin to change that trend.

Mr. Miller: Mr. Foster, you have certainly pointed up for us a serious problem not only for the chemical industry, but, as you have quite rightly said, for industry as a whole. May I ask you this: What are you doing in the chemical industry to encourage students towards careers in science?

Mr. Emmerich: The Manufacturing Chemists' Association made a recent survey which shows that both large and small companies in the industry are promoting scientific training of their young men and women in a number of ways. A few examples—the companies of the industry in the aggregate are giving about 800 scholarships and fellowships having an annual value in excess of $1,500,000. Member companies also are providing several million dollars annually in prizes to high school students, and in addition, grants in aid not specifically tied to scholarship awards and grants to educational institutes are being made in support of research. And many companies have additional scholarships for sons and daughters of their employees.

Mr. Foster: A lot of the companies work very closely with the schools in the communities so that they can tell the teachers what are the requirements, what are the opportunities, in this field. One of the things that I think is important to bring out here is that wherever a youngster has an inclination in this way, he can do some concentrating on mathematics, elementary physics and chemistry, then when he does

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The Old Show Starts Up Again

By **A. WILFRED MAY**

At the convening of the United Nations General Assembly, Mr. May maintains its chief significance lies in highlighting: (1) the intensification of world tension; (2) the decline of the Organization's authority, and (3) the deterioration of the United States position within the UN and in relation to her Western allies.

UNITED NATIONS, N. Y., Sept. 21—

3:10 p.m.—The General Assembly opens its 1954 session.

3:12–3:20—Mme. Vijaya Lakshmi Pandit of India, President of the last Assembly and temporarily, presiding here, in her "keynote" address expresses her "note of hope" for the prospects for world peace and the lessening of international tension.

3:21–3:29—Andrei Y. Vishinsky of the Soviet Union starts *putting on* the tension from both feet, via his reiterated harangue to seat Communist China in place of the incumbent representatives of the Chinese Nationalist Government.

A. Wilfred May

And there followed two solid hours of boiling controversy between Mr. Vishinsky and the USSR satellites plunking for (or at least putting on a propaganda show to that effect) the admission of the Peiping Government; the opposition led by Henry Cabot Lodge, Jr., the United States representative; and a flood of strategic motions and counter-motions from all directions. At one point the "rhubarb" a la Ebbets Field became so hot that the presiding officials on the rostrum found it necessary to go into a ten-minute huddle and "suspend play," with Assistant Secretary General Cordier leaving "the field" to prepare a technically correct decision from Mme. Pandit. A la the U. S. Congress in a different area, Mr. Vishinsky at one point saw fit to read into the record a portion of the text of a sympathetic article which had appeared in the publication *Le Monde*.

Undaunted by the abortive result of his two-hour onslaught, Mr. Vishinsky's closing shot was the promise to reintroduce his proposal again and again until adopted. The tension must go on!

Another manifestation of world tension which will be developed at this Assembly will be the debate on the Cyprus question, with Greece having proposed that the Assembly authorize a plebescite in Cyprus to determine whether they want to continue under British rule or unite with Greece—another issue, along with the Chinese question, that is splitting the West.

The World Organization's frustrations, brought to the fore at all the big parleys are, of course, rooted back in the deep-rooted chasm of hostility between the Communist and non-Communist worlds that actually existed at the time of the Charter's signing—but which was shakily bridged over at that time.

The Organization's Loss of Prestige

In addition to the focusing of attention on world tensions, this Assembly session bids fair once more to be broadly significant in highlighting the continuing decline of the UN's position in world affairs; and also the deterioration of the United States position within the Organization.

The pressing importance of the body's loss of power in the now-atomic world was perhaps best indicated here today by Mme. Pandit's highly defensive reference in her opening statement to the effect that the consummation of the armistice in Indo-China *outside* the UN was after all only a technical distinction; and that it was a UN-like action that caused rejoicing in the Organization.

The actual fact of ever greater UN by-passing in the world's major international negotiations was, with refreshing candor and realism, noted by Secretary General Hammarskjold in his Annual Report. He pointed out that this happened at Berlin and Geneva also; grimly observing that "the Organization is severely handicapped by the fact that it has to function in a world where the necessity of coexistence is as yet not fully recognized."

Most significant on this current by-passing trend is the diversion of authoritative personages, as well as general interest, from here to the conference on the armament of West Germany which will meet in London next Tuesday, September 28. London is definitely set to have the top-level participation of French Premier Mendes-France, and British Foreign Minister Eden; both of whose presence, along with M. Molotov's is extremely doubtful here. And Secretary Dulles will probably participate here no longer than the session's third day. In any event, Mr. Dulles is the only one of the Big Four's Foreign Ministers to be in attendance at the opening here.

Certainly it is understandable that a realistic discussion of German rearmament, to be debated in London, is considered more important than the palaver scheduled here.

United States Deterioration

Then there remains as one of the basic implications here, revelation of the further deterioration of the United States position within the Organization. Perhaps this now stems from the emergent differences in our basic international attitudes and policy from those of the rest of the West. This is strikingly exemplified in the fundamental and increasing contrasts in reaction to the problems of Asia, in which area our Western friends have come to regard us as needless worriers, if not actually as warmongers. And in the theatre of Western Europe, we must face the fact that we are at complete odds with our local allies as to its defense—possibly even as to whether it is worth defending.

These crucial rifts, unfortunately, will be recurrently aired in these beautiful halls by the banks of the East River.

In a more limited area, the decline in U. S. prestige was again demonstrated here this week in the withdrawal from the contest for the Presidency of the Assembly by Thailand's Prince Wan, the United States delegation's candidate, when he was facing sure defeat—an unprecedented happening.

Thus, the Assembly's convocation once again is significant obliquely; in highlighting the world's and our nation's deficits, rather than constructively solving them.

The State of Trade and Industry

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

A drop of close to 10% below that of last year was reported for industrial production in the period ended on Wednesday of the past week. Output, however, was essentially unchanged from that of the week preceding. It was further reported that for the next four to six months manufacturing output is expected to be about 128% of the 1947-49 average.

There was a slight improvement in steel manufacture last week as the mills operated at 66.4% of capacity, the highest output since June. Automobile production was at the lowest point since last November in the week ended Sept. 17.

Employment appears to be relatively steady. While initial claims for unemployment insurance benefits gained by 23,000 persons in the week ended Sept. 4, more than half of the increase was due to New England hurricane damage. Continued unemployment claims in the week ended Aug. 28 dropped by about 16,000 persons, as seasonal expansion in the textile, apparel, food, and lumbering industries accounted for the improvement. Total unemployment is expected to remain at about three and a half million for the rest of 1954.

Declines in unemployment, "generally small but widespread, occurred in three-fourths of the nation's largest market areas." That's the broad picture painted by the United States Department of Labor of the situation jobwise between July and September. Specifically, it noted, joblessness decreased substantially in Columbus, Ohio, Aurora, Ill., Jackson, Miss., and Kenosha, Wis. But employment conditions worsened in Muskegon, Mich., and Charleston, W. Va.

The steelmaking scrap market put on another show of strength this week, scoring higher prices in several areas, according to "The Iron Age," national metalworking weekly. Increases raised "The Iron Age" steel scrap composite price 67c a ton to $30.17 per gross ton to a new high for the year.

Meanwhile, recent price reductions on several types of steel bars by a Detroit producer are being met by local and out-of-district producers. But lower prices apply only on a limited range of sizes. Other prices are holding firm and there is no sign that the steel base price structure is weakening, this trade authority reports.

Steel mill production schedules this week are aimed at holding the substantial gains chalked up last week, and there are strong indications that still higher production rates will be achieved within the next several weeks. The ingot rate this week is estimated at 66.5% of rated capacity, while the ingot production index is estimated at 98.9 (1947-49=100), it further states.

Although improvement in steel business is so gradual it is scarcely noticeable from week to week, the market is definitely stronger and the production trend is up.

United States car and truck manufacture ebbed to the lowest point since last November the past week as only seven of the 18 car makers were active. Chevrolet, Pontiac, Plymouth, Dodge, DeSoto, Chrysler and Packard are all down for changeover, while Kaiser and Willys are still out to curtail field stocks.

"Ward's Automotive Reports" estimated the week's output would drop to a 42-week low of 70,761 cars and trucks, or some 14.5% under the Labor Day holiday-shortened week's total of 82,747 vehicles.

The sharpest reduction was recorded in car assembly which dipped 18% under the previous week's 69,741 units, despite one extra work day. Truck erections edged by the earlier week's 13,006 jobs due mainly to stepped up programs at Ford, Dodge, International and Willys. Chevrolet and GMC truck totals revealed temporary declines.

Packard suspended final assembly operations on Sept. 16 for at least 45 days. The company is now shifting the car lines to its leased Conner Ave. plant. A wildcat strike at Studebaker's South

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Business Trends: An Outlook and Appraisal

By MARTIN R. GAINSBRUGH*

Chief Economist, National Industrial Conference Board

After defending the general forecast that the current business recession would be mild, Dr. Gainsbrugh covers data indicating the extent of the recession up to its turning point in mid-1953. Discusses where we stand currently and where we are going. Concludes "bullish" elements indicating a stable level of activity in the months immediately ahead are: (1) the inventory demand; (2) favorable economic environment, and (3) restored sense of value.

CONTRACTION IN THREE RECESSIONS

(% Change from Peak to Trough; Quarterly Data Seasonally Adjusted at Annual Rate)*

Item	1937-1938 Date	1937-1938 %	1948-1949 Date	1948-1949 %	1953-1954 Date	1953-1954 %
Gross National Product	1937 - 1938	— 6.1	4 Qr. '48 - 4 Qr. '49	— 3.8	2 Qr. '53 - 1 Qr. '54	— 3.7
Personal Consumption Expenditures	1937 - 1938	— 3.9	4 Qr. '48 - 1 Qr. '49	— 0.6	3 Qr. '53 - 1 Qr. '54	— 0.5
Durables	1937 - 1938	—17.1	3 Qr. '48 - 1 Qr. '49	— 4.7	2 Qr. '53 - 1 Qr. '54	— 8.1
Nondurables	1937 - 1938	— 3.4	4 Qr. '48 - 3 Qr. '49	— 3.3	2 Qr. '53 - 1 Qr. '54	— 1.4
Services	1937 - 1938	— 0.8	1 Qr. '48 - 4 Qr. '49	+12.6	1 Qr. '53 - 1 Qr. '54	+ 6.6
Capital Formation:						
New Construction	1937 - 1938	—10.8	3 Qr. '48 - 2 Qr. '49	— 7.7	2 Qr. '53 - 3 Qr. '53	— 1.6
Residential Nonfarm	1937 - 1938	+ 7.1	2 Qr. '48 - 2 Qr. '49	—14.6	1 Qr. '53 - 3 Qr. '53	— 5.7
Other	1937 - 1938	—21.7	4 Qr. '48 - 4 Qr. '49	— 9.5	1 Qr. '53 - 1 Qr. '54	+10.2
Producers' Durables	1937 - 1938	—25.9	4 Qr. '48 - 4 Qr. '49	—12.1	3 Qr. '53 - 1 Qr. '54	— 7.0
Government Purchases	1937 - 1938	+10.3	2 Qr. '49 - 3 Qr. '50	— 9.4	4 Qr. '53 - 1 Qr. '54	— 4.1
Disposable Personal Income	1937 - 1938	— 7.9	3 Qr. '48 - 3 Qr. '49	— 3.6	3 Qr. '53 - 4 Qr. '53	— 0.2
Industrial Production †	Mar. '37 - May '38	—33.8	July '48 - Oct. '49	—10.5	May '53 - Apr. '54	—10.2
Consumers' Price Index ‡	Sep. '37 - Aug. '39	— 5.4	Aug. '48 - Feb. '50	— 4.2	Oct. '53 - Apr. '54	— 0.7
Wholesale Price Index ‡	Apr. '37 - Aug. '38	—14.9	Aug. '48 - Jan. '50	— 8.0	Sep. '53 - Mar. '54	— 0.5
Nonfarm ‡	Apr. '37 - Aug. '38	— 7.3	Nov. '48 - July '49	— 5.4	Aug. '53 - Mar. '54	— 0.6
Farm ‡	Mar. '37 - Aug. '39	—35.2	Jan. '48 - Jan. '50	—21.7	Mar. '53 - Nov. '53	— 6.1
Total Nonagricultural Employment †	Aug. '37 - Jun. '38	— 9.2	Sep. '48 - Feb. '50	— 4.4	Jun. '53 - Mar. '54	— 3.3
Average Hourly Earnings ‡	Oct. '37 - Aug. '38	— 4.8	Jan. '48 - Dec. '50	+ 8.1	Dec. '53 - Mar. '54	— 0.6
Average Weekly Hours ‡	Mar. '37 - Jan. '38	—18.5	Dec. '47 - Apr. '49	— 7.0	Mar. '53 - Apr. '54	— 5.1
Business Inventories:						
Manufacturing †	n.a.	n.a.	Feb. '49 - Nov. '49	—10.4	Sep. '53 - Mar. '54	— 2.9
Retail Trade †	n.a.	n.a.	Dec. '48 - Jun. '49	— 3.5	Sep. '53 - Feb. '54	— 2.2
Wholesale Trade †	n.a.	n.a.	Nov. '48 - Oct. '49	— 5.0	Oct. '53 - Dec. '53	— 2.9
Manufacturing:						
Sales †	n.a.	n.a.	Sep. '48 - Jan. '50	—13.9	July '53 - Feb. '54	—10.4
New Orders †	n.a.	n.a.	Jun. '48 - July '49	—18.3	May '53 - Jan. '54	—19.8
Backlogs	n.a.	n.a.	Jan. '47 - Aug. '49	—41.0	Sep. '52 - Mar. '54	—31.2
Addendum—In Constant Dollars:						
Personal Consumption Expenditures	1937 - 1938	— 1.7	2 Qr. '47 - 3 Qr. '48	— 1.7	2 Qr. '53 - 1 Qr. '54	— 1.3
Disposable Personal Income	1937 - 1938	— 5.7	4 Qr. '48 - 3 Qr. '49	— 1.7	3 Qr. '53 - 4 Qr. '53	— 0.3

*Where data were the same for two or more months, the earliest peak and the latest trough were selected. †Seasonally adjusted. ‡No official seasonal correction available. n.a. Not available.

Note: Data for National accounts are prior to subsequent revisions in National Income Supplement, mid-1954.

At the outset, let me seize this occasion to set the record straight as to what was said concerning economic prospects for 1954 at the last Outlook luncheon of the American Statistical Association. Popular impression in some quarters to the contrary, the viewpoint then expressed — particularly through a show of hands at the close of that session — clearly rejected the thesis that we stood on the brink of a great depression a la the Colin Clark model. Our viewpoint was correctly reported by Will Lissner in the New York "Times" on the following morning:

M. R. Gainsbrugh

"Barring effective action by the Government, however, most of the experts expect the total output of goods and services (gross national product) in 1954 to drop from the 1953 annual level of about $365 billion to one between $345 billion and $355 billion. The second rather than the first figure is considered more likely.

"The downturn may persist through the first two quarters, be reversed for a time, then continue, but the rate of decline is expected to be mild and gradual, at least for a year or 18 months."

For purposes of quick comparison, the preliminary estimate of gross national product for the second quarter of 1954 is $356 billion. This is some $14 billion below the peak rate of the second quarter of 1953, and about $9 billion less than the annual output for that year.

As a group, we placed great stress upon the elements of strength in the economy and upon the cyclical snubbers that would resist decline. There is little indication in actual performance that our general expectations were unfounded, or that our findings contributed toward talking the nation into recession. In fact, I would suggest that the sobering views advanced at the various professional meetings just nine months ago had a salutary rather than a harmful effect. Influenced at least in part by these expressions, private business and, even more in point, the Administration undertook corrective measures which themselves served to improve the outlook. Our consensus was drawn without advance knowledge as to the extent of tax reform, and of actual tax relief—the latter far greater in magnitude than in any peacetime year in the nation's history. The historic 1953 change in Federal Reserve policy has been pushed much farther than might have been anticipated nine months ago. More liberal terms for housing credit, and for other forms of credit extension, took effect after our forecast, and perhaps partly because of our forecast.

In retrospect, then, there is little warrant for the views still held in some quarters that the "gloomy fraternity" was wrong once again in its appraisal of the outlook for 1954. Our system of statistical intelligence gave us an extraordinarily clear and early warning of the cyclical peak in mid-1953, and foreshadowed, at least in rough outline, the lower rate of activity for the first half of 1954. I would go one step further and say that this conclusion applies almost equally to earlier postwar years. The record of business analysts as a group over the past decade has more to be said for it than is conceded by the public or press. In this connection I refer you to the annual Outlook sessions of the National Industrial Conference Board since their inauguration in 1946.

How Much Recession?

One further retrospective point: Despite the "mild" character of the correction thus far in gross national product, or in the other related income accounts, the weight of evidence clearly supports the technical designation of what has occurred since mid-1953 as a "recession." Time permits me to cite only a few pertinent measures in support of this conclusion:

(1) **Industrial Production**—From its peak to its current level, physical output in manufacturing and mining declined by slightly more than 10%. In at least two earlier recessions identified by the National Bureau of Economic Research — 1948-1949 and 1926-1927 — contractions in output were of this magnitude or less. Typically, this contraction in physical volume has been particularly pronounced for durable goods. The steel industry continues to operate at less than two-thirds of current capacity, while its actual physical volume is still about 15%-20% below its pre-Korea level.

(2) **Employment and Unemployment** — Factory employment fell by over 1.6 million from July, 1953 to July, 1954. The comparable loss in 1949 was 1.3 million. The percentage decline in factory employment has been sharper than in 1948-1949 and 1926-1927, and about as sharp as in 1923-1924. As best it can be measured, the number of unemployed has increased about 1.8 million, about as much as in 1948-1949, and apparently more than in the recessions of 1926-1927 and 1923-1924. As a percentage of civilian labor force, unemployment is at about its 1949 level.

(3) **Leading Indicators**—Almost all of the leading series selected by the National Bureau experienced substantial contraction. The Conference Board's measure of diffusion reveals a concentration of declining series in late 1953 and early 1954, paralleling the concentration in late 1948 and early 1949.

(4) **Depressed Agriculture** — The relative level of agricultural prices—as indicated by the parity ratio—is about as depressed as in all but the most severe farm recessions of the past. The parity ratio now stands at 89, as compared with 98 at the trough of the 1949 recession.

Last December, we felt, as a group, that the contraction partially described in these indicators might well continue throughout the second half of 1954, and possibly even into 1955. The primary prop for this thesis was our inability to specify sectors of the economy in which expansion or recovery would be rapidly forthcoming. For this reason, too, the label of "inventory recession" was rejected as a technically inappropriate description for 1954; instead, it was felt the sequence was more likely to be that of an "orthodox recession." What seemed to be implied by this label in the several papers then delivered was a basic weakness, but not necessarily malignant, which would lead to a decline not only in inventory purchase, but also in end-product demand — more particularly in demand for capital goods. There were few among our panel or in the audience participating in the subsequent discussion who were prepared to subscribe to relatively stable capital formation in 1954. And while the closer the business analyst to the construction scene, the greater was his coefficient of optimism, there were none, as I recall it, who foresaw the gratifying upturn in construction which actually developed this year.

In fact, while the record of the economic fraternity on the 1953-1954 recession was generally accurate — and certainly accurate enough to serve as a valuable guide to executives in business and government—it also contains some grounds for humility, and perhaps some lessons for 1954. We should therefore examine it critically.

In identifying the turning point of mid-1953, we found our tools entirely adequate. Our diffusion indexes had turned down several months prior to the actual peak in activity. Our so-called "leading indicators" had begun their contraction with their characteristic lead. The inventory and end-product components of the national accounts produced their typical evidence of gradual deceleration in the rate of rise of final demand, and gradual increase in the tempo of inventory accumulation. In fact, those of you who work closely with the day-to-day business trend doubtless recall the first half of 1953 as a period of fascination with our statistical systems, as method after method progressively forecast a cycle turn.

The recession we described at our meeting of December, 1953, had announced itself in our statistics almost a year earlier. But I suspect the unanimity about decline stemmed as much from a recognition that certain powerful artificial stimuli of the past decade or more were being diminished or withdrawn, as from the intensive study of our economic indicators. At times these artificial stimuli were of overwhelming proportions —the insatiable demands of goods and services during World War II; the suppressed inflation of the immediate postwar years; more recently, the demands for defense following Korea. Once unleashed in the system, such forces usually predetermined the course of business.

This I believe was one of the primary reasons why sector analysis has gained such wide acceptance as a new analytical or forecasting tool. Since 1939, various artificial stimuli have almost continually underwritten expanded demand in one or more sectors of the gross national product. Given this overwhelming trend, it has not been too hazardous to construct probable levels of demand for the other sectors. In fact, at certain stages of the past decade, an excess of demand became a "datum" and our interest shifted largely to questions of the elasticity of output. For much of the time since 1940, forecasting has been almost undifferentiated from full-employment model building.

While the withdrawal of the post-Korean stimulus of rising defense made us unanimous about a turning point in general business conditions in 1953, it suddenly reduced our ability to foresee the size and distribution of total demand. In the absence of a dominant sector during the past year, it has become increasingly difficult to identify in advance the probable or potential areas of expansion arising in competitive markets, as distinct from the "underwritten" expansion which made past outlook sessions much more of a "sure thing."

In describing the character of the recession that was almost six months old, we thus found our statistical tools suddenly inadequate. Sector analysis identified the two areas—inventory and defense purchases—in which decline was progressing. But it was not strikingly helpful in interpreting the implications of these declines for other sectors. Part of this failure was accidental, in the sense that tax relief of unexpected dimensions provided a cushion between sectors; it braced private capital formation against the decline in profits resulting from less defense business and falling inventory demand; and it supported personal consumption in the face of declines in income originating in lower production for defense and inventory. But I do not think we can lay our failure to catch the latent strength in capital formation and consumption entirely to the accident of tax relief.

Even though it had been progressing for six months, the internal structure of the 1953-1954 decline was thus not entirely clear to us, as a group, when our forecast of December, 1953, was made.

This background of our performance last year helps to illuminate some additional and special difficulties which attend our present forecasting efforts. Nine months ago we were called upon only to forecast the duration of a general business trend already in existence and already identifiable in at least two sectors, and to describe its impact by sector. This was valuable experience in the use of sector analysis under conditions of less than full employment, and in the absence of a preponderant sector demand.

We are now called upon to do very much more—to describe the course of business starting from a position of virtual rest. For the plain fact is that, despite widespread expressions of confidence on the part of businessmen and government economists, American business conditions have been moving doggedly sidewise for al-

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*A talk by Dr. Gainsbrugh at the Business Outlook Luncheon of the Annual Meeting of the American Statistical Association, Montreal, Canada, Sept. 10, 1954.

NEW ISSUE

$160,000,000

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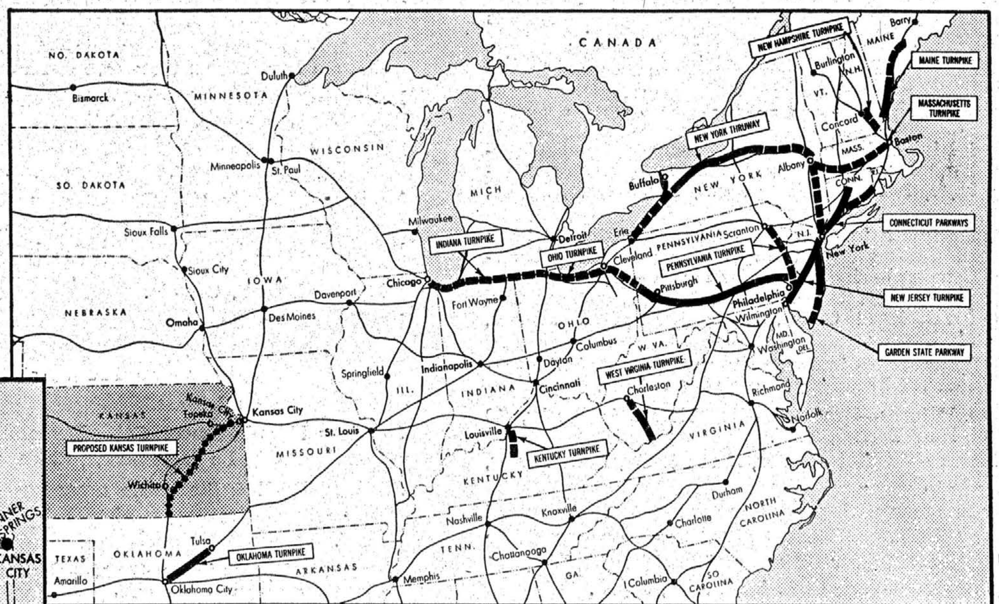

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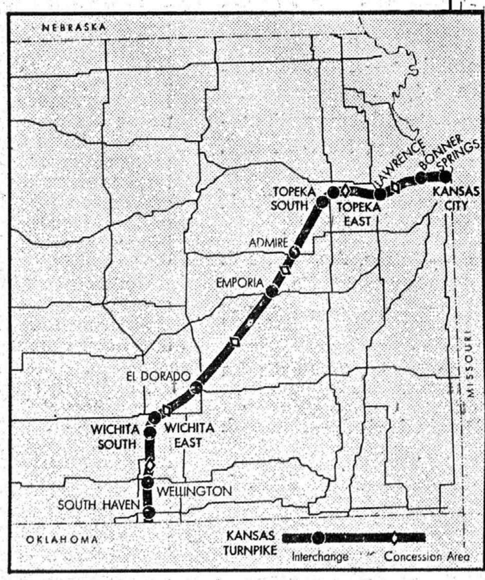

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Period	Redemption Price % For Sinking Fund	Redemption Price % Otherwise
October 1, 1958 to and including April 1, 1962	103	—
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October 1, 1968 to and including September 30, 1971....	101½	102
October 1, 1971 to and including September 30, 1974....	101	101½
October 1, 1974 to and including September 30, 1977....	100½	101
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September 23, 1954.

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

Area Resources—Booklet describing the natural resources of the Utah-Colorado-Idaho area—Dept. M., Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

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

Bonds—Interest rates vs. purchasing power—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Chemonomics—New letter on technical economic news of the chemical process industries on request, on your letterhead—R. S. Aries & Associates, 270 Park Avenue, New York 17, N. Y.

Earnings and Dividend Outlook for Japanese Companies—In current issue of "Weekly Stock Bulletin"—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.

Maine Potato Futures—Brochure—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Municipal Market—Leaflet—Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

Oil Industry in Japan with particular reference to **Nippon Oil Co., Daikyo Oil Co.,** and **Mitsubishi Oil Co.**—In current issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

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

Products and Processes—Booklet E describing uses of alloys, carbons, gases, chemicals and plastics—Union Carbide & Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Railroads—Data o **St. Louis-San Francisco; Chicago, Rock Island & Pacific; Peoria & Eastern; Western Maryland**—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a bulletin on **"Unpopular"** groups of stocks and analyses of **Coca Cola Bottling Company of New York** and **Kearney & Trecker Corp.**

Stock Markets News and Service—Special introduction trial subscription to Canadian Stock Market Advisory service—eight weeks — $3.00—(regular subscription rates $15 for 25 issues or $25 for 50 issues)—Dept. 5, Oscar C. Bartells, 100 Adelaide Street, West, Toronto, Ont., Canada.

World Wide Foreign Transactions—Booklet outlining Public National's foreign banking services—Public National Bank and Trust Company of New York, 37 Broad Street, New York 15, N. Y.

* * *

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

American Rock Wool Corp.—Descriptive literature—Kneeland & Co., Board of Trade Building, Chicago 4, Ill. Also available is literature on **American Window Glass Co.** and **Natco Corporation.**

Atomic Instrument Co.—Bulletin—Standard Investing Corporation, 40 Exchange Place, New York 5, N. Y.

Blaw-Knox Company — Analysis — Walston & Co., 35 Wall Street, New York 5, N. Y. Also available is a brief analysis of **Oxford Paper Company.**

Colgate-Palmolive Company—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

First National Bank in Dallas—Analysis—Dallas Union Securities Company, Dallas National Bank Building, Dallas 1, Tex.

Foremost Dairies, Inc.—Brochure describing operations in the Far East—Allen & Company, 30 Broad Street, New York 4, N. Y.

Gardner-Denver Co.—Analysis—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif. Also in the same bulletin are brief analyses of **Filtrol** and **Gaylord Container.**

International Nichol — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Lear Inc.—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Liquid Carbonic Corporation—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Morrison-Knudsen Company, Inc.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

National City Bank of New York—Detailed analytical report—The First Boston Corp., 100 Broadway, New York 5, N. Y.

National City Bank of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Northwest Plastics, Inc.—Memorandum—Irving J. Rice & Co., Inc., First National Bank Building, St. Paul 1, Minn.

Power Corporation of Canada, Limited — Analysis — Nesbitt, Thomson & Company, Limited, 355 St. James Street, West, Montreal, Que., Canada.

Public Service Co. of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Southern Nevada Power Co. — Memorandum — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Standard Fruit & Steamship Company—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Texas Gas Transmission Corp. — Card memorandum — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Thorofare Markets, Inc.—Memorandum—Hulme, Applegate & Humphrey, Union Trust Building, Pittsburgh 19, Pa.

Twentieth Century Fox—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Ultrasonic Corp.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

Union Bag & Paper Corporation—Detailed study—Naess & Thomas, 61 Broadway, New York 6, N. Y.

Westinghouse Electric Corporation — Review — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Lehman Brothers Named Financial Adviser For the New Jersey Garden State Parkway

Appointment made in preparation of additional financing to complete project.

Appointment of Lehman Brothers of New York City as financial adviser to the New Jersey Highway Authority was announced Sept. 20 by the three-member commission which has been building and operating the 165-mile Garden State Parkway.

The appointment was made by the Authority in preparation for additional financing to complete the Parkway project between Bergen County in northern New Jersey and Cape May County in southern New Jersey.

Commissioner Bayard L. England, Vice Chairman and Treasurer of the New Jersey Highway Authority, said the designation was confirmed in a letter to Frank H. Morse of Lehman Brothers.

This firm's activity in toll road financing is well known as they are senior managers in connection with the financing of the New York State Thruway and the Connecticut Expressway as well as other similar turnpikes and toll roads.

The Garden State Parkway, New Jersey's newest superhighway, is open for more than 130 miles now between Irvington in Essex County and Cape May in Cape May County. The Parkway is slated for completion as a 165-mile divided highway along the eastern half of New Jersey by the summer of 1955.

Our Reporter's Report

The rousing response which greeted offering of American Telephone & Telegraph Co.'s $250,000,000 of 30-year debentures priced to yield 3.12%, was expected to act as a real tonic for the general investment market.

Prior to the actual offering this huge overhanging project had proved something of a stumbling block for the market generally since it tended to keep investors on the sidelines awaiting the fixing of the terms.

Two nationwide syndicates made the race for the issue with the successful group entering a bid of 101.9199 for a 3¼% interest rate. The runners-up bid 101.87 for the same coupon and were reported as contemplating pretty much the same reoffering price, 102.52.

The quick placement of this huge single issue of new securities tended to show how the channels of distribution have changed in recent years. It develops that not a single one of the so-called "Big Five" insurance companies turned up as a substantial buyer.

But a large Canadian life company, along with several New England insurance firms, and a host of pension funds, including some of the biggest, took down sizable blocks assuring the success of the undertaking.

Contributing in a measure to the overall situation was the report that dealers in the second group had large orders for the issue.

Gives Market a Lift

Through the past fortnight the investment community had been pointing to the Telephone financing as a millstone on the seasoned market. Everybody, it was observed, was disposed to stand aside and wait for a look at the big one.

Well, now it appears that the reverse is more or less true with the general acceptance of the new debentures acting to perk up the general market.

In fact it was noted that there was visible hardening in the prices for some of the recent issues that have been a bit on the sticky side. Southern Bell Telephone's recent issue and that of Niagara Mohawk Power appeared to be getting some renewed attention.

Northern Pacific Issue Today

Northern Pacific Railway Co. is scheduled to open bids today for a new issue of $52,000,000 of 30-year collateral trust bonds, keeping alive the current parade rail financing.

Two major banking groups will be competing for this business which is made attractive by the fact that it is for the purpose of refunding outstanding debt.

The proceeds will be used to retire the collateral 4½s due in 1975 and the refunding and improvement 5s, maturing in 2047.

Next Week's Schedule

Three utility offerings and another railroad issue make up the bulk of next week's corporate calendar. On Tuesday Northern States Power Co. will offer $20,000,000 of new bonds and Western Massachusetts Electric will open bids on a $6,000,000 issue.

On Wednesday bankers will be competing for an issue of $10,000,000 of bonds of the Columbus & Southern Ohio Electric Co.

And the following day will bring on competitive bidding for $30,350,000 of bonds of the Louisville & Nashville Railroad, which will provide funds for paying off $24,610,000 of 4s of its Atlanta, Knoxville & Cincinnati division, due next May, and for other corporate purposes.

A Favorable Future For Equity Prices

By BEARDSLEY RUML*
Director, National Securities & Research Corporation
Former Chairman of the Board, Federal Reserve Bank of N. Y.

In asserting outlook for prices of equitable securities appears to be favorable, Mr. Ruml supports this contention by analyzing four economic factors; viz: (1) the level of interest rates; (2) changes in the size and age distribution of the population; (3) increase of productivity; and (4) the outlook for profits. Looks for within the next decade, a greater percentage of corporate profits distributed as dividends, and finds domestic and international political outlook "likely to get better."

We are all interested in the economic outlook for the very good reason that we are all interested in securities and in the price of securities. And being in the mutual fund business I suspect we are more interested in the longer term rather than in the shorter term outlook.


Beardsley Ruml

But before analyzing the longer term economic outlook let us recognize that there are certain non-economic factors that affect the price of securities, even for the longer term. Let me mention three of these non-economic factors that seem to me to be particularly important.

First of all, with respect to the price at which equities sell, is the prevailing conception at any particular time as to the price-earnings ratio that is proper. We have seen many changes in what people feel this price-earnings ratio should be. True, elements in the economic outlook do affect any prevailing conception as to a proper price-earnings ratio, but also there is a large element of history, mood, habit, convention in it as well. We hear people say, "The price-earnings ratio is too high," or it's too low," or "it's about right." And when large numbers of investors and investment councilors begin to feel the same way, the price of equities is bound to be affected.

A second big non-economic factor is the prevailing idea at any particular time on the part of individual and institutional investors as to how they should distribute their holdings as between fixed income senior securities, that is non-participating bonds, mortgages and preferred stocks and equities or securities sharing in some way in the more extreme profit uncertainties of business. The prevailing idea at any time is partly logical and economic, the degree of danger of inflation for example is an economic consideration. But beyond logic and the economic outlook, the decision as to what proportions of one's capital should be invested in equities is a matter of what other people are doing; and of course, for trustees and institutional investors, particularly when the investment manager is a younger man and trying to make good, there is a powerful desire not to do anything for which one could be criticized, a desire above all else to be considered sound. I have said long ago, in a somewhat unfriendly mood, that in the financial world being considered sound involves making the same mistakes other people are making at the time they are making them. Success on any other basis is regarded pretty much as a matter of luck and not to be taken as an omen of what is likely to happen next time.

And as we all know, we have seen important changes in recent years in prevailing ideas as to the distribution of investment in different classifications of securities.

The third and last big non-economic factor that I shall mention is the view of the people on the political outlook, domestic and international. Here too there are important economic overtones, but the driving forces are faith, fear or doubt. The political outlook may seem to the majority of investors "pretty good," "pretty bad" or "uncertain." Unless the outlook seems "pretty good," the tendency will be to keep reasonably liquid and to "wait and see."

As to these three non-economic factors, my opinion is that the first two have been working favorably for the prices of equities and the third unfavorably. If all three begin to operate in the same direction, the price of equities will move up or down at any level of economic activity, present or prospective.

Economic Factors in the Long Pull

Let us turn now to the more strictly economic factors in the longer pull. Let us take the year 1965 as our goal year, partly because a good deal of statistical work has been done by responsible scholars pointing up to 1965 and partly because for an investment program a 10 year look ahead seems neither much too long nor much too short.

I shall discuss four economic factors in the outlook that seem to me to be particularly important. These are:

(1) The level of interest rates.
(2) Changes in the size and age distribution of the population.
(3) Increase of productivity.
(4) The outlook for profits.

Of each of these four factors except the last we can speak with consideration confidence, and with respect to the outlook for profits, I shall give you my opinion even though I can give you no solid statistics to back it up.

The Level of Interest Rates

Let us take as our indicator of interest rates the rate on the longer term Federal bonds. We recognize of course that sepcial influences may cause considerable variation in short term rates and in the yield of tax-exempt securities. However, it is improbable that long term private bonds of high quality will spread away from long term Federals, and insofar as interest rate levels affect the price of equities the long term Federal rate seems the best indicator.

It seems to me that the level of interest rates in the period ahead will have little or no direct effect on the price of equities, except perhaps as people come to realize that the long term rate which we now have is unlikely to shift substantially one way or the other, they may revise their ideas of price earnings ratios with favorable overall consequences on the price of equity securities.

My reason for feeling that little change is to be expected in interest rates is that I believe there is now an overwhelming acceptance of the thought that in a country with a central bank and an inconvertible currency interest rates are necessarily artificial and not natural. I also believe that the Federal Reserve will not undertake to use massive changes in interest rates for purposes of control on the level of business.

This does not rule out minor changes in rediscount rates which serve a certain purpose in telling the country that the Federal Reserve is of the opinion that things are going a little too far in one direction or another. Nor does it preclude the use of other powers of the Federal Reserve in making credit tighter or easier. But it does seem to me that experience has shown that as far as the interest rate itself is concerned it is a clumsy tool and that interest rates had best be held at a reasonably constant level as a basis for calculations for the future that can be made with fair confidence.

Changes in the Size of the Age Distribution of the Population

A second basic economic factor is to be found in the coming changes in the size and age distribution of the population. These changes are much more substantial than is generally appreciated and in taking 1965 for our target date, we need make no assumptions as to birth rate or death rate that would affect in any significant way our conclusions.

By 1965 the total population of the United States will reach 190 million as compared with about 160 million today.

But even more important for the economic outlook, the changes in the age distribution of the population is even more significant.

A recent estimate gives the number of productive workers in industry, commerce, trade, agriculture and government as not less than 74 million in 1965. This increase takes into account an increase in the aggregate number of men of ages 18 to 64, a greater proportion of women working in activities which will count them in the labor force, and a greater proportion of older people who will continue working beyond their present formal retirement age.

This increase in productive workers is an important change, but equally important are the changes that will affect the pattern of savings and consumption, for example children between the ages of five and seven will go up only 4% while those in the high school age group 14 to 17 will go up nearly 60%. Another way of stating this increase is to point out that the number of children between the ages of 12 and 17 inclusive will rise from 14 million as of today to 22 million in 1965, an increase of eight million in this age group. This latter group for the time being not in the productive working force will nevertheless represent a marked change in the present pattern of the consumer industries.

The third important economic factor is the increase in productivity which can be expected to occur by 1965.

This increase of productivity will be determined by three principal changes, the increase in the number of productive workers which we have already discussed, the increase in productivity per man hour, and a reduction in the number of hours worked per year.

The productivity of the American economic system per man hour has risen constantly for decades as a result of technological research, mechanization, and the improvement of managerial skills and efficiency. It is important to recognize that productivity rises even at times when production falls. Productivity improves both in the upswing and the downswing of the business cycle. From 1940 to 1950 the average increase in productivity was about 3% and in recent years it has been even higher, probably as a result of substantially greater expenditures for technological research. Productivity per man hour will increase by not less than 3% a year for the decade ahead.

As the working force increases in size and as productivity per man hour expands, the number of hours worked per year in industry, commerce and trade must be expected to decline. In 1953 the number of hours worked per year averaged 2,040. By 1965 the number of hours worked per year will certainly be smaller. How much smaller is obviously a matter of opinion. My own estimate is based on assuming a seven hour working day, five such days per week and with an addition three and a half weeks per year for vacations, paid holidays and sick leave. This gives us a working year of 1,700 hours in 1965, a decline of 17% from the 1953 level. Put all these factors together—increased working population, increased productivity, a smaller number of working hours—and using the 1953-54 price level, the gross national product for 1965 will not be less than $525 billion; this is a minimum figure, a higher figure is probable. Gross national product is estimated at $358 billion for 1954.

With respect to this increase in productivity a 3% annual increase at first glance does not seem to be very large. But if we take a year such as 1953 as year "Zero" with an index of "100" then 1954 should be 103 and year 1955 should be 106 if we are to maintain levels of employment consistent with what the American economy is able to produce. Now

Continued on page 26

*An address by Mr. Ruml before the Mutual Fund Sales Convention, sponsored by the "Investment Dealers' Digest", Chicago, Ill., Sept. 20, 1954.

NSTA Notes

AD LIBBING

We are happy again to inform our group that Maurice Hart of the New York Hanseatic Corporation, New York City, has procured a page ad for our NSTA Year-Book Convention issue of the "Chronicle" from American Marietta Company of Chicago. This is most encouraging and we hope it will act as an added inspiration to others to obtain ads of this nature, too.

Maurice I. Hart

Harold B. Smith

Below is the report that I will deliver today at the Convention in Atlantic City. I greatly appreciate the efforts of all those responsible for these results and I hope more of our members will take an interest in our work during the forthcoming year.

September 17, 1954

Fellow Members:

Your 1954 National Advertising Committee is proud to report as of the above date $31,004 gross. This figure is second only to the 1946 picture book. Congratulations to all affiliate chairman and the many members who made personal solicitations.

In my opinion our members grasped the opportunity to improve their local treasuries after your Executive Council meeting last January in Chicago eliminated the quota system and offered each affiliate 6% rebate on dealer contracts and 10% rebate on non-dealer and commercial ads. With this great increase and enthusiasm I recommend to the newly elected council that next they split 50-50 with our affiliates on our share of 40% gross.

We will take contracts until Sept. 27 and when final returns are made, each chairman will be advised of his efforts and adjustments will be made by our treasurer. We can still reach for $35,000 to $40,000.

Many thanks and praises to Messrs. Beck, Murphy, Reilly and Peterson, "Chronicle" salesmen, the staff at 25 Park Place, and Herbert D. Seibert—a fellow member—who makes this undertaking possible and will have paid our organization over $115,000 with the 1954 receipts since 1939.

Alabama Security Dealers Association	$63.00
Arizona Security Dealers Association	----
Baltimore, Security Traders Association of	372.40
Boston Securities Traders Association	1,890.00
Carolinas, The Security Dealers of the	----
Chicago, Bond Traders Club of	1,471.20
Cincinnati Stock and Bond Club	238.00
Cleveland Security Traders Association	1,463.80
Connecticut, Security Traders Association of	196.00
Dallas Security Traders Association	799.00
Denver, Bond Club of	340.20
Detroit & Michigan, Securities Traders Assn. of	541.80
Florida Security Dealers Association	383.20
Georgia Security Dealers Association	426.00
Houston, Investment Dealers Association of	----
Kansas City (Missouri), Bond Traders Club of	----
Los Angeles, Security Traders Association of	634.00
Louisville, Bond Club of	279.80
Memphis Security Dealers Club	88.20
Nashville Security Traders Association	182.70
New Orleans Security Traders Association	406.00
New York, Security Traders Association of	13,795.50
Philadelphia, Investment Traders Association of	2,557.00
Pittsburgh Securities Traders Association	379.40
Portland (Oregon), Security Traders Association of	266.00
St. Louis, Security Traders Club of	536.60
San Francisco Security Traders Association	812.00
Seattle Security Traders Association	856.20
Syracuse, N. Y., Bond Club of	70.00
Twin City Bond Traders Club (Minneapolis-St. Paul)	280.00
Utah Securities Dealers Association	444.00
Wichita Bond Traders Club	----
Unaffiliated	1,232.00
Total	$31,004.00

Ad Libbingly yours,
HAROLD B. SMITH, Chairman
NSTA Advertising Committee

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York is reminding members of the NSTA that their Post-Convention dinner will be held Sept. 26 at the Starlight Roof of the Waldorf Astoria. Cocktails at 6:30 p.m.

Ladies Luncheon will be given at 12:30 p.m. Sept. 27 at the Hotel Plaza.

Reservations may still be made with Edward J. Kelly, Carl M. Loeb, Rhoades & Co.

Final Advance Convention Registration List

Additional Registrations NSTA Convention, Atlantic City, N. J., Including Sept. 21, 1954

Name	Firm	City
*Abell, Dunbar B.	Reed, Lear & Co.	New York
Adams, Mrs. Martha Evans	Clement A. Evans & Co., Inc.	Atlanta
Armstrong, J. Sinclair	Securities and Exchange Commission	Washington
*Bagley, Edward N.	J. A. Hogle & Co.	Salt Lake City
Bartold, Harry	Eastman, Dillon & Co.	New York
Bourbeau, Edward J.	Daniel Reeves & Co.	Beverly Hills
Brewer, James R., III	John C. Legg & Company	New York
*Byrne, R. Emmet	Scherck, Richter Company	St. Louis
Cleaner, James P.	Goodbody & Co.	New York
*Cohen, Manuel F.	Securities and Exchange Commission	Washington
Corley, Joseph J.	Allen & Company	New York
Corson, Spencer L.	Elkins, Morris & Co.	Philadelphia
Daffron, Robert E., Jr.	Harrison & Co.	Philadelphia
Dempsey, John P.	Kidder, Peabody & Co.	Philadelphia
*Dick, Lewis C., Jr.	L. C. Dick & Co.	Philadelphia
Donnely, James A., Jr.	Reynolds & Co.	New York
Egan, John E.	First California Company	San Francisco
*Emerson, Edward H.	Securities and Exchange Commission	Washington
*Evans, Edward H.	Philadelphia National Bank	Philadelphia
*Fox, P. Fred	P. F. Fox & Co.	New York
*Frazier, Laurence	Laurence Frazier & Co.	New York
*Frings, J. George	Sterling, Grace & Co.	New York
*Gaddis, Calvin P.	Edward L. Burton & Co.	Salt Lake City
Gawne, Harry J.	Merrill, Turben & Co.	Cleveland
*Gesell, Herbert R.	Kugel, Stone & Co., Inc.	New York
Goodeve, Charles W.	F. B. Ashplant & Co.	New York
*Graham, John E.	G. H. Walker & Co.	Hartford
Growney, E. Michael	Joseph McManus & Co.	New York
*Guiton, Joseph F.	Craigmyle, Pinney & Co.	New York
*Haigney, Dayton P.	Dayton Haigney & Co.	Boston
Hannafin, Daniel	Joseph McManus & Co.	New York
Homsey, Pfc. Anton E., Jr.	duPont, Homsey & Company	Boston
Horn, Clarence A.	First of Michigan Corp.	Detroit
Howard, Kenneth J.	J. A. Hogle & Co.	New York
Hudson, John C.	Thayer, Baker & Co.	Philadelphia
Hudson, Miss Mary Lou	Thayer, Baker & Co.	Philadelphia
Hudson, Master Bobby	Thayer, Baker & Co.	Philadelphia
*Jacobs, Donald B.	Conning & Co.	Hartford
Kaiser, Charles M.	Grady, Berwald & Co.	New York
*Kosek, Ernest	Ernest Kosek & Co.	Cedar Rapids
Larson, N. Henry	First Boston Corporation	Boston
*LeBeau, Irving C.	May & Gannon, Inc.	Boston
Lee, Garnett O., Jr.	Scott, Horner & Mason	Lynchburg
*Libby, Gordon H. N.	Coburn & Middlebrook, Incorporated	Hartford
Liston, Corwin L.	Prescott & Co.	Cleveland
Lopato, Allan	Allen & Company	New York
Lynch, Howard J.	Paul & Lynch	Philadelphia
*Magid, Samuel E.	Hill, Thompson & Co., Inc.	New York
*Maguire, John E.	May & Gannon, Inc.	Boston
*Marshall, William S.	Securities and Exchange Commission	Washington
Mason, Bellman H.	Anderson & Co., Ltd.	Toronto
McBride, C. W. "Mickey"	Midland Securities	Toronto
*McCulley, C. Rader	First Southwest Co.	Dallas
McCutcheon, Charles R.	Securities and Exchange Commission	Washington
McMahon, Vincent	Reynolds & Co.	New York
McPolin, Benjamin J.	McDonald & Co.	Cleveland
Monahan, Joseph A.	J. A. Hogle & Co.	New York
Morrissey, Frank J.	F. J. Morrissey & Co.	Philadelphia
Noko, G. Harold	Francis I. du Pont & Co.	New York
Parkes, Newton H., Jr.	New York Hanseatic Corporation	Philadelphia
Plumridge, Theodore	Eastern Securities Corp.	New York
*Pollick, John P.	Swift, Henke & Co.	Chicago
*Reilly, John F.	Gearhart & Otis, Inc.	New York
Rice, Willard F.	Eastman, Dillon & Co.	Philadelphia
Roob, Edward A.	Salomon Bros. & Hutzler	Chicago
Rowady, Lewis	Hudson White & Co.	Detroit
*Rowen, Paul R.	Securities and Exchange Commission	Washington
*Sachnoff, Samuel	First National Bank	Chicago
Schreiner, William McE.	F. J. Morrissey & Co.	Philadelphia
Snyder, Harry B.	Yarnall, Biddle & Co.	Philadelphia
Stanko, M. J.	Hudson White & Co.	Detroit
Stoltz, Charles E.	Reynolds & Co.	New York
Torple, Robert	J. C. Bradford & Co.	New York
Wallingford, John D.	Stroud & Co., Incorporated	Philadelphia
Wallingford, Miss Mary Ann	H. M. Byllesby & Company, Incor.	Philadelphia
Warner, Henry B.	Henry B. Warner & Co.	Philadelphia
Whiting, Mrs. Betty	Carl M. Loeb, Rhoades & Co.	New York
*Whiting, Edmund A.	Carl M. Loeb, Rhoades & Co.	New York
Winfield, Walter	N. R. Real & Co.	Jersey City
*Winkler, W. William	Thayer, Baker & Co.	Philadelphia
*Woodside, Byron D.	Securities and Exchange Commission	Washington
Zingraf, Charles M.	Laurence M. Marks & Co.	New York

*Mr. and Mrs.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Sept. 16, 1954, is as follows:

Team:	Points
Barker (Capt.), Brown, Corby, Weseman, Whiting, Fitzpatrick	9
Mewing (Capt.), Define, Gavin, Montanye, Bradley, Huff	8
Meyer (Capt.), Murphy, Frankel, Swenson, Dawson, Smith, Kuehner	8
Donadio (Capt.), Hunter, Fredericks, Demaye, Saijas, Kelly	6
Bean (Capt.), Meyer, Bies, Pollack, Leinhardt, Weiler	5
Serlen (Capt.), Rogers, Krumholz, Wechsler, Gersten, Gold	5
Leone (Capt.), Nieman, O'Marra, Forbes, Greenberg, Gannon	5
Krisam (Capt.), Clemence, Gronick, Stevenson, Weissman, Reid	4
Growney (Capt.), Alexander, Eiger, Valentine, Burian, Craig	4
Klein (Capt.), Rappa, Farrell, Voccolli, Straus, Cohen	3
Manson (Capt.), Jacobs, Siegel, Topol, Frankel, Tisch	2
Kaiser (Capt.), Hunt, Werkmeister, Kullman McGovan, O'Connor	1

200 Point Club

Will Krisam 214
Hoy Meyer 208

5 Point Club

Hoy Meyer
George Leone
Joe Donadio

With Lee Higginson

(Special to The Financial Chronicle)

BOSTON, Mass. — James D. Browne has become connected with Lee Higginson Corporation, 50 Federal Street.

Joins King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, Mo.—Earle H. Smith has become associated with King Merritt & Co., Inc., Woodruff Building.

Joins McCoy & Willard

(Special to The Financial Chronicle)

BOSTON, Mass.—James R. Ashburn is now connected with McCoy & Willard, 30 Federal Street. He was previously with Trusteed Funds.

With A. G. Edwards

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—James T. Farris is now with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

COMING EVENTS

In Investment Field

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.

Sept. 23, 1954 (Omaha, Neb.)
Nebraska Investment Bankers Association of Omaha and Lincoln bond party at the Omaha Country Club (preceded by a cocktail party for out-of-town guests Wednesday evening, Sept. 22).

Sept. 24, 1954 (New York City)
Charles Hayden Memorial Trophy Tournament at the Whippoorwill Club (near Armonk, N. Y.)

Sept. 26, 1954 (New York City)
Security Traders Association of New York host to the National Security Traders Association at a dinner dance at the Hotel Waldorf-Astoria.

Sept. 27-30, 1954 (New York City)
National Association of Securities Administrators meeting at the Hotel Roosevelt.

Oct. 1, 1954 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Annual Fall Outing at the Allegheny Country Club, Sewickley, Pa.

Oct. 8, 1954 (Rockford, Ill.)
Rockford Security Dealers Annual "Fling-Ding" at the Rockford Country Club.

Nov. 4-6, 1954 (Florida)
Florida Security Dealers Association Annual Convention and Election of Officers.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

Eastern Securities Adds Della Vecchia

Eastern Securities, Inc., 120 Broadway, New York City, announces that Robert Della Vecchia has joined their staff.

Nelson Loud, Director

Nelson Loud, Executive Vice-President of F. Eberstadt & Co. Inc., has been elected to the board of directors of The O. A. Sutton Corporation, Inc. of Wichita, Kan., manufacturers of "Vornado" air conditioners and air circulators.

With Beil & Hough

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Celia A. Simons has been added to the staff of Beil & Hough, 33 Fourth Street, North, members of the Midwest Stock Exchange.

Ralph B. Leonard Opens

Ralph B. Leonard & Company, Inc. has been formed with offices at 25 Broad Street, New York City, to conduct a securities business.

With FIF

(Special to The Financial Chronicle)

DENVER, Colo.—Earl M. Walker has become associated with Financial Industrial Fund, 444 Sherman Street.

Accord in Federal Reserve Policy And Treasury Debt Management

By DAVID M. KENNEDY*

Assistant to the Secretary of the Treasury

After reviewing developments in Federal finances under the Administration's program, Mr. Kennedy explains the process of reconstructing the Public Debt and the actions of the Treasury in keeping an accord with the Federal Reserve's flexible credit policy.

The aims and objectives of the financial program of this Administration have been briefly summarized as economy, lower taxes, and honest money. These aims are being accomplished. Confidence in the value of the dollar has returned. The transition of our economy to a lower level of government spending is progressing smoothly.

David M. Kennedy

Encouragement of private enterprise, removal of restrictions and handicaps, and sound, realistic programs by the Federal Government are laying the groundwork for a healthily expanding economy, for better national security, and for more jobs for more people.

The Federal budget has been brought under control. We have come more than two-thirds of the way toward balancing the budget and we have done this while putting into effect tax reductions which will return nearly $7½ billion to the people.

Government spending which totaled $39.6 billion in the fiscal year 1950 increased year by year and amounted to $74.3 billion in fiscal 1953. In 1954, expenditures were reduced to $67.6 billion. This reduction in expenditures has resulted in a saving of $6½ billion from the 1953 figure and a saving of $10 billion from the budget estimate made in January, 1953 by the outgoing Administration. The tide has been turned. Further reductions in expenditures are planned for the current fiscal year of 1955.

The budget deficit, which was $9.4 billion in fiscal 1953, amounted to $3 billion in 1954. Thus we have gone two-thirds of the way toward a balanced budget in this short period of time.

It takes time for the private sector of the economy to adjust to and replace the large cuts being made in Federal spending. It was to cushion the impact on the economy of these cuts in Federal spending that reductions were made in taxes even before a balance had been accomplished in the budget.

Tax reductions this year totaling $7.4 billion—the largest dollar total in history—have been passed along to the public to spend or invest. These tax cuts are having a healthy and stimulating effect on the economy and are helping to provide more and better jobs. Further tax reductions, as desirable as they would be for all of us, must wait until they can be justified by further reductions in government expenditures.

The action of Congress in passing the Tax Revision Bill this year was tremendously important to all of us. The Treasury team together with the committees of Congress worked for many months, since early 1953, to study and prepare this bill. General tax revision was long overdue. The increases in our tax laws during periods of depression, war, and defense build-ups had been haphazard. Inequities and uncertainties crept in. Substantial impediments to economic development appeared. The law itself became complex, cumbersome, and in many cases, unclear.

*An address by Mr. Kennedy before the Savings Banks Association of Massachusetts, Bretton Woods, N. H., Sept. 11, 1954.

The Philosophy of Tax Revision

In his budget message to the Congress early this year, the President stated his philosophy of tax revision as follows:

"Revision of the tax system is needed to make tax burdens fairer for millions of individual taxpayers. It is needed to restore normal incentives for sustained production and economic growth. The country's economy has continued to grow during recent years with artificial support from recurring inflation. This is not a solid foundation for prosperity. We must restore conditions which will permit traditional American initiative and production genius to push on to ever higher standards of living and employment. Among these conditions, a fair tax system with minimum restraints on small and growing business is especially important."

The chief purposes of the tax revision law were to: (1) remove inequities, (2) reduce restraints on economic growth and the creation of jobs, (3) close loopholes, and (4) clarify the law.

We know that the job of tax revision is not complete. In a growing and changing economy, it is necessarily a continuing task. However, as the President said when he signed the Tax Revision Bill, this law "is the excellent result of cooperative efforts by the Congress and the Department of the Treasury to give our tax code its first complete revision in 75 years. It is a good law. It will benefit all Americans."

Reconstructing the Public Debt

We are making slow but sure progress in reconstructing the huge public debt. The Administration inherited not only a large public debt but a debt that was too heavily concentrated in short-term securities. This concentration resulted from financing and refunding of maturing issues year after year by the Treasury in short-term securities at low interest rates based on credit supplied by the Federal Reserve System. These financing policies under the previous Administration contributed to inflation and to the depreciation that took place in the purchasing power of the dollar.

A large public debt is new to this country. Prior to World War I, the debt was only about $1 billion. During that War, it increased to $26 billion. During the '20's, the debt was reduced out of an excess of tax receipts over expenditures to $16 billion in 1930. Deficit financing in the depression of the '30's increased the public debt to almost $50 billion. As the result of the Second World War, the public debt increased to a peak of $280 billion. Following the war, the debt was reduced a little, principally out of the large cash balance built up in the Victory Loan drive late in 1945. The debt is now $275 billion. In 18 of the last 21 years, we have had a budget deficit.

It is our objective to manage this inheritance of debt in such a way as to contribute to neither inflation nor deflation, but to stability. Part of this program means to lengthen the maturity distribution of the debt. Another part of this program means a wide distribution of the debt among all classes of investors.

In 8 out of 10 major financing operations since this Administration took office (excluding seasonal tax anticipation borrowing), steps have been made to lengthen the debt.

The Savings Bonds Program is an important part of debt management. With a return of confidence in the value of the dollar, sales of Series E & H Bonds are increasing and are in excess of redemptions. Our goal for the year in sales of Series E & H Bonds is "A Billion More in '54." The Savings Bond Program is helping to maintain a wide distribution of the debt among individuals.

The Federal Reserve System has been free and unhampered under this Administration to pursue a flexible credit policy designed to promote stability and economic growth. We have seen the benefits of this flexible policy as it has been made effective. For example, in the latter part of 1952 and early 1953 strong inflationary pressures prevailed. The Federal Reserve, as it should under inflationary conditions, let the heavy demand for credit tighten the money market. The force of a heavy demand for credit bidding against the existing supply in the market was restrictive and caused an increase in interest rates.

The Flexible Federal Reserve Policy

Beginning about the middle of last year, in view of the tightness that had developed in the money markets and some softening in the business situation, the Federal Reserve, under a flexible credit policy, began increasing bank reserves to make sure that credit would be available to meet expected demands. Later it became the objective of the Federal Reserve to maintain a condition of active ease in the money market in order to provide a climate from a credit standpoint that would tend to stimulate economic activity. In these circumstances, with an increased supply of credit available and a somewhat slackened demand for credit, interest rates have declined.

The Treasury has pursued financing policies since January, 1953 that have been consistent with Federal Reserve credit policies. In April, last year, when credit restraint was desirable, a long-term bond was issued. This offering was made in a free market in competition with other users of credit. Funds were channeled into government financing that might have been used for private expansion and would have added to inflationary pressures.

Since the Federal Reserve began supplying reserves to the money market about the middle of last year, the Treasury has offered intermediate term securities which were taken largely by the commercial banking system. In this way, the Treasury has continued to pursue its objective of lengthening the debt even though no further issues of long-term bonds have been offered. Funds of savings banks, savings and loan associations, insurance companies, and other long-term investors have been placed in mortgages, the corporate market, and the municipal market. These institutions have supported a large volume of home building, corporate construction, and state and local government construction. This activity has aided materially in the transition to a lower level of government spending. It is interesting to note that thus far in 1954, the total of corporate and municipal security offerings for new capital has equaled the record volume of the corresponding period of 1953. This is evidence that the flexible credit policy of the Federal Reserve and Treasury debt management are accomplishing desired results.

NY Bond Club to Hear AEC Chairman

Rear Admiral Lewis L. Strauss, Chairman of the U. S. Atomic Energy Commission, will address The Bond Club of New York at a luncheon meeting to be held at the Bankers Club on Wednesday, Oct. 6, Ranald H. Macdonald, President of the club, announced.

S. W. MacLaurin Now With Hayden, Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Stuart W. McLaurin has become associated with Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. MacLaurin was formerly with the Cleveland office of the Securities & Exchange Commission. In the past he was with Fahey, Clark & Co.

Stephen S. Steiner has also been added to the staff of Hayden, Miller & Co.

With R. S. Hays Co.

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Alvin Wingfield, Jr. is now connected with R. S. Hays & Co., Inc., 111 Corcoran Street.

Joins Francis I. Du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Donald W. Graber has become associated with Francis I. du Pont & Co., 1010 Euclid Avenue. He was formerly with Hayden, Miller & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Ore. — Leevern R. Johnson is now connected with King Merritt & Company, Inc.

Joins Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Robert H. Anderson has joined the staff of Foster & Marshall, U. S. National Bank Building.

The Golden Era of Television

By DAN D. HALPIN*

General Sales Manager, Television Receiver Division
Allen B. Du Mont Laboratories

Predicting the demand for color television receivers, following their initial mass production, should far outstrip the industry's ability to produce them, Mr. Halpin points out that it is only logical that the more than 30 million black-and-white receivers in use today will ultimately give way to color sets sometime in the future. Sees, however, not more than 20,000 color television sets in 1954.

We are at a very interesting stage in the progress of the television industry in the latter half of this year, 1954. Ten years ago—in 1944 — we were still engaged in World War II, and our electronics industry was engaged 100% in producing electronic devices for the armed services. There was not and never had been such a thing as a television industry. It is true that in 1938 the company that I represent—Du Mont — introduced and marketed the first all-electronic television receivers in America. But the emergency of World War II shut down the new art of television before it could really get off the ground.

Dan D. Halpin

There were ardent pioneers working on government electronic contracts at Du Mont's New Jersey plant who anticipated the tremendous future that was in store for this new medium. Throughout the war these pioneering men put in a full day's work in the company's New Jersey plants producing war equipment and then each night they went across the Hudson River to New York City to produce and put on the air television programs from Du Mont's transmitter and studios. But there were only a few thousand sets in existence to receive programs.

Actually, the real expansion of television into a truly national force didn't begin until 1947. In 1946 electronic companies were primarily reconverting their facilities from war work. But in 1947 receivers started to pour out of America's factories, television stations began to go on the air across the country, and dealers in television areas sold, installed, and serviced this new electronic miracle—and at substantial profit.

Eight short years have passed—almost a decade—and fast and furious have been the changes that have taken place in our industry.

In fact, television in eight years seems to have jumped from crisis to crisis—from one change to another. There was a transition from small to large screen receivers, the original shortage of trained service personnel, the freeze on new station construction by the Federal Communications Commission, the gradual lowering of list prices, the authorization and complete failure of a field sequential color television system, a new allocation plan by the Federal Communications Commission which opened up the UHF spectrum to television, but unfortunately intermixed UHF channels in the same markets as VHF. Finally came the authorization of the National Television Systems Committee color system by the FCC. During these years we have had some strong selling markets and other periods of distress selling. Today we are faced with the widespread, profit-killing practice of discount selling at the retail level. The television era really began in 1947, but its first eight years have hardly been consistently golden.

The "Golden Era of Television" can only begin when some semblance of stability and profit are restored to our industry at all levels—manufacturer, distributor, and retailer. I strongly believe that color television is going to provide a great deal of this needed stabilization as well as profit.

Question of Color Television

Let's examine this question of color television realistically. It's been kicked around in the newspapers and the trade press for a number of years, and finally, in the last four months it looks as though the manufacturing end of our business is on the way toward large-screen receivers with excellent color pictures and at a price that will make them salable.

In April of this year Du Mont was the first picture tube manufacturer to publicly show a color television picture tube of large size with simplified construction —a tube that had every potential for economical mass production. It was a 19-inch tube with a monoconvergence tri-beam electron gun that gave excellent color fidelity and sharpness of focus across the entire face of the tube.

A competitive company has since then also demonstrated a 19-inch tube of similar construction, while a third company has announced it will demonstrate next month a 21-inch round color tube together with accompanying receivers.

There will be additional refinements and developments in the color picture tube field, but it is pretty safe to say that a 19-inch tube or a 21-inch tube give the size picture to which the television viewer is now accustomed.

Only 20,000 Sets in All

Various companies have made conflicting statements about their production plans for color receivers this year. But from what I can gather, production will be pretty small—perhaps somewhere in the neighborhood of 20,000 sets in all. Production of such a small quantity will provide little more than a sampling and a gauge for public acceptance and demand.

With such a small number of receivers reaching the market before Christmas time, they can probably do little in the way of stabilizing prices or adding to dealer profit of themselves. Nevertheless, they certainly will be useful for building traffic in the dealer's store, and there is every likelihood that the public demand for these receivers, even at initially high prices, will far outstrip the immediate supply.

I think I should emphasize at this time that the small size color picture tube is a thing of the past, and that the color receivers which will go on the market this fall will be large-screen size receivers using the NTSC compatible color system. Therefore, there is no reason why this fall's production of color receivers should become obsolete.

Golden Era Not in 1955

I do think that retailers, distributors, and manufacturers should in the year 1955 see the beginning of what can be called the "Golden Era of Television." There are over 30 million black-and-white receicers in use today with 20% of America's homes still not within range of a television signal. It is only logical to believe that practically every television owner is a pre-sold prospect for a color set sometime in the future. The time at which he becomes an actual buyer will depend upon prices, availability, and color programming.

A considerable expansion in color programming is already scheduled for this fall, while the American Telephone and Telegraph Company indicates it will have color-corrected relay facilities to approximately 100 United States cities by the first of the year.

As for receiver prices, Dr. Allen B. Du Mont, who pioneered in television by the development of the first commercially practical black-and-white cathode-ray tube, gave his views about future prices of color receivers when Du Mont introduced its large-screen color tube last April. Dr. Du Mont stated that color receivers with 21-inch rectangular tubes would probably list at around $500 within two years.

As far as I can see, there will be a strong market for black-and white receivers during the remainder of this year with production and sales leveling off somewhat as production on color receivers is increased. However, there is an important point that I think should be brought out — demand for color television receivers following their initial mass introduction should far outstrip the industry's ability to produce them. Therefore, there should be no pressure on any part of the retail end of our business to start playing seesaw with list prices. By the same token, if retailers across the country accustom themselves to adequate profits on color television receivers, there should be a considerably smaller temptation to give away black-and-white receivers for a profitless markup.

Actually, there will probably be a lessening in production of black-and-white sets with color production increasing, and with this there should still be a continuing demand for the monochrome receivers. Initially a color receiver will probably find its way into the family living room, but television will probably follow the path of radio with a black-and-white set in the children's room, in the patio, playroom, and bedroom.

And so I think definitely that the "Golden Era of Television" can begin in 1955 with the first mass marketing of color television receivers. I see a continuing production of both color and black-and-white sets at prices which will bring stability back to the television industry. The Golden Era is not automatically guaranteed to every dealer, to every distributor, and to every manufacturer. However, to those who conduct an ethical business, who are painstaking in the giving of service, and who merchandise intelligently and aggressively — to those retailers, to those distributors, and also to those manufacturers, the coming years can indeed be golden.

*From an address by Mr. Halpin before the Texas Radio and Service Clinic and Electronic Fair, Dallas, Texas, Aug. 27, 1954.

Impact of Research Costs On the Chemical Industry

R. W. McNamee and L. E. Erlandson of Union Carbide & Carbon Corp. present yardstick for measuring value of expenditures for that purpose.

Does scientific research pay off? How much can a company afford to invest in the unknown?

A yardstick for measuring the value of research and a basis for deciding how much to spend on it were suggested Sept. 14 to the American Chemical Society's 126th national meeting by Dr. R. W. McNamee, an organic chemist who is manager of research administration of the Union Carbide and Carbon Corp., New York.

Dr. R. W. McNamee

There is fair agreement on the costs of performing research, said Dr. McNamee, but such figures simply reflect particular conditions at a particular time. They emphasize the cost of research without indicating its value, and have little significance for the future or reference to the past.

The full significance of research costs for the chemical industry cannot be understood without a knowledge of the growth and evolving organization of research in this country as well as the financial histories of companies that have participated actively in chemical research, Dr. McNamee declared, adding:

"Extraordinary economic events related to research have occurred in this century—most of them during this generation. The focus of competition, particularly in the chemical industry, has gone from the market place to the laboratory.

"Let us take a look at the financial records for the last 15 years of a group of chemical companies. Remember, please, that during this period the sales of the chemical industry increased approximately 500% and that the value of the dollar fell about 50%. Remember also that this was a period during which taxes were increased substantially. During this period the expenditures by the industry for research and development approximated 3.2% of annual sales.

"The total sales for 1953 of the companies involved amount to $3,922,000,000, or roughly 20% of the total sales for the industry. Since these companies spend somewhat more than the average on research, this means that approximately one-fourth of the total industrial chemical research effort is being considered."

On the assumption that 30% of the sales for 1953 came from products of research (some of the companies state that the figure is 50% or more), every dollar of expenditure for research from 1939 to 1943 amounted to $6.80 of sales in 1953, the speaker pointed out.

"The total sales induced per dollar of 5-year research expenditure in the fourth through the tenth years after the research was completed amounted to $36.00," he stated.

"Since the average income of these companies before Federal taxes was approximately 20% of sales, this means that in the period of the fourth through the tenth year after the completion of the research the profit before taxes per dollar of previous five-year research expenditure was in excess of $7.20.

"Summarizing to this point, it can be said that we have a better than qualitative method of evaluating research."

With regard to the question, "How much can a company afford to invest in the unknown?" the research executive pointed out that if the foregoing conclusions are correct and if they are valid for the future—the more research the better. However, he conceded, any company must have financial limitations, so the question becomes, "What are the financial limitations?"

If a company is to survive and grow, it must have strong earning power and it must pay its taxes and pay its investors a satisfactory rate of return on their money, he said. With what is left of earnings, after depreciation, the company can expand. Prudent borrowing is also a possibility.

"As a general rule the amount of research an established company should do can be determined in important measure on the basis of its ability to obtain capital for the future," Dr. McNamee asserted.

"It is possible to show a relationship of research expenditures to growth, namely, the ratio of increase in investment during a given period to research expenditures during an earlier but equal period. This ratio is surprisingly consistent at approximately $4.00 of increased investment per $1.00 of previous research expenditures.

"A conclusion that can be derived from our data is that the companies involved have had a heasonably good balance between research expenditures and ability to obtain capital. Further increase in their research expenditure relative to sales might make it possible to be even more selective in choosing projects for commercialization to that the return on investment might be increased.

"Drastic reduction in research expenditures in relation to sales would hardly seem worth considering in view of the experience of the past 15 years."

L. E. Erlandson, also of the Union Carbide and Carbon Corp., was co-author of the paper, which was presented in the McMillim Theatre, Columbia University, as a part of a symposium on "Know-How Economics," sponsored jointly by the Society's Division of Chemical Marketing and Economics and Division of Industrial Engineering Chemistry. Dr. James H. Boyd, New York consulting chemist, presided.

J. W. Hicks Adds

DENVER, Colo.—Wilson B. Lee has become associated with J. W. Hicks & Co., Inc., Colorado Building. Mr. Lee was formerly with Robert E. Schweser & Co. of Omaha.

Goddard Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Saul L. Landey has been added to the staff of J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

With Sec. Associates

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — Percy Brown has been added to the staff of Security Associates, Inc., 137-139 East New England Avenue, members of the Midwest and Philadelphia-Baltimore Stock Exchanges.

Free Enterprise Richly Profits All People

By BENJAMIN F. FAIRLESS*

Chairman of the Board, United States Steel Corporation

Calling for a continuous attack on Communism and State Socialism, Mr. Fairless says Socialism is a political force dangerous to human liberty, and that it is now more successful than Communism in its creeping conquest of nation after nation. He expresses satisfaction that new Administration is firmly committed to preservation of our competitive enterprise system, but cites reports of political experts of possibility that exponents of Socialism may increase their strength in new Congress. Points out free enterprise system is only economic system today that benefits all the people; i.e., the worker, the shareholder, and the consumer. Describes failure of Britain's Socialist government.

It is natural, I suppose, that businessmen everywhere should be accustomed to look to New England for leadership and inspiration; and that is one of the reasons, of course, why all of us at U. S. Steel are so proud of the fact that we are a part of this community — that we have deep roots in its historic past, and an enormous stake in its industrial future.

Benjamin F. Fairless

For more than half a century now—and ever since the day that United States Steel was created —our American Steel and Wire Division has been making steel and steel products in its New England plants; and one of our mills, as you know, is located right here in New Haven.

Had it not been for our boundless faith in the future of this region, moveover, we certainly would not have spent several hundreds of millions of dollars to build, on the Atlantic Seaboard, a plant which is designed and equipped especially to meet the steel needs of the manufacturers and fabricators in this whole Northeastern market.

Historically, this great area has always been America's most important center of industrial production. We believe that its importance is destined to grow, rather than diminish, in the years ahead. And it was to help insure that growth, that we began planning — nearly a decade ago — to provide this market with the most dependable and efficient source of steel that we could devise.

We think that Fairless Works has done just that. We believe that it will meet your principal requirements for steel—both finished and semi-finished—as conveniently and as economically as any source which may be available to you, either now or in the foreseeable future. And certainly it is our purpose that it should.

So it is not only my hope, but my confident expectation, that we shall continue to be an integral part of the industrial life of New England for many, many years to come—that our plants here will prosper in the future as they have in the past; and that—through our new facilities at Fairless Works —we shall be able to contribute much more substantially to the growth and development of this community than we ever could before.

Worlde-Wide Struggle for Human Liberty

But I mention that only in passing; for I did not come here tonight to talk about steel—or to sell it—much as I should like, of course, to do both. Unhappily, however, there are more pressing matters which claim our attention these days. And foremost among these, undoubtedly, is the world-wide struggle for human liberty.

All of us, I know, are alarmed by the rapid progress which Communism is making all over the earth. We have seen it swallow up much of Asia in recent years. We have noted its growing influence over some of our most important European Allies in the past few months. And we recognize that unless this trend can be reversed, it will only be a matter to time until the Communist countries outnumber all the free nations of the world.

This is a matter of the gravest concern to every one of us; and the one encouraging aspect of the situation, probably, is the fact that the American people are fully awake to this danger, and alert to the threat that it poses.

But in our desire to save the world—and ourselves—from the Communist menace, it seems to me that we are dropping our guard against another political force which is equally dangerous to human liberty, and which has been vastly more successful than Communism in its creeping conquest of nation after nation.

And that political force, of course, is Socialism.

I wonder how many of us here tonight have ever stopped to think that the truly free nations of this world — the only nations where men still enjoy freedom in the form and degree that we know it — are already outnumbered, at least twenty to one, by the countries which have embraced the deadly philosophy of Socialism in one form or another.

We are encouraged by the knowledge that some of these countries, like England and Australia, have begun to move back in our direction; but the fact remains that outside of two or three nations here in the Western Hemisphere, it would be difficult indeed to find any place on this globe where the philosophy of free, private, competitive enterprise is still dominant.

Two Different Battlefronts

So the truth is that in this struggle to preserve our liberty, we face two different enemies on two different battle fronts. The battle against Communism is world-wide. It requires the use of military forces, diplomatic agencies and police powers. And since these resources are commanded only by government, we must depend upon the Government for leadership in defeating the Communist enemy. Clearly that is its job.

But the fight against Socialism can only be won — or lost — right here at home. It is a never-ending fight against forces which are often entrenched within the government itself, and which seek greedily to enlarge their own powers by constantly whittling away the individual rights of our citizens. So in that struggle, we can seldom depend upon government for leadership. It is a job that we must always stand ready to do for ourselves.

And that is why I want to talk with you for a little while tonight, about the part which we — as businessmen — have been called upon to play in this struggle.

Through our years of experience in the operation of business and industry, we have gained a highly specialized knowledge of the workings of the free enterprise system. We are thoroughly familiar with its complex and delicate mechanisms. We know what makes it tick, and how it could be stopped from ticking. So we are singularly well-qualified to detect, at first hand, those economic and political forces which endanger that system.

And when we see that there are such forces at work — that there are individuals and groups, both in and out of public office, who seek to persuade the voters of this nation to adopt a governmental course which would undermine the economic freedoms of our fellow men — then it is not only our right, as citizens, but our inescapable duty as Americans, to speak out clearly, and to warn our people of the dangers that confront them.

That much we must do; and beyond that, there is little that we can do; for the struggle against these Socialist-minded forces is, by its very nature, a political battle which must be bought in the political arena, with political weapons — and we have none.

As a group we are divided in matters of party allegiance; and so too, of course, are our stockholders, our workers, and our customers. As individuals, our numbers are few, we are widely scattered, and we could not deliver an effective bloc vote at the polls—even if we wished to do so. The only weapon at our command, therefore, is the power of patient persuasion in seeking to win the support of others to this cause.

Yet handicapped as we are, we have been saddled with the grave responsibility of leadership; and the time has come, I think, when we ought to take a critical look at our situation and ask ourselves frankly: "How are we doing?" So let me put it to you this way:

For nearly a quarter of a century now, we have attempted — almost singlehanded — to lead the forces of resistance against a rising tide of Socialism in this country; and during most of those years, we suffered one disheartening defeat after another.

And then, two years ago, the American people rose up in their might and struck a great blow for freedom. They sent to Washington an Administration and a Congress which were firmly committed to the preservation of our competitive enterprise system.

Many of us felt, no doubt, that the war had been won—that the victory was complete, and that America had renounced — once and for all — the dangerous philosophy of those who have tried to make this country a nation of big government and little people.

But if so, we were sadly mistaken. Exactly six weeks from today, the voters will review their verdict of two years ago, when they elect a new Congress. They must decide the whole issue all over again. And what will their verdict be this time?

Well, on the face of the record, there should be little doubt about it; because the record itself has refuted, at every turn, all the dire predictions of disaster that have been flooding forth from the enemy camp throughout this period.

The Danger of Return to Socialistic Trend

But in spite of the record, political experts report that the opponents of free enterprise seem to be gaining ground and that they may increase their strength in the new Congress. And when I use the word "opponents," I do not want to be misunderstood. I am not speaking in partisan terms. I am speaking of those members of both major political parties who would lead our nation ever further down the road to State Socialism — the men who seek always to expand the powers of central government, to increase the Federal deficit, to enlarge the subsidy program, and to impose crippling burdens upon every form of individual enterprise.

Wittingly or unwittingly, these men are the spearhead of the Socialist attack in America. In the closing days of the last Congress, they demonstrated their strength convincingly — especially in the debate on the Atomic Energy Bill and on the Tax Revision program. With any substantial gain in their numbers, they could control the action of the next Congress on several important issues profoundly affecting the Constitutional liberties of the American people. And yet we read in the papers, that in most parts of the country the outcome of this election will depend almost wholly on local issues and personalities; and that this all-important question of freedom—this explosive question which may yet tear our whole world apart—is not even an issue in many of the Congressional contests here at home. It is being ignored. It is being allowed to go by default.

Now how can that be? How can the American people — who are fighting for human liberty all over the world—be so negligent about it in their own communities?

Well, I am very much afraid that we businessmen must shoulder a part of the blame. I'm afraid we have tried, too long, to "go it alone."

Whether we like it or not, we cannot deny, I think, that we have accepted the heavy responsibility of leadership in this great struggle—not because we wanted it, Heaven knows; and not because our fellow citizens have voluntarily chosen us as the defenders of their liberties; but simply because our opponents have cleverly thrust it upon us.

Socialist Attack on American Business

And there, I believe, is the great weakness of our position today.

For 20 years, American business has been the one and only target of the Socialist attack in this country; and so—as businessmen — we have been forced to fight back in self defense, for the protection and preservation of the enterprises which we manage.

We may tell ourselves that we have nobly defended the economic and political freedoms of every man and woman in this nation—and that, indeed, is per-

Continued on page 28

*An address by Mr. Fairless before the Manufacturers' Association of Connecticut, Inc., at Yale University, New Haven, Conn., Sept. 21, 1954.

Ten Years of the G.I. Loan Program

By T. B. KING*
Assistant Deputy Commissioner
Loan Guaranty, Veterans Administration

Commissioner King reveals that the GI Loan Program of the Veterans Administration has already guaranteed $24 billion in home, farm and business loans for some 3,600,000 veterans. Discusses GI home loans, the volume of which is now running high because of liberal supply of mortgage money. Contrasts experience with no-down-payment loans, and finds claims on guaranteed loans have greatest incidence in New England and the Southeast. Explains use of supplementary loans, and concludes, there is nothing static in business of home mortgages.

I welcome the opportunity your invitation affords me of acknowledging before your membership the fine record of participation in the G.I. Loan Program which you have achieved over the past decade. For, as many of you will recall, we have recently marked the Tenth Anniversary of the G.I. Loan Program.

T. Bertram King

That very generous credit experiment, launched back in 1944 while we were still in the midst of World War II, has passed its tenth milestone. As it went by that point in its road it had guaranteed a total of $24 billion in home, farm and business loans for some three million six-hundred odd thousand veterans.

Three and one-third million of those loans were home loans. Over one-half million of those home loans have been completely repaid. The greater part of the remainder is already substantially reduced by amortization and partial prepayment. Borne along on the high economic levels that have prevailed since the inception of the program hardly more than one-half of 1% have so far fallen by the wayside. Of the $47 million the Treasury has had to pay out on home loan guaranty claims we have so far recaptured $31 million or 66%, and have many millions of dollars in acquired security yet to liquidate.

When we think of the collateral returns—both tangible and intangible—that must be listed on the asset side of the ledger it can well be contended that the program has so far paid for itself many times over—in the support it has contributed to the overall health of the economy through the many lines of industry and business that it has enriched—in the income it has added to the tax rolls of every city in the land—in the improved living conditions it has brought to the families of millions of veterans—and all that means in the way of better citizens—today and tomorrow.

Massachusetts—largely through the participation of your institutions—has made a splendid contribution to all of these gains. 31% of all World War II and Korean veterans resident in Massachusetts have acquired homes with G.I. guaranteed loans. The Bay State stands near the top of the list in that regard. The national average is 21%. Over 23% of G.I. guaranteed home loans in Massachusetts have been repaid. The national average is 15.4%.

G.I. Loan Volume Running High

As you may have heard, G.I. Loan volume has been running in high gear these last six months or more, a reflection of the prevalent yield factors and the liberal supply of money seeking mortgage investments. Nationally our appraisal requests are up 71% over 1953. Application volume for August came to nearly 59,000 cases, the fifth highest monthly total in the history of the Program. Some of our offices have been flooded with several times the volume of business incoming during the same months of a year ago. Yet no corresponding increase has been experienced in our Boston office. That we attribute to the relatively high ratio of veterans that have already used their entitlement through Massachusetts institutions and to the fact Bay State veterans never faced the dearth of G.I. loan money that prevailed in other areas during 1952 and 1953.

No down-payment loans, and loans of longer maturity are creating the current wafe of G.I. lending. The percentage of no-down-payment loans has risen steadily each month for more than a year. In July, 1953, it was 8.7%. In July, 1954, it was 27%. The same is true of the use of the longer maturity. In July, 1953, 40% of G.I. loans were for 25 to 30 years; in July, 1954, it was 65%.

The Impact of the Secondary Market

The bulk of this liberal lending seems to be originated for the secondary market. Undoubtedly it is being had at a price in the way of a discount, albeit discount margins have narrowed appreciably in recent months.

Maybe industry is just flexing its muscles—complacent in the confidence that splendid record of repayment and the continued high economic level may have engendered. Maybe the discount tag is too enticing. Or competition too compelling.

But these developments warrant a closer look at the structure upon which repayment performance has so far been based. First we had the 20 year loan maximum—and the $2,000 guaranty. The $4,700 average loan. Then the 25 year maximum—the $4,000 guaranty. Then, in 1950, the $7,500 guaranty—the 30 year loan—and the $8,100 loan average. And now, the current loan average exceeds the $10,000 mark—along with the greatly heightened use of the no-down-payment loan and these other maximums.

But one thing is certain, if we can again look back, some years from now, upon a record of performance nearly as good as that to which we now point with pride—and relief—we will then be no less amazed that it has been so.

No Strong Light on the Way Ahead

Unfortunately for that purpose our experience to date sheds no strong light to show the way ahead.

Of the 18,000 claims paid on home loans through March 1954, 13,500 resulted from the default of first mortgage loans. The remaining 4,500 were claims on second mortgage loans, guaranteed over FHA primary loans under the section of the law—Section 505(a)—that was stricken from the law back in 1950. These totals cover slightly over one-half of 1% (0.55) of all home loans closed through the end of March. For first mortgage loans, the ratio was 47/100 of 1%, and for second mortgage loans the ratio was 1-1/10%.

Looking further into this claims experience on first mortgage loans, we find the down-payment loan has fared somewhat better than the no-down-payment loan. Through March 1954, 64 hundred claims were paid in connection with down payment loans, and 71 hundred claims were paid in connection with 100% loans. The ratio of claim payments was 33/100 of 1% for loans with a down payment and 79/100 of 1% for 100% loans. About 70% of all first mortgage loans guaranteed through the period under study entailed a down payment.

We have, however, been reluctant to draw any conclusions from the factors that have emerged from study of our claims experience to date. The relatively puny percentage and number of loans involved, though most welcome as an indicator of the overall health of the program, are most unsignificant as a base on which to hazard conclusions.

Of special interest to this group, however, is a study of the claims paid on loans guaranteed during the years 1947 through 1949. Of the 10 VA offices showing the greater incidence of claim payments all were in either New England or the southeast. It is not possible to develop positively the effect of the same causal factors in each of these regions. But it may be correct to ascribe that experience to the difficult economic conditions that have faced certain areas of New England during the post World War II era, and to note the importance of the textile industry to the economic health of both the northeast and the southeast.

Assigned causes of default, as you might expect, reflect the usual occurrences that are common to the experience of all of you with loss of jobs and marital difficulties leading the pack.

Korean veterans are currently using their guaranty entitlement in about the same ratio as World War II veterans. These recent veterans, made eligible under the 1952 amendments to the law, have 10 years after a date yet to be fixed by the Congress or the President within which to use their entitlement.

There are so far over two million of these veterans who have had service in World War II. Currently about 75,000 are being added to the eligible class each month. The date that will start the 10 year period of eligibility running will also bar veterans entering the service after that date. The similar 10 year period for World War II veterans expires under present law, as you know, in July 1957.

Supplementary Loans

Recently most of you have received advice of the simplified procedure VA has made applicable to the making of supplemental loans to veterans for the repair or improvement of their homes. The simplification consists mostly of the fact that supervised holders of VA guaranteed loans now may process such loans automatically and report them for guaranty after closing. Formerly, prior approval by VA was required. In addition, an officer or employee of the lender may be designated as an appraiser and his appraisal will be acceptable so long as the cost of the repairs or improvements does not exceed $2,500. Before the current amendment, the limit was $1,000. When permissible, under local law, such supplemental loans may be secured by the so-called "open-end" mortgage.

We believe it is most timely for the holders of GI loans like yourselves to become acquainted with this "new look" of the supplemental loan. Many veterans have seasoned their loans and are desirous of availing themselves of this service. Their improved economic status may warrant their reaching out for a little more in the way of livability or their family needs require a little more in the way of room. The best solution may not be to buy another house. That is where you come in with the supplemental loan. The VA amends its guaranty to cover you in the proper percentage of the total debt outstanding on both the new and the original loan.

The Congress has helped to make this line of prospective activity more workable by clearing away a lot of restrictive technicalities from the 60% — $7,500 guaranty entitlement. That you will find in Section 803 of the Housing Act of 1954, which was approved by the President on Aug. 2, 1954. Prior to that action the 60% — $7,500 entitlement — could not be used for alteration, improvement or repair loans. In so amending the law, however, the Congress made it quite clear that it was extending no invitation to abuse. It set forth in the law quite flatly a proviso that "no such loan for the repair, alteration, or improvement of property shall be insured or guaranteed under this Act unless such repair, alteration, or improvement substantially protects or improves the basic livability or utility of the property involved."

VA expects that each holder of a GI loan, in extending added credit to the veteran borrower to improve his property will make sure that the borrower is thereby being rendered a useful service under a sound loan — a service likely to improve not only his livability but his investment.

Effects of Housing Act of 1954

Apart from these details the Housing Act of 1954, although incorporating many sweeping changes in the gamut of Federal laws related to housing, had but little direct effect upon the VA guaranty program. We, like FHA, will require delivery of a limited warranty on each new unit after Oct. 1. And the control of discounts attempted under the Housing Act of 1950 and subsequent amendments has been thrown out. I say **attempted** for the reason that the well-intentioned purpose

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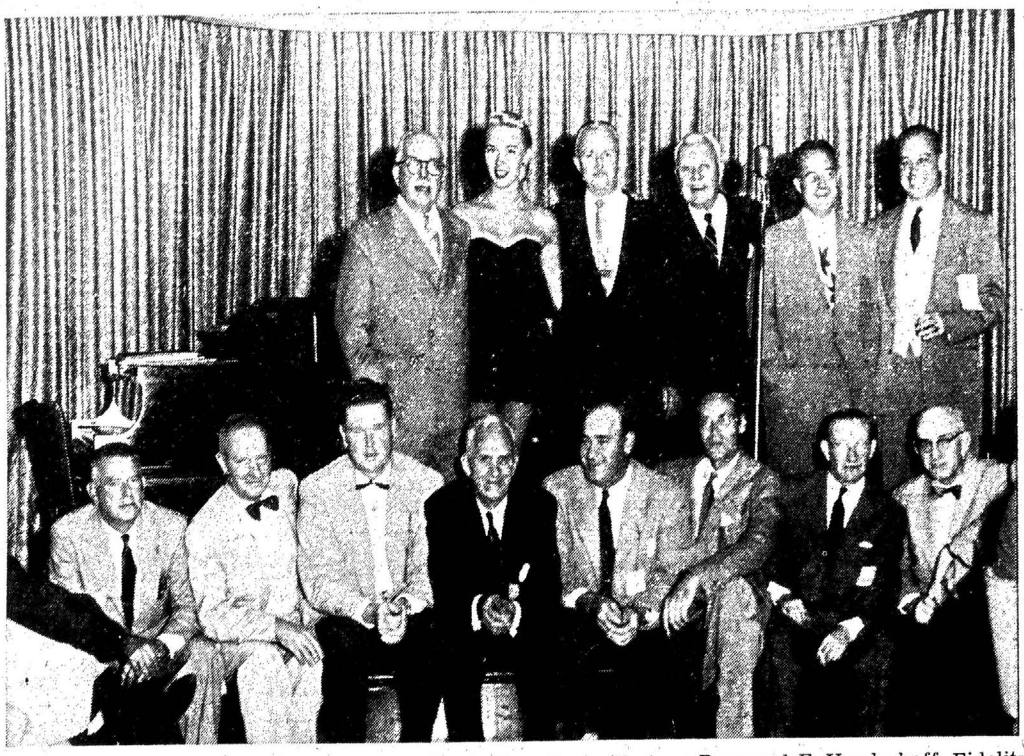
*An address by Commissioner King before the Savings Banks Association of Massachusetts, Bretton Woods, N. H., Sept. 10, 1954.

Bond Club of New Jersey Dutch Treat Party

Mayfair Farms, West Orange, N. J., Sept. 16, 1954



Top Row: Richard F. Saffin, Boland, Saffin & Co., New York; Hostess; Raymond F. Vanderhoff, Fidelity Union Trust Company, Newark; Richard H. Monaghan, J. R. Mueller & Co., Newark, Chairman of the Entertainment Committee; John H. Duerk, Howard Savings Institution, Newark; Paul Welzmiller, J. B. Roll & Co., Inc., New York.

Bottom Row: William H. Farrar, A. M. Kidder & Co., New York; Edward S. Fishwick, Mutual Benefit Life Insurance Co., Newark; Joseph F. Rush, Reynolds & Co., New York; Russell V. Adams, Adams & Hinckley, Newark; Roald A. Morton, Blue List Publishing Co., New York; Norman Brassler, County Bank & Trust Co., Paterson, N. J.; Matthew F. Reilly, C. J. Devine & Co., co-Chairman of Entertainment Committee; Foy W. Porter, Estabrook & Co., New York.

Pensions, Profit-Sharing and Stock Options Under New Tax Law

By HILARY L. SEAL*

Morss & Seal, Consultants & Actuaries, New York City

Mr. Seal analyzes the new tax law, first, as to the possibility of special deferred compensation programs for top executives and other highly paid employees; and next, as to the effect of the Act's provisions regarding pension and profit-sharing plans designed for a larger group of employees. Concludes, under the new law, top executives can be more readily granted stock options, but for rank and file of employees, under pension plans or profit-sharing trusts, very few changes have been made, and there is still a somewhat arbitrary distinction between these two types of plans.

Every businessman knows that he can continue to pay chosen employees a portion of their salaries long after they have left his service; and that such payments are deductible as business expenses. But this kind of pay-as-you-go arrangement is bad economics and poor labor relations. It is bad economics because future management has to shoulder the burden of retirement allowances for certain of today's employees. It is poor labor relations because the favored employee wonders whether the promises of today's management will be kept by its successors of tomorrow.

Dr. Hilary L. Seal

So the businessman is interested in the tax treatment of any sums he may want to contribute today towards the payment of the eventual pensions of some or all of his present employees. In the first place he will wish to know how he can benefit his executives—the life-blood of his business—by deferring until retirement the receipt of what would otherwise be compensation subject to a high rate of tax. And secondly he will inquire how he can make tax-deductible contributions to a retirement plan for the bulk of his employees without tying himself to a financial commitment that could be onerous in years of low profits.

Let us therefore analyze the new tax law from these two points of view. First of all we will consider the possibility of special deferred compensation programs for top executives and other highly paid employees. Then we will turn to the pension and profit-sharing plans designed for a larger group of employees.

Employee Stock Options

Under the 1950 Revenue Act a new incentive could be offered executives whose increased activity might profoundly affect the future of a company. This was the restricted stock option.

The underlying idea is that top management can be given a stake in the company through an option to purchase stock at a later date at what may prove to be a price much below its market value. Most, if not all, of the appreciation in value of the stock between the date of the option and the date of the eventual sale would be taxed to the employee at capital gains tax rates. However, in order to receive this special tax treatment the grant of the stock option has to be subject to certain restrictions.

Let us illustrate these by the following example. The executive Vice-President of the Oates Company, aged 56, earns $50,000 a year and already owns 10% of the voting stock of the company. He has been largely responsible for the success of the company whose shares are presently valued at $120 each. As an incentive to even greater efforts, the Oates Company now offers its Vice-President a contractual option to purchase 1,000 shares at $114 a share, i.e. at 95% of their current fair market value. No tax is thereby incurred by the stockholder-employee but the company itself is denied a tax deduction except on the difference between the price it may have to pay for the stock and the price it receives from the employee.

At the age of 65 this Vice-President retires and, within three months, exercises his option to purchase at $114. He does not pay tax at this time and he may pledge the stock to raise its purchase price.

After he has held the stock for six months—the statutory minimum—its value has increased to $200 a share. The purchase and sale of 1,000 shares thus results in a profit of $86,000 which is subject to a 25% tax. The ex-Vice-President of the Oates Company thus has a net amount of $64,500 available for his retirement years.

The "restrictions" on this type of stock option were given due weight in the preceding illustration. Briefly:

(i) If capital gains rates are to apply on sale of the stock, the option price must not be less than 95% of its fair market value at the time the Board of Directors votes it;

(ii) The stock must not be disposed of (a) within two years of the grant of the option or (b) within six months of its purchase;

(iii) The option must be non-transferable except by inheritance;

(iv) The employee must not own more than 10% of the employer's voting stock at the time the option is granted;

(v) The option must be exercised during employment or within three months of its termination;

(vi) If the option price is 85% or more (but less than 95%) of the fair market value of the stock at the time the option is granted, ordinary tax rates will apply on the 15% differential at the time of disposal of the stock (unless the market value is lower at the time of disposal than it was at the time of the grant).

In illustration of this last restriction we suppose that the stock option to the Vice-President of the Oates Company was made at $102 (i.e. at 85% of the fair market value at the time of the grant) instead of at $114 a share. When he sells the 1,000 shares for $200 a share, $18 a share (i.e. $120 minus $102) is treated as ordinary income in the year of sale and $80 a share (i.e. $200 minus $120) is a capital gain.

Since the Vice-President was assumed to be on retirement when he sold the securities, the tax payable on the $18 a share is probably a good deal lower than that he would have had to pay at the time the option was granted. The stock option, whether at 85% or 95%[1], was thus a valuable tax advantage to this top executive. But note that an important feature of the illustration was the increased value of the stock at the time of its sale. The success of a stock option contract thus depends essentially on the caliber of the executive to whom it is granted.

Section 421 of the new tax act does much to broaden and clarify the old law relating to stock options. In brief, the new features are:

(a) Options granted after June 18, 1954, must be **exercised** within 10 years from the grant thereof;

(b) The 10% stock ownership limitation will not apply if the option price is 110% or more of the market price at the time the option is granted, and if the option must be exercised within five years from the date of the grant or within one year from the date of the Act;

(c) The estate or beneficiary of a deceased employee may exercise his stock option but if the estate does so and then transfers the stock to a beneficiary, this is treated as a "disposition" for tax purposes. When the estate or beneficiary has increased income as a result of disposition of the stock, the estate tax previously charged on the value of the option is allowed as a deduction for income tax purposes;

(d) The option price may be set at 85% or more of the fair market value of the stock at the time the option is **exercised**, and the tax at ordinary rates on 85-95% options will then be limited to that derived from the 5-15% price differential at the time the option was **granted** (the balance of his actual income from the purchase and sale would, of course, be at capital gains rates);

(e) Employees with stock options are allowed to continue them in the case of corporate mergers, consolidations, reorganizations or liquidations. In general the requirement is that the value of, and the benefits under, the option must not be increased by the organizational change;

(f) If an option is modified in favor of the employee, the basis of the option is to be the higher of the market values of the stock at the times of the original and the modified grants unless the latter price is (and has been for a year or more) at least 20% lower than it was at the time of the original grant;

(g) Sometimes a restricted stock option becomes disqualified because the employee sells the stock "too soon." In such a case the tax adjustments for employer and employee are made in the year the stock is sold;

(h) Restricted stock options may pass between joint tenants without tax liability.

We note that (c) protects the employee's estate in case of his death whereas (b) will apply to stockholder-executives of closely held corporations that must be financed in their early years through outside capital.

These modifications in the old law — which is otherwise unchanged — will do much to make the restricted stock option more popular. It certainly offers a company a relatively inexpensive method of attracting and retaining senior executive personnel of the highest attainments.

Pensions as Part of the Executive's Employment Contract

We have mentioned that the stock option gives the top executive a real incentive to develop the company he works for. However, he runs the risk of seeing his option prove worthless, through no fault of his own, because of a general decrease in market values at the time he retires. For this reason many companies promise the executive a pension as part of his employment contract. It is sometimes stipulated that, say, half this pension will be paid to his widow whether he dies in service or after retirement. These pension payments would all be tax deductible to the company at the time they are made. Furthermore, the employee would not accrue a tax liability during his employment unless he is given "vested rights" in a reserve or annuity contract the company is establishing to meet the eventual pension liability.

Note, however, that Section 2039 of the new Act would include the value of the widow's pension in the employee's estate; this would **not** occur if this widow's pension were part of a qualified pension plan.

Profit-Sharing Trusts With "Cash Options"

But stock options and employment contracts with deferred pay clauses are generally reserved for the selected few of the company's executive echelon. What about the broader group of employees, above the rank and file, whose ability to save is severely restricted by today's high tax rates? Is there any way to encourage thrift on the part of such employees?

The answer has been given quite recently. It becomes very practical if the company has in existence (as many have) a cash bonus plan which may originally have been established to meet the increasing cost of living in the war and immediate postwar years. Here is how it works:

The cash bonus plan is transformed into a profit-sharing trust without any change in the method of determining the total sum for distribution each year (so long as it comes out of profits or profit-accumulations) or in the rules hitherto used for allocating this total among the employees—provided, however, that there has been some rule of allocation other than the whims of the directors. Each year, **before the amount of the "bonus" is known**, every employee would be required to make an election to participate in the profit-sharing trust or not. If he elected to participate his account in the trust fund would be credited with his share in the profits. When he eventually retired, terminated his employment or died his accumulated interest in the fund would be distributed to him. On the other hand if he elected **not** to participate his share would be paid to him immediately in cash.

This procedure ensures that the employee who defers the receipt of his "bonus" will **not** be taxed until he actually receives cash after his retirement or on severance—in which cases a lump-sum withdrawal would be taxed at capital gains rates. Notice, however, that the terms of the bonus plan must be capable of being redrawn to comply with the rules of qualification prescribed for profit-sharing trusts.

It may be assumed that many of the employees will continue to take their bonuses in cash. However, employees other than executives may appreciate this excel-

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*An address by Mr. Seal at the American Management Briefing Session, New York City, Aug. 19, 1954.

1 It is a matter of simple arithmetic to show that a married man has to be in an $85-$90 thousand tax bracket before he would prefer a 95% to an 85% stock option.

Mutual Fund Companies—Their Growth and Responsibilities

By A. JACKSON GOODWIN, JR.*
Commissioner, Securities and Exchange Commission

SEC spokesman reviews rapid growth of mutual funds as investments, and stresses role of investment companies in the process of current capital formation. Notes responsibilities of mutual fund promotors, and lays down as objectives of SEC regulation: (1) honest and unbiased management; (2) greater participation in management by security holders; (3) adequate and feasible capital structures; (4) sufficient financial statements and accounting, and (5) proper selling practices.

Last year Chairman Demmler talked with you about the why and how of Federal regulation of the investment company business. He stated that the Commission proposed to re-examine rules and forms and to do its regulatory job in a workmanlike fashion without any unnecessary red tape and free from what might be unkindly termed as "harassment." He added, we at the Commission "have no intention of scuttling the ship that we are hired to steer." As you know from your side of the table, many of the proposals that he outlined to you last year have been accomplished, and we on the Commission's side of the table earnestly believe that there has been no abasement of our regulatory responsibilities and that the securities laws are being administered with vigor. The previous year in New York at your Fourth Annual Convention, Donald C. Cook, who was at that time Chairman, outlined to you some of the problems that the SEC is continuously pondering and about which he said, "They are not problems of easy solution."

On this occasion today, with your permission, I will not talk with you about the responsibilities of working in an independent government agency — nor about the problems of being a regulator —nor about the complexities in our work of administering the necessarily complex securities acts. Rather, I want to talk with you about you, about the phenomenal growth experienced by your industry in the short span of a relatively few years, and about how, in my opinion, you can make a contribution to your industry, regulated as it is by Federal statute, in its responsibility to the public investor.

Growth of Mutual Funds

In order that we might take off on a common footing and in what I consider the proper perspective, let's glance at the growth that mutual fund investment companies have achieved since the enactment of the Investment Company Act of 1940. In 1941, there were 73 mutual funds registered with the Commission under the requirements of the Investment Company Act and total assets then aggregated a little over $400 million. Now, there are 172 registered mutual funds, with total assets of almost $5 billion. Mutual fund shareholder accounts have increased at the average rate of 18% a year since 1949 and now total 1,600,000 — in other words, the number of shareholder accounts has about doubled in the last five years alone. Recently, I noted a prediction by a recognized writer in the investment company field. His prediction was that by 1960—that is, in another five years—assets of investment companies will double, and there will be four million investor accounts served by investment companies.

Let me digress for a moment at this point. Capital formation—that is, investment in the physical sense—results in the final analysis from savings on the part of individuals. These savings may be invested in the purchase of a home or in the expansion of a family business; or may be turned over to institutions like banks and insurance companies which institutions accumulate the savings of thousands upon thousands of individuals and then supply business with needed funds. On the other hand, savings may be used to purchase securities, such as stocks in mutual funds, where the investor is seeking a common stock type of investment in which risk-taking is an essential ingredient. Mutual funds, in their accumulation of savings of thousands of people, constitute large liqiud pools of capital and hence have a very definite place in the financial community and a potential effect on the national economy.

The Role of Investment Cos.

That the Congress recognized the role of investment companies in the process of capital formation is apparent from the following quotation from the Senate Committee Report accompanying the Investment Company Act of 1940:

"Investment trusts and investment companies are vitally associated with the national economy. . . . A most significant function of investment companies in relation to the immediate needs of the national economy is their potential usefulness in the supply of new capital to industry, particularly to small and promotional ventures. Although in the past investment companies have furnished but comparatively little capital to industry, it is the hope of the committee, as well as the investment company industry and of the Securities and Exchange Commission that regulation of investment companies, as provided for in this bill, may stimulate venture capital and the financing of industry." (Senate Report 1775, 76th Congress, 3rd Session, June 6, 1940.)

It is apparent that the great expansion of industrial facilities occasioned by American industry during the past 15 years, during which we have experienced periods of wars and periods of social and economic stress, has been made possible only by the ability of our industries to raise new capital. But capital formation is not a problem to be considered as a matter of past economic history but, in a dynamic capitalistic system such as ours, is an ever present one, one of continuing consideration.

Now, the growth and the increasing importance of the mutual fund apparently was contemplated by the Congress, for in passing the Investment Company Act of 1940, it included a section which authorized the Commission to make a study and an investigation of the effects of size of investment companies. This study was contemplated for such time as the Commission deems that any subsequent further increase in size creates problems involving the protection of investors or the public interests. I might ask: Why were the authors of the Act concerned by the possible problems accompanying growth and bigness, and at a time when, according to the record, the public—big investors and small—had lost confidence in the investment company idea? The answer, I believe, is a simple one —that is, it was realized, as has in my opinion since been proven, that the investment company concept has much to support it. It offers the small average investor two advantages: diversification and expert management. In the case of the mutual fund, it also offers the advantage of liquidity.

There should certainly be no question about the fact that the investment company has an important place in our modern financial scene and that it plays a vital role in the investment processes. The lusty infant of yesteryear is, today, a young Herculean giant, destined for still greater growth in the future. The reason for that, in my opinion, is that today more people have more money than at any time in our entire history, the results of economic and monetary factors which need not be discussed here. We are living today in an era of great and expanding scientific and industrial development which offers great opportunities to all. We are fortunate to live in a nation that espouses free enterprise, and that permits the accumulation of wealth to any one who possesses the ability, the ambition and the willingness to work for it.

Mutual Funds and the SEC

We should glance briefly at the relationship of your industry to the Securities and Exchange Commission. Before the enactment of the Investment Company Act, the Commission, under a mandate from the Congress, spent many, many months on a long and exhaustive study of investment trusts and investment companies. In conducting this study, the Commission sought and received the cooperation of your industry, of other businessmen, government officials, and legislators. When this piece of legislation became the law, by unanimous action of both houses, there were a few who decried the statute and who felt that a death sentence had been passed on the investment company industry.

Again, in 1950, when the Commission, with the assistance and cooperation of the industry, prepared and issued the Statement of Policy pertaining to the sales and advertising literature of the industry, the cry went up that the mutual fund could not survive under such far-reaching and onerous restrictions.

The constant growth in mutual fund assets and shareholder ownership has amply demonstrated how baseless these fears were. Rather than a handicap, or an impediment, these legislative and regulatory actions have, if anything, resulted in greatly increased public confidence, and a growing public interest and understanding in the mutual fund technique of investment. The cooperative teamwork and effort between the mutual funds, your dealer organizations, the SEC and state agencies have been an effective element in bringing your industry to the healthy position it enjoys today.

In his book on investment companies, 1954 edition, Arthur Wiesenberger stated:

"Despite the occasional inconvenience and red tape incurred by the companies and their sponsors in observance of and compliance with these Federal and state regulations, the net effect has been beneficial to both the companies and shareholders. The issuance and enforcement of the various routine safeguards have helped greatly to strengthen public respect for and confidence in the entire field."

Experience under the Act has

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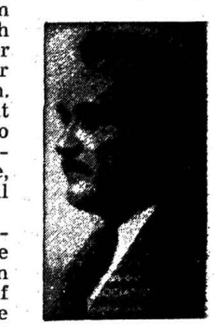
*An address by Commissioner Goodwin before the Mutual Fund Sales Convention, sponsored by the "Investment Dealer's Digest," Chicago, Ill., Sept. 22, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

The newspaper headlines say that a former New Deal high official of the Federal Housing Administration is to be prosecuted for bribery and corruption. For months we have been reading about the big windfall scandal by which "smart" men put up $2,000 or $5,000 and borrowed $1,500,000 from the Federal Housing Administration of which $500,000 perhaps, came back to them as over and above what it cost to erect the particular housing project which they had undertaken. Our politicians and editors have chorused that it was a bloody shame and there ought to be some way in which to put these malefactors in jail. But deplorable as it may be, we have been smugly assured, it was all within the law and nothing could be done.



Carlisle Bargeron

In the meantime, tenants of these windfall projects are paying rentals based on the crooked but lawful financing which has been engaged in. However, the Department of Justice finally thinks it can make a case against one FHA official who took favors in the form of cash and hams, radios, refrigerators and the like for conniving with the unscrupulous lawful operators. So he is to be gone after.

Alongside the newspaper stories of this scandal are articles by political writers that the Democrats will win control of the House in November and possibly, the Senate as well.

This is to say, of course, that the American people are tired of their two years surcease from scandal and corruption and want to return to it. The housing scandal is not the only one associated with the 20 years of Democratic Administrations. At the time of their defeat in 1952 there were at least three scandals being publicized, by their own Congressional Committees. A former high Democratic internal revenue official has just been sentenced to jail. The record is plain that at no time in our lives, that is, in the lives of those of us who are presently living, has there been so much corruption in government as there was in the 20 years of the so-called New and Fair Deals.

So what are the people going to do about that come next November? Why, return the corruptionists to office, apparently in order that we can have even better and more refined corruption!

We are also aware that after our venture into World War II in which we crushed Germany to make the world once again safe for democracy, we are now to rearm Germany in order to meet the menace of Soviet Russia, which we established, against our world of democracy. The ones who brought this crazy situation about were, of course, the same Democrats who undertook to make the world safe for democracy in the first place.

So what do we do in these circumstances? Why, the best available information is that we intend to return to power the architects of our predicament. It seems amazing but I would be the last one in the world to say it is not true.

When the returns came in on a November night in 1952 I thought they reflected a complete revulsion on the part of the American people and that the "New Deal-Fair Dealers" were through for a long, long time.

But apparently in a brief two years there has developed a great national yearning for them. The revulsion which we witnessed, and many Washington observers believe it would have come four years earlier had not Dewey been so inept, was only a slight stomach ache on the part of the people, we are led to believe, instead of the downright retching which one would assume.

We hear this motley crew, parading under the Democratic banner, going up and down the country shouting about scandals in the Republican Administration. What do they call a scandal? Not thievery on the part of officeholders. No, in their stunted mentalities, the tidelands legislation is a scandal; the Dixon-Yates power contract is a scandal. The fact is that both were matters of governmental policy around which there is not the slightest taint of corruption and it is a commentary on the sensibilities of men like Democratic National Chairman, Stephen A. Mitchell and his cohorts that they seek to put these matters in the class of corruption in the Internal Revenue and housing agencies. That darling of the leftist intellectuals, Adlai Stevenson, bemoans our loss of leadership in world affairs because, he claims, we have no "vigorous" foreign policy; we have let the "initiative" get away from us. Just what he means I leave to his fellow intellectuals to understand. One thing, though, is definitely clear and that is that we are not at war as we have been.

It is a paradox that a political group that should be in disgrace is apparently about to enjoy a bountiful harvest. Those lukewarm conservatives who are sulking because they haven't found everything to their liking in the Eisenhower Administration had better wake up.

New Chemical Process Promises Increased Supply of Uranium

Columbia University Chemist tells of new way to tap uranium-bearing materials now regarded as waste.

A potentially significant increase in uranium supplies available to the United States for both peacetime and military uses is foreshadowed by a report to the American Chemical Society made public on Sept. 12, the eve of the Society's 126th national meeting in New York City.

The increase is promised by discovery of a way to tap uranium-bearing materials so difficult to process that they have been regarded as waste, according to Dr. Victor K. La Mer, Professor of Chemistry at Columbia University and an international authority on colloid chemistry—the study of particles too small to be seen under the microscope. The essential improvement consists in accelerating the settling and filtration of these materials.

By utilizing the uranium from these very low-grade sources, Professor La Mer said, the United States can expand its domestic supplies appreciably. A substantial amount of uranium already is being obtained from higher-grade phosphate wastes, he pointed out.

A detailed account of the new processing method, which employs such simple substances as potato starch to overcome the uranium refining bottleneck, was given by Professor La Mer and two colleagues, Professor Robert H. Smellie, Jr., of Trinity College, Hartford, Conn., and P. K. Lee, a Research Associate at Columbia, in four technical papers during the ACS meeting.

The procedure also will be valuable in solving many chemical engineering problems of industry, he predicted, for it facilitates the handling of materials which have been difficult to filter. Filtration rates have been increased as much as 10- to 15-fold, he reported, with the aid of small amounts of potato starch and similar substances.

Professor La Mer and his associates have conducted their research on residues from Florida phosphate rock. It was recognized about four years ago that an appreciable amount of uranium was contained in phosphate rock of the type long used as a source of phosphorus for fertilizer. Several commercial firms have made important progress in extracting this uranium, but much of it still ends up in waste slimes, the chemist explained.

"The disposal of slime residues has long been a problem in the pebble phosphate industry," he pointed out. "After the crude ore is treated to get phosphate for fertilizer and phosphate chemicals, the processor is left with vast amounts of a very muddy water, containing 2 to 5% solids that cannot be filtered and will not settle out. He is not allowed to pour this water into streams because it would result in gross pollution.

"For the time being, the phosphate companies are running the slimy residues into artificial lakes surrounding their plants and hoping the fine particles will settle. Mililons of tons of slime are accumulating in Florida in this fashion. Therefore, a large source of uranium is represented by the tremendous amounts of slimes in storage in Florida.

"Our research is the first thorough scientific investigation from the standpoint of colloid science into the problems of settling, coagulation and filtering thick suspensions of fine particles (slime) and of the relations between these problems. We have been able to take an unmanageable slime and treat it so that it can be processed in conventional equipment. The rate of filtering of this material can be increased 10, 12 and sometimes 15-fold. Settling rate can be greatly increased.

A substantial improvement in the filtering characteristics of the slimes can be accomplished by the addition of small amounts of certain polyelectrolytes, Professor La Mer explained. Polyelectrolytes are chemical substances which have very long chain-like molecules made up of carbon and hydrogen, and containing groups of electrically active atoms at regular intervals. From 50 to 500 parts of such substances in 1,000,000 parts of the slime are effective, he said.

The slime consists of fine particles which do not settle, but remain suspended in the water. They pack and clog the filters, he observed, and make the suspension virtually impossible to filter.

A new theory to explain why polyelectrolytes are so effective in improving the filterability of slime was advanced by Professor Smellie, who said:

"The polyelectrolyte causes the slime to form almost immediately into a curdy mass. We have found that a definite amount of polyelectrolyte is required. Too much is as bad as too little, because the curds then break up into fine particles again. The polyelectrolyte molecules attach to the colloidal slime particles according to a definite pattern and build up a three-dimensional porous network.

"Potato starch is a natural polyelectrolyte and one of the most effective substances we tried. Potato starch will work where corn starch or tapioca starch won't work because potato starch contains a small amount (0.07%) of phosphate. The phosphate is a key substance in the network because it combines with calcium to build up the connecting links. It is not widely known that potato starch contains phosphate and this is the first time that a possible explanation has been proposed for the effectiveness of this starch in aiding filtration.

"Monsanto Lytron 886 is one of the best synthetic polyelectrolytes we tried. This substance is chemically similar to certain soil conditioners which have recently gained prominence. Other synthetic substances, as well as some starches and gums, have been tried with varying degrees of success."

N. Benson Cashier For H. V. Sattley

DETROIT, Mich.—Norman H. Benson, a familiar figure in Griswold Street for many years, and who started originally as Cashier of the Bond Dept., for the Detroit Trust Company in 1921, has again returned to the investment business as Cashier for H. V. Sattley & Co., Inc., Hammond Building.

With Smith, Barney

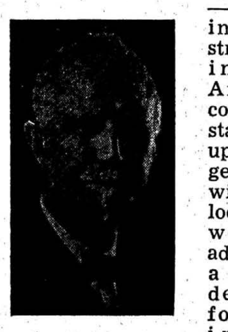
Smith, Barney & Co., 14 Wall Street, New York City, members of the New York and American Stock Exchanges, announce that Thomas N. Delaney Jr., is now associated with the firm as a registered representative.

Bank Accounts and Bank Stocks

By ROGER W. BABSON

Mr. Babson holds in view of present high prices of stocks, best investment today is a small bank account. Advises considering this bank account sacred, and points out regular deposits in a bank gives one the reputation for thrift, honesty and hard work. Discusses bank stocks as investments.

When a young couple gets married part of their joint savings—after buying a little good furniture—should go into life insurance — simple and inexpensive straight life insurance. After this a couple should start to build up credit and get the good will of some local bank. I would even advise renting a small safe-deposit box for keeping important papers, good jewelry, etc.—and don't forget to make Wills.



Roger W. Babson

Importance of Bank Accounts

If business and market conditions were different today, I would probably advise the purchase of a few shares of some good stock with one's savings; but I hate to do so with prices so high. Hence, today the best investment is a small bank account. Some later year you will be able to use this money to buy good stocks for much less than they are now selling. But, when you put the money in the bank, don't withdraw it until that time comes. Consider this bank acount sacred—not to be disturbed for anything.

An other reason I want you to start a bank account, with regular deposits, is to help you get a reputation for thrift, honesty, and hard work. Make it a point to get acquainted with some high officer in the bank and say "Good morning" to him every time you go in so that he will know you and be able to give you or your partner a good reference whenever you need one. The interest which you get on a bank account is only one-half of the value which you get from the account. The other half is the acquaintance of bank officials. I tell my grandchildren to put church attendance first and "bank attendance" next—although, of course, not for the same reason!

Advice to Investors

Although most stocks—yes, even good stocks—seem too high to me today, I think that local bank stocks are in a safe and profitable position. Since nearly all weak banks were eliminated in the 'Thirties, all banks are now being operated carefully. Most of them could be liquidated for more than their published assets, so that, as a stockholder, you could probably get more than you paid for the stock. More of my readers should own stock of the local bank where they have their account. In fact, perhaps one of the best investments for the young married couple would be five or ten shares of such stock.

Bank Stocks As Investments

If an investor is to put considerable money into bank stock, he should get the reports of two or three banks and carefully study them. Any bank—whether or not you are a customer—will gladly give you a copy of its Annual Report. In most states this must be published in the local paper, once a year. When my father died, I found a scrapbook in which he had pasted the published Annual Reports of all Gloucester banks, clipped from his valued Gloucester "Daily Times."

Usually the bank with the largest deposits gets the most attention, but when bankers brag to me about their "large deposits," I jokingly reply, "You surely owe a lot of money!" For a bank's deposits are money which must be paid back to the people sometime. Therefore, when comparing bank statements subtract the deposits from the total assets and see what would be left for the stockholders.

The Value of Bank Stock

The real value of bank stock depends very largely on the character, integrity, and energy of the men who operate the bank. Are they church goers? Do they let liquor alone? Do they live within their salaries? A successful banker is a combination of good character, good health, and good judgment.

Directors also should measure up to the above requirements. But too many bank directors accept the position as an honor rather than as a responsibility. Always ask how much money the directors of the bank are borrowing. This question, however, as well as the quality of the bank's assets, is under the constant supervision of the bank examiners. Hence, I forecast that when the next depression comes, bank stock will stand up better than any other group of stocks.

Francis Bowen V.-P. Of Govt. Devel. Bank

Election of Francis Bowen as Vice-President of the Government Development Bank for Puerto Rico has been announced by Guillermo Rodriguez, President of the Bank.

Francis Bowen

Appointed financial advisor to the Government Development Bank in January, Mr. Bowen was formerly assistant Vice-President of California Bank, Los Angeles, where he was in charge of trading operations in U. S. Government and municipal bonds, and assisted in the management of the investment account of that bank for seven years.

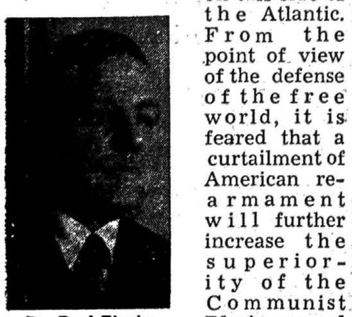
Mr. Bowen, a native of Detroit, attended the University of Michigan and Harvard Business School. During the war, he served in the United States Naval Reserve in air operations and combat intelligence. Most of his previous business career was in the field of municipal finance, primarily in its underwriting phases.

Britain Concerned Regarding Slicing of U. S. Military Outlays

By PAUL EINZIG

Dr. Einzig, revealing that prospects of substantial reduction in U. S. military spending is causing concern in Europe, contends the "dollar gap" problem will be intensified by it, and that any slowing down of military outlays is likely to affect adversely American business activity. Sees in all this a further deferment of restoration of convertibility of sterling.

LONDON Eng.—The prospects of a substantial cut in the military expenditure of the United States are causing some concern on this side of the Atlantic. From the point of view of the defense of the free world, it is feared that a curtailment of American rearmament will further increase the superiority of the Communist Bloc's armed strength, especially as it is now evident that the progress of the development of atomic weapons in Russia is faster than has been anticipated. An adverse change in the balance of power resulting from a unilateral limitation of U. S. armament would, it is feared, encourage Communist aggression and subversive activities. But even from a purely economic point of view there appears to be, on the face of it, cause for concern. For it seems certain that a substantial reduction of American arms expenditure will have an unfavorable effect on the international dollar position.



Dr. Paul Einzig

The direct effect of lower military spending in the United States is fairly obvious. There is reason to believe that the temporary disappearance of the "dollar gap" in 1953-54 was due, not so much to the American foreign aid, which has in fact become reduced, as to the international effects of the large American defense expenditure. Any budgetary deficit tends to affect the international balance of payments of the country concerned. It means an increase of domestic consumption, causing an increase of import requirements and a decline of the exportable surplus and of the urge to export. American industries engaged in rearmament import a large part of their requirements of rubber, tin and other raw materials. The immediate effect of a reduction of their activities is liable to be felt in the raw material producing countries.

In addition to this direct effect, a cut in American arms expenditure is likely to produce a substantial indirect economic effect through bringing about a slowing down of American domestic business activity. It is widely believed that the recession of 1953-54 was largely the result of the reductions of arms expenditure decided upon by the United States last year. Even if that recession has now more or less spent its force — there is room for two opinions in this respect — it is certain to resume its course if there is a further substantial reduction of arms expenditure during the next 12 months.

Even though the American recession of the last 12 months or so did not materially affect the dollar position of the Sterling Area, it would be unwarranted optimism to assume that a fresh decline in American domestic business activity would be equally harmless from that point of view. For one thing, in the meantime prices of raw materials have declined, so that producing countries are now more vulnerable than they were 12 months ago. Any further decline of the prices of their staple products resulting from a cut in American imports might have fairly far-reaching repercussions on their domestic prosperity as well as on their balance of payments.

The uncertainty of the outlook in this respect alone is likely to be sufficient to induce Mr. Butler, Chancellor of the Exchequer, to defer a decision to restore the convertibility of sterling. It is true, sterling has been holding its own reasonably well, much better than it had been expected. Its recent weakness was due to seasonal influences, and it did not prevent Mr. Butler from repaying the Treasury's debts to the European Payments Union and to the International Monetary Fund. But owing to the large American military expenditure the international situation has now for years been somewhat abnormal. The normal strength of sterling cannot be judged until after the reduction of American arms expenditure to normal and permanent proportions has produced its full effect on the American domestic business situation and on the international dollar position.

Evidently it would be risky to plunge into convertibility on the eve of what may prove to be a by no means insignificant business recession in the United States. Although it is hoped that American civilian demands will more or less offset the proposed reduction of military expenditure, it would not be safe to take this for granted. Any decline of American domestic demand would not only effect British exports to the United States but would stimulate an American export drive. Return to convertibility would mean an end of discrimination against dollar imports, so that Britian and the Sterling Area would be exposed to a flood of American exports at a moment when Sterling Area exports to the United States would suffer a decline. British statesmen will have to think twice before exposing their country and the Commonwealth to such a situation.

The desire of the United States Government, Congress, and American opinion to reduce the budgetary deficit is of course easily understandable. It is equally clear that, from a point of view of domestic politics, the cut in military expenditure is the easiest way of achieving this end. But it may well be asked whether, taking a broader view, the solution would be an ideal one. Even if we disregard the effect on the defense of the democratic world, and regard the matter from a purely economic point of view, there are evidently two sides to it.

A deterioration of the international dollar position must mean one of two things. Either it will impose additional handicaps on American exports, or the export surplus of the United States will have to be financed once more by some form of American foreign aid. In the first case American business would suffer, in the second case the American taxpayer would have to pay the price. A large part of what is saved in arms expenditure would have to be expended on dollar aid as an alternative to a limitation of imports from the United States necessitated by lack of dollars.

On the face of it the suggestion that any country should maintain its military expenditure at a high level for the sake of assisting other countries economically may sound the height of absurdity. Yet there may be something to be said for laying down the principle that a country with a surplus on its balance of payments should contribute toward the restoration of equilibrium by maintaining a high level of arms expenditure. Countries with an adverse trade balance cannot reasonably be expected to ruin themselves by increasing their trade deficits through maintaining an excessive arms effort. On the other hand countries with a trade surplus can well afford a budgetary deficit from the point of view of their international economic position.

If the United States were to admit foreign goods more liberally, Britain and other democratic countries would be placed in a position to increase their military expenditure without thereby endangering their international economic equilibrium. They could increase their share in the burden of the defense of the free world, burden which falls at present too unilaterally on the shoulders of the American taxpayer. But so long as American trade policy ensures a perpetual dollar surplus, any reduction of American military expenditure necessarily means a weakening of the free world both from a military and an economic point of view.

San Diego G. & E. Offer Underwritten

The stockholders of San Diego Gas & Electric Co. are being offered rights to subscribe to 800,000 shares of common stock ($10 par value) at the rate of one share for each four common shares held of record Sept. 14, 1954. Subscription prices to warrant holders is $13.75 per share. At the same time, the company is offering to all regular and to certain former employees the opportunity to purchase at the subscription price not more than 100 shares of the common stock being offered, subject to allotment out of the unsubscribed shares. Any unsubscribed shares remaining after the expiration of the offer on Oct. 5, 1954, may be offered publicly by a syndicate headed by Blyth & Co., Inc., and including 58 other underwriters.

Proceeds from the sale of the common stock will be used by the company to retire $5,000,000 of bank notes and to finance in part the company's continuing construction program.

San Diego Gas & Electric Co., with principal offices in San Diego, Calif., was incorporated in California in 1905. The company is an operating public utility engaged in the business of generating, purchasing and selling electric energy in San Diego County and in the southern portion of Orange County. It also distributes natural gas in the City of San Diego and other communities in the western part of San Diego County.

Francis I. du Pont to Admit

On Oct. 1 Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange will admit to limited partnership Frederick Glade Wacker, Jr., William Turnbull, James B. Grant and George U. Robson.

Cite Tenfold Rise in Chemical Raw Materials

Dr. Herman S. Bloch of the Universal Oil Products Company tells American Chemical Society members of new materials made available for dyestuffs, drugs, plastics, insecticides, synthetic fibers, synthetic rubbers, detergents and explosives.

A possible tenfold increase in the raw materials for much of this country's dyestuffs, drugs, plastics, insecticides, synthetic fibers, synthetic rubber, synthetic detergents and explosives was envisioned at the American Chemical Society's 126th national meeting in New York City on Sept. 13 by Dr. Herman S. Bloch of the Universal Oil Products Company, Des Plaines, Ill.

An oil refinery extraction process—heretofore utilized for the recovery of the versatile chemical raw materials benzene, toluene and xylenes mainly from the products of "catalytic reforming operations"—has shown outstanding potentialities when applied to additional refinery liquids called "cracked naphthas," the speaker told the Society's Division of Petroleum Chemistry.

"It is estimated that the use of cracked naphthas for such extraction would increase the potential U. S. production of light aromatic hydrocarbons approximately tenfold, thus assuring ample supplies for normal expansion and times of emergency," Dr. Bloch declared. The hydrocarbon compounds he referred to are benzene, toluene, xylenes and ethyl benzene, he said.

Originated by chemists of the Dow Chemical Company and developed commercially at Universal Oil Products, the process, which is called the Udex process, is a "liquid-liquid countercurrent extraction using diethylene glycol," Dr. Bloch explained.

In recent years the coal tar industry has provided most of the benzene, much of the toluene and a minor percentage of the xylenes available for chemical production, it was stated. The petroleum industry has supplied a minor portion of the benzene, more than half the toluene and most of the xylenes.

The extraction process has been applied in the laboratory to unsaturated naphthas of various types and from various sources, Dr. Bloch said. In many cases the Udex process, followed by a clay-treating process, makes good grade aromatic chemicals directly, he stated, but for certain refinery fractions it is necessary to use a mild hydrogenation treatment in addition.

As applied to these materials the process is characterized by high recovery of aromatic materials, extreme purity of the extract and unusual economy of operation, he commented.

Dr. Bloch, who joined the Universal Oil Products Co. in 1936, is coordinator of one of its research divisions. He holds more than 75 patents in the fields of petroleum processing, catalysis and petrochemicals. Richard C. Wackher, also of the Universal Oil Products, was co-author of the paper. The meeting was held in the Essex House.

First Boston-Halsey, Stuart Group Offers $250,000,000 American Telephone & Telegraph Co. 30-Year 3¼% Debs.

Financing Represents Largest Utility Issue Ever Brought to Market Under Competitive Bidding

The largest public utility bond issue ever brought out under competitive bidding for distribution through underwriting channels came to market with the public offering yesterday (Sept. 22) of $250,000,000 American Telephone & Telegraph Co. new 30-year 3¼% debentures. The offering was made by an underwriting group comprising 278 members and headed jointly by The First Boston Corp. and Halsey, Stuart & Co., Inc. The debentures, due Sept. 15, 1984, are priced at 102.52% to yield 3.12% to maturity.

The company will use the proceeds from the sale of the debentures for advances to subsidiary and associated companies, for the purchase of stock offered for subscription by such companies and for additions and improvements to its own telephone plant.

The debentures are subject to redemption at 105.52% if redeemed prior to Sept. 14, 1959 and thereafter at prices decreasing to the principal amount.

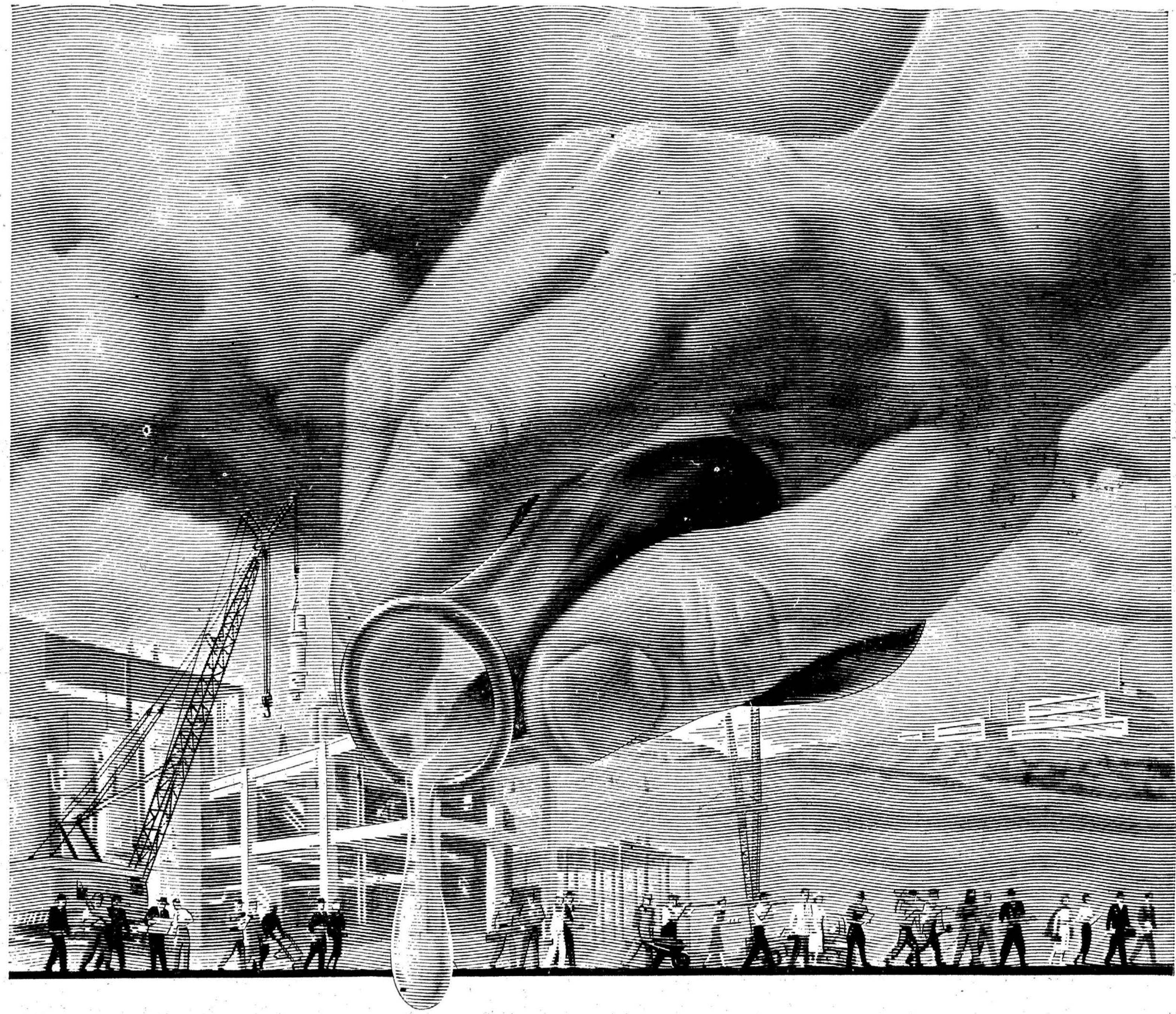
American Telephone company's 20 principal operating subsidiaries account for about 80% of the total telephones in service in the United States. The company estimates that about 95% of the toll messages originating in the country are routed in whole or part over its lines and those of its subsidiaries.

The company itself operates a network of wire and radio circuits for interconnection between telephone systems in the United States and those in other countries and supplies technical and other services to telephone subsidiaries through its Bell Telephone Laboratories and Western Electric Co. Communication services of the company and telephone subsidiaries also include teletypewriter exchange service and facilities for private line telephone and teletypewriter use for transmission of radio and television programs.

A consolidated statement of American Telephone and its principal telephone subsidiaries shows for the six months ended June 30, 1954 total operating revenues of $2,326,622,441 and total income, before interest charges, of $336,454,786. For the calendar year 1953 operating revenues were $4,416,729,614 and income, before interest charges, $607,202,715. American Telephone company alone had total operating revenues of $165,882,256 and income before interest of $263,999,400 for the six months ended June 30, 1954 and $283,683,300 and $474,208,581, respectively, for the year 1953.

Rockford Securities Dealers "Fling-Ding"

ROCKFORD, Ill. — The Rockford Securities Dealers Association will hold their annual "Fling-Ding" at the Rockford Country Club on Friday, Oct. 8. Tariff for golf and dinner, $12.50. Reservations may be made with S. A. Sandeen, S. A. Sandeen Co., Rockford, secretary of the association.



THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market drove a strange course this week. It looked as if it might be developing a tendency late Monday to do what everyone has been expecting to begin a slide to test the August lows. But the "On to the Tests Special" broke down just a short distance out of town and had to be backed up to the starting point on Tuesday.

* * *

All in all, Monday's session was one of the queerest in some time. The market took off on an uptick right from the opening and by midday there was a smattering of good gains spread throughout the list, with indications of exceptionally large volume for the day. The tone subsequently began to soften and by closing time prices were backing away fast. It was a day that saw the Dow-Jones industrial average moving over a range of 4.25 points to end off 1.84 points net. Yet while prices were fading volume was diminishing and turnover for the day declined from Friday, whereas as of midday volume was running well ahead of the previous session.

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Then Tuesday, after one of the slowest openings in months the market began a creeping advance, on light volume, that recovered the full extent of damage done Monday. Tuesday's volume of only 1,770,000 shares was the smallest since before Labor Day.

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If the selling wave Monday was inconclusive because volume was lacking, it is also true that Tuesday's recovery meant little for the same reason.

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Eyes on Jersey

Although several other oils, such as Texas Gulf Producing and even the new comer Royal Dutch, outdistanced Standard Oil of New Jersey, most investor eyes were on what Jersey was doing.

The stock reached the "charmed 100 circle" on Monday, but apparently on short covering for it proceeded to fall away again. Yet at 100 it sold at the highest price since before it was split the last time in 1951.

If SONJ is to be split again it will be the fourth time since 1919. It was split four-for-one in 1920. five-for-one in 1922 and two-for-one in 1951. With some 60,500,000 shares now, a two-for-one split would give the company top honors in aggregate shares outstanding. At present GM's 88,500,000 holds that distinction.

* * *

Youngstown Sheet backed away further as switches were suggested in several corners out of this situation into U. S. Steel. The theory apparently was that if the Justice Department wouldn't let Bethlehem build up its competitive position, through acquiring Youngstown, U. S. Steel would be the better investment. "Bessie," meanwhile, wasn't hurt pricewise, but U. S. Steel firmed on good volume.

* * *

Aircrafts showed occasional popularity. On Monday, North American Aviation held the spotlight, managing a good gain on news it had begun work on a new military contract. United Aircraft and Boeing also found favor from time to time.

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Rails Break Out

The railroad shares broke out of their doldrums on Tuesday with Santa Fe, Louisville & Nashville and Rock Island putting on bursts of strength. Their average regained the best levels of last week which still left it a good distance away from the recent tops.

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The clamor of textile firms bidding for each other's stocks continued as a market factor. Pacific Mills spurted five points at one time on news Burlington was offering new preferred and some of its common for the shares of Pacific.

* * *

United Stockyards had a quick runup without any news of significance. It rose almost two points in one session—a 15% price appreciation. This is quite a feat for a low-priced issue.

* * *

Goodyear continued to make price news. It ran off sharply Monday and quickly recovered this the next day.

* * *

Hudson and Manhattan preferred was in demand on the belief that the issue may participate well in any reorganization plan. The move by bondholders of the line to throw the organization into bankruptcy was presented to the court on Monday and put over until Friday. The company contends that the courts have no jurisdiction, for the suit was brought under the Chandler Act and not under the amended Interstate Commerce Commission regulation, which permits voluntary reorganization.

HM management for a long time has fought off being classified as a railroad but now is seeking rights afforded carriers under ICC jurisdiction.

* * *

Intriguing Stock Offers

The week brought out several offers which on the surface appeared strange but a little digging showed that there is valid, if not shrewd, reasoning behind the proposals.

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First, was the announcement that the board of Tide Water Associated Oil was considering a proposal to permit shareholders to exchange their common shares for new preferred stock. There are some 13,433,299 common shares outstanding and private advices indicate that what is projected is a 4.5% $25 par preferred to be exchanged share for share for common.

Control of Tide Water is vested with two Getty interest companies — Mission Development Co. and Pacific Western Oil Corp., so maturally, to the extent that minority holders accept such an offer, if made, the Getty group's percentage interest in the common stock would be increased. Apparently some people are more interested in cash income than stock dividends for the stock has been acting well lately. The Wolfsons and Richmonds had better look elsewhere.

* * *

Chicago and Eastern Illinois Railroad has taken a similar track, but for different reasons. It moved to issue $15,350,000 of 5% income debentures to be exchanged for all the outstanding 383,751 shares of $40 par class A stock, on a par for par basis. The road estimates that it can save $400,000 a year because the debenture interest would be deductible in computing earnings for tax purposes.

* * *

Leading Stocks' Volume Increase

Until lately the so-called average stocks have provided a smaller than usual portion of the daily overall volume of transactions on the "Big Board." This week, we note, there's been some improvement in this ratio. On Tuesday, for instance, the 65 stocks in the Dow-Jones averages accounted for 13.8% of total transactions, with only General Electric among the ten most active issue (and tenth, at that). On Monday the average stocks accounted for 14% of volume, with U. S. Steel, Pennsy, General Electric and SONJ placing in the big ten.

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Last Friday transactions in the average stocks amounted to 12% of that day's volume, with only SONJ in the top ten.

* * *

The strength and widespread activity in Affiliated Gas Equipment is based on the possibility of a merger with Holland Furnace on a share for share basis.

[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.]

Reports Chemicals in Radioactive Form for Medical Research

Louis Laufer, senior research chemist of Schwarz Laboratories, Inc., reports a convenient efficient way of obtaining many chemicals, necessary to life processes, in radioactive form.

New ammunition for the attack on cancer, heart disease and arthritis comes from radioactive yeast, the American Chemical Society learned at its 126th national meeting in New York City.

A "convenient, efficient way" of obtaining many chemicals necessary to life processes in a radioactive form for medical research was described by Louis Laufer, senior research chemist of Schwarz Laboratories, Inc., Mount Vernon, N. Y. Researchers learn many clues to disease causes and cures by feeding the radioactive counterparts of body chemicals to animals and measuring changes in radioactivity in the tissues and waste products. This may also be done in the test tube experiments, using tissues or living cells.

Yeast supplies many of the same biochemical products that are found in human and animal tissue, explained Mr. Laufer, and growing such tiny plants in solutions containing radioactive elements is one of the most efficient ways to produce the radioactive biochemicals needed by science to gain more information about the organic diseases of man. The simple yeast cell thus supplies a means for studying diseases and the many complex problems of growth and aging, which are now primary targets of medical research.

"To make compounds containing radioactive carbon, yeast cells are grown on a molasses prepared from plants exposed to an atmosphere of radioactive carbon dioxide," Mr. Laufer continued. "In bright light, the leaves of the plant convert the carbon dioxide to sugars by the process of photosynthesis. These are than extracted from the leaf to form a molasses in which all of the carbon atoms have an equal amount of radioactivity.

"When yeast is grown on this molasses, all parts of the yeast cell are radioactive. These cells are then treated chemically to release useful radioactive biochemicals which can be isolated and purified.

"Among the biochemical intermediates which have been produced in this manner are amino acids, the basic building blocks of protein; sugars; yeast polysaccharide, which is somewhat similar to the glycogen which animals store in the liver; ribonucleic acid. an essential component of all living cells; and certain adenosine compounds which furnish the energy for muscle action and act as promoters for many reactions which occur in the body.

"Yeast may also be grown in a solution containing radioactive sulfur. As the cells grow, the sulfur is incorporated into a number of important organic compounds which can then be extracted from the yeast substance and purified. Three compounds which have been isolated in this manner are the amino acids methionine and cystine, and the peptide glutathione.

"Sulfur-bearing amino acids have been shown to play an essential role in such important medical problems as wound healing. One such substance, glutathione, belongs to a group of compounds known as sulfhydryls, which take part in cell division, and are effective in protecting animals from the lethal effect of x-rays and atomic radiation."

Sidney Gutcho of the Schwarz Laboratories was co-author of the paper, which was presented before the American Chemical Society's Division of Agricultural and Food Chemistry in the Hotel Statler.

Elsie Schuyler Pres. of NY Mun. Bond Women

At the annual meeting of The Municipal Bond Women's Club of New York, Elsie T. Schuyler, of the Chemical Bank & Trust Company, was elected President succeeding Ruth A. Miller, of Lee W. Carroll & Co. Miss Schuyler has been exceptionally active in municipal finance ever since graduation from Hunter College in 1942, and has taken various post graduate courses in banking and economics. She is also a member of The Municipal Forum of New York; The Municipal Analysts; The Money Marketeers; the New York Society of Security Analysts and The Women's Bond Club of New York.

Elsie Schuyler

Gladys S. Degner, of King, Quirk & Co., Inc., was elected Vice-President, succeeding Anna F. Schreiber, of Mitchell & Pershing; Josephine M. Rodd, of Goldman, Sachs & Co., was elected Treasurer, succeeding Alice L. Dooley, of Ira Haupt & Co.; and Gloria M. Berardini, of Rand & Company was elected Secretary, succeeding Madlyn Hoskins, of Braun, Bosworth & Co.

Emma B. Brehm, of R. W. Pressprich & Co., and Helen Davis Kane, of G. C. Haas & Co., were elected members of the board of governors. Continuing governors will be Ruth A. Miller, retiring President, and Frances Weller Isengard, of Harry Downs & Co. Pierina Jaccod Manfredi, of Charles H. Drew & Co., was appointed to complete the term of office of governor vacated by Margaret M. Higgins, of J. J. Kenny Co., retired.

Mile High Secs. Opens

(Special to The Financial Chronicle)

DENVER, Colo. — Mile High Securities Co. has been formed with offices at 2757 West 32nd St. Partners are George P. Schley and David E. Davis.

F. H. Crerie & Co. Opens

F. H. Crerie and Co., Inc. has been formed with offices at 19 Rector Street, New York City, to engage in the securities business.

Reveals Access to a Cancer Virus Suitable For Immediate Study

Dr. Joseph W. Beard of Duke University and Edward S. Shrigley of Indiana University present to the American Chemical Society's Division of Medicinal Chemistry information on a blood cancer virus in chickens which may aid in study of human cancer.

New information on a blood-cancer virus in chickens, which may aid in the study of agents causing human cancer, was reported at the 126th national meeting of the American Chemical Society in New York City on Sept 14.

A fatal poultry disease, which resembles human leukemia — sometimes called cancer of the blood — was shown to be associated with a virus by Joseph W. Beard, M. D., professor of experimental surgery at the Duke University School of Medicine. Viruses are disease-causing agents, even smaller than bacteria, which can grow and multply only in the living celles of their victims. Speaking before the Society's Division of Medicinal Chemistry in the Hotel Biltmore, New York City on Sept. 14, Dr. Beard emphasized that these studies did not attain the ultimate goal of determining the influence of viruses in cancer, but they were an important step in that direction.

"This work has provided access to a cancer virus in a state suitable for direct and immediate study," said Dr. Beard. "The unique properties of the agent point a direction for further study and should stimulate inquiries of this sort into the properties and behavior of other cancer viruses. Information has been obtained which will be useful in an approach to analogous studies with other animal viruses and on possible viral agents responsible for human cancer."

By the use of modern laboratory techniques, Dr. Beard was able to isolate and purify the virus of the chicken blood-cancer disease which is known medically as avian erythromyeloblastic leukosis. He found the virus circulating in the blood plasma of infected chickens. Under an electron microscope, the viruses looked like very small spheres, reported Dr. Beard.

An important feature of this work is that it may provide clues as to why some tissue cells go wild and become cancerous. Dr. Beard pointed out that significant new information was obtained regarding the possible role of such viruses in vital processes going on within tissue cells. He discovered that this virus had the specific property of changing the character of a chemical called ATP (adenosine triphosphate). ATP is one of the most important sources of energy for muscle contraction and other physiological processes within the cell.

Another result of this research, observed Dr. Beard, is that a chemical test was developed for detecting this particular type of cancer. He noted that chicks could be rapidly screened for the presence of the virus in the blood stream. It was possible to develop this method because of the virus action on ATP.

The paper was presented by Dr. Beard in a symposium which opened with a review of some evidence concerning the role of viruses in cancer formation by Dr. Edward S. Shrigley, professor of microbiology and Chairman of the department of microbiology at Indiana University Medical Center.

"The concept that viruses may be involved in cancer formation has stimulated studies which have not only broadened our knowledge of growth processes, but also have yielded fundamental information concerning viruses in general," declared Dr. Shrigley, a biologist who holds both the Ph. D. and M. D. degrees.

"Viruses in the majority of cases alter the cells they inhabit in such a way that changes consistent with those found in disease result. Under some circumstances the host cells are destroyed, under others they multiply and may produce tumors. If benign or malignant growth occurs, the virus is handed down to daughter cells in a manner similar to the transfer of normal cellular constituents."

Floyd N. Shaver Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

LEESBURG, Fla. — Floyd N. Shaver has become associated with Beil & Hough, 33 Fourth Street, North, St. Petersburg. Mr. Shaver was formerly Leesburg manager for Shaver & Co.

26th Charles Hayden Golf Tournament

The 26th annual Charles Hayden Memorial Trophy Tournament will be held Friday, Sept. 24, at the Whippoorwill Club near Armonk, N. Y. Four-man and two-man teams from a large number of New York investment banking houses will take part in the tournament which was won last year by teams representing Hemphill, Noyes & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of which had net scores of 315. The trophy was donated by the partners of Hayden, Stone & Co. who also will contribute all other prizes. The trophy is kept in perpetual play as a memorial to the late Charles Hayden, founder of the firm. Jansen Noyes, Jr. of Hemphill, Noyes & Co.; Carl H. Sayre of Merrill Lynch, Pierce, Fenner & Beane; Wickliffe Shreve of Hayden, Stone & Co.; and J. Emerson Thors of Kuhn, Loeb & Co., compose the committee on arrangements.

With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Gilbert F. Tuffli, Jr. has become connected with Francis I. du Pont & Co., 121 Southeast Second Avenue. Mr. Tuffli was formerly with Oakes & Company.

How to Get Television To More People

By MILLARD C. FAUGHT*
Economic Consultant, Zenith Radio Corporation

Dr. Faught, in explaining the need for subscription television, reveals the nature of recently developed phonevision devices. Points out TV programs are now being filmed and theatre TV is in the offing, and will compete with television in the home. Maintains subscription TV can restore healthy competition between theatre and network TV and can also increase number of locally supported stations.

I imagine that most of you folks who live here in Danville, Illinois, will remember that in the middle 1930's, in Auburn, Indiana, not so far from here, were built some automobiles that raised the heartbeats of many a man here today. They were called Cords—and in the vernacular of today's hotrod kids, they were "real George" automobiles.

Millard C. Faught

I admired them from the curbstone for years. Eventually I got together enough courage, and enough money, to buy one. It was what they called "souped up"—with oversize pistons, a Scintilla magneto, a planetary supercharger and hot and cold running attachments all over.

But when we got all the high-powered parts put together, it didn't run worth a hoot.

In time we discovered that the carburetor was too small to provide enough fuel of the right mixture to the powerfully souped-up engine. When we finally equipped it with two carburetors—brethern, it went thataway!

Now, along about 1949, while I was doing some chores for the late Major Armstrong, inventor of FM radio, I had another curbstone view of that high-powered new model of communication—television. And the more I watched the early road tests of this new vehicle of vision, the more I began to suspect that it too would someday need two carburetors.

By that I mean that the powerful potentials of TV — its vast capacities for new and better services of many kinds—looked to me to be far too big to be led by the kind of limited economic carburetion that had powered — and still powers—all broadcasting service, radio or TV; namely, the economic support derived from advertising sponsorship of programs.

Finally—still back in '49, five years ago now — I got together some figures on advertising budgets and probable TV costs, and did some armchair cerebration on how fast and far I thought TV could run on advertising economic carburetion.

When I published my conclusions, you would have thought I had the manifolds on upside down—such knocking and backfiring! I figured it would cost close to $2 billion a year to give us 70 hours of assorted TV programs each week on 1,000 stations.

My critics, including most of my friends, concluded, either happily or sadly, that I was nuts. And so I was. The actual figures by today's TV cost patterns would have to be at least doubled. I had guessed that an hour of the best network TV shows, in color, might eventually cost $50,000. Some have already cost five times that in black and white—with a little red in the business background.

Now to bring this little bit of history up-to-date—I suggested in my '49 study that TV might someday try a second economic carburetor—namely, the use of a subscription arrangement, or home box office device, so that the home viewers could pay for certain kinds of TV shows that were beyond the financial means, or not suited to the needs, of advertising sponsorship.

This suggestion brought some backfiring too, and I have collected some suggestions about this new kind of TV economic carburetion that would rival what the buggy drivers said to the early auto enthusiasts.

On the other hand, while I have simply been talking about the idea, some other people, in typical American technical go-ahead fashion, have been doing something about it. As a result, if you were to journey up to 6000 Dickens Avenue in Chicago, the Zenith Radio Corporation engineers would show you at least a half-dozen different kinds of subscription or box office economic carburetors for a home TV set.

They are called **Phonevision** devices. Three hundred Chicago families have actually used Phonevision, during a 90-day test, to pay for theatre-quality motion pictures delivered to their homes via Phonevision-equipped TV sets. They liked them fine, too—bought nearly four times as many movies as usual at $1.00 per film per family. The entire test group of 300 families said they would like such added TV service as a regular thing.

TV to Take on Phonevision

But so much for history. Now for some more forecasting. I personally expect that within a year or two we will begin to equip TV sets with this second economic carburetor. And when we do, I fully expect American TV to go like my Cord went with two carburetors.

With most future TV sets so equipped, I think we may eventually double the number of stations the U. S. can support. And as for program service—it will then be limited only by the thing that now limits all service in our free-choice market place — how much a thing is worth to the customer.

Now please bear this in mind: I do not propose that we take the advertising carburetor off TV. In fact, I believe that one will work even more efficiently with help from the new subscription carburetor. With more stations and more viewers, plus a second source of revenue for TV itself, the advertisers will have a much more efficient—and I think less costly — vehicle for their own purposes. They can then sponsor more and better shows of their own — especially in the smaller communities who do not now have TV service.

You may well say to yourself at this point that you couldn't be watching a paid Phonevision show and a sponsored TV show at the same time. True; but if you went out to the movies tonight you would probably miss **four hours** of TV shows. By and large, I suspect we might buy one premium show for every 10 or 20 that we would watch of the sponsored kind. That gives the advertisers at least a 90% shot, at relatively lower costs, at the expanded TV audience, plus greater flexibility of coverage. As things now stand, the limited "prime time" on the limited network arrangements of stations is dominated by less than two dozen national advertisers — who also pay about half of TV's total bills. With increased stations and coverage, the smaller national, regional and local advertisers would have a much improved chance to use TV as an advertising medium than they now do.

You can well imagine that to bring out this new super deluxe dual carburetion model of TV service is not going to be easy or happen overnight. It will be far more of a revolution than was fluid drive or power steering on cars. Those were improvements; this will make TV useful for a whole new group of services to the public.

It will rock some boats too—to mix a metaphor. But it will put a lot more TV boats on the lake, both as stations and as receiving sets. When we go down to the Federal Communications Commission in Washington to ask them to OK this new carburetor for TV, we may get some squawks from present captains of the TV navy. . . .

You will recall that for several years television was in a period called a "freeze." 107 stations were all there were — no new ones could be built. During that time the networks had a really down-hill pull, with advertisers clamoring for time and programs to sponsor at any cost, just to "get in on" this new advertising miracle. The competitive advantages were all on the networks' side. They poured money into programming like water down a drain, but they got it back through profits on the key stations which they owned and operated. This made the networks the key source of the best television programs.

Domination of Networks

Today the networks own or at least control the most popular programs; they dominate the prime evening hours on TV; they own some of the key stations; and as current TV history indicates, it's pretty hard to make a local TV station go without a network affiliation.

There are few if any independent stations with money enough to build programs that will compete with network shows for audience; moreover, without network affiliation and national advertising dollars, an independent station is entirely dependent upon inadequate local advertising for existence. Obviously, this whole picture would quickly change if the local stations could turn to subscription TV service both for their premium programming and for a major new local source of revenue.

Understandably, the networks prefer to put their programs on "live," as they call it. In other words, you see the show as it is performed. This adds greatly to TV operating costs, both to rehearse the show until it is letter-perfect and then to distribute it via cables or micro-wave relays. TV circuits rent for something like $35 per mile per month. But it keeps the networks dominant as program sources.

Filming of TV Programs

But, as other program suppliers have shown, TV programs can be filmed, any errors edited quickly, and flown around to stations for peanuts, compared to network costs—and you, as the viewer, could scarcely tell the difference.

However, in spite of the network preference for live shows, ironically some of the highest rated network programs are today on film. If I were head of a network, I would take another look at this situation before I turned my mental thumbs down on subscription TV.

The overwhelming majority of filmed entertainment programs on TV are now produced outside the networks, by Hollywood producers with years of experience and know-how in film production. Already, many of these shows are being sold directly to advertisers, who spot them on independent stations, at local rates, at times of their own choosing. If this trend develops, as common sense economics indicates it will, the time will come when the only advantage the networks have to offer is their ability to provide important instantaneous programs like news, major sports events, McCarthy hearings, and the like.

Theatre TV

Now, the networks are already losing those instantaneous programs that are attached to a box office. Theatre TV has taken over the important fights, and is moving rapidly into the entertainment field with successful transmission of the Metropolitan Opera and the promise of Broadway plays, ballet, etc. College football on TV is a far cry from what it was only four years ago, and the theatres are moving in here too. The World Series has been a star performer for the networks, but how much chance is there of its remaining on home TV when the present contract expires and theatre TV with its nation-wide box office is free to bid for this great event?

As a result of this seeming trend of events, I am personally willing to make a prediction, possibly as rash as my earlier ones — namely, that subscription television may itself become the salvation of TV networks as well as a means of adding more TV stations. Here is why I say this: Unless subscription television comes to their rescue by giving the networks a crack at important instantaneous box office events, network TV as we know it today cannot survive against the competition of theatre TV for the big instantaneous events and the trend toward direct purchase of local time by national advertisers. It seems to me the conclusion is inevitable that networks need subscription television much more than subscription TV needs the networks. As a practical matter they can, by working together, help build a better future for television.

What Subscription TV Can Do

As a basically new economic ingredient, subscription TV should be capable of introducing some wholly new and highly dynamic patterns of competition in television.

First, it can restore healthy competition between theatre and network TV for box office events so that home viewers will have the freedom to see these spectacles in their homes.

Second, the competition it can generate between stations and networks will open up a whole new prospect of increasing the number of locally - supportable stations.

This should make possible new and superior advertising - sponsored shows; yet, the subscription programs then on the air would be even better—they would have to be, else you wouldn't pay for them. Some of the best would be on film—indeed they would be the best features that Hollywood can produce. Others would be locally produced with no need for network delivery, thus reducing their cost, which would already be lower than what you now pay to go somewhere to see the same kind of audience fare. Local stations, no matter how remote, could get these fine subscription shows without benefit of network connections or costs.

There is, as usual, another side to this coin. While subscription programming would give local stations both a new revenue and a premium program alternative for much that neworks now do—and add some spectacular new services of its own—it would at the same time open up new possibilities to the networks—and to TV itself.

Take the championship prize fights we have been discussing for example; their instantaneous delivery helped bring radio networks into existence. They make ideal network TV shows. But the networks and the home TV viewers, have lost the championship fights to theatre TV. Why?—because TV has no box office.

But give TV a home box office and not just championship fisticuffs but "Gone With the Wind," "South Pacific" on opening night, the Met, and virtually anything visible, no matter how costly, could appear on your TV set—for fees that would be scarcely more than bus fare to the nearest stadium, arena, opera house or what have you. The viewer would save both time and money — hence have more net time to watch sponsored TV and more money to buy the advertised products.

Perhaps I should have said earlier that subscription TV works on networks; with color; on UHF and VHF. And let me say this subscription TV is something to be available to all regular TV stations. It requires no separate channels, and any regular TV set could be equipped to receive it. As far as the Phonevision carburetor gadgets go, if you can drop coins in a slot, turn dials or mail a letter, you can operate any one of the Phonevision systems.

However, the really intriguing and exciting part of subscription TV is not the additional gadgets. They merely make possible the giving of TV that extra economic boost toward more stations and more and better program service. Although this addition should expand TV's scope even in the largest metropolitan areas, its results may well be the most dramatic in the smaller communities, which now have little or no TV service.

It surely needs no emphasis in pointing out what a tremendous new factor TV has become in our everyday lives. The several recent "Washington spectaculars" have underscored that. On the other hand, as both station facilities and economic support are added, thanks to subscription plus advertising support, then I believe TV can really begin to show its true public service potentials as a new tool of communication in a free society.

But, as I said earlier, while this second economic carburetor is ready for TV use technically, it still has to be approved by the FCC. I believe it will be fairly soon for some simple, practical and logical reasons.

For one thing, it will give fresh hope and new economic support to hundreds of communities and millions of people who don't stand a prayer of getting one-carburetor commercial TV station service. More than 20 TV stations have gone off the air and over 70 permits to build TV stations have been returned to the FCC—mostly UHF stations.

A Senate Subcommittee recently heard over 3,000 pages of testimony on the economic problems of one - carburetor TV. Everybody, including the network executives, explained why advertising economics and practices can support just so much TV in markets of certain densities and no more. This is no reflection on advertising — and believe me, advertising itself is one of the most fabulous economic carburetors that was ever devised to make a mass-market free economy work better.

Now the chances are, you or

*An address by Dr. Faught before the Kiwanis Club, Danville, Ill., Aug. 26, 1954.

your families have never troubled your minds over the economics of TV. Some people, who have TV service, complain about it. Others complain a lot louder because they don't have it. Every time, to my knowledge, that a group of the public have been asked if they would pay to see the very best that TV could offer in the way of programs they have said yes—usually by a large majority.

Some Inevitable Conclusions

As a result of all this, I come to what seems to me to be some inevitable conclusions. Since the public in America usually gets what it wants from its gadgets—witness tubeless tires on most of the 1955 autos, because who wants a hole in a tire *and* a tube, and the fewer flats the better — I think the public will demand and get and use subscription TV.

And when they do, then we will have the extra economic carburetion on TV to solve most of its problems, since they nearly all have economic roots.

We can then lick the problem of how to put the premium sports events on TV; how to put the best movies on TV; how to put Broadway plays on TV; how to pay for more of the 242 educational TV stations that have been set aside—with less than half-a-dozen in operation.

And best of all, we will put TV service on the same dynamic economic basis that we have every other service to the public in this country—the open market basis where customers have an expanded choice of TV services. They can choose between paying modest prices for a new service —home delivery via TV of programs of the sort they now buy outside the home — or watching sponsored programs. And there will be more stations available to serve more people with *both* kinds of expanded TV service.

We have seen some new bursts of competition in the automobile industry lately: electric windows, fourway self-moving seats, wrap-around windshields, air-conditioning—everything but a back-seat bathroom. But brothers, wait till we get dual economic carburetion on television! The competitive fur will fly and the customers will love it!

I often wonder what that old Cord of mine would have done with four carburetors on it.

Phila. Inv. Women Sponsor Lectures

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia under the sponsorship of the Philadelphia-Baltimore Stock Exchange has arranged a series of educational lectures. Miss Mary Lu Wanner of Robert Morris Associates, Chairman of the Educational Committee, announces that the theme of the educational program for the 1954-55 season will be "Consumer Preference — a Financial Impulse."

The first lecture will be held October 7, at 5:30 p.m. in the board room of the Fidelity-Philadelphia Trust Company. The guest speakers will be Mr. Wroe Alderson, a partner in the firm of Alderson & Session, and Mr. Lincoln Hall, Assistant Vice-President of the Fidelity-Philadelphia Trust Co. Mr. Alderson will discuss "What the Consumer Wants and Buys", and Mr. Hall will show how this effects financial planning.

The Investment Women will be given "A New Look at Industry" through additional lectures planned for later in the season when executives of specific industries will discuss how advertising and varying consumer's desires change financial planning.

Investment Problems of Mutual Savings Banks

By MARCUS NADLER*

Professor of Finance, New York University

Stating the main investment problem now confronting Mutual Savings banks is to find suitable investments, Dr. Nadler lists and discusses the investment situation relating to mortgages, government bonds, bank shares and other types of securities available to savings banks.

Before considering the specific investment problems confronting mutual savings banks, one must first analyze a few fundamental principles. Briefly, they are: (1) The investments of savings banks must be safe, for safety of principal is the prime consideration of the individual saver. Liquidity, while it cannot be overlooked, is not of prime consideration. (2) competition for the savings of individuals has increased considerably. Hence mutual savings banks must endeavor to the best of their ability to obtain a relatively high return on their investments in order to be able to pay a satisfactory dividend and thus meet the competition. (3) Taxation has become an important factor in recent years and the investment problems of some mutual savings banks at least will have to be solved in the light of the tax question.

Marcus Nadler

The Supply of Savings

In looking into the future and assuming no wars, one arrives at the conclusion that the savings in the country will be exceedingly large and the demand may not be equal to the supply which in turn means in the long run a decline in long-term rates of interest. The savings of the nation have undergone a considerable change in recent years. They have become increasingly institutionalized and the negative savings, i.e., the repayment of debts, are assuming increased importance. The funds accumulating in the hands of life insurance companies, mutual savings banks, savings and loan associations, pension funds and eleemosynary institutions, are very large. A considerable portion of these funds will be invested in bonds and in mortgages.

Amortization of mortgages has become a general practice in this country and the amount of amortization increases steadily as mortgage indebtedness rises. Sometime in the future the funds available from amortization may prove equal to the current supply of new mortgages and once this point is reached it will create a serious problem for institutional investors including mutual savings banks.

Corporations will rely more and more on internal resources, namely, depreciation, depletion and plowing back of earnings. Although the economy will continue to be dynamic, thus generating a great demand for capital, yet as these internal resources grow the demand for capital by corporations, with the exception of utilities, from external sources in the form of bonds and mortgages is not likely to be very large.

The demand for funds on the part of political subdivisions and public authorities, however, is bound to grow. As against this there are reasons to expect that sometime in the not distant future deficit financing by the Federal Government will come to an end.

Problems Involved in Individual Types of Investments

(1) **Government-insured and guaranteed mortgages** are excellent media of investment for mutual savings banks. While under certain conditions it may be advisable to acquire guaranteed mortgages without any down payment by the mortgagor, yet it is not wise to adopt this as a general practice. Individuals who during the lush period of the boom, high employment and high wages, could not accumulate a modest sum as a down payment for a home, are not entitled as a general rule to any credit. Exceptions, of course, prove the rule.

(2) **Conventional mortgages**, as in the past, so in the future, will constitute an important outlet for funds of mutual savings banks. The principal problems to consider are: careful valuation and proper amortization. In this connection the fact should not be overlooked that the real estate has lasted for nearly 20 years, that great shifts in population have taken place, that the economy is dynamic, creating new values and destroying old ones. This may also affect real estate values.

(3) **Corporate Bonds:** High-grade corporate obligations, of course, including utility bonds, are obviously a suitable investment for mutual savings banks. However, the rate of return on these must be at least 3%. Otherwise the income derived from such investments will not prove sufficient to meet the dividend payments of most mutual savings banks.

(4) **Government Bonds:** Each savings bank is bound to have at least 10% of its assets in government obligations. Experience of the past has indicated that government obligations, as all other high-grade bonds, are subject to considerable fluctuations and that their marketability may at times be impaired. For real liquidity, therefore, even mutual savings banks will have to rely more on short-term Treasury obligations and less on long-term government bonds.

(5) **Bank Shares:** In Connecticut mutual savings banks are permitted by law to acquire shares of banks of certain size. Such securities are excellent investments for mutual savings banks partly because most of the shares of banks eligible for purchase by mutual savings banks are selling below book value, partly because the dividend is more or less safe, and partly because in some cases increases in dividends as well as stock dividends may be expected.

Commercial bank earnings like those of all other institutions are bound to fluctuate. However, a well-managed bank is always in a position to maintain satisfactory earnings. When the demand for loans is small as a general rule reserve requirements are lowered and this enables banks to increase their investments. On the other hand, when the demand for credit is great and reserve requirements are increased, money rates are higher, thus increasing the earnings of banks from loans. It is also fairly certain that the merger movement among banks will continue and this at times has a favorable effect on the price of the shares of the merged institutions.

Conclusion

The main investment problem confronting mutual savings banks is to find suitable investments. Competition for such investments is bound to be keen and assuming no unforeseen events, notably an outbreak of major hostilities, one may reach the conclusion that the long-term trend of interest rates is downward.

*Summary of an address by Dr. Nadler before the Savings Banks Association of Connecticut, Portsmouth, N. H., Sept. 17, 1954.

With Lakeside Securities

CHICAGO, Ill.—Donald E. Vallely is now with Lakeside Securities Corporation, 209 South La Salle Street.

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** announced on Sept. 21 the ap-

William I. Spencer

pointment of William I. Spencer to Vice-President. Mr. Spencer, formerly an Assistant Vice-President, is associated with the domestic division of the bank at head office.

* * *

Thursday, September 16 marked the 50th anniversary of the founding of **City Bank Club**, social and recreational organization of **The National City Bank of New York** and **City Bank Farmers Trust Company**. It is believed to be the oldest group of its kind in the United States. The Club started with a charter membership of 160 in 1904. There are now 14,000 members in New York City and 19 overseas countries.

The Personal Credit Department of **The National City Bank of New York**, on Sept. 16 passed the $3 billion mark in loans made to date, since the department was founded on May 4, 1928. J. Andrew Painter, Vice-President, in charge of the Personal Credit Department, made this announcement on Sept. 16, and to celebrate the occasion presented Arthur Peter Hansen of Brooklyn, the customer whose loan brought the total to date over $3 billion, with a check for the proceeds of his loan, returned his promissory note for $360 stamped "Paid," and presented him with a savings Account passbook with an initial balance of $100 in the bank's Jay Street branch. Mr. Hansen it is announced is the 7,134,605th customer served by the Personal Credit Department in the 26½ years this department has been operating.

The National City Bank became the first major commercial bank to establish a separate Personal Loan Department to make personal credit available to wage-earners and small businessmen at reasonable rates, with repayment out of income arranged on a monthly payment basis. During the past 26½ years the Personal Credit Department has added many features to broaden and modernize its services in providing credit in amounts up to $10,000 to employed people, or those engaged in small business enterprises in New York City. Most loans are made solely on the signature of the borrower for personal use in household budget emergencies to provide for medical and other family needs, for the purchase of motor vehicles, household appliances, and to pay for insurance premiums, to mention but a few of the worth-while purposes for credit given careful consideration.

At a special meeting of shareholders of **The National City Bank of New York** at the bank's head office on Sept. 20, the proposal to increase the capital funds of the bank by the sale of 2,500,000 aditional shares of its capital stock was approved by a record vote. A total of 6,160,707 or 82% of the 7,500,000 shares outstanding were voted in favor of the proposal with less than 86,000 opposed. By this action the number of shares, of $20 par value, will be increased to 10,000,000. Howard C. Sheperd, Chairman of the Board, presided at the meeting. The additional shares will be offered at $52.50 per share to all shareholders on a pro rata basis of one new share for each three shares held, of record Sept. 24. Arrangements have been made with a group of investment bankers headed by **The First Boston Corporation**, to purchase all unsubscribed shares at the subscription price of $52.50 per share.

From the proceeds of the sale of the stock of $131,250,000, $50,000,000 would be added to the capital of the bank and the remainder to surplus. The board intends to transfer to surplus from undivided profits and unallocated reserves a sufficient further amount to increase the surplus to $300,000,000. With these changes the capital of the bank would be increased from $150,000,000 to $200,000,000 and the surplus from $200,000,000 to $300,000,000. With undivided profits of approximately $50,000,000, total capital funds will be approximately $550,000,000. This total does not include either the capital funds of **City Bank Farmers Trust Company**, which exceed $32,000,000, or the unallocated reserves of the bank of slightly more than $50,000,000.

Quarterly dividends aggregating 60 cents per share were declared by the bank's board of directors on Aug. 10, payable Nov. 1, 1954 to shareholders of record Oct. 8. This increases the dividend rate per share from $2.20 to $2.40 per annum. It is the intention of the board of directors, subject to future earnings, to continue dividends at the $2.40 rate on the increased number of shares. Warrants covering subscription rights will be issued and mailed Sept. 30, to shareholders of record Sept. 24. The rights will terminate if not exercised on or before Oct. 22. Mr. Sheperd announced at the meeting that if shares are not all subscribed for by the shareholders a total of up to 25,000 shares will be reserved by the underwriters for subscription by the staff at $52.50 per share. The number of shares for which the staff will be permitted to apply will be in proportion to salaries, but the maximum allotment to any staff member will be 150 shares. An earlier item regarding the proposed increase in the capital funds of the bank appeared in our issue of Sept. 2, page 882.

* * *

Max Henry Foley, member of the firm of Voorhees, Walker, Foley & Smith, architects and engineers, of 101 Park Ave., New York City, has been elected to the board of directors of the **Federation Bank and Trust Company**, of New York it was announced on September 15 by Thomas J. Shanahan, President. Mr. Foley, who is a member of the engineering board of the Port of New York Authority, during the early war years headed the group of engineers who designed 14 Caribbean airbases, extending from Antigua south to French Guiana. Mr. Foley currently is handling the administrative end of the designing of the General Electric Laboratories in Schenectady, N. Y., and the Travelers Insurance Company building in Hartford, Conn.

* * *

Dividend payments at the rate of 2¾% a year have been announced by the **Central Savings Bank of New York** for the quarter ending September 30, James T. Lee, President, reported that based on the bank's earnings during the past three months an extra dividend of ¼ of 1% per annum in addition to a regular dividend of 2½% per annum would be paid on savings accounts. The decision to pay these dividends was made by the Board of Trustees. This is the second successive quarter in which Central Savings has paid an additional dividend of ¼ of 1% a year. The bank has offices at 73rd Street and Broadway and 14th Street and 4th Avenue.

* * *

Appointment of J. Paul Taylor as an Assistant Vice-President of **Manufacturers Trust Company of New York**, was announced on Sept. 21 by Horace C. Flanigan, President. Mr. Taylor joined the staff of the **Brooklyn Trust Company** in 1929 and became associated with the Manufacturers Trust Company through the merger of the two institutions in 1950 as an Assistant Secretary; in February, 1954, he was appointed an Assistant Treasurer. Mr. Taylor is assigned to the Eastern Division of the company and his territory embraces the State of West Virginia and the Western portion of the State of Pennsylvania. Mr. Taylor has been a trustee of the **Brevoort Savings Bank of Brooklyn** since 1933.

Albert Hailparn, President of Einson-Freeman Company has been appointed a member of the Advisory Board of the Queens Plaza Office near Queens Plaza, Long Island City of the **Manufacturers Trust Company**, President Flanigan announced on Sept. 16.

Mr. Hailparn is Chairman of the Graphic Arts Division of the Legal Aid Society of New York.

* * *

The Sterling National Bank & Trust Co. of New York announced on Sept. 17, the election of William Lazarus as Vice-President in charge of foreign operations. Mr. Lazarus has had an extensive foreign banking career, beginning with the **National Bank of Cuba in Havana** and subsequently with **The National Park Bank of New York**. He recently headed his own firm, specializing in international financing.

It is also made known that the Sterling National Bank & Trust Company has increased its surplus account by $750,000 through the transfer of this sum from reserves and current earnings; this was announced on Sept. 19 by Joseph Pulvermacher, President. The bank's surplus now stands at $7,000,000, while capital and undivided profits remain unchanged at $1,500,000 and $1,475,001, respectively, as of the June, 30, 1954 statement of condition.

* * *

The boards of directors of the **First Suffolk National Bank of Huntington** and the **Huntington Station Bank, at Huntington Station, Long Island, N. Y.**, have unanimously approved an agreement to consolidate the two banks under the charter of the First Suffolk National Bank. The further approval by the holders of two-thirds of the outstanding capital stock of each bank and by the Comptroller of the Currency, Washington, is required. It is planned to hold the stockholders' meeting on Oct. 15. All of the employees of both banks have been invited to become employees of the consolidated bank, which will continue to operate the present banking premises in Huntington, Northport, East Northport, Amityville, and Huntington Station. The consolidated bank will have resources of approximately $52,000,000 and total capital funds and reserves of approximately $3,800,000, according to the press release Sept. 15.

When releasing this announcement, George A. Henry, President of First Suffolk National Bank and Paul E. Schaefer, Executive Vice-President of the Huntington Station institution both indicated that they feel the consolidation to be in the best interests, not only of the stockholders of each institution but also of the residents and businessmen of each community.

Mr. Heaney revealed that the consolidated bank's standing with respect to resources would be first in Suffolk County and third on Long Island, outside of New York City. The office of the Comptroller of the Currency recently made known that effective Sept. 1 the First Sufflok National Bank had increased its capital from $940,000 to $987,000 by the sale of $47,000 of new stock.

* * *

An increase of $100,000 has occurred in the capital of the **Central Islip National Bank, of Central Islip, New York**, raising it from $100,000 to $200,000. The increase was effected by a stock dividend of $50,000 and the sale of $50,000 of new stock. The enlarged capital because operative Sept. 1.

* * *

Kingsbury S. Nickerson, President of **The National Bank of Jersey City, N. J.**, has announced that John G. Hewitt, Assistant Vice-Uresident and manager of the Consumer Credit Department, has been advanced to Vice-President. Mr. Hewitt will continue as head of the department he organized in 1949 when he joined the First National staff. In addition to continuing an active interest in the development of Consumer Credit at First National, Mr. Hewit will participate in the bank's business development and public relations program.

* * *

The Comptroller of the Currency approved and made effective as of Aug. 28, the consolidation of the **First National Bank of Lewistown, Pa.** (with common stock of $300,000) the **McVeytown, National Bank of McVeytown, Pa.** (common stock of $25,000 and the **Milroy Banking Company of Milroy, Pa.**, with common stock of $40,000. The consolidated was effected under the charter and title of the First National Bank of Lewistown. As of Aug. 31 the Comptroller further announced that the **First National Bank of McKeesport** (with common stock of $600,000) and the **First National Bank of Monongahela, Pa.**, were consolidated under the charter and title of the First National Bank of McKeesport. The consolidated bank on the effective date of the consolidation will have capital stock of $1,800,000 in 180,000 shares of common stock par $10 each; surplus of $2,700,000 and undivided profits of not less than $450,000.

* * *

The office of the Comptroller of the Currency announces that the **Liberty National Bank of Washington, D. C.**, has increased its capital, effective Sept. 1, from $500,000 to $1,000,000 by the sale of $500,000 of new stock.

* * *

A consolidation has taken place between the **National Bank of Jackson at Jackson, Mich.**, common stock $924,000 and the **Farmers State Bank of Grass Lake, Mich.**, with common stock of $50,000. The consolidation was effected under the charter and title of the National Bank of Jackson. At the effective date of the consolidation, Sept. 1, the consolidated bank had a capital stock of $1,017,750, divided into 67,850 shares of common stock, par $15 each; surplus of $1,182,250 and undivided profits of not less than $123,951.68.

* * *

A proposed 170,000 share stock dividend for shareholders of the **Republic National Bank of Dallas, Texas**, and consolidation of the **National City Bank of Dallas** with Republic National Bank will be submitted to shareholders of the respective institutions for approval on Oct. 26, it was announced on Sept. 14. Action of the boards of both banks in setting a date for special meetings of the shareholders to act on the proposals was announced jointly by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President, of Republic; and R. R. Gilbert, Chairman, and DeWitt T. Ray, President, of National City, following formal meetings of the directors of both banks. Upon ratification by the shareholders, these proposals will be subject to final approval by the Comptroller of the Currency. Basic proposals for the consolidation were approved in recent meetings of the respective boards of the two banks, and have since been tentatively approved by the Comptroller of the Currency. The consolidated bank will retain the name of Republic National Bank of Dallas. Capital stock will be $27,000,000, divided into 2,250,000 shares of common stock of the par value of $12 each. An earlier reference to the proposed consolidation appeared in our issue of Sept. 9, page 978. Republic National plans to move into its new banking quarters in the 40-story building now nearing completion at Pacific, Ervay and Bryan Streets, prior to Dec. 1, and the National City will also move its banking facilities to that location shortly thereafter, thereby completing the consolidation of the banks.

* * *

The U. S. Comptroller of the Currency makes known that as of Sept. 1 the **First National Bank in Boulder, Colo.**, raised its capital from $200,000 to $275,000. Of the increase $25,000 was made available by a stock dividend; while $50,000 resulted from the sale of new stock.

* * *

David P. Blankenhorn, W. A. Mauer, and William R. Schroll were elected Vice-Presidents of **California Bank of Los Angeles**, at a meeting of the board on Sept. 13, Frank L. King, President, announced. Elected Assistant Vice-Presidents were Max B. Horn, John R. King, N. R. McGrew, C. H. Reed, and Robert A. Young. Vice-President Blankenhorn recently joined the staff of California Bank after six years with Case, Pomeroy & Company, Inc., New York investment firm, where he was Treasurer. He entered banking in 1933 with the **Commercial National Bank & Trust Company, New York**, where he remained until 1948 advancing to Assistant Vice-President. Vice-President Maurer is in charge of California Bank's new Wilshire-Detroit Office. He joined the staff in 1949 and was elected Assistant Vice-President in 1950. He is a graduate of the University of Minnesota and the St. Paul College of Law and was associated with the Empire National Bank, St. Paul, from 1930 to 1947 where he held the offices of Vice-President and Assistant Trust Officer. Vice-President Schroll recently entered the employ of California Bank after 24 years with the Prudential Insurance Company of America. He held executive positions with Prudential in Seattle, Cincinnati, and Detroit prior to his assignment to the Los Angeles office in 1937 where he was regional manager in charge of investments. Mr. Schroll is assigned to the Real Estate Loan Department at the Head Office of California Bank.

Assistant Vice-President Horn has been with California Bank since 1951 and was elected Assistant Cashier in 1953. He entered banking in 1946 in Nebraska where he was executive Vice-President of the First National

Bank, Hay Springs. Mr. Horn is assigned to the Department of Public Relations at California Bank's Head Office. Assistant Vice-President King is a native of Nebraska. Following five years' service in the Army during World War II he entered the employ of **the United States National Bank, Denver, Colo.**, where he remained until 1951. He joined California Bank's staff in 1951 and was elected an Assistant Cashier in 1953. He is assigned to the bank's Main Office. Assistant Vice-President McGrew began his banking career in 1939 with the Citizens State Bank in Park Ridge, Ill. He came with California Bank in 1946 as an Installment Loan Officer. He was elected Assistant Cashier in 1953 and was recently assigned to the Bell Office. Assistant Vice-President C. H. Reed was with the First National Bank, Chicago, from 1934 to 1936 and subsequently was an auditor for General Mills, Inc., Minn. He was with the Arthur Andersen & Co., Los Angeles accounting firm, for six years prior to joining the staff of California Bank in 1952. He is assigned to the bank's Beverly Hills Office. Assistant Vice-President Robert A. Young is a former Vice-President of the Commercial National Bank, Peoria, Ill. He came with California Bank last May after eight years with the Peoria bank. He is assigned to the bank's Hollywood Office.

Hunt, Director

Leonard G. Hunt, of Dominick & Dominick, has been elected a

Leonard G. Hunt

director of The Manhattan Storage & Warehouse Company.

Mid Continent Inv. & Secs. Corp. Forming

CHICAGO, Ill.—Mid Continent Investment & Securities Corporation, a new New York Stock Exchange member corporation, will be formed Oct. 1, with offices at 231 South La Salle Street. Officers are to be William W. Sims, President; Joseph J. Spanier, Vice-President and Treasurer; John W. Eustice and James M. Fox, Exchange member, Vice-Presidents, and George R. Griffin, Vice-President and Secretary. All the officers, who have been in the investment business in Chicago for many years, were formerly with Reynolds & Co.

Joins Gerard Jobin

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Earle E. Barbee has become connected with Gerard R. Jobin Investments Ltd., 242 Beach Drive, North.

Now With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William C. Karlson is now with E. F. Hutton & Company, Board of Trade Bldg.

Joins Russell, Long

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky.—Mrs. Olive M. Richardson has joined the staff of Russell, Long & Company, 257 West Short Street, members of the Midwest Stock Exchange.

World Peace Can be Obtained By Removal of Trade Barriers

By SIR WALDRON SMITHERS, M.P.
Akroyd & Smithers, Bankers, London, Eng.
Member, London Stock Exchange

Member of British Parliament stresses removal of trade barriers, as mentioned in the Atlantic Charter of Aug. 12, 1941, as means of removing international discontents and bringing about a solution for world peace.

To remove barriers to the movement of international goods, services and currencies might temporarily upset some existing businesses. But it would soon prove to be the economic and financial salvation of the world. It would be the biggest contribution to world peace. It would give the death-blow to materialistic Communism's dreams of world revolution and servitude.

Some countries have, I am informed, a year's supply of cereals in reserve, and the Dominion of Canada, with a population of 14 million, produces enough wheat to feed 75 million mouths. If this surplus food could be diverted to the less advanced peoples of Southeast Asia and Central Africa, their standards of life could be raised, the main cause of their discontent would be removed, and the seed of Communism would be destroyed.

Their growing prosperity would advance their purchasing power. There would be a growing demand for manufactures and for clothing from British, Europe and America. It was once said that if you could add six inches to the shirt of every Chinaman, there would be an unprecedented boom throughout Lancashire.

But all this is nothing more—and nothing less—than the great Anglo-American policy of the Atlantic Charter, which President Roosevelt and Mr. Churchill presented to the world on Aug. 12, 1941.

Articles 4 and 5 declare:

"Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms to the trade and to the raw materials of the world which are needed for their economic prosperity.

"Fifth, they desire to bring about the fullest collaboration between all nations in the economic field, with the object of securing for all improved labor standards, economic advancement and social security."

Thirteen years later, on June 8, 1954, the English-Speaking Union gave a dinner at the Dorchester Hotel, London, in honor of General Gruenther, Supreme Commander Allied Forces, Europe.

Brilliant speeches were made by the Duke of Edinburgh, by General Gruenther himself, Sir Winston Churchill, Mr. Clement Attlee and Mr. Clement Davies. This gathering had a deeper significance than is generally realized.

The English-speaking nations, I believe, may well be as the seed of Abraham. "Seeing that Abraham shall surely become a great and mighty nation and all the nations of the world shall be blessed in him." (Genesis XVIII.18).

"And I will make thy seed to multiply as the stars of heaven, and will give unto thy seed all those countries, and in thy seed shall all the nations of the world be blessed." (Genesis XXVI.4).

"Humanity," said Sir Winston, "stands at its most fateful milestone." In this supreme moment of human destiny let us all realize that the crisis is neither economic nor financial. It is a spiritual and moral crisis.

Everyone must ask himself, and answer, the question: On whose side am I? There are no neutrals.

Unity among the English-speaking nations is the answer to our urgent and immediate problem. "Every kingdom divided against itself is brought to desolation; and every city or house divided against itself shall not stand." (Matthew XII.25).

Sir Winston's cry is "Peace through Strength." "How can one enter into a strong man's house and spoil his goods except he first bind the strong man and then he will spoil his house." (Matthew XII.29).

God made the promise to Abraham and Our Lord confirmed it—"Think not I am come to destroy the law, or the prophets: I am not come to destroy but to fulfill." (Matthew V.17).

Billy Graham's campaign, during which he spoke to 1,300,000 people, is proof that men and women are thirsting for a spiritual lead.

But one of the outstanding events in 20th Century history has been the Queen's Coronation, and her Commonwealth-Empire tour. Thousands came to London, thousands came to welcome her in every city or hamlet she visited, not only because of her own sweet self, but because instinctively they know that she is the embodiment of all that stands for the cause of God and Freedom. But the point that matters is that no one bade them to come. No one even asked them to come—they came of their *own free will*.

The Queen has given an inspired lead. Her influence will be the greater if each one of us will take an active part in overcoming the apathy, complacency and ignorance which hinders the spreading of the gospel of love and the coming of God's Kingdom on earth. Love—not hate—is the fulfilling of the law. Our Queen today is the representative of the House of David. An American said recently—"I don't think the people of America would mind if they had a President *and* a Queen."

The English-speaking nations saved the world from the tyranny of the Kaiser and of Hitler—and they can, will and must save the world from materialistic and atheistic Communism and from the unpredictable devastation of the hydrogen bomb.

Nothing must be allowed to divide us. Let us, then, break down the barriers to the movement of goods and services between all countries. If goods cannot cross frontiers, another eminent American has proclaimed, armies will. Free trade, free currency and no coercion must be our goal.

We fought two world wars for freedom. Let us in our generation be worthy of those sacrifices made for us. Let us keep the Torch of Freedom burning, and let us hand it on to our children burning ever, and even more brightly.

Joins Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Reginald W. Hughes is now affiliated with Mitchum, Tully & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Railroad Securities

Missouri - Kansas - Texas

Committees representing holders of the preferred and common stocks of Missouri-Kansas-Texas Railroad came forward the middle of last week with the long awaited outline of a proposed compromise plan of recapitalization. This stock recapitalization is designed to take care of dividend arrears on the present 7% cumulative preferred stock which now amount to approximately $150 a share. Joint announcement of the proposal engendered considerable speculative interest in the two stocks at advancing prices. The plan will now first have to be accepted by the management and presented by them to the I. C. C., the court, and the stockholders. If it is approved by the Commission and the court it must, under the so-called Mahaffie Act, be accepted by 75% of each class of present stock.

Under the proposal, each share of old 7% preferred would receive $140 in new 5% Income Debentures and one share of $60 par value Class "A" stock in settlement of the entire claim, including back dividends. Contingent interest, when and if paid on the new Income bonds, would maintain the preferential income status holders of the stock now have. The old common stock would be exchanged, share-for-share, into new $10 par value common. The new Class "A" stock would apparently have no dividend preferential but would participate fully with the new common in a ratio of three to one, on a class basis. Thus, 75% of total dividends declared would go to the Class "A" holders and 25% to holders of the common.

The plan contemplates a substantial increase in the mount of debt to be outstanding. There would be issued $93,380,560 of the new 5% Debentures, with $4,669,208 of annual contingent interest requirements. This would almost double the $95,135,650 total debt (including $35,090,131 of equipments) outstanding as of the end of last year. Aggregate fixed charges and contingent interest would be increased to $8,361,000 or more than double the present requirements. In addition, although it was not mentioned in the press reports of the plan outline, it is expected that a sinking fund will have to be provided for the new bonds, and perhaps for the Class "A" stock. Finally, if the final plan follows the pattern set by most other capital revision or reorganization plans some provision will presumably have to be made for capital improvements to the property before dividends may be paid on the stocks. In the original management plan such a capital fund was provided, amounting to $2,000,000 annually.

While consummation of a recapitalization plan is desirable in that it would eliminate the large dividend arrears, the proposal that has been made would not, on the road's past record, give any promise of substantial or sustained earnings on the new stocks. As stated above, new charges, exclusive of any possible sinking or capital funds, would come to $8,361,000. In comparison, the road's income available for charges before Federal income taxes for the 12 months through July, 1954 amounted to only $8,639,000, a very narrow coverage of the proposed charges. Moreover, for the full calendar year 1954 it now seems likely that pre-tax available income will not even come up to the proposed new requirements.

In its best postwar year, 1952, Katy reported pre-tax available income of $15,836,000. On the basis of the proposed recapitalization plan this would work out to net income before Federal income taxes of $6,475,000. Assuming an effective 33⅓% income tax rate on this balance there would be a net of $4,317,000 for funds and the stocks. Also assuming a 1% sinking fund on the new bonds and an annual requirement of $2 million for property improvements this would leave a maximum balance of $1,383,000 for the stocks, of which $1,037,000 would be applicable to the Class "A" stock and $346,000 to the common. There would be outstanding 667,004 shares of the Class "A" stock and 808,971 shares of common. On the above assumptions as to a reasonable estimate of the effective tax rate and sinking and capital funds the share earnings would work out to $1.55 on the Class "A" and $0.43 on the common for the road's best postwar year.

Blair & Co. to Return To 20 Broad Street

Blair & Co., Inc., 64-year-old investment banking firm, will return to its traditional 20 Broad Street, New York City, address after an absence of almost a quarter of a century as the result of a long-term lease just signed in the new 27-story, air-conditioned office building to be erected at that location by the General Realty & Utilities Corporation, Edmund F. Wagner, President. Bertram F. French, of the firm of Cushman & Wakefield, Inc., renting agent for the new skyscraper, was the broker in the transaction.

The banking firm, which built the 15-story Blair Building, to be demolished shortly to make way for the new skyscraper, at the northwest corner of Broad Street and Exchange Place, occupied the main banking floor and other space in the structure from its opening in 1904 until it moved to 44 Wall Street in 1930, following sale of the building to the New York Stock Exchange in May, 1929.

During the next quarter of a century and after several changes of name, including Bankamerica-Blair Corporation and Blair, Rollins & Co., the banking concern this year reverted to its original name.

The company, which was founded in 1890 by John I. Blair, international banker, at the age of 90, is now headed by Joshua A. Davis, Chairman of the Board, and Emmons Bryant, President.

Frank Marcus Opens

BUFFALO, N. Y.—Frank Marcus is engaging in a securities business from offices at 111 Niagara Street.

H. McDonald Co. Formed

MOUNT VERNON, N. Y.—Hugh McDonald & Co., Inc. is engaging in a securities business from offices at 55 Ehrbar Avenue.

Forms Uranium Inv. Co.

DENVER, Colo. — Uranium Investment Co. has been formed with with offices in the University Building to engage in a securities business. Owen H. Henson is a principal of the firm.

With Slayton in Dayton

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Robert A. Hicks has become affiliated with Slayton & Co., Inc., 1126 Oakwood Avenue.

Continued from page 9

A Favorable Future For Equity Prices

notice that if 1954 production instead of being up 3% is down 3% as apparently it will turn out to be then the change from 1954 to 1955 must be a change from 97 to 106, an increase of nearly 10% between these two years, in order to catch up on our productivity index. These lagging periods of production which we have been experiencing during the past year must be taken as signals of dramatic rises which will be necessary to reconcile the level of production with the potentials of productivity.

Outlook for Profits

The fourth and last economic factor which I mentioned earlier is the outlook for profits. As I have already said, of the four factors this is the one which has the least logical and statistical underpinning and on which there can be large differences of opinion. My own opinion is the profits per dollar of present invested equity capital will be larger in 1965 than they are today.

Profits will differ markedly from industry to industry and as between different companies in the same industry; of this I think we can be sure. I think we can also be sure that wage rates per hour and fringe benefits will increase, but this will not involve a proportional increase in wage costs. Indeed in some industries wage costs may actually decline. Gross profit margins are likely to decrease as a result of competition. However on the affirmative side we we will have increased earnings arising from the investment of undistributed profits, earnings on research and technical improvements charged off as current expense, a higher volume of business on a proportionately less high level of fixed charges and reductions in the level of Federal taxes on corporate profits. If these projections are correct then a dollar invested in equity capital today will earn more in 1965 than it does at present.

Furthermore, and this is nothing but an opinion, it seems likely that the percentage of profits distributed as dividends will be somewhat larger than it is today. I also suspect that there will be a tendency to increase the use of regular stock dividends to capitalize in part the undistributed earnings re-invested in a business.

To sum up, it is my opinion that the various factors affecting the profit outlook of business are favorable in comparing 1965 with the situation as it exists today.

The Outlook for Equities

The outlook for the price of equity securities therefore seems to me to be favorable. Three of the four economic factors are certainly constructive and the fourth, the profit outlook, is probably so. Two of the three non-economic factors seem constructive and the third, the political outlook — domestic and international, though doubtful is as likely to get better as to get worse.

But even recognizing all this there still remains the sensitive and technical problem of what particular equity securities should be selected for investment, which will do better, which will do less well and which will fall by the wayside in the technological and economic changes which lie ahead. I do not know how much meaning attached in the past to the movement of "averages." But it does seem clear that in view of the obvious changes of pattern within a general tendency of growth, that selectivity in the choice of equity securities is now of paramount importance.

The Investment Problems of the Individual

The financial adivser who concerns himself with the business outlook and with possible developments in Federal fiscal policy must recognize that the investor as an individual has a number of problems, some of which are related to the business outlook and some of which are not.

As I see his problems, they fall under five headings: (1) Liquidity, (2) Insurance, (3) Retirement, (4) Doing the best he can with his surplus savings, and (5) For the more sophisticated, doing the best he can with other people's money.

Liquidity and Insurance

Liquidity means cash money available on demand. It means the ability to meet emergencies. It means the ability to do things without asking anybody's permission or telling anyone what you intend to do. Liquidity is more than economic strength, it is a foundation stone of personal freedom. The requirements for liquidity will differ from individual to individual and from family to family, but whatever they are, they should never be compromised by alternative investment activities.

Insurance, in covering the inescapable risks of living, reduces the need for liquidity. Insurance is ,therefore, a cost of alternative investment, as well as an aid to peace of mind and a clear conscience. Insurance is not an efficient way to save except for those who find it difficult to save systematically in any other way. Of these I was once one, and I know it. And I am grateful for insurance savings.

Retirement

Retirement provisions are becoming more and more important. The concern with retirement reflects big changes in our way of life—not in our strength of character as some seem to imply. We live longer; we are farther from the land; our skills are more specialized even if more productive; we no longer rule absolutely as head of a household that, as a matter of custom and duty, will provide for us a living in the style proper to us — and indefinitely.

Institutional arrangements for retirement, governmental and industrial, have come into being and are being improved from year to year. But most individuals want something more, and this something more is generally provided by systematic savings.

Depending on how firm the retirement base of an individual is in institutional arrangements, and with due consideration to his personal obligations and requirements, I favor placing the bulk of systematic savings in equity situations.

There are those who justify putting savings into equity situations on the simple ground that this provides a hedge against inflation. For some this may be an important consideration and I do not deny it is important. On the other hand I attach more importance to the fact that a diversified investment fund in equities gives a certain, even if indeterminate, untaxed access to the undistributed profits of corporations.

Investments

So much for liquidity, insurance and retirement. Next comes the problem of doing the best the individual can with his surplus savings. Here I feel definitely the indicated investment is in equities, common stocks — or in certain cases and for certain individuals, in land.

As for common stocks, the choice is betwen the securities of one or more specific companies, or the stock of a diversified investment fund. For most individuals without special interests or some financial background or sound investment advice, the diversified investment fund is clearly more suitable. But we must not overlook the human interest values that come from owning the stock of a company for which we work, or which is located in our own town, or whose products we use, or which we can read about in the newspapers. As in most questions of investment, there is a good deal to be said for all forms, and it is in the adaptation to the needs of the individual that skill and judgment are required.

Finally, let us recognize that for the most sophisticated there is the problem of doing the best he can with other people's money. This statement in this form may sound predatory, if not downright sinister; but it represents an area of savings and investment that covers a wide range of financial decisions. For example, shall I rent, or shall I buy a home on a mortgage? What should I do about installment buying? Should I use while I save, or should I save before I enjoy? What should I do in the face of a big emergency? Should I borrow or should I use my savings or should I sell? What about borrowing to buy securities? How much? From whom? These are questions that need to be answered for most people who save and invest—and that means for most people.

Columbus & So. Ohio El. Co. Stock Offered

Dillon, Read & Co. Inc. and The Ohio Company headed an investment banking group which released an offering for public sale at the close of the market on Sept. 21 of a new issue of 200,000 common shares of Columbus and Southern Ohio Electric Co. at $29.25 per share.

Proceeds from the sale of these shares and from a proposed sale of $10,000,000 new first mortgage bonds will be used by the company for its construction program, including the payment of bank loans which were incurred for additions and improvements. The construction program for the period from Aug. 1, 1954 to Dec. 31, 1956 is estimated to cost $50,000,000. Construction is proceeding at Picway Station for an additional generating unit of 80,000/10,000 kw.; this unit is scheduled to be placed in service late in 1955.

The company's electric service area comprises portions of 22 counties in central and southern Ohio having an estimated population of 900,000. A subsidiary of the company operates a transit system in Columbus and suburbs.

For the 12 months ended July 31, 1954 the company's consolidated operating revenues were $39,055,815 of which $32,582,659 represented electric revenues. Earnings on common shares were $4,544,971 or $2.06 per share on then outstanding shares.

With Hamilton Managem't

(Special to The Financial Chronicle)

DENVER, Colo. — Marvin L. Reno has been added to the staff of Hamilton Management Corporation, 445 Grant Street.

Stone, Moore Adds

(Special to The Financial Chronicle)

DENVER, Colo. — William H. Peltier has become associated with Stone, Moore and Company, U. S. National Bank Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury again had its little surprise for the money market when it announced last Monday that the October new money raising operation would consist of $4,000,000,000 of two-year-seven months 1⅝% notes. The new offering will be dated Oct. 4 and will mature May 15, 1957. The single issue was not entirely unexpected, neither was the 1957 maturity, nor the four billion dollars asked for instead of six billion dollars. It had been rumored rather strongly, however, that there would be tax anticipation securities, as well as a short note in the October new money financing. A long-term obligation has evidently been ruled out by the market quite some time ago.

Although this is a large new money operation, it does not use up all of the temporary increase in the debt limit, which was recently voted by the Congress. This probably means that the Treasury will again come into the market for new money later on in the year. Whether there will be a long-term issue in the next offering by the Treasury will most likely depend upon the trend of economic conditions.

Eyes on December Maturities

Although the new money raising operation of the Treasury is hogging the spotlight, there is more than a small amount of attention being given to the December maturities which will have to be refinanced by the Government. The year-end of 1954 will call for the refunding of more than $17 billion of outstanding notes, called and maturing bonds. The issues to be taken care of by the fifteenth of December, most likely through an exchange offer, consist of $8,175 million of 1⅞% notes and $8,662 million of 2% bonds, both of which mature on the above date. There is also $510 million of 2% bonds which have been called for payment by the Treasury on Dec. 15. The holders of the called and maturing obligations have in some instances been doing their own refunding ahead of time.

Long-Term Offering Expected

It is through the medium of exchange offers that the Treasury is able to extend the maturities of obligations as they come due or are called for retirement. It has been the policy of the Treasury, whenever it has been feasible to do so, to push out maturities of those securities which have been called for payment or are maturing.

Therefore, it seems as though quite a few money market specialists are now of the opinion that there will be a long-term issue in the "package deal" which is expected in the December operation which will take care of the matured and called securities. Those institutions that are not so much interested in a distant Treasury obligation have been sellers of a part of their holdings in the December maturities, with the proceeds being invested in the shorter Treasury securities.

Institutions Acquiring Long Bonds

On the other hand, thereare certain investors who would like to build up their positions in the longer-term Treasury issues and, as a result, they have been buyers of the called and maturing Government securities. They conclude that an "option deal" in the middle of December operation will give them an opportunity to add to their holdings of long-term Government securities. If there should be no long-term issue in the late year undertaking, there should be at least an intermediate term obligation with a favorable coupon rate, which would not have an adverse effect upon their holders of Government securities.

There are also not a few institutional investors who have been buyers of the most distant Government bonds with the proceeds which were obtained from the sale of the Dec. 15 maturities. This group, which is likewise selling only a part of their holdings in the late year maturities, believe that more favorable conditions for the acquiring of long Governments are now at their disposal than will be the case near the end of 1954, when the $17 billion refunding operation of the Treasury will be under way. Based on this kind of thinking, these institutions have been making commitments, mainly in the longer-term 2½% Government bonds.

Commercial banks in many of the out-of-town districts continue to be buyers of the long-term eligible bonds, not only because they have the excess reserves but also because they must keep these funds at work to prop up their income which in many instances has been sagging rather badly. It is reported that the 2½% bonds which are available at little or no premium have been the ones which these institutions have been taking on.

Dealers Liquidating Long Bonds

Public pension funds have also been on the active side in the longer end of the Treasury list, with the 2½% bonds getting most of the attention from these buyers. The liquidation of positions in the most distant Government bonds by traders and dealers has given the public fund buyers an opportunity to make purchases at prices which are to their liking. Private pension funds and trust accounts have not been doing very much in Government securities because this money has been going largely into corporates, tax free issues, preferred and common stocks.

Oscar Kraft Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Maurice B. Blanksten is now with Oscar F. Kraft & Co., 530 West Sixth Street.

Witherspoon Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Orrin Gallup has joined the staff of Witherspoon & Company, Inc., 215 West Seventh Street.

Dean Witter Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Sterling L. Dietz has been added to the staff of Dean Witter & Co., 632 South Spring Street.

With Heller, Bruce Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — George F. Dowley has become connected with Heller, Bruce & Co., Mills Tower.

Coming—A New Chemical Industry Based on Sugar

Dr. Henry B. Hass, President of the Sugar Research Foundation, Inc., and Ody H. Lamborn, of Lamborn & Co., N. Y. City, forecast wide chemistry use for a product long in oversupply

It was revealed by Dr. Henry B. Hass, President of the Sugar Research Foundation, Inc., and Ody H. Lamborn, of Lamborn &

H. B. Hass   Ody H. Lamborn

Co., New York City, in a paper presented to the Carbohydrate Chemistry Division of the American Chemical Society meeting in New York City on Sept. 14, that there is in prospect a rise of a new and important sector of the chemical industry based on "sucrochemistry," i.e., the chemistry of sugar. Dr. Hass, an organic chemist, declared that sucrose is a cheap, pure, abundant substance from which many useful industrial chemicals can be produced. He discussed such products as plasticizers to impart flexibility to plastic items, surfactants for synthetic detergents, adhesives to make pesticides stick to the leaves of plants, and polymers to synthesize such products as dextran, the blood plasma extender.

Newsprint, fine writing paper, grocery bags, cardboard and chemicals for use in the manufacture of nylon and phonograph records are among the products of bagasse (the residue which remains after the sugar juices are extracted from cane or beets), observed Dr. Hass, who continued:

"Sugarcane filter muds contain cane wax in quantities worth recovering. It has been estimated that about 20,000 tons are available annually. This wax has some of the desirable qualities of carnauba war. In addition, the muds contain untapped supplies of steroids (possible basis of some drugs and hormones) and other compounds.

"Molasses contains the nonsugar components of cane juice. The final molasses is about half total sugars. These sugars are available for the nutrition of fermentive organisms, cattle, and other animals. . . . Many of the high roughage foods, such as corn cobs, straw and corn stalks, apparently do not taste good to cattle. The feeder sirups them liberally with blackstrap molasses and the cattle lick the feedlots clean. There is an additional benefit. The sugar in the molasses promotes a more complete utilization of the roughage. In addition to these benefits, molasses contains nutritionally valuable amounts of copper, iron, potassium, phosphate and sulfate.

"Such feeds, however, have required protein concentrates for good nutrition. It has been found that part of the nitrogen fortification can be done economically by adding urea or reacting the molasses with ammonia. These developments are contributing to the steadily expanding market for molasses in cattle feeding.

"In the beet-sugar industry, important by-products are beet tops, pulp, molasses, and monosodium glutamate (a flavor enhancer). Beet tops are prized as cattle feed."

Bagasse yields a resin stock which is of considerable value in pressing phonograph records, according to Dr. Hass. Alcohol is produced from molasses by fermentation and furfural is obtained from bagasse, he added. One use of furfural is in the production of nylon.

Sugar is a less expensive raw material than the majority of all organic starting materials, declared Dr. Hass. More than 97% of the organic chemical compounds listed in "Chemical and Engineering News" are priced higher than sucrose. He added that sucrose is 99 and 96/100% pure.

An abundant material, sucrose is a component of every green plant which has been carefully examined for its existence, he said. Sucrose is the source of all plant energy, he pointed out, and is therefore indirectly the source of the energy of animals, coal, oil, natural gas, tar, asphalt, and oil shale.

"The great central fact about sugar is that more food energy can be obtained per acre-year growing sugar cane than by producing any other commercial crop," Dr. Hass stated. "Last year in Hawaii, for example, the average yield of crystallized raw sugar was more than five tons of refined sugar per acre-year. Including the leaves, tops and molasses, this amounts to about 12 tons of vegetation per acre-year.

"Crop rotation is not necessary. In Cuba sugar has been grown continuously since Christopher Columbus' second trip in 1493. As many as 35-50 crops have been taken off the same field on successive years without replanting although the average figure is 6-7 years.

"About 40% of the world's supply of commercial sucrose comes from beets, which in North America are grown from Southern California to Southern Canada. Europe is the big beet sugar producer. Sugar is consumed in all countries and produced around the world. . . . It would not be difficult to double the world's sugar production if demand existed."

Chemists outside the sugar industry have not understood sugar pricing and tariffs and therefore have not realized that sugar is less expensive than a large majority of all organic starting materials now in use in industrial chemical processes, Dr. Hass and Mr Lamborn pointed out. Sugar will remain cheap and plentiful, and the world's annual production of sugar could easily be doubled if necessary, they added.

Dr. Hass, in his paper, cited detergents, glycerin and plastics as some of the diverse products in which sugar has recenty been established as an efficient, economical starting material. Bagasse, formerly considered waste pulp in cane sugar milling, has been economically upgraded as a source of paper and wallboard. Molasses is finding new effectiveness in animal feeding.

Recalling that industrial organic chemistry began with the coal-tar constituents culminating in the picric acid versus T. N. T. controversy of World War II, the sugar research head said that the petrochemical age came next, has not yet reached its peak, and now chemistry has before it the age of sucrochemistry.

"It is high time that the energy applied to the fascinating industrial chemistry of sucrose (sugar) is brought more nearly into line with its possibilities," he added. "The movement of sucrochemistry from imagination to laboratory to manufacturing plant should be accelerated. It is safe to predict that this will happen again."

In the report presented to chemists by the representatives of the sugar industry examples were cited of moves already taken or about to be taken to expand the chemical uses of sugar.

The Atlas Powder Company, for example, has successfully adapted the sweeteners, mannitol and sorbitol, from sugar and contemplates the construction of a \$10,-000,000 plant for the processing of sorbitol for many products. Moreover, other companies are using sugar derivatives in the manufacture of blood plasma extenders and adhesive agents to make insecticides stick to the leaves of the plants.

In Haiti, a \$7,000,000 plant is being erected to make furfural from bagasse and most of its production will be used in nylon manufacture in the United States. Moreover, one company in the United States has created a market for the natural wax on the exterior of sugar cane for use in making polishes.

At least one company is using sugar to make aconitate, an intermediate for preparing plasticizers that give flexibility to plastics, and for making surface-active agents like emulsifiers, and a major soap maker is testing detergents made from sugar at a lower cost than present comparable cleansers, it was said.

Robert Winthrop Will Admit Halloran, Ott

Robert Winthrop & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange on Oct. 1, will admit Robert K. Halloran and Melvin G. Ott to partnership. Mr. Halloran is manager of the firm's bond department.

American Stock Exch. Golf Tourney Winners

Joseph F. Reilly, member of the American Stock Exchange, won the Chairman of the Board's trophy at the Exchange members annual golf tournament Sept. 21 at Quaker Ridge Gold Club, Scarsdale, N. Y. Mr. Reilly won the trophy last year also.

Harold Brown, Brown, Kiernan & Co., was winner of the President's Trophy with a low net score of 80-5-75.

With Standard Inv.

(Special to The Financial Chronicle)

PASADENA, Calif. — Jack J. Apple has become affiliated with Standard Investment Co. of California, 721 East Union Street.

Joins R. S. Hays Co.

(Special to The Financial Chronicle)

DURHAM, N. C. — Robert S. Hays, Jr. has joined the staff of R. S. Hays & Company, Inc., 111 Corcoran Street.

Now With McDaniel Lewis

(Special to The Financial Chronicle)

GREENSBORO, N. C.—Kenneth C. Wible is now associated with McDaniel Lewis & Co., Jefferson Building.

Zilka, Smither Adds

(Special to The Financial Chronicle)

PORTLAND, Oreg.—George F. Holt-Hartford has become connected with Zilka, Smither & Co., Inc., 813 Southwest Alder.

Carr Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — James A. Betley has become affiliated with Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

Chemical Fibers Open Up Vast New Textile Markets

Robert W. Philip, Southern Textile official, tells American Chemical Society's Marketing and Economics Division use of chemicals is causing revolution in the textile industry.

A meeting of the Chemical Marketing and Economics Division of the American Chemical Society, held in New York City on Sept. 13, was told by Robert W. Philip, Vice-President and Director of Research of Callaway Mills Co., La Grange, Ga., that the synthetic or chemical fibers, as well as new dyes and new finishes, have opened vast new textile markets for chemicals, and was causing a revolution in the textile industry, particularly in the South with the topic of the symposium was "Resources for the Chemical Industry in the South Atlantic States." Dr. William P. Boyer, director of research of the Virginia-Carolina Chemical Corp., Richmond, Va., presided.

The area surveyed included the States of Delaware, Maryland, West Virginia, Virginia, North and South Carolina, Georgia and Florida and the District of Columbia.

The textile industry and the chemical industry are truly interdependent and an ever expanding future is foreseen for these industries in the South Atlantic States, Mr. Philip commented, adding:

"Thanks to the chemical revolution in textiles, industrial fabrics can be better designed for specific end uses and the average consumer today can dress better and have more beautiful home furnishings for less money than ever before. Per capita consumption of cotton, wool, and man-made fibers has risen from around 25 pounds in 1922 to almost 38 pounds in 1953. In order to assure a continuing rise in consumption, the textile industry will continue to turn to the chemical industry."

The textile industry of the United States is concentrated along the Atlantic coast and in the South, especially in the South Atlantic States, where it is the largest consumer of industrial chemicals, the speaker stated. The bulk of the cotton industry and most of the rayon and nylon producers are already located in the South Atlantic States, he continued, and an even greater concentration of the textile industry is expected in these eight states, for economists predict that the woolen industry will gradually move to the South and that more and more finishing plants and mills handling synthetics and blends will be constructed in this area.

In the South Atlantic States, as elsewhere, the availability of mineral raw materials has strongly influenced the development of the chemical industry, G. W. Josephson of the United States Bureau of Mines, Washington, D. C., told the symposium. As a group, these states have coal and a variety of nonmetallic minerals, but relatively little metallic mineral output, he said.

An outstanding mineral development that is attracting attention at present is the surge in lithium mineral output in North Carolina, Mr. Josephson stated. Another is the expansion of phosphate production in Florida to satisfy the rapidly growing fertilizer requirements of the United States. A uranium by-product is now obtained from phosphate operations.

The forest is one of the chief chemical resources of the Southeastern United States, and L. F. McBurney of the Hercules Powder Cr., Wilmington, Del. It differs from other basic raw materials such as coal or oil in that it is self-regenerating in a comparatively few years rather than requiring geological ages for its production. The growing importance of the forest as an agricultural crop is evident from the development of the new science of "silviculture."

From a chemical viewpoint the most important tree is the pine. Mr. McBurney asserted. When wounded, the pine exudes oleoresin which is the basic ingredient of the gum naval stores industry. A very similar product is obtained by extracting the heartwood of first-growth pine stumps of which there is still an abundance resulting from the extravagant cutting during the early history of this country. These stumps are the basis of the wood rosin industry whose products, along with those of the gum naval stores industry, serve many highly diversified chemical industries. Chemicals derived from naval stores sources enter into a wide variety of uses such as synthetic resins, chemicals, pharmaceuticals, paper sizing, synthetic rubber, plastics, and insecticides—just to mention a few.

Paul W. Bachman of the Davison Chemical Co., Baltimore, Md., discussed the problems that must be overcome and the new trends which are developing in the use of fertilizers and agricultural chemicals. He described the direct application of anhydrous ammonia to the soil, spray-feeding through foliage, systemic insecticides, insecticides mixed with fertilizers, new fungicides and plant hormones, possible use of antibiotics in plant disease control, nitrogen fertilizer with controlled availability and other new developments.

Financial Analysts to Hold Annual Convention

The National Federation of Financial Analysts Societies announce that they will hold their annual convention May 8-10, 1955 at the Hotel Commodore, New York City.

Weingarten Co. to Admit Two Partners

Weingarten & Co., 551 Fifth Avenue, New York City, members of the New York Stock Exchange, will admit Morris S. Rich and Robert A. Leisher to partnership on Oct. 1. Both have been associated with the firm.

On Sept. 30, Nanette S. Weingarten will withdraw from limited partnership.

With Carroll, Kirchner

(Special to The Financial Chronicle)

DENVER, Colo.—Allen B. Hunsicker and Theodore Opp have joined the staff of Carroll, Kirchner & Jaquith, Inc., Patterson Building.

Joins Trust Co. of Georgia

(Special to The Financial Chronicle)

ATLANTA, Ga. — William F. Gow, Jr. has joined the staff of Trust Company of Georgia, Trust Co. of Georgia Building.

Reinholdt & Gardner Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — William G. Heckman has been added to the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Continued from page 13

Free Enterprise Richly Profits All People

fectly true—but to millions of our fellow men, it appears that we have been trying chiefly to save our own skins. So they seem to think that this is a private fight between government and business, and that they can afford to remain on the sidelines—as interested spectatores — waiting for the best man to win.

Now there is no doubt in my mind that most of these people sincerely believe in our American enterprise system; and they want to see it preserved. They know that they have fared better under it than have the people of any other nation under any other system; and they realize, of course, that they do have a personal stake in it.

But over the years, they have also developed a deep suspicion that free enterprise — however much it may profit them—is a device designed primarily for the benefit of businessmen—that it is our own personal baby, and that we have a vastly greater stake in its survival than they do.

That this ridiculous notion should persist in the minds of large numbers of our people is pretty discouraging to some of us who have tried for many weary years to bring about a broader public understanding of the facts; and yet it does persist in spite of all that we have said and done. For in no other way, I think, can we explain the steadfast support and encouragement which our opponents receive, in every election, from the national leadership of labor and from many other organized groups in almost every segment of our economy.

Rewards of the Free Enterprise System

So in the few minutes that remain to me here this evening, I suggest that we examine this question quite frankly. Who does reap the greatest reward from our system of free, competitive enterprise? Is it the owners and managers of business and industry? Is it the workers, the farmers, the consumers, the taxpayers? Who is it?

Well the best way to answer that question, perhaps, is to turn it around and ask ourselves which of these groups would suffer most if we were to establish, here in this country, a kind of benevolent, Socialist Government like the one, for example, which held power in England for six years following the close of World War II. What did that Government do? What really did happen in England? Let's take a quick look at the record.

It was only nine years ago that the British Socialist Government came into power, and the election which swept it into office was probably the greatest political victory that organized labor has ever won in any democratic nation. It was the realization of a dream which has been cherished, I suppose, by labor leaders all over the world. They controlled every branch of that Government, lock, stock, and barrel; and they set out at once to create in England the kind of Utopia they had always wanted.

They launched the most ambitious — and the most expensive —program of cradle-to-the-grave security that had ever been attempted. To pay for it, they taxed away the private sources of investment capital; and when the key industries of the country could no longer get the funds necessary to modernize their plants and to run them efficiently, the Government had a perfect excuse to step in and nationalize them.

It did so eagerly—starting with the sick industries like coal mining and the railroads, and gradually developing such an appetite for public ownership that it took over the utilities, highway and water transportation, aviation, communications, the Bank of England, and even the iron and steel industry which was not only operating efficiently, but which was also paying a much higher wage than were most other British enterprises.

And thus Socialism ran its natural course from a welfare state to an all-powerful monopoly of the nation's basic industries.

Now how did the former private owners and managers of these industries make out under the nationalization program? They were hurt, without doubt, but how badily?

Well, so far as the owners were concerned, their properties, of course, were not confiscated. That wouldn't have been cricket; and no true Englishman would have stood for it. So the Government bought the owners out; and in exchange for their stock — which paid dividends only when there were profits—it gave them government securities which paid interest annually, whether there were ever any profits or not. And since some of these industries had been in the red for a long time—and since practically none of them have ever made a profit since the Government took them over — the owners soon found themselves in a happy and somewhat remarkable position wherein they were being subsidized by a Labor Government at the expense of the taxpayers.

You might even call it a kind of "Guaranteed Annual Dividend!"

As for the former managers of these industries, many of them kept right on in the same old jobs; and if their income shrank in the process, so too, at least, did their headaches. They did not have to worry about profits and prices and competition. All they had to do was obey the orders that were issued from London, and let the Government do the worrying.

So they no longer found themselves in the pitiful situation of the businessman who developed ulcers, but still wasn't a success.

When it came, however, to the small shopkeeper who was permitted to retain his own business, it was quite a different story. He had headaches aplenty; for he operated under a rigid system of price controls and rationing. The Government could—and did—cut the price of his merchandise without any advance warning whatever. And thus it happened one morning that he awoke and read in the papers that the price of an important part of the stock on his shelves had been lowered 5% in the night.

There was no way, of course, that the Government could also lower the price he had already paid for this merchandise; so he had to stand the full loss himself. And when several hundred thousand of these luckless retailers raised their voices in complaint, a Government spokesman suggested that they might compensate for this by making savings in their staff and services. In other words, they could lay off some clerks, and keep their customers waiting!

Well, that was to be expected, perhaps, because after all, these fellows were only businessmen; so let us look for a brighter side of the picture and count, if we can, the blessings which the unions enjoyed under this Labor regime. They had achieved their highest ambition. They were their own bosses. They controlled the biggest and the richest enterprises in the land, and they could divide up the profits as they pleased.

But there wern't any profits to divide!

The British Dilemma

As union leaders, the Government officials would have liked, presumably, to grant every wage demand of their membership; and as the owners and managers of this newly-acquired industrial monopoly, they would have been able, of course, to jack up their prices accordingly.

But as statesmen, responsible for the welfare of the entire nation, they also had to see that British exports remained competitive with the goods which were being offered in the markets of the world by the efficient producers of other nations. So in spite of their natural inclinations, they had to hold prices down; which meant that they had to hold down the costs of production; which meant that they had to hold wages down too.

In this dilemma, they did the best they could. They went back to their unions to explain the great national emergencies which they faced and to beg the boys to hold off with their wage demands. What it amounted to really, was a wage-freeze. Then they plastered every available signboard with slogan after slogan urging British Labor to work harder and produce more. Over here, our men would call it the "speed up."

I don't known what they called it over there; but I do know that they refused, emphatically, to buy it. Unrest grew in the rank and file. Absenteeism began to cripple the production of coal. There were slowdowns on the railroads; and strikes on the docks which endangered the national food supply. Something had to be done, and the art of gentle persuasion had failed. So the Government resorted to the threat of force, just as every Socialist Government has always done in the end.

To cope with the coal situation, it froze the miners in their jobs, thus depriving them of their freedom of choice and their freedom of opportunity.

To meet the situation on the docks, it invoked the provisions of the Emergency Powers Act — a labor control law far more drastic than any that has ever been known—or thought of—in the United States. But the defiant strikers refused to be intimidated, and the Government never used the powers which it had invoked.

Instead, it took 15,000 drafted troops—many of whom came from union families — and sent them down to the docks to load and unload the ships until the strikers finally gave up. And so it was that Labor's own leaders were forced to act as strikebreakers!

But they had to carry on, and as opposition to the wage freeze continued to grow, they revived another war-time law which gave them still more drastic powers over both labor and business. And among those powers was the compulsory direction of workers into such jobs as the Government might designate.

Nor did the farmers of England escape these threats to their freedom. A law passed two years after the Labor Government took office, gave it the right to dispossess from his farm, any owner who did not manage his land to the complete satisfaction of the Ministry of Agriculture.

And it used to be said that an Englishman's home was his castle!

Now I do not know of any case in which either of these sweeping powers was actually used; but there is no doubt in my mind that the enactment and revival of these laws must have taught the British working man a great and fundamental truth: That economic liberty and political liberty are merely two sides of the self same coin, and any time you give one to the government, it also takes the other.

But that, of course, is only one of the disillusioning lessons that came to the British worker when his unions took over the government; for he was also a taxpayer and a consumer — even as you and I.

As a taxpayer, he learned to his sorrow, the ruinous price of the allout Welfare State. He learned it, because he paid it! His leaders, it is true, had "soaked the rich" while they lasted, but that was only a drop in the budget, as you might say. And they couldn't soak big business, because they had already taken it over, under government ownership, where it paid no taxes at all. So there was no one left to soak but him.

In the lower brackets, his earnings were taxed at a standard rate of 45 cents on the dollar; and in the surtax brackets the rate went up to a peak of 97½%. And this was only the income tax. On top of that he still had to pay a sales tax—incredible as that may seem in a Labor leader's Utopia. Nor was it any puny little loose-change sales tax either! It ranged from 33% to 100% of the selling price of each article it covered.

But in a way, this really didn't matter so much, because there wasn't a great deal that a taxpayer could have bought with his money—even if he'd been allowed to keep it; for England, under Socialism, was not exactly a consumer's paradise. It was a barren land of shortages, and a wilderness of controls.

Its finest quality products were largely reserved for export. The American tourist could buy them readily in the London stores; but the British worker could not buy them at all. He could only admire them in the shop windows, where they were clearly marked: "For export only."

On the other hand, the Government—struggling with its so-called dollar crisis — had to cut British imports to the bone; and it is on these imports, of course, that the British worker has always depended for many of his basic necessities of life. So most of the things he really needed were severely rationed; and a lot of the things he certainly wanted were denied him completely, under the export controls.

Such things as a new home, or a car, or any of the usual household appliances and gadgets which are so commonplace to labor over here, were hopelessly beyond his reach. And if he ever did manage to buy and automobile, he wasn't permitted to drive it more than 90 miles a month!

So what was the use? He had little incentive to work more, to produce more, or to earn more; and the most artful of his union leaders could not persuade him to do so. Even the prospect of overtime pay had no appeal, since most of it would go for taxes anyway, and what could he buy with the rest?

The luxury of leisure was far more attractive than time-and-a-half for an extra day's work; and it was the only luxury left to him; for under the Welfare State he had learned another significant lesson: That no matter how little he worked, he would always be able to exist; but no matter how hard he worked, he would never really be able to live!

This indifferent attitude, of course, only added to the woes of the Labor Government, and to the general shortage of goods and services. Production lagged in the newly-nationalized industries, prices were hiked substantially, quality declined steadily, and the losses were charged up to the taxpayers. Consumers, collecting their meager rations of coal, grumbled loudly about its rapidly-mounting cost, and complained, in fact, that some of it wouldn't even burn — but coal, like so many other things they needed, was now a Government monopoly, and with no competing source of supply, there was nothing they could do about it.

Behind an Iron Curtain of Controls and Regulations

So the British worker found himself shut in behind an iron curtain of controls and regulations. He filled out endless forms — in duplicate; he lined up for his daily rations; and he bought whatever it was that the Government — in its wisdom — permitted him to have. But three great necessities of life which it never permitted him to have, were opportunity, incentive and hope!

Yet this was his Government — run by his unions, primarily for his benefit. It was the fulfillment of his own dreams; and it had been built in strict accordance with his own plans. But in the cold light of reality, his beautiful dreams had become a crazy nightmare of austerity and government monopoly, in which he was the principal victim.

And if he sought to escape from this nightmare — if he decided to chuck it all, and seek greener fields of opportunity across the seas — he found that here again the iron curtain of controls had greatly curtailed the freedoms which he had once enjoyed. He himself, was at liberty to go if he pleased, but only at great personal sacrifice and hardship; because the Government had limited severely the amount of money which he could take out of the country, and he would have to start all over again, from scratch.

Now there is a brief and sketchy account of what happened in England under the Labor Government. Within the framework of their Socialist philosophy, the leaders of that Government tried loyally and sincerely, I believe, to solve the many critical problems which confronted them, and to create a better life for their fellow workers. The fault did not lie with their intentions. It lay with their philosophy. And after six years of crisis and controls, they were voted out of power.

By whom?

Well, the deciding votes were cast, of course, by the only people in England who had enough political strength to do it—by the self same people who had put the Labor Government in office in the first place — by the British workers, and their fellow consumers and taxpayers. In short, by the economic groups which had suffered most painfully in their very blue, Socialist heaven.

Who Profits Most by Free Enterprise?

So we come back once more to the question we asked ourselves in the beginning: "Who does profit most from our system of free enterprise?" Is it the stockholder who gets the dividend money? Is it the worker who gets many, many times that sum, and enjoys the highest living standard in the world? Is it the consumer, who reaps the blessings of competition and surrounds himself with every conceivable comfort and convenience of this modern age? Or it it, perhaps, the suffering taxpayer, whose annual burdens have been lightened by more than $7 billion since our Socialist-minded opponents lost public office in Washington, less than two years ago?

The answer, I think, is crystal clear. Free enterprise is the only system on this earth which richly profits all the people; for it is also the only system on this earth which truly belongs to all the people. It is not the private possession of American business, nor of any other economic group — and it never can be. It is the property—and the responsibility

—of every man and woman in this nation.

And so, my friends, if we can ever bring to our fellow consumers, our fellow taxpayers, and our fellow workers in the ranks of labor, a real understanding of what the preservation of this system means to them and to their children, we shall never again be called upon to "go it alone" in leading this fight to preserve individual liberty.

They will be miles ahead of us. And they will not deal softly, I suspect, with these free-spending, fast-talking opponents of ours who are so ready to put freedom on trial at every national election, and so anxious to lead America down a Socialist road that must end, inevitably, behind the iron curtain.

Now I do not—and I cannot—believe, of course, that these distinguished gentlemen of the opposition are consciously seeking to destroy the liberties of their fellow Americans. I do not question their patriotism; and I do not doubt their intelligence. But I remain at an utter loss to understand their stubborn refusal to face up the **truth** and acknowledge the facts which surround them on every side.

It is barely possible, to be sure, that they have become so preoccupied with the next election that they have wholly forgotten the next generation. It is also possible, perhaps, that they have never stopped to consider the awful consequences of the follies they propose.

But when they persist in pleading for a return to deficit spending, to printing-press inflation, to crippling economic controls, and to all the other cockeyed nostrums which were tossed out of the Washington medicine chest in 1952, they remind me very much of the young man who developed a strange and baffling mental condition.

It seems that this young man was perfectly sure he was dead, and nothing that his wife, his family, or his friends could do, convinced him to the contrary. So they took him to a noted psychiatrist who gave much thought and study to the case, and finally hit upon a solution.

For two solid hours the doctor had the man repeat the words: "Dead men don't bleed. Dead men don't bleed." Then, when he was absolutely certain that this idea was firmly fixed in his patient's mind, he pricked the young man's finger with a needle.

The patient watched in utter amazement as a few drops of blood oozed out and fell to the floor.

"Well, are you convinced?" asked the psychiatrist triumphantly.

"Yes," said the patient sadly. "I'm convinced. Dead men do bleed!"

Well, I am by no means sure that we shall ever convince our opponents that dead man don't bleed; but there is one thing of which I am certain: That if we can ever win the understanding and support of all those who profit from free enterprise—and all those who would suffer from its destruction—then this wonderful country of ours will never see that tragic day when America's people must bleed, as England's did, beneath the deadening hand of a Socialist State.

Bernard, Winkler to Admit

Bernard, Winkler & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, will admit James Burns to partnership on Oct. 1,

Joins King Meritt

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Martha E. Offenbacker has joined the staff of King Merritt & Company, Inc., Chamber of Commerce Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Interest of investors in bank stocks is now dominated by the current financing of The National City Bank of New York. While Bankers Trust increased its dividend from 55 cents to 60 cents on a quarterly basis, the impact of the financing is more widespread, influencing more investors.

At a special meeting of stockholders held last Monday, September 20, the sale of 2,500,000 new shares of National City was authorized. Accordingly, stockholders of record September 24, 1954 will be given the right to subscribe to one new share at $52.50 for each three shares held.

The new funds raised will amount to approximately $131,-250,000, ranking this as one of the major financing efforts of the current year and the largest in the field of American banking.

Of the proceeds from the stock sale, $50 million will be added to the capital funds of the bank and the balance to surplus. National City also intends to transfer to surplus from undivided profits an amount sufficient to increase this account to $300 million. After these adjustments the capital account of the bank would total $200 million, surplus $300 million and undivided profits approximately $50 million. Total capital funds of the bank would thus amount to about $550 million, the largest for any commercial bank in the country.

In connection with this financing First Boston Corporation, the investment firm heading the group which is underwriting the issue, has published a pamphlet covering among other things, certain aspects of the financing. It also attempts to place the increase in capital funds of National City in the perspective of the growth that has taken place in the economy as a whole and in the business of certain companies in various industries.

To illustrate the enormous expansion that has taken place in the economy since 1940, the First Boston report shows that eight of the leading American corporations have increased their sales volume by 365%. During the same interval, 1940 to 1953, net working capital of the same companies increased only 147%. At the same time loans for all commercial banks in the United States increased by 260% and capital funds of the banks by only 94%.

Actually National City has shown a greater growth in capital funds than commercial banks generally with a gain since 1940 of a little more than 130%. Part of this, of course, is attributable to the new funds obtained from the sale of stock in 1951.

It is the continuing growth of the American economy and the need and responsibility of banking institutions to keep pace with the expansion, that impels National City to seek such a large amount of capital at this time. The bank evidently sees opportunities in the coming years it will be able to capitalize upon by placing itself in a position to attract new business. For this reason the Bank believes it is in the stockholders interest to take this step at the present time.

As a commercial bank, one of the most promising fields for growth and expansion would seem to be in its lending operations. In this connection, the First Boston report has an interesting and informative discussion with respect to the impact of accelerated tax payments upon the working capital positions of corporations.

In addition to the burden of a rising level of sales, corporations since 1950 have been confronted with the necessity of gradually increasing the proportion of income taxes paid during the first six months of the year. Under the Mills Plan adopted in 1950, corporations have had to advance their tax payment each year, so that by June 15, 1955, the entire tax liability for the year 1954 must have been paid in full.

Under the old system a full year would have been allowed to meet the previous year's liability. Thus there is likely to be a strain on working capital and especially cash resources, in the first half of next year.

Moreover, under the newly adopted tax law corporations will have a continuing pressure on working capital after 1955. Under the new plan, First Boston points out that in addition to paying all of 1954 taxes in the first half of next year, 10% of the estimated 1955 tax liability will have to be paid in the final six months. In each subsequent year through 1959, corporations will have to pay 110% of their tax liabilities—part for past and part for current liabilities. By 1959, payments will be on current basis.

The strain on working capital from this plan is obvious. First Boston estimates that the total potential reduction in working capital between 1950 and 1960 on this account could amount to $7.5 billion. To replenish these funds "extensive recourse to bank loans . . . will be necessary in the next five years."

Such considerations are over and above the normal growth of the economy. The National City financing indicates a large measure of optimism on this account. The additional capital should put the Bank in an excellent position to not only participate in this growth but to expand its total share of the loan demand, the most profitable field of commercial banking.

Rights for the subscription to the new stock are now trading. They will expire on October 22, 1954. It is expected that a very large percentage of holders will take the new shares offered.

Advises Caution in Guiding Clients in Selection of Atomic Energy Securities

Edward S. Wilson, of Hallgarten & Co., newly elected President of the Association of Customers' Brokers, referring to "uranium craze," says customers' brokers must try to keep clients away from "cats and dogs" fostered by unscrupulous promoters. Other new officers of Association announced.

A warning note to customers' brokers to use caution in the guidance of clients' selection of securities connected with atomic developments was sounded by Edward S. Wilson, of Hallgarten & Co., New York City, who was elected President of the Association of Customers' Brokers at their annual meeting and election on Sept. 22. He said:

Edward S. Wilson

Nicholas E. Crane

Albert F. Frank

Daniel Davison

"A tremendous new development such as atomic energy always churns up a great deal of speculative froth in its early stages. This was true of the automobile and electronics industries and, quite recently, of the Canadian oils. History is now repeating itself in the uranium craze which has pushed up many apparently worthless securities to relatively high levels. We, as customers' brokers must do everything within our power to keep our clients away from the 'cats and dogs' fostered by unscrupulous promoters. On the positive side, we owe an obligation to point to our customers how they may participate in the atomic energy development over the longer term by purchasing the stocks of strong and well-established companies with a stake in this field."

Mr. Wilson also discussed the extended rise in the stock market and the problem presented in giving advice at this stage. He stated:

"In this climate, we, as customers' brokers, must be very sure of our ground before recommending second grade and marginal stocks to our clients. We must also be alert to note the blue chips which have temporarily overdiscounted their undoubted attractive long-term possibilities."

The relatively small number of shareholders in this country was pointed out as a challenge to the securities industry by the speaker, who commented:

"In a period when the ominous shadow of Communism is covering an increasing area of the world, it is particularly vital to remember that wider stock ownership means a healthier and more vital capitalism in our own country." He also touched on the capital gains tax and the fact that it had frozen capital gains in untold number of accounts all over the country.

Other officers elected at the customers' brokers meeting were:

Vice-President — Nicholas E. Crane, Dean Witter & Co.

Treasurer — Albert F. Frank, Ladenburg, Thalmann & Co.

Secretary — Daniel Davison, Hayden, Stone & Co.

With Frank D. Newman

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—John P. Gage has become affiliated with Frank D. Newman & Co., Ingraham Building.

Continued from first page

The Chemical Industry In the Financial News

sell yourselves short — you're too modest — when it comes to telling the exciting story of modern chemistry, you're far too conservative.

Any business economist will tell you you're in one of the most important industries of America—as important to the over-all economy, to the over-all business health as the steel industry or the automobile industry — and probably **more** important than either the steel or auto industry when it comes to the future.

There can be little cause for conservatism in the chemical industry.

In Wall Street it's an accepted fact that the best-balanced investment portfolios, those with the greatest growth potential yet with the best possible safety from undue risk, are those portfolios which are heavy in chemical stocks.

Yes—**chemical** stocks!

Have we **really** entered the atomic age?

Last Spring when the highest-priced uranium stock on either the New York Stock Exchange or the American Stock Exchange was $3.55 a share, the securities of E. I. duPont, among the highest priced on the New York Stock Exchange, enjoyed such record-breaking support they gained $15 a share in one afternoon.

Well, maybe we have **entered** the atomic age, but the investors of America—the hyper-cautious, yet ultra-perceptive fellows whose money lubricates the wheels of industry, are still looking for the chemical industry's greatest achievement. They believe it's yet to come.

Last March I wrote a piece for "This Week" magazine called, "Will We Have Another Depression?". In it I put myself right out on a limb by virtually promising the readers that because it would be so difficult to accomplish today, we'd never have another depression like the one in 1929-36.

I concluded my story by saying: "We're just entering the atomic age, yet we've hardly scratched the chemical age or the electronic age. Before us are tremendous achievements and glamorous unknown fields to conquer. Why be afraid? A depression's the last thing to fear."

So, to put it bluntly, a lot of us are actually depending on you folks in the chemical industry to keep bread in the larder and black figures in our bank books.

Publicizing the Chemical Industry

Here's the point: Any of us who are close observers of the business scene, any of us who are at all conscious of the economic developments going on around us, know how important the chemical industry is to us all.

But the rank and file do not.

I propose that we tell them.

I propose that we tell them, not with a one-shot story or a one-shot supplement or a one-shot intensive campaign.

Make it a matter of perpetual effort — to be missionaries and proselyte and preach the gospel of **the significance** of the chemical industry. Not so much the importance of products, or the benefit to consumers or the enrichment of our living standards — but a compound of all these things, plus the many more elements that involve long-term public relations programs.

I can well apprecaite the basic problem.

You speak in a polysyllabic language that is unknown to the average man.

The eight - and - a - half dollar words that glitter throughout any story emanating from a chemical company pose a seemingly insurmountable barrier between the company and any prospective readers of the story.

Yet the chemical language is flexible and adaptable. Just as through the years our Anglo-Saxon tongue has been kneaded into supple, understandable English, so too the language of chemistry can be made more universal.

Looking at the picture from my side of it, I can see why it is that as an industry you have not felt the need to sell yourselves to the general public, the little fellow. You are, a majority of you, primary producers. You make the chemicals or supervise the processes in manufacturing operations. Less frequently are you involved with end products or brand names or something under your own label that will reach the consumers.

Hence it's sufficient to know that your customers — in many cases other manufacturers — understand about your developments or discoveries or changes.

Interpretation of the chemical language, in this event, is deemed unnecessary.

But when you have a story that should reach the general public—a story that can contribute to the public's understanding and appreciation of the chemical industry—then it should be interpreted, it's chemical language should be translated, either with parenthetical explanations or by the use of substitute words and phrases that will be better understood by the average fellow outside the industry.

We are honoring here today a man (Dr. Walter J. Murphy) who has devoted a lifetime to the dissemination of technical information, a man whose work has been of impressive significance in helping the industry to grow but which has also increased the stature of the industry in relation to the rest of the economy.

It is certainly not of Dr. Murphy nor of the capable members of his staff nor even of the knowledgeable readers of his publications of whom I speak. I speak, rather, of the readers of my newspaper—and of the "Times" and "Wall Street Journal" and "World-Telegram and Sun." And I speak as well in behalf of the editors of the general-circulation-press, fellows like myself, who have not the minds nor the ability to grasp the significance of technical stories when they're written in technical language.

I remember an infinite number of years ago when I was starting work as a reporter, I was under the horrifying and beady eyes of a granite - hearted city editor named Burns. One of my first stories was about the acquisition of riparian rights along two branches of the Farmington River in Connecticut by the Metropolitan District Water Bureau. I labored long and hard and turned in a crisply written, accurate, well-documented story on what had happened and what it meant to the public. Burns read half of it and shouted, "F' Chrissake, Rogers, write DOWN to the people; write DOWN." And he turned it over to a rewrite man who told the story in one paragraph. Burns said, "See, this is much better. The public is feeble minded." So I tell you now: Write DOWN to the editors of the general press—we're feeble-minded.

I'm not advocating a full-fleged campaign of interpretive writing with a parenthetical explanation of every chemical term used in a news story. After all, if a reader doesn't know by now what polyresinous material is, then he'd better find out. To explain parenthetically all of the chemical terms would be like having a sports reporter write that Willie Mays got a two bagger and then explain, in parentheses (this means a two base hit).

But I can say in all honesty that some of the press releases that come to us are almost incomprehensible even to such old hands at the business as Max Forester on our staff who has been covering the chemical industry for a dozen years or more.

Broad Character of Economic News

It may seem to you that I'm straying away from my assignment. I was told to talk about the dissemination of FINANCIAL information by the chemical process industries, and here I am talking about technical information and stories about manufacturing processes and developments.

Actually, I'm not straying from the assignment, and I'll explain why.

With the possible exception of sports and crime news, ALL news is economic news. It's of economic significance or of economic origin. Political ideologies and social philosophies are invented as we go along, but economic facts and factors remain constant.

In the months to come you'll read a lot about the threat of Red China in the Pacific theatre. There will be "incidents" to provoke unrest. The great thinkers of the world will ponder long and hard on the problem of the Red Chinese and how they get to act and think the way they do. Others will write volumes on how we can persuade the Chinese to love us instead of the Russians.

I'll bet $5 with anybody in this audience that not many of the great thinkers and writers will give consideration to the fact that there's iron ore in Red China but no manganese — and that there's manganese in the Philippines which is mighty desirable to the Red Chinese who would love to change their iron ore into steel by utilizing the CHEMICAL miracle that results when manganese is combined with iron ore.

This is an economic fact. Politics has nothing to do with it. Nor does the ideological difference between Communism and Capitalism have anything to do with it.

Chemical News Is Economic News

Back here at home, almost anything newsworthy that happens in a chemical company is economic news.

If that is so, then it is also FINANCIAL news.

I'll illustrate.

Some of the wise money on Wall Street has been buying American Viscose stock. It's now up around $36 a share—not very high for Viscose, but higher than it was a short time ago. I tried to find out why some of the smart investors were buying this particular security. After a fruitless search, I learned quite by accident, that a story had appeared in a Philadelphia newspaper about a new chemical process to be put into operation by Viscose which would have beneficial effects on its product. It was as simple as that.

The same story was sent to the New York papers and as near as I could find out, it was not used here. It was crowded out — undoubtedly because whoever read the press release about it failed to appreciate the full significance of the announcement.

This can happen very easily in a New York newspaper. I suppose my job is representative of any similar job on any similar New York paper, so all business and financial editors must have the same problems. I get between 800 and 1,500 pieces of mail addressed to me personally each day, depending on the day of the week. That does not include mail sent to members of my staff. It's mail sent to me. Between 3 p.m. and 6 p.m. each day three people, my secretary, her assistant and I, handle an average of 80 telephone calls. In addition to that, of course, I have to manage a staff of some 45 people and, somehow, distil the essence of the day's news and crowd it into totally inadequate space.

You can see how it's very easy for a story to get lost.

But I hate to lose 'em, and so does any editor. We can't always blame space limitations, and I'm willing to admit, frankly, that we suffer from poor judgment. Certainly that American Viscose story didn't make my paper for just one reason: poor judgment on my part, or on the part of my assistant or the chief of our copy desk.

But judgment involves wisdom, and there can be no wisdom without first having some knowledge. That is our big lack—we are not chemists.

Need for Help on News Items by the Industry

So in a specialized and highly technical industry such as yours, it's necessary that we be given help—that we be given the loan of some judgment from within the industry — that someone say, "Here, Rogers, is a story with more than usual significance."

Once it's published, the sharp eyes on Wall Street will spot its signifcance, you can be sure.

But there's a further step: I'd like to think that the general public, too, could share in the appreciation of some news development that's significant.

I should hate to have you think, because of some of the things I've said, that I believe or that any other editor believes that the chemical industry is unmindful of the public weal or is remote from the common man. I know you've listened to speakers dozens of times who have told you how chemistry reaches into every nook and corner of human existence, and I'm sure you wouldn't appreciate having me bore you with a recitation of how many times over the past week-end I came into contact with chemical products or things that were made possible to me as a consumer because of the existence of the chemical process industries.

No Broadway Press Agentry Needed to Sell Chemical Industry

And I should hate to have you think that I'm advocating any type of Broadway press agentry to sell the chemical industry as a leading force in our vigorous economy. If you ever hear any newspaperman advocating Broadway-type press agentry, you'll be doing him a favor if you call Bellevue Hospital and get him a free examination as soon as possible. The world has a surfeit of personalities and Pundits and Glamor Gals. Indeed, the way some of the Babbitts idolize some of the singularly untalented TV and movie stars these days, you get the impression that the public is putting a twist on that sage old Frenchman, Coue, who coined the philosophy of "Every Day in Every Way I'm Getting Better and Better." Except when it comes to show people and celebrities they change it to "Every Day In Every Way I'll Idolize Zsa Zsa Gabor More and More."

No, what I'm advocating is some kind of concentration of effort to see that those who are not workers in the chemical process industry or those who are not investors in it will still have some occasional reminder of just how important the industry is to them and to the nation. Not just for publicity's sake nor yet for the prestige—but because it is from the ranks of the common fellow that the investments of tomorrow will come.

The Investors of Tomorrow

I'm sure you realize what has happened to the income of America. A few years ago—20 years ago — our economy was like a pyramid, with a very few rich people at the top and a broad base of poor people at the bottom. But today it's like a diamond: there are still a very few rich at the top, but there's only a few poor people at the bottom. In between is a broad, fat area of middle class people.

They are the investors of tomorrow. They're already making themselves felt on Wall Street. They are the ones who have boosted mutual funds into the top sellers. They are the ones who stampede the market with requests for shares of oil exploration companies after Walter Winchell plugs some company on his TV show.

They're hicks and rubes and Babbitts. They're so corney that when they get drunk on nickel beers they don't become fried, they get frittered. Yet these are the investors of tomorrow; they're the people we're all going to have to cater to and service with information and try to please.

We in the newspaper industry are having to change our ways—we're forced to reach out to these people, these new capitalists of ours. And it's quite a reach, for the fact that one of our delivery truck drivers, who in 1935 earned $50 a week, now finds himself with $180 a week, doesn't mean that he has also acquired a taste for opera or a knowledge of the capitalistic system or the stock market.

I suggest that when it comes to the dissemination of financial information, you're going to have to change your ways, too. No longer will it suffice to submit a balance sheet and an annual report to some specialist in a brokerage house.

The professional investors, the knowledgeable lads on Wall Street, are already on your side.

But before us are a dozen years of prosperity and no one can predict how much or how extensively you'll have to expand your operations. A good share of your new capital will come from people who don't know the difference between a plastic toothbrush handle and a no-deposit-no-return-beer-bottle.

I'd like to see you try to reach these people and tell your wonderful story.

I think I'm speaking for all the financial editors when I say we'd like to help you do it.

To Be Rotan, Mosle & Co.

HOUSTON, Tex. — On Oct. 1 the firm name of Rotan, Mosle and Cooper, 705 Travis Street, members of the New York Stock Exchange will be changed to Rotan, Mosle & Co.

Henry Wise Miller

Henry Wise Miller passed away at the age of 78 following an illness of some weeks duration. Prior to his retirement he was a member of the New York Stock Exchange and a partner in Miller & Dodge.

With J. A. Hogle Co.

LOS ANGELES, Calif.—Thomas Nichols, who has been in the investment business for many years, has become associated with J. A. Hogle & Co., 507 West Sixth St.

Form Inv. Service

DALLAS, Tex.—Investors Service Corporation has been formed with offices at 2818 Fairmount St. to engage in a securities business. John N. Savage is a principal of the firm.

Joseph, Mellen & Miller Open New York Branch

Joseph, Mellen & Miller Inc., of Cleveland, members of the Midwest Stock Exchange, are opening a New York City office at 25 Broad Street.

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Business Trends: An Outlook and Appraisal

most six months. This stability appeared in the national accounts in the second quarter, when gross national product was almost identical with first-quarter product. Even among the components of GNP there was a very high degree of stability, with the only important change being almost exactly offsetting shifts in personal consumption and Federal outlays for defense. Viewed from the income rather than the product side, virtually every component of national income for which quarterly data are available showed no change from the first quarter.

Where We Stand Currently

Starting early in the second quarter, this ponderous stability has worked its way through our whole body of statistical indicators. The industrial production index has evidently varied no more than a point since last March, and even the internal composition of the index, in terms of point contribution to the total, has been monotonously stable. Retail trade in July, and apparently again in August, has run at about the average second-quarter rate. Seasonally adjusted instalment credit extensions have shown no change for several months. Wholesale and retail prices have shown little change throughout the year, and even sensitive raw materials price indexes have been becalmed (at least until the recent strength in nonferrous metals, which is widely and understandably attributed to effects of government buying). Despite a progressive advance in the rate of government purchase orders for major procurement items since May, the total flow of new orders into manufacturing industries has shown little change since March. Inventory has continued to drain off at about the rate of the first and second quarters, and if we had a seasonally adjusted figure for manufacturers' backlogs it would doubtless show a roughly constant rate of decline since early spring.

Personal incomes in July were almost unchanged from the rate in March, and there is no reason to expect a change in the August figure. Seasonally adjusted hours worked and employment figures have been about stable for several months. The Conference Board's measure of diffusion, which turned downward several months ahead of the downturn in general business in 1953, turned upward in April, 1954, but its level during the summer of 1954 is still such as to suggest more nearly a balance of offsetting trends than a general expansion in business activity. The eight "leading indicators" of the National Bureau of Economic Research likewise appear to be in equivocal condition, with a few series expanding, a few contracting, and a large percentage showing no appreciable movement.

Even our foreshadowing statistics—which are an essential element in sector analysis—suggest no clear trend. Current defense expenditures are not materially different from the levels anticipated in the fiscal 1955 budget. Consumer anticipations, as reported out of the June Federal Reserve Survey, were somewhat improved over the end-of-1953 survey, but so, too, is retail trade itself, and a further rise can hardly be deduced, with any assurance, out of the June survey findings. Construction contract awards in July and August suggest a mild further advance in total construction in the last half of 1954, relative to the first half. But the prospective increase is not significantly different in dimension from a prospective decrease in business expenditures in plant and equipment disclosed by the August survey of business intentions, and anticipations data do not indicate any material change in the rate of total capital formation. Finally, the Department of Commerce new order series, which is a form of anticipations data, has been about stable for several months.

I have a particular purpose in expounding this soporific list of indicators that are not indicating anything. For the first time in about 15 years, we are faced with forecasting a relatively pure business cycle movement, almost free of pronounced inherited tendencies and preponderant planned demands. We must forecast at a time when the tools which we have come to depend on heavily — among them the foreshadowing series used in sector analysis — have taken a disquietingly neutral position. Whatever the other advantages of having moved our meeting up to September, it has certainly not improved our forecasting posture, and it is not likely to improve our reputation for accuracy. It may, however, have provided us with an unusually well controlled test of business cycle theory, and of our own insight into the nature of the postwar cycle.

It seems to me that during much of the postwar period we have been led by the almost constant presence of one driving expansionary force to neglect the cumulative nature of the short-term business cycle — to ignore, or at least to attach too little importance to, the fact that an alteration of demand in any sector implies changes in personal incomes, consumption outlays, business profits, and investment decisions. These accumulating consequences, which are so well established in theory, are difficult to handle and measure in sector analysis, because of the tendency of that method to deal with discrete claims on output, rather than a tightly interrelated economic organism.

Where We May Be Going

I would, therefore, give considerable weight to the fact that the stability in total business activity of the past five months has occurred in the presence of a considerable inventory drain. The rise in production which would be required to end liquidation of total business inventories, in the absence of any important offsetting declines in final demand, is a purely cyclical force capable of precipitating a short-term upswing in activity.

This review of our current position leads to the following conclusions about the probable level of activity in the months immediately ahead:

(1) **Inventory Demand**—In the light of the present stability of final claims on output, the condition of business inventories should become, increasingly, a bullish element in the 1955 outlook. One special manifestation of this bullish inventory position may be apparent before the end of the year, when the auto industry will stop liquidating stocks of finished cars, and begin its annual new-model accumulation. This may also be the signal for the end, or at least the slowing, of liquidation of aggregate steel stocks held by consuming industries.

(2) **Favorable Economic Environment**—Secondly, it seems to me that we have also been led to underestimate the importance of the psychological and institutional elements that influence incentives to private activity. These elements can be dwarfed by the demands of war and by massive waves of inflation. But with a return to the normal business cycle they may again require careful weighing, and they cannot be adequately weighed by sector, or in collections of indicators.

In these longer-term atmospheric factors are now found some very favorable short-run implications. The tax relief granted in 1954 cannot be weighed on a piecemeal sector basis, but it has, without question, had a significant effect on incentives to both personal and business activity. The incentives to investment provided by the depreciation provisions of the 1954 tax revision, and the somewhat more favorable tax treatment of dividend income, have already had an expansionary influence on equipment industries. Add to this the fact that substantial investment opportunity, adequate to the prospective supply of investment funds, is being generated by the entirely unprecedented research and development efforts of American business.

(3) **Restored Sense of Value**—The stability of the price level over the past two years, and particularly over the last six months, has built a new confidence between buyer and seller and a restored sense of value in market offerings. The importance of this restored sense of value, heightened consumer and business confidence and conviction in our longer-term market potential is that such forces play over the whole economic scene. They have a subtle but important influence on the atmosphere in which economic decisions are reached today. In my opinion their influence, taken together, is now a considerable favorable element in the outlook, even for the short run.

I think you will agree that these considerations, largely qualitative in character, are not the stuff of which violent short-term booms are made. It would be a brave man who would make of them a return to the hyper-employment and excessive monetary demand of earlier postwar years. But unless all we think we know of business-cycle patterns plays us false, recent trends should entitle us to expect a moderate recovery in the closing months of this year, superimposed on a healthy long-term growth trend for the years ahead.

The current plateau in business activity is not the prologue to stagnation, but rather a promising first act in the American drama of further secular expansion.

With Federated Managem't

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—David I. Campbell has been added to the staff of Federated Management Corporation, 21 Elm Street.

Joins First Secs. Corp

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — Joseph A. McClain, III, has joined the staff of First Securities Corporation, 111 Corcoran Street.

Investors Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Melvin R. Perlman is with Investors Planning Corp. of New England, Inc., 68 Devonshire Street.

Joins Tullis, Craig

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Thomas Z. Green has become connected with Tullis, Craig & Bright, Marine Building, members of the New York Stock Exchange.

World Bank Places $50 Million Issue Abroad

Bank's first private placement of direct dollar obligations taken by investors in 23 foreign countries.

Placement with investors outside the United States of a $50 million issue of United States dollar bonds was announced by Robert L. Garner, Vice President of the International Bank for Reconstruction and Development, in a news conference in New York City Sept. 20.

Robert L. Garner

"Investors in 23 countries have purchased the bonds, and they have been accorded the widest geographical distribution of any International Bank issue," Mr. Garner declared. He said, "Distribution on so broad a scale reflects the improvement in the world dollar position, as well as increasing interest on the part of foreign institutional investors in international investment. It further reflects," Mr. Garner added, "the willingness of the Bank's member countries to cooperate with us, even to allowing the Bank to raise a part of its dollar requirements in their investment markets."

The First Private Placement

The new issue which constitutes the first private placement of direct dollar obligations of the Bank, is known as the "Five-Year Bonds of 1954." Interest is at 2½% a year, payable semi-annually on March 15 and Sept. 15, with the first payment falling due March 15, 1955. The bonds are dated Sept. 15, 1954 and mature on Sept. 15, 1959. They are subject to redemption at par, either in whole or in part, on or after March 15, 1959.

Subscriptions amounting to approximately $78 million were received for the new Five-Year Bonds; and allocations of the $50 million principal amount were made to investors in the following 23 countries:

Australia
Austria
Belgium
Canada
Colombia
Cuba
Denmark
El Salvador
Ethiopia
Finland
France
Greece
Honduras
Italy
Japan
Mexico
Netherlands
Nicaragua
Norway
South Africa
Sweden
Switzerland
United Kingdom

Investors subscribing to and purchasing the issue in those countries included commercial banks, insurance companies, other financial institutions, private corporations and special governmental accounts.

The new issue raises the total of outstanding dollar bonds of the Bank to $715 million, of which it is estimated about $220 million, or more than 30%, are held by investors abroad. Total issues of the Bank, including its non-dollar bonds, now stand at the equivalent of $851 million, of which the equivalent of $325 million, or almost 40%, are held by investors outside the United States.

Expanded Market Abroad

"The most significant development affecting the Bank over the last 12 months," Mr. Garner declared, "has been the very rapid expansion of the market for its bonds abroad. Of $225 million in dollar bonds of the Bank offered since September 1953, more than $100 million were purchased by investors outside the United States. In addition, the Bank sold five issues denominated in Swiss francs, Canadian dollars, Netherlands guilders and pound sterling in the period, and the total of these issues aggregated more than $70 million."

Mr. Garner particularly expressed satisfaction with the flotation in showing that the Bank can draw funds from all over the world, and from all types of investors; putting otherwise idle funds to work — most of it for American equipment. He disclosed that a demand (at a premium) for the issue has also been established over-the-counter here.

Principal agents for the Bank in the transaction were Morgan Stanley & Co. and The First Boston Corporation, which have acted as managers of investment syndicates that have underwritten and distributed four of the Bank's preceding dollar issues. No underwriting or syndicate arrangements were involved in placement of this latest issue.

Becker Group Offers Ketay Instrument Stk.

Public offering of 300,000 shares of common stock of Ketay Instrument Corp. was made yesterday (Sept. 22) by a group of investment bankers headed by A. G. Becker & Co., Inc. The stock was priced at $10 per share.

Of this total, 200,000 shares are being sold by the company, the proceeds to be used principally to retire all outstanding debt. The remaining 100,000 shares are being sold by individual stockholders, partners in the firm of Lehman Brothers and members of their families who, as a group, are disposing of approximately a third of their holdings.

The Ketay Instrument Corp. pioneered in the field of precision instrumentation and in the design, development and manufacture of rotating precision instruments and control systems in the electronics field. The company operates three plants in New York City, a plant at Commack, Long Island, N. Y., and one in Hawthorne, Calif. It presently has a total of approximately 1,500 employees.

The company owns 80% of Nuclear Science and Engineering Corp. whose Chairman is Gordon Dean, former Chairman of the United States Atomic Energy Commission. The American Metals Co., Ltd. owns 20% of the nuclear research company.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William L. Rose has been added to the staff of Quincy Cass Associates, 523 Sixth Street, members of the Los Angeles Stock Exchange.

Joins Franklin Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William V. Frierson is now connected with Samuel B. Franklin & Company, 215 West Seventh Street.

Peoples Secs. Corp. Formed

Peoples Securities Corp. has been formed with offices at 136 East 57th Street, New York City.

Continued from first page

As We See It

with bitterness and hate have already been raised in our land.

"A strange and, it seems to me, truly un-American violence has marked too many speeches in recent months.

* * *

"And it is more dangerous than just the debasement of our political dialogue and our political morals, because as it exploits it also aggravates an unhealthy national mood of fear and suspicion of one another that has so hampered the unemotional discussion on which wise public policy must be based; that has so dangerously diverted us from the main jobs of establishing sane foreign policies and evolving sound domestic programs.

* * *

"And whatever the provocation, I hope and pray that we Democrats will recognize and respect the difference between cynical politics and principles, between ruthless partisanship and patriotism.

* * *

"So, I say, let us dispute our honest differences honestly and let the people decide them on their merits, but let us Democrats at least not be guilty of sowing discord, mistrust and hate in this lovely land."

That these well-spoken words are themselves, we regret to conclude, largely campaign oratory, is clearly indicated by other things which Mr. Stevenson himself has to say in this same utterance. Consider this passage, for example:

"But I do them an injustice. The Republican leadership may be hopelessly divided over foreign policy. They may even be divided over Joe McCarthy and Indian Charley as political leaders and philosophers; or over their own Secretary of the Army.

"But wherever I have traveled, East and West, North and South, there seems to be one issue on which they can be counted on to close ranks—their common faith in give-away government.

"If they can't achieve any other form of unity; if they can't maintain a strong and consistent policy in foreign affairs, in defense, in economic policy, in civil liberties and the separation of powers, in the give-away field the Administration's philosophy appears to be clear, its purposes fixed, its determination unrelenting. From taxes to atomic energy, from T. V. A. to Hell's Canyon and the Dixon-Yates contract, from oil to timber to grazing lands, from tariffs to the R. E. A. there seems to be vigorous consistency in transferring from the many to the few."

Now, Mr. Stevenson could, we are sure, make out a good case in support of the charge that certain members of the Republican party have been reckless and even unfair in some of the things they have said, or appeared to say, about his fellow Democrats; but such an accusation could hardly lie in his mouth after such a tirade as that just quoted. One of the most unfortunate aspects of this situation is found in the fact that there are some very serious charges which could be brought against the Eisenhower Administration and the activity of the Republican party since the first of last year.

Effectively Estopped

But perhaps most unfortunate of all is the fact that Mr. Stevenson and his fellow political leaders of the opposition are very effectively estopped from making such accusations by the simple fact that they would have to be directed at policies orginated by the New Deal and the Fair Deal. Where the present Administration has turned away from the New Deal and the Fair Deal it deserves commendation, and the praise which it has earned is in rough proportion to the definiteness and the positiveness of that turning.

Mr. Stevenson sneers at the work of the Administration in reducing Federal expenditures. It must be said that progress in fiscal reform leaves a good deal to be desired, but the fact remains that a good deal has been done in wringing water from the outlays of the Federal Government. Mr. Stevenson is critical in a vague sort of *ad hominem* way of the farm policy of the Administration, but were he wholly frank he would be obliged to admit that the new law is at least in some small degree better than that which was inherited from the Truman Administration.

But the Administration has fostered a policy of Federal subsidy for housing which is strictly after the heart of the New Deal and the Fair Deal. It has accepted the social security socialism of the Roosevelt and Truman regimes and carried it further along the road toward the same paternalistic, not to say socialistic, aim. It has done nothing at all about the mass of legislation which is crippling the securities business of the nation. It has done a big job in rewriting and systematizing our system of taxes, but it has for all practical purposes accepted the "soak-the-rich" tax philosophy of the New Deal and Fair Deal. The list might, of course, be extended very substantially, but there is nothing to be gained by laboring the point.

Now these, it seems to us, should be the issues under debate among the voters this autumn. Do we want an indefinite continuation and even expansion of the semi-socialistic, un-American doctrines and programs of the Roosevelt-Truman era? Ought we not to be planning a return march to true Americanism in all these things? We still await the opening of any such debate, and the more mud-slinging there is the less the likelihood of it developing during the campaign.

Continued from page 3

The Logic of Appeasement

ing' war — has abolished itself through the agency of nuclear and thermo-nuclear energy." Barring accidents, there is no danger of a global war, provided sufficient deterrents are put up. The chief deterrent is a powerful air force equipped with super-weapons; "modern air power has made the battlefield irrelevant." Yet, Allied forces should protect the Continental approaches. However, EDC is unrealistic because of its "supra-national authority and integrated international forces," and would not work even if ratified by France, which is most unlikely.

On the other hand, Germany cannot be kept unarmed, says the Air Marshal. As soon as her armaments are completed, Allied occupation should be terminated. The Atlantic Alliance ought to be provided with "teeth" in the form of an Anglo-American procotol that would threaten any aggressor —against Europe — with atomic retaliation.

What about aggression in other areas? Sir John writes in plain English: We should be prepared for more "Koreas," which "will call primarily for the action of land forces." By implication, the Soviets are being told authoritatively that if they start trouble in Hong Kong, Laos, Cambodia, or Siam, or even in Malaya and Indonesia, nothing worse can happen to them than being thrown back. As long as they respect Europe's (including Yugoslavia's) borders, they can play their little games. Britain may not fight them in earnest; the Americans locally only, if at all. That this is, in effect, an irresponsible invitation addressed to Red China, confirmed by London's sharp refusal to guarantee Formosa, to go ahead as you please, did not escape the attention of critics even in Britain. (It has nipped in the bud any other than a purely platonic South East Asia pact, the main function of which is to save Mr. Dulles' face—and to provide Mr. Stassen with more funds for global spending.) Some papers have raised the question: What if an "accident" should occur, such as the Americans losing their patience? A local war may ignite a global one. Even if it does not: what will be the final outcome of the Soviets' continued expansion and power consolidation?

The Great Retreat

To understand Britain's foreign policy, the first thing to remember is that the Empire is in full and premature retreat. Attlee gave up India, Burma, Ceylon and Palestine; Churchill treads on the same inglorious path by surrendering the Sudanese—against their will—to an Egyptian junta in order to save the Suez Canal; then proceeds to hand over the Canal to the same mob. Cyprus may be next, with "self-rule" for Malaya to follow. But if Britain dismembers herself, why should the French buck the suicidal trend? Suicide it is, not progress toward democracy and freedom. Chaos and power vacuum are being created, open to bolshevist disruption and domination, making localized resistance extremely costly.

Attlee had to divorce India because the laborite Welfare State was bankrupt and unable to rule a huge Empire. Once the East Indies were lost, the Far East had lost its glamor. There is little left in that area that is worth—to the British — fighting for; and that little cannot be defended against Red China without a costly shooting war. Moreover, the "Colombo Bloc": India, Burma, Ceylon and Indonesia, would be alienated. And what would it bring? Hong Kong is worthless without the China trade. In Malaya, more than 50% of the population is Chinese; by friendship with Mao the British hope to keep the coolies working in the tin mines —and not joining the guerrillas. This situation has its counterpart on the European scene as well.

The Agonizing Reappraisal

The bitterness of the French about being deprived of their sovereignty and forced into war preparations pervaded the assembly's spectacular debate about the E.D.C. The final blow was dealt to it by the speech of the elder statesman, Herriot. What is not sauce for the British goose, should not be sauce for the French gander, was his decisive implication. It was Premier Churchill's determined refusal of what opposition leader Churchill ardently advocated that doomed our pet project from the outset. And even as a purely Continental affair, the British supported it in a lukewarm fashion only. They had to support it in order to please Washington; but no pressure was exerted on the French and no occasion missed to make them understand that Britain has no vital interest in such a supra-national European organization — under American leadership. (The candid forecast by Sir John Slessor, mentioned above, that it would fail, is a good illustration.)

The double-barreled policy of close cooperation with the U. S. and "peaceful coexistence" with the Soviets is being applied in Europe as well as in Asia.

The defeat of the E.D.C. is the latest in a series of first-rate American defeats — reaping the harvest of a Collective Security that binds our hands irrevocably and caused the loss of the war in Korea. The prestige not only of Russia, but also of the French communists is greatly enhanced. (The latter needed a boost badly.) The rational follow-up would be what Dulles threatened: to withhold aid from France. But the French know that Mr. Dulles was bluffing. We would not go "isolationist," not under Eisenhower, nor could he admit that *his* whole European program is a total failure, the fantastic investment in French communications, infrastructures and other structures, to be written off as worthless.

What next? Confusion reigns on the Potomac; official Washington is stunned by learning what much lesser connoisseurs could predict for three years. Germany's rearmament is a must, though most unpopular in Europe, and some of the best authorities on both sides of the Atlantic question its value. However, the French are not happy about the hated ex-enemy's partnership in NATO, and the British are less than enthusiastic. How are the Germans to be kept from over-arming without humiliating controls? Besides, the French have two vetoes: in the Bonn conclave of High Commissioners, and in the Atlantic organization. What if the Federal Republic refuses the role of a second-rate ally? Their sovereignty will be recognized, if only to save the "shell-shocked" Adenauer regime. Theoretically, the U. S. and the U. K. could proceed to rearm their zones in the Federal Republic; that would leave the French zone a gaping hole. Shifting the base of Europe's defense from a (neutralized) France to Germany is a logistical absurdity.

In any case, the European Union is buried. So will be its premature offspring, the six-nation Steel-Coal Pool, that supra-national cartel. NATO itself is in danger. (As it is, Denmark has practically quit; every Western member is reneging on its commitments.) The French propose now a loose seven-nation set-up, including Britain, of doubtful military valor, starting new and lengthy bickerings between Washington, Paris, and Bonn, with London pulling strings on at least two sides. Moscow is winning more than time: it is jeopardizing the Atlantic Alliance by its symbolic peace assurances and its offers of a European four-power "Locarno," plus an Asiatic counterpart — suggested by Mr. Eden. Which brings us back to the basic problem of the intra-Alliance tension.

The Triangular Conflict of Philosophies

"Human imagination, and particularly British imagination," wrote Wheeler-Bennet in his excellent book on *Munich: Prologue to Tragedy* (1948), "could not conceive of the depths of infamy and turpitude to which the new phenomenon in Germany could descend." Collectivist as Mr. Attlee is, and deficient in imagination, he is aware of the infamy and turpitude inherent in the phenomenon in Russia. And he is a responsible British statesman when it comes to foreign affairs. He would not court Mao's favors for the sake of domestic politics. His visit to Peiping, with pomp and fanfare, was no private escapade. It was a state affair of the first order which he would not have undertaken without the blessing of the Prime Minister. It was tantamount to a spectacular peace-move in the Cold War, a British slap in the American face.

Many reasons may be invoked to explain this policy of obstructing and emasculating America's plans for a solid front against Bolshevism. East-West trade, burdened with Russian red tape, is an excuse rather than anything else; Europe is conscious of its limitations in volume and time. Far more important is the British determination to keep the friendship of India, whose "intelligentsia" is deeply sympathetic to communism, and hates free enterprise which it identifies with imperialistic exploitation, plus black market capitalism. Europe itself has been thoroughly imbued with anti-American socialism and the fear of an American depression. The balance of power tradition, the conviction that in international relations no friendship or enmity is permanent, are stock-in-trade of European diplomacy. Neutral observers like Salvadore de Madariaga see in the clash of the U. S. and U. K. nothing but an old-fashioned contest for hegemony. Nor should the emotional and devotional factors be overlooked, the fact that Western Europe has never been united, not since Charlemagne; that the major powers are basically suspicious, if not spiteful, of each other and of every other great power, the result of vehement nationalism and a thousand years of warfare; that the resentment of America's anti-colonial attitudes is burning. The British blame us for the loss of Egypt; the French fear us in Morocco—where our bases are made virtually inoperative by restrictions. Our aid is easily forgotten, but our tariff is always remembered.

All of which does not imply that Europe might turn around—against Uncle Sam. His financial support is considered essential; his return to isolationism would be regarded as disastrous. But it is taken for granted that he can be held in line due to his implacable antagonism toward the Soviets and to his axiomatic belief that he would be defeated without the Allies. Under the protective umbrella of his might, the latter are free to maneuver — toward a camouflaged neutrality.

Right and wrong mean different things to different peoples. Our conviction that Bolshevism is a real and permanent menace to peace and civilization is not shared by Europeans to whom free-of-charge medicine and full employment are more essential than defense preparations. They have swallowed the wishful theory that the Kremlin has no other desire but to be left alone. In reality, the facts of life are well known: that the Soviets keep arming (London just announced that a Russian fleet is being built to match American sea power); and that they never stop subverting (Southern Vietnam already is being bolshevized without waiting for the elections two years hence).

"Collective Security" in the Doldrums

There is no more talk about a military New Look, barely any about the Instantaneous Retaliation. Presently, Germany and Japan constitute the crucial question marks. If they are rearmed, Europe must keep arming, too. Without their remilitarization, there is no so-called *collective* defense either in the West or in the East. (Whether such a system is necessary at all, is another matter.) The British and French Governments pay lip-service to the armament idea—just as they did to the E.D.C. What their Parliaments will say, remains to be seen. Even in Britain, the opposition against putting arms in Germany's hands, and letting her produce them, is growing by leaps and bounds.

To stop the German-Japanese threat, Russia and China offer collective peace. Nothing is more characteristic of Europe's political and moral decadence than the fact that it seriously considers such a bargain. It does so in the face of the catastrophic Munich experience; and of Bolshevist *mala fides* a thousand times documented. "To speak of any 'settlement' or 'agreement' with Communist States is absurd. It will merely register the relative strength of the Communist and non-Communist States at the given moment. In the Communist philosophy it is not merely legitimate to break any settlements, if and when a shift in the balance of power to the advantage of Communism should occur, it is *obligatory*."

Thus writes not some "crusading" and politically "immature" American, but a leading (conservative) English magazine, "Time & Tide." But the voices of reason and foresight, even of hindsight, grow ever-fainter in a Europe in which expediency has become the supreme law, the worry about the coming deluge being left at each turn until after—the next elections.

Continued from page 14

Ten Years of the G. I. Loan Program

of eliminating admitted abuses in the imposition of discounts on federally guaranteed and insured loans has developed, during the four-year interval it was in the law, a most flourishing practice in discounting. Just as the Prohibition Law reputedly popularized drinking in the 1920's, so the prohibitions against various fees and charges in the Housing Act of 1950 popularized the discounting of VA and FHA loans. That is not necessarily a bad end result, however, and this by-product of the 1950 law well may prove most salutary in encouraging a wider distribution of the money that flows out of the northeastern and eastern centers of mortgage capital to serve the rest of the land. In any event, when we run across a Massachusetts lender at a Los Angeles, San Antonio or Miami meeting, we no longer greet him with a "Hello! What are you doing here?"

And so we continue on into the next decade of GI guaranties. Each day seems to bring its new problems, many seemingly insurmountable as they glare back at you or me from the typed letter-page. There is certainly nothing static in this business of home-mortgages in which you of this audience constitute a representative and important segment. There is even something inspiring about it as you swing over the suburbs in your approach to a landing, and see the wealth built into America in the neat patterns of new homes lying below you. The papers that pass across your desks each day are as essential a part of that building as are the roof and walls of each of those homes. They could hardly have taken their place on the landscape without the money your depositors have entrusted you to place in them. And you are, I am sure, ever mindful of that trust from day to day.

As you go along with the GI loan program over the coming decade, I expect you will continue to be equally mindful of the trust your Federal Government has imposed upon you under the GI Loan Program.

In that regard, the auguries of the past reveal bright promise for the future.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

KIRKSVILLE, Mo.—Burthol E. Sees is now with King Merritt & Co., Inc.

Joins Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Kosrove Karian is now associated with Hayden, Stone & Co., 10 Post Office Square.

New York State Banks and Trust Companies Record Increased Half-Year Profits

Figures released by New York Superintendent of Banks William A. Lyon show a profit rise of 5% above first half of 1953, but main cause of increase is ascribed to gains from sale of securities.

Higher net operating earnings and sharply higher profits in spite of a reduced demand for loans marked the first half of 1954 for New York State chartered banks and trust companies, according to figures made public by William A. Lyon, Superintendent of Banks. Chiefly responsible for this showing, the best for any similar postwar period, were profits realized on sales of securities.

Wm. A. Lyon

Net operating earnings amounted to $134 million statewide, $7 million or 5% more than in the first half of 1953. Net profits after taxes outdistanced all previous records with a peak of $81 million, which was $21 million or 36% above the first half of 1953.

"A moderate expansion of earning assets by $627 million to $18.4 billion served to offset the decline in interest rates that began to show up in government securities," the condition statement explains. "The whole pattern was the exact reverse of last year's when earning assets fell, yields rose quite sharply, and losses on securities were widespread. The banks' success in smoothing out the fluctuations of bank income over a period of tight and easy money permitted a continuation of rising dividends by $3 million to $38 million. Still, these payments to stockholders represented only 47% of net profits as against 59% in the similar preceding earning period. As a result, over $42 million of income was retained, close to $19 million or 78% more than a year ago."

"Total assets expanded by $216 million to $24 billion, contrasted with a decline of $1.4 billion in the similar period of 1953," the statement continues. "Net additions to government portfolios of $684 million for banks statewide were the heaviest of any first half in the postwar period, including the first half of 1949. Since midyear 1953, a postwar low, banks in New York City reacquired over $1.6 billion of government securities, equal to over one-quarter of their present holdings. Net purchases by banks outside the city were on a more modest scale, amounting to $89 million for the first half. Within the combined portfolio, the shorter maturity section declined somewhat, and some switching out of bills, certificates and bonds maturing in less than five years into Treasury notes was in evidence. Purchasing activity in government securities centered heavily on bonds in the 5-10 year maturity range, although city banks reached out for some 10-20 year maturities to a limited extent. The outcome was that the longer term bonds by midyear occupied 43% of portfolios in New York City as against 33% at the beginning of the year. Corresponding ratios for banks outside the city also revealed a lengthening of terms, with the longer maturities rising to 38% of holdings compared with 26% previously."

Obligations of states and political subdivisions stood out at city banks by recording by far the sharpest increase of the postwar years, a rise of $283 million or almost one-half to $883 million, Mr. Lyon states. Upstate banks during this six months period showed only mild increases which brought their holdings to $230 million.

Loans and discounts contracted by $379 million at banks in New York City. This was predominantly the result of a reduction in commercial and industrial loans by $427 million, or almost twice the amount shown during the first half of 1953. Security loans, by contrast, were $93 million higher as compared with a drop of $178 million in the preceding year. Residential real estate loans as well as installment loans reflected reduced volume, the former category being lower by $16 million and the latter by $37 million. The downturn in consumer credit outstanding was the first since credit controls were lifted early in 1952. Due to reclassifications in the reports, a detailed discussion of changes in the various types of instalment paper is not practicable at this time.

Banks outside New York City were able to report gains of $41 million in total loans and discounts. This, however, was only one-third of the net amount put on the books during the corresponding period of 1953. Moderate increases were spread rather evenly over most of the major loan categories.

Total deposits of the State banking system rose by $218 million to reach $21.5 billion at the end of June, the report notes. Although private demand deposits declined $747 million seasonally, additions to deposits of the Treasury, of States and their subdivisions, and of banking institutions offset the loss. Time deposits were $100 million higher at city institutions. Included was an increase of $48 million in special interest accounts, which marked the third six months period of progressively increasing gains in this deposit sector. At banks outside the city, time deposits rose by $36 million, with $13 million representing growth of thrift accounts.

"Profits before income taxes were up by $41 million and were the best for any similar postwar period," Mr. Lyon reports. "One-third greater than a year ago, they set a new high mark of $154 million statewide for the six months under discussion. The upturn in profits was general for banks both in New York City and upstate. Taxes followed profits to new high ground, reaching a level of $72 million compared with $53 million in the year before and claiming 47 cents out of every profit dollar."

"Net profits as a ratio of average invested capital improved quite sharply, rising in New York City from 6.07% on an annual basis a year ago to 7.99%, and from 6.56% to 8.23% upstate. Except for 1946, when unusual security profits also made a big difference on the income statement, these rates of return on capital were the highest reported since the war."

Current operating earnings increased by $23 million or 8% to $319 million, but operating expenses rose more rapidly, by $17 million or 10% to $186 million, leaving net operating earnings only slightly improved. Net profits, however, as previously indicated were sharply higher. Condensed earnings for the first half of 1954 and 1953 are shown in the accompanying table.

Interest and discount on loans and mortgages reached new highs and so did interest received on U. S. Government securities, the statement points out. The improvement in loan income, however, accrued chiefly to banks upstate while all of the greater income from governments found its way to city institutions. In spite of the steady decline in most interest rates during this period, average loans on the books earned 3.45% in the city as against 3.40% a year ago. The loan yield at banks outside rose from 4.92% to 5.06%. Average yields on governments reflected current conditions more closely except that the lengthening of maturities kept the rate in the city virtually unchanged at 1.75%. Upstate, the average yield declined to 1.92% from 2.01% a year ago.

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"The nonoperating section affected the income statement importantly during the period," Mr. Lyon concludes. "Security profits of $31 million in New York City contrasted sharply with losses and charge-offs of $14 million in the first half a year ago; upstate banks showed profits of $5 million as against losses of over $1 million. At the same time, valuation reserves at city banks were increased in contrast with reductions last year, both in securities and, to a lesser extent, in loans. Banks elsewhere in the State increased amounts transferred to reserve accounts."

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	First Half 1954	First Half 1953
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Net current operating earnings	133,767,000	127,141,000
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Profits before taxes	153,876,000	113,030,000
Taxes on net income	72,468,000	53,024,000
Net profits	81,408,000	60,006,000
Int. and divs. on debs. and pfd. stock	603,000	542,000
Dividends on common stock	38,418,000	35,626,000
Net profits after int. & divs. on capital	42,387,000	23,838,000

Continued from first page

As We See It

with bitterness and hate have already been raised in our land.

"A strange and, it seems to me, truly un-American violence has marked too many speeches in recent months.

* * *

"And it is more dangerous than just the debasement of our political dialogue and our political morals, because as it exploits it also aggravates an unhealthy national mood of fear and suspicion of one another that has so hampered the unemotional discussion on which wise public policy must be based; that has so dangerously diverted us from the main jobs of establishing sane foreign policies and evolving sound domestic programs.

* * *

"And whatever the provocation, I hope and pray that we Democrats will recognize and respect the difference between cynical politics and principles, between ruthless partisanship and patriotism.

* * *

"So, I say, let us dispute our honest differences honestly and let the people decide them on their merits, but let us Democrats at least not be guilty of sowing discord, mistrust and hate in this lovely land."

That these well-spoken words are themselves, we regret to conclude, largely campaign oratory, is clearly indicated by other things which Mr. Stevenson himself has to say in this same utterance. Consider this passage, for example:

"But I do them an injustice. The Republican leadership may be hopelessly divided over foreign policy. They may even be divided over Joe McCarthy and Indian Charley as political leaders and philosophers; or over their own Secretary of the Army.

"But wherever I have traveled, East and West, North and South, there seems to be one issue on which they can be counted on to close ranks—their common faith in give-away government.

"If they can't achieve any other form of unity; if they can't maintain a strong and consistent policy in foreign affairs, in defense, in economic policy, in civil liberties and the separation of powers, in the give-away field the Administration's philosophy appears to be clear, its purposes fixed, its determination unrelenting. From taxes to atomic energy, from T. V. A. to Hell's Canyon and the Dixon-Yates contract, from oil to timber to grazing lands, from tariffs to the R. E. A. there seems to be vigorous consistency in transferring from the many to the few."

Now, Mr. Stevenson could, we are sure, make out a good case in support of the charge that certain members of the Republican party have been reckless and even unfair in some of the things they have said, or appeared to say, about his fellow Democrats; but such an accusation could hardly lie in his mouth after such a tirade as that just quoted. One of the most unfortunate aspects of this situation is found in the fact that there are some very serious charges which could be brought against the Eisenhower Administration and the activity of the Republican party since the first of last year.

Effectively Estopped

But perhaps most unfortunate of all is the fact that Mr. Stevenson and his fellow political leaders of the opposition are very effectively estopped from making such accusations by the simple fact that they would have to be directed at policies orginated by the New Deal and the Fair Deal. Where the present Administration has turned away from the New Deal and the Fair Deal it deserves commendation, and the praise which it has earned is in rough proportion to the definiteness and the positiveness of that turning.

Mr. Stevenson sneers at the work of the Administration in reducing Federal expenditures. It must be said that progress in fiscal reform leaves a good deal to be desired, but the fact remains that a good deal has been done in wringing water from the outlays of the Federal Government. Mr. Stevenson is critical in a vague sort of *ad hominem* way of the farm policy of the Administration, but were he wholly frank he would be obliged to admit that the new law is at least in some small degree better than that which was inherited from the Truman Administration.

But the Administration has fostered a policy of Federal subsidy for housing which is strictly after the heart of the New Deal and the Fair Deal. It has accepted the social security socialism of the Roosevelt and Truman regimes and carried it further along the road toward the same paternalistic, not to say socialistic, aim. It has done nothing at all about the mass of legislation which is crippling the securities business of the nation. It has done a big job in rewriting and systematizing our system of taxes, but it has for all practical purposes accepted the "soak-the-rich" tax philosophy of the New Deal and Fair Deal. The list might, of course, be extended very substantially, but there is nothing to be gained by laboring the point.

Now these, it seems to us, should be the issues under debate among the voters this autumn. Do we want an indefinite continuation and even expansion of the semi-socialistic, un-American doctrines and programs of the Roosevelt-Truman era? Ought we not to be planning a return march to true Americanism in all these things? We still await the opening of any such debate, and the more mud-slinging there is the less the likelihood of it developing during the campaign.

Continued from page 3

The Logic of Appeasement

ing' war — has abolished itself through the agency of nuclear and thermo-nuclear energy." Barring accidents, there is no danger of a global war, provided sufficient deterrents are put up. The chief deterrent is a powerful air force equipped with super-weapons; "modern air power has made the battlefield irrelevant." Yet, Allied forces should protect the Continental approaches. However, EDC is unrealistic because of its "supra-national authority and integrated international forces," and would not work even if ratified by France, which is most unlikely.

On the other hand, Germany cannot be kept unarmed, says the Air Marshal. As soon as her armaments are completed, Allied occupation should be terminated. The Atlantic Alliance ought to be provided with "teeth" in the form of an Anglo-American procotol that would threaten any aggressor —against Europe — with atomic retaliation.

What about aggression in other areas? Sir John writes in plain English: We should be prepared for more "Koreas," which "will call primarily for the action of land forces." By implication, the Soviets are being told authoritatively that if they start trouble in Hong Kong, Laos, Cambodia, or Siam, or even in Malaya and Indonesia, nothing worse can happen to them than being thrown back. As long as they respect Europe's (including Yugoslavia's) borders, they can play their little games. Britain may not fight them in earnest; the Americans locally only, if at all. That this is, in effect, an irresponsible invitation addressed to Red China, confirmed by London's sharp refusal to guarantee Formosa, to go ahead as you please, did not escape the attention of critics even in Britain. (It has nipped in the bud any other than a purely platonic South East Asia pact, the main function of which is to save Mr. Dulles' face—and to provide Mr. Stassen with more funds for global spending.) Some papers have raised the question: What if an "accident" should occur, such as the Americans losing their patience? A local war may ignite a global one. Even if it does not: what will be the final outcome of the Soviets' continued expansion and power consolidation?

The Great Retreat

To understand Britain's foreign policy, the first thing to remember is that the Empire is in full and premature retreat. Attlee gave up India, Burma, Ceylon and Palestine; Churchill treads on the same inglorious path by surrendering the Sudanese—against their will—to an Egyptian junta in order to save the Suez Canal; then proceeds to hand over the Canal to the same mob. Cyprus may be next, with "self-rule" for Malaya to follow. But if Britain dismembers herself, why should the French buck the suicidal trend? Suicide it is, not progress toward democracy and freedom. Chaos and power vacuum are being created, open to bolshevist disruption and domination, making localized resistance extremely costly.

Attlee had to divorce India because the laborite Welfare State was bankrupt and unable to rule a huge Empire. Once the East Indies were lost, the Far East had lost its glamor. There is little left in that area that is worth—to the British — fighting for; and that little cannot be defended against Red China without a costly shooting war. Moreover, the "Colombo Bloc": India, Burma, Ceylon and Indonesia, would be alienated. And what would it bring? Hong Kong is worthless without the China trade. In Malaya, more than 50% of the population is Chinese; by friendship with Mao the British hope to keep the coolies working in the tin mines —and not joining the guerrillas. This situation has its counterpart on the European scene as well.

The Agonizing Reappraisal

The bitterness of the French about being deprived of their sovereignty and forced into war preparations pervaded the assembly's spectacular debate about the E.D.C. The final blow was dealt to it by the speech of the elder statesman, Herriot. What is not sauce for the British goose, should not be sauce for the French gander, was his decisive implication. It was Premier Churchill's determined refusal of what opposition leader Churchill ardently advocated that doomed our pet project from the outset. And even as a purely Continental affair, the British supported it in a lukewarm fashion only. They had to support it in order to please Washington; but no pressure was exerted on the French and no occasion missed to make them understand that Britain has no vital interest in such a supra-national European organization — under American leadership. (The candid forecast by Sir John Slessor, mentioned above, that it would fail, is a good illustration.)

The double-barreled policy of close cooperation with the U. S. and "peaceful coexistence" with the Soviets is being applied in Europe as well as in Asia.

The defeat of the E.D.C. is the latest in a series of first-rate American defeats — reaping the harvest of a Collective Security that binds our hands irrevocably and caused the loss of the war in Korea. The prestige not only of Russia, but also of the French communists is greatly enhanced. (The latter needed a boost badly.) The rational follow-up would be what Dulles threatened: to withhold aid from France. But the French know that Mr. Dulles was bluffing. We would not go "isolationist," not under Eisenhower, nor could he admit that *his* whole European program is a total failure, the fantastic investment in French communications, infrastructures and other structures, to be written off as worthless.

What next? Confusion reigns on the Potomac; official Washington is stunned by learning what much lesser connoisseurs could predict for three years. Germany's rearmament is a must, though most unpopular in Europe, and some of the best authorities on both sides of the Atlantic question its value. However, the French are not happy about the hated ex-enemy's partnership in NATO, and the British are less than enthusiastic. How are the Germans to be kept from over-arming without humiliating controls? Besides, the French have two vetoes: in the Bonn conclave of High Commissioners, and in the Atlantic organization. What if the Federal Republic refuses the role of a second-rate ally? Their sovereignty will be recognized, if only to save the "shell-shocked" Adenauer regime. Theoretically, the U. S. and the U. K. could proceed to rearm their zones in the Federal Republic; that would leave the French zone a gaping hole. Shifting the base of Europe's defense from a (neutralized) France to Germany is a logistical absurdity.

In any case, the European Union is buried. So will be its premature offspring, the six-nation Steel-Coal Pool, that supra-national cartel. NATO itself is in danger. (As it is, Denmark has practically quit; every Western member is reneging on its commitments.) The French propose now a loose seven-nation set-up, including Britain, of doubtful military valor, starting new and lengthy bickerings between Washington, Paris, and Bonn, with London pulling strings on at least two sides. Moscow is winning more than time: it is jeopardizing the Atlantic Alliance by its symbolic peace assurances and its offers of a European four-power "Locarno," plus an Asiatic counterpart — suggested by Mr. Eden. Which brings us back to the basic problem of the intra-Alliance tension.

The Triangular Conflict of Philosophies

"Human imagination, and particularly British imagination," wrote Wheeler-Bennet in his excellent book on *Munich: Prologue to Tragedy* (1948), "could not conceive of the depths of infamy and turpitude to which the new phenomenon in Germany could descend." Collectivist as Mr. Attlee is, and deficient in imagination, he is aware of the infamy and turpitude inherent in the phenomenon in Russia. And he is a responsible British statesman when it comes to foreign affairs. He would not court Mao's favors for the sake of domestic politics. His visit to Peiping, with pomp and fanfare, was no private escapade. It was a state affair of the first order which he would not have undertaken without the blessing of the Prime Minister. It was tantamount to a spectacular peace-move in the Cold War, a British slap in the American face.

Many reasons may be invoked to explain this policy of obstructing and emasculating America's plans for a solid front against Bolshevism. East-West trade, burdened with Russian red tape, is an excuse rather than anything else; Europe is conscious of its limitations in volume and time. Far more important is the British determination to keep the friendship of India, whose "intelligentsia" is deeply sympathetic to communism, and hates free enterprise which it identifies with imperialistic exploitation, plus black market capitalism. Europe itself has been thoroughly imbued with anti-American socialism and the fear of an American depression. The balance of power tradition, the conviction that in international relations no friendship or enmity is permanent, are stock-in-trade of European diplomacy. Neutral observers like Salvadore de Madariaga see in the clash of the U. S. and U. K. nothing but an old-fashioned contest for hegemony. Nor should the emotional and devotional factors be overlooked, the fact that Western Europe has never been united, not since Charlemagne; that the major powers are basically suspicious, if not spiteful, of each other and of every other great power, the result of vehement nationalism and a thousand years of warfare; that the resentment of America's anti-colonial attitudes is burning. The British blame us for the loss of Egypt; the French fear us in Morocco—where our bases are made virtually inoperative by restrictions. Our aid is easily forgotten, but our tariff is always remembered.

All of which does not imply that Europe might turn around—against Uncle Sam. His financial support is considered essential; his return to isolationism would be regarded as disastrous. But it is taken for granted that he can be held in line due to his implacable antagonism toward the Soviets and to his axiomatic belief that he would be defeated without the Allies. Under the protective umbrella of his might, the latter are free to maneuver — toward a camouflaged neutrality.

Right and wrong mean different things to different peoples. Our conviction that Bolshevism is a real and permanent menace to peace and civilization is not shared by Europeans to whom free-of-charge medicine and full employment are more essential than defense preparations. They have swallowed the wishful theory that the Kremlin has no other desire but to be left alone. In reality, the facts of life are well known: that the Soviets keep arming (London just announced that a Russian fleet is being built to match American sea power); and that they never stop subverting (Southern Vietnam already is being bolshevized without waiting for the elections two years hence).

"Collective Security" in the Doldrums

There is no more talk about a military New Look, barely any about the Instantaneous Retaliation. Presently, Germany and Japan constitute the crucial question marks. If they are rearmed, Europe must keep arming, too. Without their remilitarization, there is no so-called *collective* defense either in the West or in the East. (Whether such a system is necessary at all, is another matter.) The British and French Governments pay lip-service to the armament idea—just as they did to the E.D.C. What their Parliaments will say, remains to be seen. Even in Britain, the opposition against putting arms in Germany's hands, and letting her produce them, is growing by leaps and bounds.

To stop the German-Japanese threat. Russia and China offer collective peace. Nothing is more characteristic of Europe's political and moral decadence than the fact that it seriously considers such a bargain. It does so in the face of the catastrophic Munich experience; and of Bolshevist *mala fides* a thousand times documented. "To speak of any 'settlement' or 'agreement' with Communist States is absurd. It will merely register the relative strength of the Communist and non-Communist States at the given moment. In the Communist philosophy it is not merely legitimate to break any settlements, if and when a shift in the balance of power to the advantage of Communism should occur, it is *obligatory*."

Thus writes not some "crusading" and politically "immature" American, but a leading (conservative) English magazine, "Time & Tide." But the voices of reason and foresight, even of hindsight, grow ever-fainter in a Europe in which expediency has become the supreme law, the worry about the coming deluge being left at each turn until after—the next elections.

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Ten Years of the G. I. Loan Program

of eliminating admitted abuses in the imposition of discounts on federally guaranteed and insured loans has developed, during the four-year interval it was in the law, a most flourishing practice in discounting. Just as the Prohibition Law reputedly popularized drinking in the 1920's, so the prohibitions against various fees and charges in the Housing Act of 1950 popularized the discounting of VA and FHA loans. That is not necessarily a bad end result, however, and this byproduct of the 1950 law well may prove most salutary in encouraging a wider distribution of the money that flows out of the northeastern and eastern centers of mortgage capital to serve the rest of the land. In any event, when we run across a Massachusetts lender at a Los Angeles, San Antonio or Miami meeting, we no longer greet him with a "Hello! What are you doing here?"

And so we continue on into the next decade of GI guaranties. Each day seems to bring its new problems, many seemingly insurmountable as they glare back at you or me from the typed letterpage. There is certainly nothing static in this business of homemortgages in which you of this audience constitute a representative and important segment. There is even something inspiring about it as you swing over the suburbs in your approach to a landing, and see the wealth built into America in the neat patterns of new homes lying below you. The papers that pass across your desks each day are as essential a part of that building as are the roof and walls of each of those homes. They could hardly have taken their place on the landscape without the money your depositors have entrusted you to place in them. And you are, I am sure, ever mindful of that trust from day to day.

As you go along with the GI loan program over the coming decade, I expect you will continue to be equally mindful of the trust your Federal Government has imposed upon you under the GI Loan Program.

In that regard, the auguries of the past reveal bright promise for the future.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

KIRKSVILLE, Mo.—Burthol E. Sees is now with King Merritt & Co., Inc.

Joins Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Kosrove Karian is now associated with Hayden, Stone & Co., 10 Post Office Square.

New York State Banks and Trust Companies Record Increased Half-Year Profits

Figures released by New York Superintendent of Banks William A. Lyon show a profit rise of 5% above first half of 1953, but main cause of increase is ascribed to gains from sale of securities.

Wm. A. Lyon

Higher net operating earnings and sharply higher profits in spite of a reduced demand for loans marked the first half of 1954 for New York State chartered banks and trust companies, according to figures made public by William A. Lyon, Superintendent of Banks. Chiefly responsible for this showing, the best for any similar postwar period, were profits realized on sales of securities.

Net operating earnings amounted to $134 million statewide, $7 million or 5% more than in the first half of 1953. Net profits after taxes outdistanced all previous records with a peak of $81 million, which was $21 million or 36% above the first half of 1953.

"A moderate expansion of earning assets by $627 million to $18.4 billion served to offset the decline in interest rates that began to show up in government securities," the condition statement explains. "The whole pattern was the exact reverse of last year's when earning assets fell, yields rose quite sharply, and losses on securities were widespread. The banks' success in smoothing out the fluctuations of bank income over a period of tight and easy money permitted a continuation of rising dividends by $3 million to $38 million. Still, these payments to stockholders represented only 47% of net profits as against 59% in the similar preceding earning period. As a result, over $42 million of income was retained, close to $19 million or 78% more than a year ago."

"Total assets expanded by $216 million to $24 billion, contrasted with a decline of $1.4 billion in the similar period of 1953," the statement continues. "Net additions to government portfolios of $684 million for banks statewide were the heaviest of any first half in the postwar period, including the first half of 1949. Since midyear 1953, a postwar low, banks in New York City reacquired over $1.6 billion of government securities, equal to over one-quarter of their present holdings. Net purchases by banks outside the city were on a more modest scale, amounting to $89 million for the first half. Within the combined portfolio, the shorter maturity section declined somewhat, and some switching out of bills, certificates and bonds maturing in less than five years into Treasury notes was in evidence. Purchasing activity in government securities centered heavily on bonds in the 5-10 year maturity range, although city banks reached out for some 10-20 year maturities to a limited extent. The outcome was that the longer term bonds by midyear occupied 43% of portfolios in New York City as against 33% at the beginning of the year. Corresponding ratios for banks outside the city also revealed a lengthening of terms, with the longer maturities rising to 38% of holdings compared with 26% previously."

Obligations of states and political subdivisions stood out at city banks by recording by far the sharpest increase of the postwar years, a rise of $283 million or almost one-half to $883 million, Mr. Lyon states. Upstate banks during this six months period showed only mild increases which brought their holdings to $230 million.

Loans and discounts contracted by $379 million at banks in New York City. This was predominantly the result of a reduction in commercial and industrial loans by $427 million, or almost twice the amount shown during the first half of 1953. Security loans, by contrast, were $93 million higher as compared with a drop of $178 million in the preceding year. Residential real estate loans as well as installment loans reflected reduced volume, the former category being lower by $16 million and the latter by $37 million. The downturn in consumer credit outstanding was the first since credit controls were lifted early in 1952. Due to reclassifications in the reports, a detailed discussion of changes in the various types of instalment paper is not practicable at this time.

Banks outside New York City were able to report gains of $41 million in total loans and discounts. This, however, was only one-third of the net amount put on the books during the corresponding period of 1953. Moderate increases were spread rather evenly over most of the major loan categories.

Total deposits of the State banking system rose by $218 million to reach $21.5 billion at the end of June, the report notes. Although private demand deposits declined $747 million seasonally, additions to deposits of the Treasury, of States and their subdivisions, and of banking institutions offset the loss. Time deposits were $100 million higher at city institutions. Included was an increase of $48 million in special interest accounts, which marked the third six months period of progressively increasing gains in this deposit sector. At banks outside the city, time deposits rose by $36 million, with $13 million representing growth of thrift accounts.

"Profits before income taxes were up by $41 million and were the best for any similar postwar period," Mr. Lyon reports. "One-third greater than a year ago, they set a new high mark of $154 million statewide for the six months under discussion. The upturn in profits was general for banks both in New York City and upstate. Taxes followed profits to new high ground, reaching a level of $72 million compared with $53 million in the year before and claiming 47 cents out of every profit dollar."

"Net profits as a ratio of average invested capital improved quite sharply, rising in New York City from 6.07% on an annual basis a year ago to 7.99%, and from 6.56% to 8.23% upstate. Except for 1946, when unusual security profits also made a big difference on the income statement, these rates of return on capital were the highest reported since the war."

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Mutual Funds

By ROBERT R. RICH

A GROWING NUMBER of investors using the Monthly Investment Plan (M. I. P.) of the New York Stock Exchange are choosing shares of investment companies of the closed-end type, according to an analysis by the National Association of Investment Companies covering the period from the beginning of the M. I. P. in January, 1954 to Sept. 1.

In all, a total of nearly 1,000 individuals are using the Monthly Investment Plan to buy shares of closed-end investment companies.

Of the 32 closed-end companies which are members of the Association, the shares of 14 are listed on the New York Stock Exchange and are thereby eligible for purchase by investors under the new Exchange plan for regular monthly or quarterly security purchases.

In its Aug. 31, 1954 report, the Stock Exchange indicated that two closed-end companies are among the "First Fifty" stocks most popular with M. I. P. investors.

One, with 510 plans, is seventh on the list and the other, with 122 plans, is in 29th place. The other listed closed-end investment companies are also being selected by M. I. P. investors. All the companies are long-established investment firms with their funds invested primarily in common stocks of business and industrial corporations.

Through the purchase of closed-end investment company shares, the Association comments, M. I. P. investors are enjoying the advantages of diversification of risk as well as the benefits of professional investment management.

Closed-end companies whose shares are being purchased under the M. I. P. plan, according to the Stock Exchange's Aug. 31, 1954 figures are: Tri-Continental Corporation, Lehman Corporation, Carriers & General, General Public Service, General American Investors, Adams Express, Atlas Corporation, United States & Foreign, National Aviation and Petroleum Corporation.

* * *

IF THE AMERICAN people are going to understand the services of investment companies and their role in our economy, the investment companies and their role in our economy, the investment companies must present the public with facts and figures, Edward B. Burr, Director of Public Information of the National Association of Investment Companies told delegates to the Mutual Fund Convention in Chicago, Wednesday.

"Investment companies do perform valuable services," Mr. Burr said. "They make it possible for millions of Americans of modest means to invest like millionaires. They enable people to grow with their country. They make it possible for them to participate in the profits of our nation's commerce and industry."

Mr. Burr pointed out the investment companies have an obligation to help more people know this.

"We have," he said, "an obligation to help the 40 million American families, buyers or not, to learn the facts about our business and, having this information, to develop a favorable attitude toward the beneficial services investment companies provide."

The NAIC's information director stressed that the information program was not a "sales promotion program, but an indication of a philosophy that thoughtful people everywhere will respect — the philosophy that our business is an open book, that we are operating in full view and in the best interests of our shareholders and of the general public."

"IT WOULD BE easy to overestimate both the benefits and the disadvantages of our new farm legislation. Actual reductions in support levels for next year's crops will be relatively small, and for this reason the prospective loss of farm income envisioned by opponents of the measure have undoubtedly been exaggerated."

This view is expressed in a current Calvin Bullock study of the agricultural situation.

"The new Administration Farm Act is a step in the right direction," the study states. "But the great surplus stocks of many agricultural products presently on hand cannot be legislated out of existence. Further reductions in acreage allotments will have to be made next year on wheat and cotton, and possibly rice, and acreage restrictions will undoubtedly be maintained on tobacco, corn and peanuts."

The study finds that in 1954, as in the two preceding years, farm profit margins have been squeezed by the unfavorable disparity of farm and non-farm prices.

INVESTMENTS OF American Business Shares at Aug. 31, 1954 were divided as follows: Common stocks, 65.03%; bonds, preferred and guaranteed stocks, and cash, 34.97%, according to the Fund's quarterly report. Net asset value per share was $4.37, compared with $3.97 at the end of the last fiscal year, Nov. 30, 1953, an increase of 40 cents per share.

During the three months ended Aug. 31, the following common stocks were added to the portfolio: Bankers Trust Company; Chance Vought Aircraft; National City Bank of New York and New York State Electric & Gas.

The following preferred stocks also were acquired: Atlantic City Electric, 4%; Central Hudson Gas & Electric, 4½%; Columbus & Southern Ohio Electric, 4¼%; Connecticut Light & Power, $2.06 "E"; Connecticut Light & Power, $2.20; Connecticut Light & Power, $2; Idaho Power, 4%; Jersey Central Power & Light, 4%; Monongahela Power, 4.50% "C"; New York State Electric & Gas, 3.75%; Philadelphia Electric, 4.3%; Potomac Edison Co., 3.60%; Potomac Electric Power, 3.60%; San Diego Gas & Electric, 4½%; Southwestern Public Service Co., 4.36%.

The California Oregon Power 3⅝% bonds of 1981 and the New York Central Railroad Equipment Trust Certificates previously owned were sold.

PERSONAL PROGRESS

FIRST INVESTORS Corporation, distributors and sponsors of mutual funds, announced the appointment of Mr. Stanley S. Palmer as Branch Sales Manager of their Long Island office located at 150 Old Country Road, Mineola, N. Y.

Mr. Palmer joined First Investors Corporation in 1952 and up to the time of this appointment held the position of Group Sales Manager in the New York Grand Central office of the company. Mr. Palmer, 27, is a graduate attorney, married, with one child.

Insurance and Investment Companies Adopt Joint Code of Ethics

Adoption of a Joint Statement of Principles aimed at providing improved financial counseling services to clients of life insurance and of investment company salesmen was announced yesterday by the National Association of Life Underwriters and the National Association of Investment Companies.

The Statement of Principles establishes a recommended guide to salesmen of investment company shares and to life underwriters in their professional dealings with clients, with each other, with other financial counsellors and with the general public. It was formally approved by the Executive and Public Information Committees of the National Association of Investment Companies last week and by the Trustees of the National Association of Life Underwriters at its annual convention in Boston this week.

In a combined announcement, Dorsey Richardson, Chairman of NAIC's Executive Committee, and Robert C. Gilmore, Jr., President of NALU, pointed out that the Statement of Principles is a basic step in the work of a Joint Committee appointed in July to develop a program to increase mutual understanding of the operations and services of the two businesses.

"The Statement gives substance," Mr. Gilmore and Mr. Richardson said, "to the belief of the officers and trustees of NALU and NAIC that a program aimed at improving understanding between field representatives of the two financial institutions is in the best interests not only of the companies and the field representatives but, more important, in the best interests of shareholders and policyholders."

"NAIC and NALU are hopeful," the announcement continues, "that the Statement of Principles will stimulate a more positive sales approach in areas where these two financial services may be competitive."

"No one gains," Mr. Richardson and Mr. Gilmore said, "in negative selling which attempts to undermine public confidence in a competing product or service. Life insurance and investment company shares both have a place in family financial planning and each can and should be sold on its merits."

The Statement of Principles will be widely publicized by each organization within its own business and will be implemented in the months to come by distributing to sales personnel in each business basic text and reference material prepared by the other business.

"It should be emphasized," Mr. Richardson and Mr. Gilmore stated, "that while neither organization has the authority to enforce compliance with the Statement of Principles, both organizations intend to do their utmost toward convincing their members of its merit and of the soundness of its cooperative approach."

A JOINT STATEMENT OF PRINCIPLES

PREAMBLE: In recognition of the following premises, representatives of the National Association of Life Underwriters and the National Association of Investment Companies have drawn up this statement of principles:

(1) Providing for long-range financial security is a major concern of every American family.

(2) Financial planning for individuals and families is the major function of representatives of both the investment company business and the life insurance business.

(3) The traditional private enterprise instruments of providing family financial security serve the best interests of the American people and offer substantial safeguards to our democratic form of government.

(4) The best interests of the client are the paramount obligations of both life underwriters and salesmen of investment company shares.

(5) Sound financial planning usually requires a co-ordinated combination of various financial instruments.

(6) A co-ordinated plan for family financial security requires life insurance to guard against the hazard of premature death and, under the proper circumstances, the ownership of equity investments, including investment company shares, as a means of sharing in the long-term growth of the American economy.

The joint committee of the National Association of Life Underwriters and the National Association of Investment Companies, recognizing these facts, recommends to the governing bodies of their respective organizations the adoption of the following as a statement of principles for guiding salesmen of investment company shares and life underwriters in their professional dealings with clients, with each other, with other financial counsellors, and with the general public.

STATEMENT OF GUIDING PRINCIPLES

(1) To best serve their clients it is essential that life underwriters and salesmen of investment company shares understand the products, functions, operations and services of each other.

(2) Such understandings can come only from careful study of life insurance by salesmen of investment company shares and from careful study of investment companies by life underwriters. Basic text and reference materials should be provided by each business and made available to representatives of the other.

(3) It is essential that life underwriters and salesmen of investment company shares recognize the important role each business plays in serving the financial needs of the American people.

(4) In serving individual, family and business financial needs, it is important that the salesman of investment company shares recognize that life insurance is a basic tool in creating immediate estates as a means of protecting against the hazard of premature death. The salesman of investment company shares should also recognize the part that life insurance can play in providing guaranteed sums for the emergency cash and old-age income needs of families.

(5) In serving individual, family and business financial needs, it is important that life underwriters recognize that investment company share ownership provides individuals and families an excellent means to participate in the growth and prosperity of the nation's economy and to obtain the benefits of diversification and professional investment management.

(6) The salesman of investment company shares should not expect to receive any compensation from the sale of life insurance and the life underwriter should not expect to receive any compensation from the sale of investment company shares.

(7) Life underwriters and salesmen of investment company shares recognize that each is a specialist in his own field, and should not attempt to advise his clients in the other field.

(8) Harmonious relations between life underwriters and salesmen of investment company shares should be maintained for successful results in financial planning for the public.

IN A REPORT to shareholders, Diversified Growth Stock Fund comments that the purchase recently of shares of Texas Instruments, Inc. and Raytheon Manufacturing Company, brings the number of electronic issues owned to 12, and the total investment in that field to 25% of the aggregate assets of the Fund.

Holdings in the oil and gas industry amount to 23% of assets of Diversified Growth Stock Fund, while 11 chemical and drug issues owned total approximately 20% of assets.

Since mid-year, the Fund has disposed of its holdings in Tracerlab, Inc., Firemen's Insurance Co. of Newark and Maryland Casualty Co.

EDWARD P. RUBIN, President, Selected American Shares, reported that the net asset value of the Fund now amounts to $34,221,175, equal to $15.85 a share. This compares with a net asset value of $24,479,909, or $12.22 a share a year ago.

The Negro Mutual Fund Market

By PHILIP M. JENKINS*
Manager, Mutual Fund Dept.
Baruch Brothers & Co., New York City

Everyone who has anything to sell is concerned with the development of new markets. One of the most intriguing features of this country's present-day economy is the fact that one-tenth of its population has come to be accepted and treated as a special consumer group — the Negro market. National advertisers are using Negro subjects in ads in Negro newspapers and magazines. It is no longer unusual to see Negro public relations and salespeople in stores and offices. All of this—and more—is being done to win the patronage of Negro consumers away from competitors.

Philip M. Jenkins

Those of us who have worked for years in the public relations and sales fields have known for some time that this approach is sound. Sales figures now confirm our judgment. Sales experts recognize the fact that the Negro market can tip the scales in the profitable distribution of goods, just as the Negro voter is believed by many political analysts to hold the balance of power in a national election. More and more instances are becoming matters of record in which one national advertiser outstrips an important competitor by making effective special appeals to the Negro consumer.

The foregoing is significant to Mutual Fund people principally because it establishes the recently recognized importance of the Negro market in our national economy. However, instead of having to consult statistical tables and voluminous reports on the buying habits of Negroes, we have only to turn to the Negro magazines and newspapers of today. There we see display ads placed by important national advertisers who have studied the statistics and reports, and apparently satisfied with what they found, have included these media in their budgets.

Twenty-odd years ago I was advertising manager of a large Negro New York newspaper. Then—and as recently as 10 years ago — there was practically no national advertising carried in Negro papers or magazines.

The Economic Emancipation of the Negro

What has happened in the last 10 years that has brought about this "economic emancipation" of the Negro in America? What makes him a "live" prospect for Mutual Funds now, when he was not so considered a few years ago? The answer to both questions is quite simple, and the component parts of an untouched Fund Market lay in that answer.

The practical aspects are these. There are now much better educational and employment opportunities open to him, even in technical and professional fields, than ever before. Better housing and recreational facilities are also available. These are the foundation of economic freedom.

The psychological aspects of the answer are, to all intents and purposes, an invitation to the entire Mutual Fund industry from top management down to the greenest salesman to "come and get it," for the Negro consumer is desperately in need of sound investment advice, no matter how reluctant he may seem at times to accept it. Fortunately for him, the basis of our own enthusiasm for Funds is his protection. "Come and get it" does not mean "come and get **him.**" Getting his business means getting his business and **not "giving** him the business." That is why Mutual Funds are the answer to his immediate problem.

Let's put his frame of mind under the glass for a moment, remembering that he represents the first adult generation of economically free Negroes. He has a good job, thanks to a good education and top technical training, and is working **in the job for which he was trained.** (That's a pleasant switch from a few years ago when college degrees were a dime a dozen among waiters and railroad station red caps.)

But our prospect does have a real problem. He has had no experience or training in investing. His good job and salary have filled him with ambitious plans for himself and his family. Their own home in the suburbs, college educations for the children, real vacations, and eventual retirement—all of these goals may become realities if he can find someone who will show him how to prepare systematically for their achievement — how to invest his surplus income in order to get a maximum return with as little risk as possible. It's a natural for Mutual Funds.

Here is an inspiring challenge to every person in the Fund field from top executive right down the line—especially if he has a little of the social worker, the trail-blazer and the missionary hidden inside somewhere. There is much more involved than just selling Funds to a prospect. It is a unique opportunity for our industry of which we are all very proud to raise the economic status of one-tenth of our entire population. If you have doubts about the sales potential of this consumer group, just bear in mind this classic example of its successful development. One of our best known insurance companies laid the foundation of its present imposing financial empire with the 5-cent per week policies of thousands of Negroes.

The amount of money which colored consumers could invest—if they would—is estimated at $1 billion. Channeling a considerable portion of this money into Mutual Funds is our job—and it's not an easy one. Suspicions must be allayed and confidence developed.

A Public Relations and Investment Education Program

A well-organized public relations and investment education program must be put into operation.

Such a program would be most effectively set up and supervised by people who really know and understand the psychological quirks of the people they wish to reach. Special skills and techniques are required, it's true, but the rewards for this job when well done will be most satisfying. The people who make up what has recently come to be called the Negro market have reached economic maturity — have come of age. They are ready to be guided into their proper place in our national economic scheme. What better guide could they have than Mutual Funds?

*An address by Mr. Jenkins at the National Mutual Fund Sales Convention, sponsored by the "Investment Dealer's Digest," Chicago, Ill., Sept. 21, 1954.

Public Utility Securities

By OWEN ELY

Tampa Electric Company

Tampa Electric is the third largest electric utility company in Florida, its annual revenues of over $18 million being roughly half those of Florida Power Corp., which in turn are nearly half those of Florida Power & Light. It has shown much the same rapid growth as the other Florida utilities, with an increase in revenues since 1949 of about 84%. The company serves an area of some 1,500 square miles on the west coast of Florida, including practically all of Hillsborough County and parts of Polk, Pasco and Pinellas Counties. This territory now has an estimated population of 373,000, which with a residential building boom is increasing at the rate of about 20,000 a year. Completion of an important new bridge should stimulate the area. Principal communities are Tampa, Port Tampa, Plant City, Dade City, Winter Haven, Mulberry, Auburndale, and Lake Alfred. The company's electric system is interconnected with the exception of the property in and around Dade City.

More important industries in the area are cigar manufacturing; citrus processing, including packing, canning and concentrating; phosphate mining and processing and (more recently) the extraction of uranium-235. Farm activities include the raising of citrus fruits and vegetables, cattle raising and dairying. Other economic activities include lumbering, naval stores, fishing and the tourist business. MacDill Field, a permanent Air Force base, is located near Tampa.

Revenues are 39% residential, 25% commercial, 31% industrial, and 5% miscellaneous; of the industrial business, nearly two-thirds is from the phosphate industry and one-third from a number of diversified small industries. New phosphate mines are being opened, and new developments in the recovery of phosphate ore are made from time to time. Over half the companies served have completed new plants, designed primarily for the production of super-phosphates, within the last 18 months. Electric furnaces for the production of phosphorus from phosphate rock are now being operated by two companies, one of which has indicated that its capacity may be doubled.

The company produces about 97% of its annual power requirements, purchasing the small balance from neighboring utilities and others. The principal steam generating units at the Hookers Point Plant produce about 78% of net generation, while the older units at the Peter O. Knight Plant produce the balance (there is also a very small plant at Winter Haven). At the modern Hookers Point Plant, one of the three 30,000 kw. units was installed in 1948 and the other two in 1950; a 40,000 kw. unit was installed last year, and a 60,000 kw. unit should be completed about May, 1955. Actual capability of these units is about 22% above nameplate rating.

Residential revenues per kwh. of 2.63c appear reasonable considering the cost of fuel oil, which is used as boiler fuel. The average cost of oil in June, 1954, was $2.04 per barrel which is above the cost range of $1.74-$1.99 for the years 1949 to 1953, inclusive. However, net kwh. produced per barrel of oil has increased from 455 in 1949 to 504 for the 12 months ended June 30, 1954. Residential annual usage of 2,901 kwh. is well above the national average.

CORRECTION
On West Penn Electric Dividend Rate

In last week's column, the annual dividend rate on West Penn Electric was given as $2.20, which was incorrect. The rate has recently been raised to $2.40, and at the current price around 45, this would afford a yield of 5.3%, well above the general average for stocks of large electric utilities.

Capitalization as of June 30, 1954, adjusted for the current issue of $5 million Series B preferred stock, is approximately as follows:

Funded Debt	$29,000,000	48%
Preferred Stock	10,000,000	16
Common Stock	21,800,000	36
Total	$60,800,000	100%

The company is spending about $10 million this year for construction and about $12.6 million next year. If growth continues at the present rate, substantial additional expenditures will be required after 1955. The 1955 financing program has not yet been definitely determined, but it appears likely that some bonds may be issued, and an offering of common stock is anticipated about a year from now. Before this occurs, President MacInnes has indicated that consideration will be given to splitting the common stock and transferring it from the American Stock Exchange to the Big Board.

The regulatory climate has improved considerably in Florida since a commission with statewide powers was created, superseding such local bodies as the old Pinellas County Board. The Florida Power Corp. decision of about a year ago afforded a good test of the new commission's policy, which while conforming generally to established regulatory principles, was on the liberal side in some respects. Evidently the commission feels that the utilities must be permitted to earn a fair return in order to attract adequate new capital to support the tremendous expansion program made necessary by the growth of Florida. While Tampa Electric is currently earning 6.75% or more on a rate base similar to that set up in the Florida Power Corp. case, this rate base does not include plant under construction, so that when the new generating plant goes into operation next May the return is expected to decline.

For the 12 months ended August, 1954, earnings on the common stock were $3.79 a share, and for the calendar year about $4 is forecast. The stock is currently quoted around 61 and is now paying dividends at the annual rate of $2.80 to yield about 4.6%. The price-earnings ratio, based on the $4 earnings estimate, is slightly over 15, which is below the average for "growth" companies.

TAMPA ELECTRIC COMPANY

Calendar Year	Revenues	Common Stock Record — Earnings	Dividends	Price Range
1953	$17,000,000	$3.55	$2.60	50¾-40
1952	15,000,000	3.25	2.40	45½-37¾
1951	13,000,000	2.92	2.40	40 -34¼
1950	11,000,000	3.43	2.40	36¼-30¾
1949	10,000,000	3.01	2.00	33⅝-26
1948	9,000,000	2.02	2.00	31½-24¾
1947	8,000,000	2.32	1.80	34¼-29¼
1946	8,000,000	2.74	1.60	37 -29¼
1945	8,000,000	1.99	1.60	36 -27⅜
1944	7,000,000	2.14	1.60	28 -23⅜
1943	7,000,000	1.92	1.60	26½-17¾

Chemical Products Stock at $7 a Share

Photon, Inc. on Sept. 22 offered its holdings of 111,638 shares of common stock of Chemical Products Corp. (par $1) to its own common stockholders and Chemical Products Corp. is issuing and offering 13,362 shares of its common stock to its officers and employees, at $7 per share. The subscription offer, underwritten by a group of underwriters, headed by G. H. Walker & Co. of Providence, R. I., will expire at 3 p.m. (Boston Time) on Oct. 6, 1954.

The offering to Photon, Inc. stockholders is made on the basis of one share for each two shares of Photon, Inc. stock held on the record date.

Chemical Products Corp. was organized in 1922 and is the surviving corporation pursuant to a merger, on Aug. 25, 1954, between itself and New England Lacquer Co. It is engaged in the manufacture and sale of protective and decorative coatings and molding compounds which it formulates from synthetic resins and coatings which it formulates from cellulosic materials.

Photon, Inc. acquired all the outstanding stock of the company in 1945 and all the outstanding stock of New England Lacquer Co. in 1947. Under the terms of the merger agreement, Photon, Inc. received the 111,638 shares of common stock to be sold for its account.

The proceeds of such sale will be retained by Photon, Inc. and the proceeds of the shares to be offered to the company's employees will be added to general corporate funds.

Now With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert W. Steffes has become affiliated with Paine, Webber, Jackson & Curtis, 605 North Broadway. He was formerly with Thomson & McKinnon in Oshkosh.

With H. G. Kuch & Co.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—William O. Kerr has become associated with H. G. Kuch and Company of Philadelphia.

With Pierce, Carrison

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Comer C. Pierce is with Pierce, Carrison, Wulbern, Inc., Barnett National Bank Building.

Continued from page 15

Pensions, Profit-Sharing and Stock Options Under New Tax Law

lent way of accumulating their "bonuses" at tax-free interest. In fact, it would be an essential feature of such a plan that a fair proportion of the lower paid employees took advantage of the thrift feature. Otherwise the Treasury might claim that the plan was discriminatory, not in its provisions but in actual operation.

Pension Plans and Profit-Sharing Trusts

Last March there was a great fluttering among the pension doves when the House Ways and Means Committee proposed its new tax code. For it had made a complete new set of rules for the tax qualification of pension plans and profit-sharing trusts. It had attempted to replace the Commissioner's present discretionary powers of qualification by rules intelligible to the average employer — or at any rate, to his attorney. The result was a complete redraft of the provisions of the old code relating to pension and profit-sharing plans.

But after the House passed the new bill a host of technical deficiencies became apparent (1) in its explicit rules for qualification of such plans, (2) in its attempt to regulate the permissible investments of the trusts, and (3) in its new limitations on tax-deductible contributions. The upshot was that the Senate Finance Committee, after hearing representations from pension experts, decided that the existing framework of the law would have to be retained "pending further study."

So the new code makes relatively few changes in the old provisions relating to the tax deductibility of contributions to qualified or unqualified pension plans and profit-sharing trusts. However, before we mention these minor changes let us consider a deep-seated and thorny question: Which is generally the more satisfactory for a company, a pension plan or a profit-sharing trust?

Differences Between the Two Types of Plan

One of the queerest things about the old law which has been carried into the new, is the peculiar legal distinctions between pension plans and so-called profit-sharing trusts.

These distinctions are rather subtle and seem to boil down to this single statement: The company must not talk of financing a pension plan from its profits. If it does so the plan becomes a profit-sharing plan and is subject to different limitations. But we may ask in parentheses: how else can a company pay for pensions except through profits?

At first sight it might be thought that a natural difference between a pension plan and a profit-sharing trust is that whereas the pension plan seeks to provide pensions for employees, the profit-sharing trust is a means of giving the employee an incentive to increase his company's profits without incurring an immediate tax liability on his share of these improved profits. Two arguments militate against this view of profit-sharing trusts:

(1) For many of the rank-and-file employees the deferment of their shares in the profits is a poor substitute for "cash in the hand." Differential tax rates are seldom of importance in the eyes of such employees.

(2) The higher paid employee can only benefit by the application of capital gains tax rates if **he actually severs his employment** and is paid his accumulated share in cash within one calendar year. If the employer stipulates, as he may, that the cash option is only available on retirement, he is largely defeating the big tax advantage of capital gains rates for the highly paid employee.

Neither of these features appeals to the employer who wants to give his employees a real incentive, with tax advantages, to stay in his employ and improve his company's profits.

The result has been that the profit-sharing trust has been used more and more as a means of financing pensions. The argument behind this development has been the thought that a profit-sharing plan does not endanger the company's finances in years of poor profits as a pension plan does.

Those who argue this way have overlooked two fundamental considerations in the provisions of employee pensions. The first may be expressed by the phrase: A pension is only a pension if it amounts to something. This is an obvious truism that is disregarded by proponents of the profit-sharing-trusts-for-pensions school of thought. They argue that if a company has a profit-sharing trust it is not commited to make any contributions in lean years. Hence it is a fine thing for the company. But if a company makes no contributions, retiring employees receive no pensions. The only way in which this profit-sharing plan differs from a straight pension plan is that it could be in full force and effect without a dime in assets whereas the corresponding pension plan would have terminated as a failure.

The second consideration is based on a misconception about the financing of pension plans. We have heard it argued that a pension plan is a committment by the company to contribute so much money each year. This is **completely false.** A pension plan is a commitment by the company to pay pensions **as they fall due.** There is absolutely nothing in the law to prevent a company contributing to its pension plan a fixed proportion of its profits (and if there are no profits then there is no contribution). But if the profits are too low, or the pensions too high, the fund will obviously "run out" and the plan will have failed — without a tax penalty. Is this very different from the profit-sharing plan under which no one has any credit in his account?

A profit-sharing trust is **essentially a pension plan of the so-called "savings" or "money purchase" type.** Every company (and employee) contribution is segregated to the personal account of each participating employee. These personal accounts are credited with a proportional part of the interest earned by the assets of the fund and with the capital appreciation (or depreciation!) of these assets since the previous allocation. They are also improved by "surplus" arising from the "fines" imposed on employees who sever before they have acquired a fully vested interest.[2]

Two points should be noted. The essential legal difference between the profit-sharing trust and the money-purchase pension plan lies in the amount of the company's contribution. In profit-sharing this contribution must be stipulated in terms of the company's profits (e.g. 5% of salary, provided the profits or accumulated profits are sufficient) whereas in the pension plan it must be stated in terms of the employee's compensation without reference to the company's profits.

The second point applies more particularly to profit-sharing trusts but an analogous problem arises with money-purchase pension plans. When an employee reaches retirement he can (if the plan permits) receive the total in his account in cash or in installments. But if the company wants its employees to have pensions for life it must either (1) purchase individual immediate annuities from an insurance company with the employee's cash balances, or (2) fix "average" pension figures (on a so-called "cash refund" basis) which will be paid out of the employees' accounts so long as they live and which will be supplemented out of company profits (on a pay-as-you-go basis) if the employees' accounts "run out."

For over half a century now actuaries have emphasized the disadvantages of money-purchase pension plans, namely:

(1) The high caliber employee often reaches his peak salary relatively late in life. The company's contributions to his personal account are correspondingly high rates for a relatively short period and accrue very little interest. His pension is thus **disproportionately low** in comparison with that of lower paid employees.

(2) The employee finds it very difficult to estimate what his eventual pension is likely to be. At the very least he has to be an adept with compound interest tables and besides the uncertainty of his future salary progression he is necessarily ignorant of: (a) the eventual price his company will pay for an annuity on his life, and (b) the amount of "surplus" his account will receive from the "fines" on severance.

Profit-sharing trusts exaggerate both these disadvantages. The executive's higher salaried years may, by chance, coincide with years of low profits. And the employee cannot even begin to guess at his likely eventual pension from the plan.

But there is a third disadvantage that is very important from the employer's point of view. The Treasury has argued — and will continue to do so under the new code — that since profit-sharing plans are intended to "share" profits, the degree of forfeiture suffered by the severing employee must be kept relatively small. Some Treasury Agents have gone so far as to insist on a percentage vesting scale running up by 10% each year until the 100% mark is reached after 10 years.

This requirement does much to rob the profit-sharing trust of two of the great advantages of a pension plan, namely (1) that it can be used as an incentive for the employee to stay with the employer, and (2) that the savings achieved by denying "vested rights" can be used to improve the pensions of the employees who stay till retirement. This second item has been estimated to result in a 50% improvement in pension rates.

Our criticism of the profit-sharing trust is thus twofold:

(1) It is inefficient as an incentive to employees to improve the company's profits;

(2) It is very inefficient when it is used to pay pensions.

We have devoted this rather lengthy treatment to the philosophy of pensions and profit-sharing because it seems to us that part of the recent growth in profit-sharing trusts may have resulted from a misapprehension of what these plans can, and cannot, do. Let us now return to the law governing employee trusts.

The Law, Old and New

Actually, the new tax code makes no changes in the requirements for qualification of pension plans and profit-sharing trusts. In brief such plans:

(a) Must be for the exclusive benefit of employees and their beneficiaries;

(b) Must benefit all employees within a classification that the Commissioner finds does not discriminate in favor of officers, stockholders or supervisory or highly-paid personnel;[3]

(c) Within this employee classification, must not discriminate in favor of the employee groups mentioned;

(d) Must not use their accumulated funds for any purpose except to pay benefits to employees and their beneficiaries.

We have sometimes been asked: what is the most limited group of employees that could be covered by a qualified pension plan?

The answer depends to some extent on the individual Treasury Agent who considers the application and on how Washington treats the ruling on "post-review."

One of the severest limitations we have seen is contained in a plan that covers salaried employees earning over $3600 a year who are not subject to overtime rates of pay. This has the effect of covering only a few hundred employees in a firm that employs about ten thousand.

If requirements (a) through (d) are satisfied, a plan will automatically qualify without prior reference to the Commissioner. But because the law leaves so much to the judgment of the Commissioner, most companies prefer to file for qualification before they become too deeply involved financially. We mention, in this connection, that the Regulations forbid a stipulation in the trust to the effect that disqualification will result in the trust assets being returned to the company.

If a plan is qualified the employer may deduct contributions thereto as a business expense. In the case of a profit-sharing plan his limit of deduction is 15% of the payroll of covered employees and rules are prescribed for the tax treatment of carryovers of unused allowances and of excess contributions. If a company has a pension and profit-sharing plan covering the same employees the 15% limit is raised to 25% of payroll of such doubly-covered employees.

An entirely different rule is used when a pension plan (or plans) exists on its own; the maximum deduction in any one year is determined by actuarial calculations and any contribution in excess of this maximum is carried forward for deduction in later years; however, unused allowances are not carried over to increase later maximums.

The following are the main changes that have been made by the new law:

(1) Suppose a group of corporations with 80% common ownership has a common profit-sharing plan. If a member of the group has insufficient profits to cover its contribution, the other members of the group can contribute on its behalf for its participating employees (Sec. 404 (a) (3) (B));

(2) The 60-day period after the close of the tax year during which contributions may be made to an employee plan, is extended to the date for filing the company's tax return, including any extensions that may be obtained (Sec. 404 (a) (6));

(3) Foreign trusts cannot qualify for tax deduction. But, if their provisions are otherwise qualifiable, U. S. employer contributions and trust distributions are treated for tax purposes as if the trust were qualified (Sec. 402 (c) and 404 (a) (4)).

(4) Companies that have contributed to the United Mine Workers' coal industry plan will in future be allowed to deduct these contributions as a business expense (Sec. 404 (c));

(5) Qualified trusts now become subject to loss of tax exemption if they engage in "prohibited transactions" after March 1, 1954. The only such transaction that affects pension or profit-sharing trusts is the **loaning of funds to the employer without "adequate security and a reasonable rate of interest"** (Sec. 503).

(6) Employee trusts that derive income from the direct operation of any trade or business will be taxed on that income at the regular graduated rates (which run up to 87% overall) (Secs. 511, 512 and 513);

(7) If a trust purchases a five, or more, year lease (or a lease with a shorter term that contains a renewal option) with borrowed funds, it is subject to tax on that proportion of the net rental income that corresponds to the borrowed portion of the purchase price (Sec. 514).

We comment briefly on these seven changes. The first three—numbers (1), (2) and (3)—are all useful extensions of the old law but none of them involves any really new principle. Number (4) represents a big departure from the ruling that "mixed" pension and welfare benefits are not deductible as a business expense. However, the new law appears to refer only to U.M.W. contributions and is thus of rather narrow scope.

The last three changes—numbers (5), (6) and (7)—are all novel so far as employee trusts are concerned. In the first place the requirement of "adequate security" of any loans made by a trust to its employer-creator raises a number of problems. For example, unsecured debentures or even the employer's notes have been accepted by the Treasury as a permissible investment for employee trusts. In future will they be regarded as "adequate security"? And if not, how does such a rule jibe with the recognized legitimacy of a trust's investment in the employer's stock? These are questions that may be clarified by the Secretary's forthcoming Regulations.

The changes numbered (6) and (7) both impose tax on certain transactions entered into by employee trusts. This concept is new and effectively limits the buy-and-lease-back arrangements with borrowed funds that have become familiar during the past few years.

Summary

Let us briefly review how the new tax law affects a company's plans—actual or prospective—for providing retirement pay for its employees:

Top executives can now be taken care of more readily by means of employee stock options. The law has been considerably extended and clarified with respect to such benefits.

Other executives and employees who have acquired the virtue of thrift can benefit by deferment of what would otherwise be a cash bonus. Although this is not "new law" it is only recently that a practical method has been found which attains this objective.

For the rank and file the company has available a conventional pension plan or profit-sharing trust. The new law has made very few changes here and still leaves the distinction between these two types of plans somewhat arbitrary.

[2] By a quirk in the law—or, rather, in the Treasury's interpretation of it in its Regulations — this "surplus" cannot be allocated among the participants unless the money-purchase pension plan is rewritten as a profit-sharing plan.

[3] The alternative requirement that the plan must benefit at least 70% of full-time employees with more than five years' service is seldom applied in practice.

Continued from first page

Energy Sources of the Future

development problems of its own. It is essentially a *fait accompli* and will follow a regular and orderly growth curve — small in solving the total problem, but continuously important in many locations.

Fossil Fuels

The present use and potential supply of coal, oil and gas have been dwelt upon at sufficient length in an earlier section. For many years, even after their production starts downhill, they will be our most important source. New developments within the framework of our present technology may be able to extend their life and utility, but even this will not be enough for the next century. However, one can visualize quite new research findings that will substantially postpone depletion. More will be said of this later.

Nuclear Energy

Atomic fission for power purposes is now growing out of the dream and fad stage and steadily coming closer to reality. The potential supply in economically recoverable uranium and thorium appears to be many times greater than from fossil fuels. If other materials and other nuclear reactions could be harnessed and controlled, the eventual potential energy supply would appear to be almost infinite—as measured by human standards. To say that this area calls for more research is a gross understatement.

Nuclear plants as presently visualized can produce sensible heat, which can be used as such, or fed to heat engines to produce electricity. It does not meet the well-implanted demand for liquid fuels. So even if the supply is great and widespread, it will probably not provide the eventual universal solution.

Solar Energy

Solar radiation reaching the earth's surface amounts to about 32×10^{20} B. T. U. per year. Present input to the world's human energy system is about 10^{17} B. T. U. per year. Hence 32,000 times as much energy falls on the earth as we are now utilizing in all our human devices. Expressed another way, if we could harness, at 100% efficiency, all the solar energy which falls on a little more than 6,000 square miles of the earth's surface, we could supply all our needs. That would be a plot somewhat less than 80 miles square—just about enough to make a reasonable-sized military guided missile range, and the supply is perpetual—at least it's good for a few million years. The direct harnessing of solar energy would appear to be a very attractive proposition.

The idea, however, loses some of its sheen on closer inspection. The principal disadvantages are:

(1) The supply is intermittent.

(2) The concentration of energy (potential) is low.

(3) In its available form it has but limited utility.

All of this means that we are still a long way from knowing enough to be able to make effective use of solar energy. But our ignorance should not be transformed into despair. Meeting such a situation is, I submit, what research men and engineers were made for.

The Research and Development Task

Whenever it appears that an improvement or extension of an existing technology can lead to increased profits, financial and administrative resources are usually available for exploitation. This ever-present economic drive is the basic strength of a competitive, capitalistic society. For this reason, American industry will probably wring out the most effective methods of recovery and utilization of our energy sources—within the present technology. But in the long run the present technology will not be sufficient. New approaches will be needed. For the future the present pattern of industrial development and exploitation will probably not be adequate to meet energy needs.

The smaller the chance of ultimate success and the longer the time scale for accomplishment, the less likely is industry to back a new idea. There are few businessmen who are, or can afford to be, interested in heavily backing a 100-to-1 shot that might pay off 25 or 30 years from now. For this reason we tend to remain myopic in the presence of a problem as difficult and slow-moving as the world's energy supply.

Within recent years many of the leaders of business and industry have been coming to the conclusion that we are perhaps a bit unbalanced, that our know-how outruns our knowledge—that we may be well on the way to outsmarting ourselves and that something should be done about it. Hence it is becoming increasingly fashionable to beat the drum for fundamental research. This is all very well, but it is not sufficient. Not only must the fine words be backed with deeds (particularly financial support) but new technologies must be developed to match new research findings. Unless sound engineering developments follow closely behind the researcher's results, serious technological lags develop. Hence, the course of events from the gleam in the research man's eye to eventual utilization of findings by the public is long, arduous and expensive. However, the weakest part of our present position is in the lack of fundamental knowledge. Problems of engineering development and commercial exploitation will probably be solvable when we determine just what it is we are trying to do. Some quantum-jump advances would appear to be called for in the next few decades but we hardly know how to get started. There are so many things we do not know.

Fossil Fuels: We have been burning things for several thousand years but we still do not have any very exact understanding of the process of combustion. Several research projects on the kinetics of combustion are under way but are still a long way from having solid answers. Since efficiencies of combustion are already quite high in most processes, would we reap any substantial, quantitative benefits if we had a true understanding of the chemical kinetics involved? I have no way of knowing the answer to that one, but scientific discoveries usually turn out to be useful. I would be very surprised if it did not turn out to be the same in this case.

The idea of direct oxidation of carbonaceous materials in an electrochemical cell has been toyed with for a century, but there has been but very little serious research on the matter. Organic materials are particularly stubborn in resisting this type of oxidation, but no one has really proved that it cannot be done. Until they do, this should be a top-priority research project. Fundamental chemical and physical research of a high order will have to be employed to arrive at the answer. If an oxidation cell for coal or oil could be developed which would produce electricity at an efficiency of say 80 or 90%, the life and utility of fossil fuels would be changed quite strikingly. Not only would the inherent thermodynamic inefficiencies of heat engines be avoided, for many applications, resulting in more kilowatt hours per pound of fuel. The higher efficiencies would automatically increase the real value of the fuels as energy producers and it would thus become economically feasible to utilize low grade or hard-to-recover deposits. This, conceivably, could increase the practical fossil fuel supply by several fold. That would be a real help.

There are those who fear that our profligate use of coal, oil and gas will soon remove a most valuable chemical raw material source from us. In my opinion this fear is unfounded, at least for a few centuries. There is a built-in economic control. In any reasonable industrial economy the real value per pound of worthy petro-chemicals and coal chemicals will always be substantially greater than the per-pound value of fuel. Thus the raw materials for this chemical industry can come from deposits that are not economically feasible for fuel sources. There is little danger that research pointed toward still more use of fossil fuels will be deleterious to the companion chemical industry.

Nuclear Energy: Stimulated by both military and potential commercial needs, engineering research and developments are proceeding at a rapid pace in the nuclear field. Practical nuclear-propelled submarines and nuclear stationary power plants will soon be realities. Nuclear-propelled aircraft for special uses are probably coming, though at least several years in the offing. Since developments are moving rapidly and since the deposits of uranium and thorium are enough for at least a few centuries, it might be concluded that there is no need for research other than that now being carried out. Such a conclusion would, I believe, be erroneous.

The adaptation of the fission reaction (the atomic bomb) to military needs had a profound quantitative and qualitative impact on warfare. The utilization of the fusion reaction (the hydrogen bomb) has had a more-or-less literally earthshaking, quantitative impact. An analogous pattern will probably hold for peaceful commercial applications. Using uranium (or perhaps thorium), heat and electric power production by nuclear processes are almost economically feasible. If a fusion reaction (not necessarily the hydrogen bomb reaction) could be adequately controlled, the production costs of large blocks of power might take a sharp drop. Not only would this hasten the day of widespread nuclear power, it might bring desirable, large scale new uses—such as irrigation water from sea water—into the realm of possibility. This could open up an entirely new economic and social era. Undoubtedly research oriented toward controlled fusion reactions is under way, but I doubt if it is receiving nearly as much emphasis as it should.

Whenever nuclear power is mentioned, the specter of the shielding problem immediately arises. With our present state of knowledge the heavy shielding required for humans verges on the impractical for even very large airplanes; it seems to have relegated the nuclear propelled automobile to perpetual limbo, and makes the situation very doubtful for the nuclear railroad locomotive. Can radiation shields be made which are amply effective but which are one or two orders of magnitude lighter in weight? Present-day physicists, being conservative fellows, are dubious about the matter. They see no really promising possibilities. But we need to know a great deal more about the nucleus itself before any answer can be considered final. A quantum advance in solving the energy-supply problems of the year 2000 might be expected if the shielding bugaboo could be relegated to a minor role.

The future automobile problem can be looked at from another angle. At present it's our most avid user of liquid fuel and its habits are not going to be changed easily. If we eventually end up by putting our major reliance for energy supply on nuclear reactors, the automobile may be in a rather sad state. If nuclear reactors are not practical, for a variety of reasons, for automobiles, there may still be the demand for liquid fuel and there may not be any. However, the situation would be altered if a device weighing only 200 or 300 pounds were available which would store enough electrical energy to propel an automobile for, say, 500 miles. Present-day electrochemical storage batteries are at least an order of magnitude from meeting this performance. Is there some other approach that has not been explored? Might the answer be forthcoming from some obscure area of research in solid state physics? I certainly don't know the approach to be followed, but I do contend that we do not know enough yet to say the problem is unsolvable.

Is there a possibility of developing a feasible process for directly converting the energy of the radiation and particulate products of fission or fusion into electric energy? Here again physicists are gloomy, but into what strange fields and distant areas of research do we have to look to find out?

Solar Energy: The sun will always be with us—or we won't be here. It is intermittent; its potential is low; its energy is in the wrong form for most of our uses; biological processes are so inefficient that harnessing them for future energy needs seems hopeless, but nevertheless there it always is, giving forth many thousands of times as much energy as we need. It can be had for the taking. There is no tax or use charge and I assume there never will be. But to use it effectively may well require more, and more expensive research than any we have yet undertaken.

The most obvious research need is to find out more about photosynthesis. We don't want to merely duplicate what the plants do. Even under the best conditions plants are hardly more than 2% efficient, as energy storers. We must do many fold better than that. Is it possible to develop a high-efficiency process without using biological materials but which would produce organic materials usuable as liquid fuels? This might be the eternal answer to energy-supply problems. Or is it necessary to use organic materials at all? There has been sustained interest in research on photosynthesis in various places for many years but answers to those questions have not been forthcoming. Much more basic understanding of some phases of chemical kinetics and physics is needed before we have much of a chance of finding reasonable answers.

Recent reports indicate that a photocell has been made that converts solar energy directly into electrical energy with an efficiency as high as 6%. How about increasing that 10-fold? Is that possible? If the answer to that eventually proves to be yes, can usable and practical devices be made to produce electrical power at reasonable cost?

Even the lowly thermocouple may still have some possibilities. Thermodynamic efficiencies of over 3% have been reported in converting the disordered motion of thermal energy into the ordered motion of electrical energy. Can this be greatly improved? What makes a thermocouple work anyway? I assume that these are problems of solid state physics about which so far we know but little.

Serious developments are under way to adopt the greenhouse technique to carry the full load of comfort heat for buildings in moderate climates. This calls for very substantial heat storage capacities. Heat reservoirs such as the sensible heat of water and the heats of hydration of certain salts have been explored. These methods are not particularly satisfactory. Can something better be devised? This might appear to be an engineering rather than a research problem but completely new research approaches should not be overlooked.

Sources of Support

The research items briefly discussed above are intended as a partial list of suggestions. Some persons might like to add to the list—others might consider it appropriate to do a bit of substracting. The important point is that there are a lot of problems to which we do not now know the answers but which must be solved before we can see our way clear to supplying our long-time energy needs.

The solutions will only come through research — largely of fundamental character — in areas that may initially appear to be far removed from the eventual application. There must be support and encouragement for strange projects that won't make much sense to many Congressmen, business executives or even some research directors. However, that is merely the task that is facing us. It is not an insuperable barrier.

Within recent years the attitude of many industries toward the role of research has changed substantially. Instead of insistence on complete attention to the quick two-year development, considerable support is being given to 5 and 10 year research programs. This is a hopeful sign but the trend has not been carried far enough yet to make serious inroads on solving the basic energy problems.

It is almost inevitable that as we come to grips with the research for future energy the Federal Government will be playing a feature role. But it's going to take more support than has been evident thus far in the case of the National Science Foundation.

University laboratories will certainly take a major part in carrying out some of the work and, though university research budgets are usually quite meager, some of the available resources may be vectored toward these problems. Research foundations can be very helpful.

There will be no one door to open for the necessary support—eventually all possible ones will be utilized. They will start to open when there is a realization among a relatively few important people and among sections of the general public that the time of trouble for energy supplies appears to be much closer than we had formerly been led to believe. There will come a general recognition that something should be done about it and that the time to start is just about now.

Richard Ballentine Is Now With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Richard K. Ballentine has become associated with Goodbody & Co., Penobscot Building. Mr. Ballentine, who has been in the investment business in Detroit for many years, was formerly with Smith, Hague, Noble & Co.

With Kenower, MacArthur

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, Mich. — Kendall A. Mills has become affiliated with Kenower, MacArthur & Co., Bearinger Building.

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The State of Trade and Industry

Bend works on Tuesday morning of last week also cut into industry totals. The Indiana factory was under full steam on Wednesday of the past week as union-company officials met to settle the grievance.

Elsewhere, Lincoln-Mercury's St. Louis branch workers agreed to return to work on Sept. 20. The factory has been down on strike almost two months.

To date in 1954, United States manufacturers have turned out 4,018,089 cars and 745,956 trucks, compared to 4,668,229 and 904,677 a year ago.

Canadian factories have built an estimated 289,554 vehicles thus far in the year, compared to 373,846 in the same 1953 span. These producers constructed an estimated 1,910 cars and 429 trucks this week, against 1,682 and 314 a week ago.

New business incorporations last month totaled 9,409, the highest July number since 1946. It contrasted with 9,748 during June, a drop of 3.5%, but it showed a rise of 8.1% over the 8,703 concerns listed in July a year ago.

The number of new businesses chartered during the first seven months of 1954 was 67,299, the highest for any similar period since 1947. It compared with 63,174 company formations in the corresponding 1953 period, or a gain of 6.5%.

Building permits issued in 217 cities, including New York, during July were valued at $448,010,085, according to Dun & Bradstreet, Inc. This was a decline of 15.9% from $532,586,794 in July 1953, and marked the third time this year that volume of permits fell below a year ago. Compared with the June total of $523,169,936, there was a loss of 14.4%.

The estimated cost of applications filed in New York City during July was $40,301,251, off 41.7% from $69,097,923 in July last year, but a gain of 2.9% over the previous month's $39,149,744.

Steel Output Scheduled to Show Mild Gains This Week

Steel ingot production is at its highest level since the end of June, says "Steel," the weekly magazine of metalworking. Climbing 2.5 points, it reached 66.4% of capacity in the week ended September 19.

The reason for the rise, according to this trade magazine, is the fact that vacations are over, steel inventories are reduced and overall business continues to be good.

A further aid in helping to stimulate ordering of steel is the approach of new models of appliances and automobiles. So far, demand from appliancemakers has been more noticeable than from automakers, it continues.

In the Chicago area, one mill stepped up its sheet production by more than 10% last week, yet automotive demand isn't expected to get into full swing much before late October. This shows that other consumers, many of them small, are increasing orders, it further notes.

Foundries continue to show a modest upturn in business. They are suppliers to the metalworking industry, and ordinarily are early to feel a change in pace of business.

The keen competition that has been going on for steel business brought two developments pricewise, states "Steel." Mills announced a pricing setup for cold-rolled sheet slit into widths of from 2 to 12 inches. Until now, this material (12 inches and less in width) took the price of cold-rolled strip, a higher priced product. The new pricing setup will save users $13 to $77 a ton when buying narrow cold-rolled slit sheet in carloads from the mill. Mills expect the new pricing schedule to capture business that has been going to processors who slit sheet for a fee.

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 66.6% of capacity for the week beginning Sept. 20, 1954, equivalent to 1,588,000 tons of ingots and steel for castings as against 1,583,000 tons and 66.4% (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 63.5% and production 1,515,000 tons. A year ago the actual weekly production was placed at 2,144,000 tons or 95.1%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Gains in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 18, 1954, was estimated at 9,074,000,000 kwh., according to the Edison Electric Institute.

This represented an increase of 266,000,000 kwh. in the post-holiday week above that of the previous week, and an increase of 679,000,000 kwh., or 8.1% over the comparable 1953 week and 1,349,000,000 kwh. over the like week in 1952.

Car Loadings Drop 12.6% in Labor Day Week

Loadings of revenue freight for the week ended Sept. 11, 1954, which included the Labor Day Holiday, decreased 86,967 cars or 12.6% below the preceding week, according to the Association of American Railroads.

Loadings totaled 601,525 cars, a decrease of 109,029 cars or 15.3% below the corresponding 1953 week, which also included the holiday, and a decrease of 279,766 cars or 31.7% below the corresponding week in 1953, which did not include the Labor Day Holiday.

U. S. Auto Output in Latest Week Dropped to Lowest Point Since November

The automobile industry for the latest week, ended Sept. 17, 1954, according to "Ward's Automotive Reports," assembled an estimated 57,115 cars, compared with 69,741 (revised) in the previous week. The past week's production total of cars and trucks amounted to 70,761 units, a decline below the preceding week's output of 11,986 units, states "Ward's." In the like week of 1953 138,649 units were turned out.

The past week saw U. S. car and truck output drop to the lowest point since last November.

Last week, the agency reported there were 13,646 trucks made in this country, as against 13,006 (revised) in the previous week and 23,195 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 1,910 cars and 429 trucks last week, against 1,682 cars and 314 trucks in the preceding week and 7,083 cars and 1,180 trucks in the comparable 1953 week.

Business Failures Advance Moderately in Latest Week

Commercial and industrial failures rose to 195 in the week ended Sept. 16 from 168 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties rebounded from the holiday low of a week ago and exceeded the 182 and 145 which occurred in the comparable weeks of 1953 and 1952, they remained 28% below the prewar toll of 269 in 1939.

Failures involving liabilities of $5,000 or more increased to 159 from 140 last week and were slightly above the 157 of this size recorded a year ago. An upturn also took place among small casualties, those with liabilities under $5,000; they rose to 36 from 28 in the previous week and 25 in the similar week of 1953. Fifteen concerns succumbed with liabilities in excess of $100,000, as against 16 last week.

Wholesale Food Price Index Turns Mildly Downward

Resuming its downward trend, the wholesale food price index, compiled by Dun & Bradstreet, Inc., eased to $6.69 on Sept. 14, from $6.70 a week earlier. The current figure represents a drop of 0.4% from the corresponding 1953 figure of $6.72, and it marks the first time in two years that the index has fallen below the level of the previous year.

Commodities scoring advances last week included flour, rye, barley, bellies, butter, coffee, tea, steers and lambs. These were outweighed by declines in wheat, corn, oats, hams, sugar, cottonseed oil, cocoa, eggs, currants, prunes and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Shows No Change In Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered no change the past week. The index closed at 276.54 on Sept. 14, comparing with 276.54 a week previous, and with 280.89 on the corresponding date a year ago.

Grain markets continued to be mixed with corn and wheat working lower while barley, oats and rye advanced. Corn showed strength early in the period but weakened following the Sept. 1 forecast of the United States Department of Agriculture of a crop of 2,972,641,000 bushels. This was higher than the estimate of 2,843,000,000 of a month earlier and contrary to trade expectations. Wheat futures decline from recent high level although the cash market held quite firm.

The official estimate of total wheat production for this year was 962,135,000 bushels, or 15,402,000 less than the August forecast.

Rye and oats continued firm and showed moderate gains for the week. Trading in grain and soybean futures was more active, daily average sales on the Chicago Board of Trade totaling about 50,000,000 bushels, against 47,000,000 a week earlier and 44,000,000 in the same week a year ago.

Domestic demand for all kinds of flour remained quiet and the absence of any price incentives held bookings at a minimum. Export flour sales were very small. Cocoa continued its downward trend, the spot Accra grade closing at 55 cents a pound, a drop of about 17 cents from the high levels of a few weeks ago. Selling was prompted by weakness in the London market, the re-entry of Brazil into the market at lower selling prices and a lack of manufacturing interest in the actual market. Egg prices worked lower as market receipts continued in excess of trade needs.

In the green coffee market, prices were fairly well maintained last week. Roasters and operators, who apparently overstayed the market on the recent decline, were heavy buyers of both Columbian and Brazil grades.

Lard finished slightly higher, although there was easiness at times, reflecting the heavy run of hogs at western markets. Weakness in edible oils was influenced by the government forecast of a record soybean crop of 324,700,000 bushels. Hog prices fluctuated irregularly as daily market receipts rose and fell.

Light weight new crop hogs made up the bulk of offerings. Steers closed higher for the week. Spring lambs advanced sharply with higher wholesale prices for fresh lamb supporting the live market.

Cotton prices rose moderately the past week on buying largely influenced by the September cotton crop forecast which was somewhat below general trade expectations.

The yield was estimated at 11,832,000 bales, a loss of 848,000 bales from the Aug. 1 estimate. Reported sales of the staple in the 14 markets increased sharply and totaled 244,100 bales, compared with 176,200 in the preceding week. The volume of cotton ginned prior to Sept. 1 this season was reported at 1,694,000 bales, as compared with 1,166,000 bales to the corresponding date last season. Harvesting continued to make rapid progress in most parts of the belt.

Trade Volume in Latest Week Slipped Two to Six Percent Under a Year Ago

Although shoppers bought increased amounts of clothing and food, total retail sales slipped during the period ended on Wednesday of last week. At the beginning of the period hurricane and rain slowed retail trade along the East Coast, particularly in New England, and heat waves in parts of the South and West helped to diminish over-all volume. By the week's end, however, most retail establishments were well under way with regular Fall business, having discontinued Summer store hours and returned to regular schedules.

Representatives of the American Retail Federation told President Eisenhower the past week that they expect total retail sales in the rest of 1954 to reach a record high, due largely to the fact that disposable personal income is now greater than ever before.

The dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 2 to 6% below that of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England —10 to —14; East —6 to —10; Midwest —4 to —8; South 0 to —4; Southwest —2 to +2; Northwest and Pacific Coast +2 to +6.

Apparel sales led retail activity last week, as back-to-school clothing continued in heavy demand. Rainwear, piece goods, lingerie, jewelry, dresses and women's coats and suits were also popular. While men's clothing reflected a seasonal pick-up, the rise was far below that of 1953.

Food sales increased the past week. Frozen items were popular, as sales continued to be about 15% higher this year than last. And more coffee was sold, due to price declines.

Automobile and gasoline purchases were down sharply in the week, and sales of household goods lagged. Furniture, bedding, and major appliances were not so popular as last year, but small electrical housewares were in the same demand.

For the past few weeks wholesale buying has been generally light as many retailers were uncertain about business prospects for Fall. September retail trade, however, has been good—better than expected in many quarters—and more merchants are now optimistically loosening their purse strings. In the period ended on Wednesday of last week buyers increased their orders for apparel, cotton textiles, and some household goods. But they found that manufacturers' predictions of a few weeks ago, that delayed deliveries would result from the shallow early buying, are being fulfilled.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ending Sept. 11, 1954 declined 5% from the level of the preceding week. In the previous week, Sept. 4, 1954, an increase of 12% (revised) was reported from that of the similar week in 1953. For the four weeks ended Sept. 11, 1954, an increase of 2% was recorded. For the period Jan. 1 to Sept. 11, 1954, department store sales registered a decrease of 2% below the corresponding period of 1953.

Retail trade volume in New York City the past week despite two rainy days was excellent and, according to trade observers, was estimated at even to 3% ahead of the similar week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Sept. 11, 1954, registered a decrease of 12% below the like period of last year. In the preceding week, Sept. 4, 1954, an advance of 30% (revised) was reported from that of the similar week in 1953, while for the four weeks ended Sept. 11, 1954, a rise of 5% was reported. For the period Jan. 1 to Sept. 11, 1954, no change was registered from that of the 1953 period.

Joins Grimm Staff

(Special to The Financial Chronicle)

ORLANDO, Fla. — Edward K. Waters has become affiliated with Grimm & Co., 65 East Robinson Avenue.

Carl McGlone Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Joseph Stonich, Jr., has been added to the staff of Carl McGlone & Co., Inc., 105 So. La Salle Street, members of the Midwest Stock Exchange.

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. 26	§66.6	*66.4	63.5	95.1
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 26	1,588,000	*1,583,000	1,515,000	2,144,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 10	6,177,900	*6,111,400	6,157,500	6,506,100
Crude runs to stills—daily average (bbls.)	Sept. 10	¶6,989,000	6,946,000	6,735,000	7,216,000
Gasoline output (bbls.)	Sept. 10	23,940,000	23,850,000	23,545,000	24,228,000
Kerosene output (bbls.)	Sept. 10	2,461,000	2,605,000	1,926,000	2,066,000
Distillate fuel oil output (bbls.)	Sept. 10	10,096,000	10,011,000	*10,065,000	10,164,000
Residual fuel oil output (bbls.)	Sept. 10	7,718,000	7,567,000	7,597,000	8,816,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 10	153,279,000	153,497,000	156,328,000	141,488,000
Kerosene (bbls.) at	Sept. 10	36,717,000	35,364,000	33,105,000	36,249,000
Distillate fuel oil (bbls.) at	Sept. 10	121,734,000	117,458,000	*107,753,000	125,330,000
Residual fuel oil (bbls.) at	Sept. 10	56,725,000	56,194,000	55,673,000	51,760,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 11	601,525	688,492	685,277	710,554
Revenue freight received from connections (no. of cars)	Sept. 11	521,967	585,660	576,936	595,170
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 16	$306,420,000	$220,717,000	$258,939,000	$180,821,000
Private construction	Sept. 16	185,151,000	108,038,000	157,099,000	101,561,000
Public construction	Sept. 16	121,269,000	112,679,000	101,840,000	79,260,000
State and municipal	Sept. 16	100,710,000	84,113,000	83,094,000	58,132,000
Federal	Sept. 16	20,559,000	28,566,000	18,746,000	21,128,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 11	6,645,000	*7,695,000	7,760,000	8,100,000
Pennsylvania anthracite (tons)	Sept. 11	425,000	449,000	474,000	495,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 11	97	*113	97	102
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 18	9,074,000	8,808,000	9,207,000	8,395,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 16	195	168	246	182
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 14	4.801c	4.801c	4.801c	4.634c
Pig iron (per gross ton)	Sept. 14	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Sept. 14	$29.50	$29.00	$28.67	$37.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 15	29.700c	29.700c	29.700c	29.675c
Export refinery at	Sept. 15	29.625c	29.675c	29.450c	28.800c
Straits tin (New York) at	Sept. 15	93.500c	93.250c	92.625c	81.250c
Lead (New York) at	Sept. 15	14.700c	14.500c	14.000c	14.000c
Lead (St. Louis) at	Sept. 15	14.550c	14.300c	13.800c	13.800c
Zinc (East St. Louis) at	Sept. 15	11.500c	11.500c	11.000c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 21	99.97	99.88	100.42	94.13
Average corporate	Sept. 21	110.52	110.52	110.70	103.30
Aaa	Sept. 21	115.24	115.24	115.82	107.44
Aa	Sept. 21	112.19	112.37	112.75	105.00
A	Sept. 21	110.52	110.70	110.34	102.96
Baa	Sept. 21	104.48	104.48	104.31	97.94
Railroad Group	Sept. 21	109.24	109.24	109.24	101.47
Public Utilities Group	Sept. 21	110.70	110.70	111.07	102.46
Industrials Group	Sept. 21	111.81	111.81	111.81	105.69
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 21	2.50	2.51	2.46	2.91
Average corporate	Sept. 21	3.14	3.14	3.13	3.55
Aaa	Sept. 21	2.89	2.89	2.86	3.31
Aa	Sept. 21	3.05	3.04	3.02	3.45
A	Sept. 21	3.14	3.13	3.15	3.57
Baa	Sept. 21	3.48	3.48	3.49	3.88
Railroad Group	Sept. 21	3.21	3.21	3.21	3.66
Public Utilities Group	Sept. 21	3.13	3.13	3.11	3.60
Industrials Group	Sept. 21	3.07	3.07	3.07	3.41
MOODY'S COMMODITY INDEX	Sept. 21	407.7	408.3	422.8	411.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 11	200,184	311,987	237,882	199,338
Production (tons)	Sept. 11	176,765	244,002	248,147	201,235
Percentage of activity	Sept. 11	70	91	92	76
Unfilled orders (tons) at end of period	Sept. 11	419,109	398,372	401,966	552,959
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 17	105.66	106.39	106.99	105.77
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	Sept. 4	901,335	911,846	1,317,792	735,342
Dollar value	Sept. 4	$42,999,937	$43,116,440	$59,341,836	$31,196,337
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Sept. 4	892,108	995,014	1,361,562	618,581
Customers' short sales	Sept. 4	13,983	13,121	11,491	12,205
Customers' other sales	Sept. 4	878,125	981,893	1,350,071	606,376
Dollar value	Sept. 4	$39,872,818	$45,140,799	$59,164,651	$23,640,404
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 4	314,790	378,630	461,380	187,200
Short sales	Sept. 4				
Other sales	Sept. 4	314,790	378,630	461,380	187,200
Round-lot purchases by dealers—					
Number of shares	Sept. 4	278,540	254,820	397,580	288,950
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. 28	358,600	619,410	542,010	254,110
Other sales	Aug. 28	10,165,570	12,408,410	12,994,700	6,208,960
Total sales	Aug. 28	10,524,170	13,027,820	13,536,710	6,463,070
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 28	1,262,720	1,442,030	1,512,300	648,690
Short sales	Aug. 28	196,000	252,260	332,410	84,870
Other sales	Aug. 28	1,043,660	1,165,410	1,208,540	583,200
Total sales	Aug. 28	1,239,660	1,417,670	1,540,950	668,070
Other transactions initiated on the floor—					
Total purchases	Aug. 28	330,660	420,730	438,460	121,890
Short sales	Aug. 28	16,680	40,800	22,100	12,100
Other sales	Aug. 28	321,730	368,700	386,640	141,480
Total sales	Aug. 28	338,410	409,500	408,740	153,580
Other transactions initiated off the floor—					
Total purchases	Aug. 28	360,710	451,720	475,360	222,050
Short sales	Aug. 28	41,140	211,720	80,650	40,950
Other sales	Aug. 28	441,166	624,880	529,923	230,783
Total sales	Aug. 28	482,306	836,600	610,573	271,733
Total round-lot transactions for account of members—					
Total purchases	Aug. 28	1,954,090	2,314,480	2,426,120	992,630
Short sales	Aug. 28	253,820	504,780	435,160	137,920
Other sales	Aug. 28	1,806,556	2,158,990	2,125,103	955,463
Total sales	Aug. 28	2,060,376	2,663,770	2,500,263	1,093,383
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 14	110.0	*109.9	110.3	110.8
Farm products	Sept. 14	93.1	*93.1	95.3	97.8
Processed foods	Sept. 14	106.1	*105.1	106.1	105.6
Meats	Sept. 14	90.9	86.1	91.2	94.7
All commodities other than farm and foods	Sept. 14	114.5	*114.5	114.3	114.6

*Revised figure. ¶Includes 702,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of July	126,161	120,758	109,285
Stocks of aluminum (short tons) end of July	75,621	68,038	17,848
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of August	6,666,907	*6,627,597	9,405,580
Shipments of steel products (net tons)—Month of July	4,490,179	5,887,488	6,582,513
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of June: (000's omitted):			
All building construction	$1,060,236	*$906,203	$896,483
New residential	587,605	*501,284	472,699
New non-residential	345,203	*296,428	298,190
Additions, alterations, etc.	127,428	*108,491	125,593
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of July:			
New England	$19,680,496	$24,706,132	$35,440,904
Middle Atlantic	79,088,841	88,728,632	115,217,502
South Atlantic	37,279,600	65,365,239	59,936,559
East Central	86,415,587	107,649,034	124,191,865
South Central	79,697,016	77,107,380	58,800,352
West Central	31,586,710	45,487,036	33,436,622
Mountain	20,009,579	18,245,430	18,213,062
Pacific	94,252,166	93,670,999	87,349,928
Total United States	$448,010,085	$520,959,882	$532,586,794
New York City	40,301,251	39,149,744	69,097,923
Outside New York City	$407,708,834	$481,810,138	$463,488,871
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of July	9,409	9,748	8,703
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of September 1 (in thousands):			
Corn, all (bushels)	2,972,641	2,824,078	3,176,615
Wheat, all (bushels)	962,135	977,537	1,168,536
Winter (bushels)	775,900	775,900	877,511
All spring (bushels)	186,235	201,637	291,025
Durum (bushels)	8,698	12,436	12,967
Other spring (bushels)	177,537	189,201	278,058
Oats (bushels)	1,509,386	1,529,283	1,216,416
Barley (bushels)	369,050	372,648	241,015
Rye (bushels)	23,293	23,293	17,998
Flaxseed (bushels)	42,158	46,244	36,813
Rice (100 lb. bags)	62,677	61,360	52,529
Sorghum grain (bushels)	145,976	135,726	109,022
Cotton (bales)	11,832	12,680	16,465
Hay, all (tons)	103,687	101,216	105,300
Hay, wild (tons)	10,874	10,812	12,216
Hay, alfalfa (tons)	46,454	45,955	44,374
Hay, clover and timothy (tons)	27,997	26,131	29,851
Hay, lespedeza (tons)	3,881	3,915	4,129
Beans, dry edible (100 lb. bags)	19,134	19,337	18,114
Peas, dry field (bags)	3,868	3,909	3,350
Soybeans for beans (bushels)	324,713	303,577	262,341
Peanuts (pounds)	1,167,970	1,267,950	1,588,415
Potatoes (bushels)	345,515	344,581	373,711
Sweetpotatoes (bushels)	29,136	30,939	33,974
Tobacco (pounds)	2,164,459	2,105,021	2,057,221
Sugarcane for sugar and seed (tons)	6,883	6,844	7,661
Sugar beets (tons)	13,593	13,195	12,084
Broomcorn (tons)	23	24	30
Hops (pounds)	43,282	43,362	41,803
Apples, commercial crop (bushels)	102,313	101,521	92,877
Peaches (bushels)	60,881	62,103	64,473
Pears (bushels)	29,297	29,151	29,031
Grapes (tons)	2,701	2,652	2,696
Cherries (12 States) (tons)	192	192	224
Apricots (3 States) (tons)	160	160	243
Cranberries (5 States) (barrels)	978	____	1,203
Pecans (pounds)	104,378	130,628	211,660
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of August (1953-39 average = 100)	102.7	103.4	118.7
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of July:			
Death benefits	$153,681,000	$183,689,000	$162,438,000
Matured endowments	40,535,000	45,644,000	36,873,000
Disability payments	9,041,000	8,861,000	9,265,000
Annuity payments	39,763,000	37,859,000	33,908,000
Surrender values	66,530,000	71,445,000	57,780,000
Policy dividends	72,241,000	79,521,000	61,713,000
Total	$386,791,000	$427,419,000	$361,977,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of July (000's omitted):			
Ordinary	$2,003,000	$2,152,000	$1,958,000
Industrial	520,000	555,000	508,000
Group	631,000	431,000	453,000
Total	$3,154,000	$3,138,000	$2,919,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Aug.	£116,066,000	£29,175,000	£86,099,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of July:			
Production (barrels)	25,467,000	22,802,000	24,134,000
Shipments from mills (barrels)	27,628,000	28,632,000	26,480,000
Stocks (at end of month—barrels)	17,448,000	*19,609,000	19,204,000
Capacity used	103	97	100
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of August 31	$271,982,297	$271,004,530	$273,269,096
General fund balance	5,457,423	4,224,495	7,674,255
Net debt	$266,524,874	$266,780,035	$265,594,841
Computed annual rate	2.292%	2.334%	2.443%
U. S. GOVT. STATUTORY DEBT LIMITATION —As of August 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	274,955,006	270,382,629	273,205,827
Guaranteed obligations not owned by the Treasury	27,291	20,900	63,269
Total gross public debt and guaranteed obligations	$274,982,297	$271,004,530	$273,269,096
Deduct—other outstanding public debt obligations not subject to debt limitation	535,267	538,122	580,797
Grand total outstanding	$274,447,030	$270,466,408	$272,688,299
Balance face amount of obligations, issuable under above authority	6,552,969	4,539,591	2,311,700

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Mutual Fund Companies—Their Growth and Responsibilities

been a good example of balance between the regulator, the regulated and the public interest.

The Commission once described the regulatory provisions of the Investment Company Act as being designed to accomplish five main objectives:

(1) honest and unbiased management;

(2) greater participation in management by security holders;

(3) adequate and feasible capital structures;

(4) sufficient financial statements and accounting;

(5) proper selling practices.

In administering this Act and in the Commission's constant endeavor to satisfy these objectives, management of the mutual funds have remained free to exercise their business judgment in respect to investment policy.

The expanding opportunities of your industry inevitably mean an ever-increasing responsibility on your part to those who buy the mutual funds. This responsibility must be shared by your industry as a whole—the funds, the sponsors, the investment dealers, and, in many ways, especially by the sales representatives.

Role of the Dealer

Now, I wish to emphasize the role of the dealer—the salesman—and his corresponding responsibilities. There can be no doubt but that he is a keystone to the entire structure of the investment company. It is the man who makes the sale, who sells the security, and he alone, who must in the final analysis translate into action on the firing line the regulations which have been created by the Commission, regulations which are concerned with full disclosure and fair dealings. In this area I speak with insight, for prior to my first appointment to the Commission in July, 1953, I was a country banker in the South, talking and doing business with the same members of the general public that you come in contact with in your daily routine. I know and understand your problems down at the grass roots.

Again, in the last analysis, it is the salesman who makes the sales, and we must not lose sight of the fact that, during the sales process, violations may occur.

So that my position is eminently clear, I wish to state that I believe that mutual fund salesmen, by and large, are cognizant of their position of trust. Indeed, it is my belief that violations, if and when made, are normally not wilful or deliberate, but rather can be charged to ignorance of the law and unfamiliarity with the regulations, which regulations the salesman must realize that he must observe as a member of the investment industry and as a mutual fund representative. Admittedly, there are some violations that may never come to the Commission's attention, but we are aware that sometimes they do exist, and it is a matter of concern to us at the Commission.

The philosophy and object of the mutual fund salesman ought to be one calculated to induce investment on a sound basis in an atmosphere of confidence. The statutes, and regulations resulting therefrom, can at best only cover partially certain areas where sins of omission and commission can develop—in that twilight zone of gray.

We in the Commission are interested in seeing to it that this investment vehicle is maintained with as little interference with management as possible. However, this interest is secondary to our primary obligation and responsibility under the law—that of the protection of the investor.

Every salesman should know the principles of mutual funds and the various purposes which they are designed to serve. He should know the needs of his prospects and how specific funds provide for those needs. He should know the Statement of Policy as well as he knows his ABC's — not just the words, but the meaning and intent behind it.

It might be well for the mutual fund industry itself to focus greater attention on this subject, directed towards the possibility of developing for the sales representatives adequate training and techniques in order to ensure maximum protection for the investing public. I believe the mutual fund industry as a whole, at this stage of its existence, is well equipped to ensure that proper knowledge is supplied to the salesman who is in direct contact with the investing public.

Questions for Salesman

In developing this approach, the mutual fund salesman might be schooled toward asking himself these questions, among others, that may be pertinent to the particular customer:

(1) Does the investor understand the risks of buying mutual funds, as well as the advantages?

(2) Does the investor understand his investment circumstances and needs?

(3) Does the investor understand the need for cash reserves for emergency and the need for a reasonable amount of insurance?

(4) Does the investor contemplating a growth-type fund understand the limitations on earned income?

(5) Does the investor understand that a high-income fund has comparable limitations on growth potentialities?

(6) Does the investor understand the sales load?

Thus, it seems to me that a really smart and conscientious salesman would be desirous of bringing home to his customer all the facts, bearing in mind at the time of the sale such questions as the above and others that may be pertinent. In this manner the customer should clearly understand what he is purchasing and what the advantages of that purchase are.

I offer these comments and suggestions as an individual member of a Federal regulatory body. And, in the second place, I offer them as an individual with a banking background, as one who strongly believes that your industry is making and will make a contribution to the future of our economic progress by broadening the base of securities ownership among millions of Americans in the middle-income bracket. You, as sales representatives, make a definite contribution directly and indirectly towards capital formation for the continued expansion of our economy—expansion that creates more business, more jobs, better pay and a better standard of living for more people.

If you are to realize your potential and adequately meet the challenge that faces you, you as sales representatives must be men who have the knowledge and an uncompromising attitude that the customer's best interest must be paramount. You must honestly feel that you can recommend with confidence the fund you are selling. The customer has much at stake in terms of his money and his savings and relies heavily upon you as his basic source of knowledge concerning mutual funds. When we consider the numerous opportunities offered to the American public for saving and investment, it is apparent that the mutual fund salesman has more than a mere selling job to do. With so many choices open to the investor, the salesman must practically take on the function of a financial consultant. This I feel is the beginning of a new era in mutual fund selling in which you will unquestionably meet ever-increasing competition, both within and outside your field, and success, if it is to come, must and will stem from proper selling practices aligned with the objectives of the Investment Company Act.

In my opinion, the true mutual fund salesman sees in mutual funds a great opportunity for rendering genuine service. He should share the vision of an even greater future for the industry, and should contribute his efforts toward solidifying that future by creating a better understanding and greater confidence in the mutual fund idea.

All of us in the recent years have witnessed many changes in our democratic capitalistic system. More and more in this process, it is becoming apparent that millions of people are desirous of owning their share of American industry. The growth and success of the investment company is contemporary with these changes, and you gentlemen will play a major role in these developments. May your job be done well.

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Chemical Industry's Accomplishments

come to the final decision at his university or college level he has a good start. Sometimes, otherwise, it'll be very difficult to make up the lack of that training in the secondary schools. So that I think if we can bring this thought to parents, as we are attempting to do in our activities, I'm sure that it will be useful not only for chemistry, but for many of your own manufacturing companies.

Mr. Miller: That's right, Mr. Foster, and I'm sure that the parents and the youngsters who may be listening in today will be gratified to hear of the plans and the programs that are being carried on by the chemical industry, and are being carried on by other industries throughout the country to stimulate and encourage our young people going into the fields of science and engineering.

Mr. Foster: If I might add one other thing.

Mr. Miller: Yes, you certainly may, Mr. Foster.

Mr. Foster: One of the things that we're apt to forget is that this training is not only useful for the technical jobs, but also for production and management and sales jobs.

Mr. Miller: Yes, you are right—we've seen how executives of our companies come up through those channels. Earlier in this discussion you mentioned research and development. Mr. Emmerich, I know the chemical industry has always done a tremendous amount of research. I wonder if you would be good enough to tell us something about this activity?

Mr. Emmerich: Yes. The chemical industry is founded on research and owes its growth to research developments. We believe we have a great responsibility to the American people to meet the ever-increasing needs of the individual for new products ranging from plastic raincoats to penicillin, and at the same time to meet the needs of the national defense effort. Today, 20% of all research personnel employed in private industry are employed in the chemical industry. The industry annually invests over $300,000,000 a year in research. In the course of research new chemicals are made in laboratories at the rate of 10,000 a year. Although many find no immediate use, because of research in the last 30 years we've made available such products as disinfectants, cellophane, anti-freeze, nylon, and other man-made fibres. In addition, such things as plastics, pharmaceuticals like penicillin, sulfa drugs, cortisone—even the ordinary mothball was a product of research.

Mr. Miller: Mr. Foster?

Mr. Foster: You haven't touched, Mr. Emmerich, on the great significance of research in the field of medicine. I think that a good deal of the improved health today, in the United States, is due to medicinal chemicals which have been developed through this research. That's not only improved the well-being and the better productivity and better health of everybody, it's also increased the life expectancy and cut down infant mortality. You know, 30 years ago, in pneumonia, the patient had about a three-to-one chance to survive. Today that's better than 20 to one. And I haven't even touched on the antibiotics, streptomycin, all the things that we are familiar with in various types of infections. I want to bring up one further thing on research. It started with chemistry combined with physics — namely, atomic power. I happen to think that that will bring us to the verge of the greatest industrial revolution that mankind has ever seen. I think we're ready now to proceed on that basis, developing peacetime uses of that great power. You've heard a good deal—starting with President Eisenhower's speech in December—on developing power and developing tracer techniques through the isotopes, in attacking cancer difficulties. It has a tremendous future. That, too, is a product of research.

Mr. Miller: Yes, it certainly is, Mr. Foster, and in our earlier discussion on this program we had some discussions of a contribution which atomic power can make to this great country of ours. You know, that is an amazing list of products which the chemical industry has developed from research and it indicates the contribution which the chemical industry, through research, has made to the standard of living and to better living in this country. Now, we know, Mr. Foster, of course, that the chemical industry is still growing. Could you give us today some indication of its present rate of growth?

Mr. Foster: Fundamentally, the chemical industry has grown at a rate of about 10% a year as contrasted with the average rate of growth with all industry of 3% a year. Chemicals is the only group, according to the Department of Commerce, which supplies all of the other 72 industrial groups with products and in order to meet those needs of expansion as well as the expansion of the chemical industry, the chemical industry has had to add to its facilities. Last year $1,600,000,000 was invested in plants and equipment, a lot of it for new products, a lot of it to make more economic production of present products.

Mr. Miller: Now, Mr. Foster, you told us what has been happening within the past few years. You know, the experts tell us that by the year 1975 we may have a population in this country of as many as 220,000,000 people. Mr. Emmerich, is the chemical industry expanding sufficiently, do you think, to meet our needs of that time?

Mr. Emmerich: Yes, based on estimates made by the Paley Commission, the chemical needs by 1975 will increase, oh, about 400% compared to 1950, and if that takes place, as it may very well, it is anticipated the chemical industry will have expanded sufficiently by that time to meet all those needs.

Mr. Miller: Well now, you might think this is a hot question—but Mr. Foster, in light of what Mr. Emmerich has just said, do you think that by that time you might not be over-expanded in the industry?

Mr. Foster: Well, we don't think so, Mr. Miller. We're very optimistic not only about the possibilities of what we can do but also what will be needed. That is confirmed by some of those studies on the part of the Paley Commission. Take chlorine, necessary in keeping our drinking water pure. Last year 2,800,000 tons were made. That commission, the President's Materials Policy Commission, called the Paley Commission for short, predicts a need for 8,000,000 tons by 1975, so there isn't much danger of expanding too much; and on plastics, we made three billion pounds of plastics last year. The Paley Commission thinks that nine billion pounds will be needed by 1975, so that I have no doubt whatsoever of the need of expansion, and while there may be ups and downs, modest ones, certainly the requirements are there ahead of us.

Mr. Miller: I take it, then that you feel pretty safe on your estimates. I want to thank you, Mr. Emmerich and Mr. Foster, for joining us this week to discuss the chemical industry.

With King, Olson

(Special to The Financial Chronicle)

ROCKFORD, Ill. — Warren R. Burlen has become connected with King, Olson, Surprise & Co., 321 West State Street, members of the Midwest Stock Exchange.

Now With Sheehan Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Walter S. Morrell is now with Sheehan & Co., 79 Milk Street. He was formerly with Boardman, Freeman & Co. and R. H. Johnson & Co.

Joins du Pont, Homsey

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Kenneth R. Bunce has become affiliated with du Pont, Homsey & Company, 95 State Street. Mr. Bunce was formerly with Lloyd D. Fernald & Co. and Hayden, Stone & Co.

Joins A. M. Kidder Staff

(Special to The Financial Chronicle)

DETROIT, Mich.—Jesse W. Armil is now with A. M. Kidder & Co., 600 Griswold Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Allen Discount Corp., Boulder, Colo.
Aug. 13 (letter of notification) 900,000 shares of class B non-voting common stock. **Price**—At par (25 cents per share). **Proceeds**—For loans (mainly promissory notes). **Office**—1334 Pearl Street, Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

★ **American Bakeries Co., Chicago, Ill.**
Sept. 15 (letter of notification) approximately 10,000 shares of common stock (no par) to be offered to employees under stock purchase plan. **Price**—To be determined by average prices paid by company for stock on the New York Stock Exchange during the month ($30.25 on Sept. 17). **Proceeds**—None. **Office**—919 N. Michigan Ave., Chicago, Ill. **Underwriter**—None.

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 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 Explorations Corp., Dover, Del.**
Aug. 26 (letter of notification) pre-organization agreements for the borrowing of $250,000 with a free stock offering of 250,000 shares of common stock (par $1), the latter to be issued in lieu of interest at the rate of one share of stock for each $1 loaned the company. **Proceeds**—For general corporate purposes. **Office** — 120 South State St., Dover, Del. **Underwriter**—None.

American Independent Reinsurance Co.
Sept. 2 filed 900,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To be invested in securities of other companies and for working capital. **Office**—Orlando, Fla. **Underwriter**—Goodbody & Co., New York, and St. Petersburg, Fla.

• **American Seal-Kap Corp. of Delaware**
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. **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. **Offering**—Expected momentarily.

★ **American Transit Corp., St. Louis, Mo.**
Sept. 13 (letter of notification) 12,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—1034 Locust St., St. Louis, Mo. **Underwriter**—Newhard, Cook & Co., the same city.

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.

★ **Ampal-American Israel Corp., New York**
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Arco Uranium, Inc., Denver, Colo.
Sept. 7 filed 2,500,000 shares of common stock, of which 1,000,000 shares are to be publicly offered, 1,000,000 shares in exchange for property and 300,000 shares to be optioned to Benjamin Arkin, President, and 200,000 shares to be optioned to underwriters. **Price**—At par (50 cents per share). **Proceeds**—To repay advances and loan from Mr. Arkin, purchase equipment and for exploration and development expenses. **Underwriter** — Peters, Writer & Christensen, Inc., Denver, Colo.

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. (9/24)**
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.

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NEW ISSUE CALENDAR

September 23 (Thursday)
Northern Pacific Ry.____Bonds
(Bids noon EDT) $52,000,000

September 24 (Friday)
Audubon Park Raceway, Inc.____Common
(Berwyn T. Moore & Co., Inc.; Gearhart & Itis, Inc.; and Crerie & Co., Inc.) $970,000

September 27 (Monday)
Consolidated Industries, Inc.____Common
(Swift, Henke & Co.) $104,625

September 28 (Tuesday)
General Telephone Co. of Illinois____Preferred
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Tully & Co.) 82,000 shares
Nevada Southern Gas Co.____Preferred & Common
(First California Co., Inc.) $910,000
Northern States Power Co.____Bonds
(Bids 10:30 a.m. CST) $20,000,000
West Virginia Water Service Co.____Preferred
(Allen & Co. and Shea & Co.) $208,000
Western Massachusetts Electric Co.____Bonds
(Bids 11:30 a.m. EST) $6,000,000

September 29 (Wednesday)
Columbus & Southern Ohio Electric Co.____Bonds
(Bids 11 a.m. EST) $10,000,000
New England Electric System____Common
(Offering to stockholders—bids to 11 a.m. EST) 910,883 shares
Spencer Chemical Co.____Preferred
(Morgan Stanley & Co. and Goldman, Sachs & Co.) $15,000,000
Sprague Engineering Corp.____Common
(William R. Staats & Co.) 142,500 shares
Texas Gas Transmission Corp.____Preferred
(Dillon, Read & Co. Inc) $7,500,000
Tri-Continental Corp.____Preferred
(Exchange offer to preferred stockholders—underwritten by Union Securities Corp.) $40,537,000
U. S. Fiberglass Industrial Plastics, Inc.____Common
(General Investing Corp.) $300,000
Western Development Co.____Common
(J. G. White & Co., Inc.) $1,800,000

September 30 (Thursday)
Federal Pacific Electric Co.____Common
(H. M. Byllesby & Co., Inc.) 8,500 shares
General Nucleonics Corp.____Common
(George F. Breen) $297,500
Guild Films Co., Inc.____Common
(Van Alstyne, Noel & Co.) 250,000 shares
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 1 (Friday)
Columbia Telephone Co.____Common
(Offering to stockholders—no underwriters) $200,000

October 4 (Monday)
Public Service Co. of Colorado____Bonds
(Bids noon EST) $20,000,000

October 5 (Tuesday)
Cott Beverage Corp.____Common
(Ira Haupt & Co.) 200,000 shares
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
Metropolitan Edison Co.____Bonds
(Bids noon EST) $15,000,000
Sierra Pacific Power Co.____Common
(Offering to stockholders—to be underwritten by Stone & Webster Securities Corp. and Dean Witter & Co.) 34,807 shares

October 6 (Wednesday)
Hudson Pulp & Paper Corp.____Preferred
(Lee Higginson Corp.) 200,000 shares
Southern Pacific Co.____Equip. Trust Ctfs.
(Bids noon EST) $8,505,000

October 8 (Friday)
Central Louisiana Electric Co., Inc.____Debentures
(Offering to common stockholders—underwritten by Kidder, Peabody & Co.) $3,772,100

October 11 (Monday)
Anglo California National Bank____Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $11,812,500
State Loan & Finance Corp.____Debentures
(Johnston, Lemon & Co.) $8,000,000

October 13 (Wednesday)
Mississippi Power & Light Co.____Preferred
(Bids 11 a.m. EST) $4,447,600
Savannah Electric & Power Co.
Bonds, Debs. & Preferred
(Bids to be invited) $11,000,000

October 14 (Thursday)
Incorporated Income Fund____Common
(Kidder, Peabody & Co.) 750,000 shares
Wisconsin Power & Light Co.____Bonds
(Bids to be invited) $18,000,000

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) $18,000,000

October 27 (Wednesday)
Florida Power & Light Co.____Bonds
(Bids to be invited)

November 9 (Tuesday)
Sierra Pacific Power Co.____Bonds
(Bids to be invited) $4,000,000

November 16 (Tuesday)
Pacific Telephone & Telegraph Co.____Debentures
(Bids to be invited) $50,000,000

Continued from page 41

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.

★ **Bonanza Oil & Mine Corp., Sutherlin, Ore.**
Sept. 13 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—At market (estimated at $1.25 per share). **Proceeds**—For expenses incident to mining of quicksilver. **Underwriter**—L. D. Friedman & Co., Inc., New York.

Bonneville Basin Uranium Corp.
Aug. 23 (letter of notification) 15,000,000 shares of capital stock. **Price** — At par (two cents per share). **Proceeds** — For exploration and development expenses. **Office**—629 East South Temple St., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., of the 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 of record Aug. 28. **Price**—$5 per share. **Proceeds**—For construction of racing plant. **Underwriter**—None. The directors and their associates will purchase any unsold shares.

California Electric Power Co.
July 21 (letter of notification) 8,000 shares of common stock (par $1). **Price** — At market (on the American Stock Exchange). **Proceeds** — To Mono Power Co. (an affiliate) to retire indebtedness. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction costs, etc. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

★ **Cane Springs Uranium Corp., Salt Lake City, Utah**
Sept. 16 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—404 N. 2nd West, Salt Lake City, Utah. **Underwriter**—Luster Securities Co., Jersey City, N. J.

★ **Caramba McKafe Corp. of America**
Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and machinery and for working capital. **Office**—515 Adams St., Hoboken, N. J. **Underwriter**—Garden State Securities, same city.

Carolina Resources Corp.
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.

★ **Central Louisiana Electric Co., Inc. (10/8)**
Sept. 22 filed $3,772,100 of convertible debentures due 1964 to be offered for subscription by common stockholders of record Oct. 4, 1954, on the basis of $100 of debentures for each 27 shares of common stock held; rights to expire on Oct. 27. **Price**—To be supplied by amendment. **Proceeds**—To retire $2,800,000 outstanding 4½% debentures due 1972 and for construction program. **Underwriter**—Kidder, Peabody & Co., New York.

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.**
Aug 27 filed 125,000 shares of common stock (par $1), of which 111,638 shares are being offered by Photon, Inc. for subscription by its stockholders on the basis of one share for each two shares of Photon, Inc. held as of Sept. 22; with rights to expire on Oct. 6 (with an oversubscription privilege); and the remaining 13,362 shares are to be offered by Chemical Products Corp. to its employees. **Price**—$7 per share. **Proceeds**—For general corporate purposes. **Underwriter**—G. H. Walker & Co., Providence, R. I.

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.

★ **Chief Ute Uranium, Inc.**
Sept. 10 (letter of notification) 3,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—638 S. State St., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman & Co., the same city.

★ **Cleary Oil Co., Ltd., Calgary, Alta., Canada**
Aug. 31 (regulation "D") 28,570 shares of common stock (par $10). **Price**—$10.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Bailey & Co., Fresno, Calif.

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
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.

★ **Columbia Telephone Co. (10/1)**
Sept. 16 (letter of notification) 5,000 shares of common stock (par $25) to be offered to common stockholders of record Sept. 30, 1954, on the basis of five new shares for each 13 shares held; rights to expire on Oct. 31. **Price**—$40 per share. **Proceeds**—To convert to dial operation and for modernization and expansion of company's facilities. **Office**—40 North Third St., Columbia, Pa. **Underwriter**—None.

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 a.m. (EST) on Sept. 29 at City Bank Farmers Trust Co., 22 William Street, New York 15, N. Y.

Commonwealth Edison Co., Chicago, Ill.
Sept. 8 filed 500,000 shares of common stock (par $25) to be offered to all employees of the company pursuant to company's Employee Stock Purchase Plan.

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. (9/27)**
Sept. 10 (letter of notification) 31,000 shares of common stock (par $1). **Price**—$3.37½ per share. **Proceeds**—To pay current liabilities and to increase working capital. **Office**—U. S. Highway 52, By-Pass, Lafayette, Ind. **Underwriter**—Swift, Henke & Co., Chicago, Ill.

● **Cott Beverages Co. (10/5)**
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. **Office**—New Haven, Conn. **Underwriter**—Ira Haupt & Co., New York.

El Dorado Mining Co.
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.

★ **Eldorado Uranium Corp., Austin, Nev.**
Sept. 15 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriter**—Allied Underwriters Co., Las Vegas, Nev.

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.

★ **Federal Pacific Electric Co. (9/30)**
Sept. 17 (letter of notification) 8,500 shares of common stock (par $1). **Price**—At market (aggregate not to exceed $100,000). **Proceeds**—To a selling stockholder. **Office**—50 Paris St., Newark, N. J. **Underwriter**—H. M. Byllesly & Co. (Inc.), Chicago, Ill.

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 (par $25). **Price**—At par. **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, being 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 at $4.10 per share upon exercise of warrants within 30 days from date of issuance, and 210,000 shares being 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. The exchange offer will expire on Oct. 5.

★ **Fitzsimmons Stores, Ltd., Los Angeles, Calif.**
Sept. 21 filed 100,000 shares of class A stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank and insurance company loans and to increase working capital. **Underwriters**—Reynolds & Co., New York, and Lester, Ryons & Co., Los Angeles, Calif.

Forming Machine Co. of America, Inc.
Sept. 1 (letter of notification) 7,000 shares of common stock (par $1) to be offered for subscription by stockholders for a 30-day period. **Price** — $25 per share to stockholders; $30 to public. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

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.

★ **Gateway Uranium Corp., Salt Lake City, Utah**
Sept. 10 (letter of notification) 1,192,000 shares of common stock (par 20 cents). **Price** — 25 cents per share. **Proceeds**—For exploration and development costs, etc. **Office**—Hotel Newhouse, Salt Lake City, Utah. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah, and Las Vegas, Nev.

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 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 late in September.

★ **General Gas Corp., Baton Rouge, La.**
Sept. 22 filed an undetermined number of shares of common stock (par $5) to be offered in exchange for stock of Consolidated Gas Co. of Atlanta, Ga., under terms to be announced later.

● **General Nucleonics Corp. (9/30)**
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.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Telephone Co. of Illinois (9/28)
Sept. 10 filed 82,000 shares of $2.37½ cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and advances received from parent. **Underwriters** — Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co.

★ **Genie Petroleum, Inc.**
Sept. 15 (letter of notification) 90,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil exploration. **Office**—300 N. Fremont St., Las Vegas, Nev. **Underwriter**—None.

★ **Geo-Physical Development Co.**
Sept. 13 (letter of notification) pre-organization subscriptions (to be amended—no details available). **Proceeds**—For oil drilling. **Address**—P. O. Box 188, Milton-Freewater, Ore. **Underwriter**—None.

Georgia Power Co.
Aug. 26 filed 433,869 shares of $4.60 cumulative preferred stock (no par) which are being offered in exchange, together with $5.13⅔ per share in cash, for the outstanding 433,869 shares of $6 preferred stock. The exchange will be from Sept. 15 to Oct. 4. 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.

★ **Goldfield Uranium, Inc., Goldfield, Nev.**
Sept. 9 (letter of notification) 500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development costs. **Office**—312 E. Creek St., Goldfield, Nev. **Underwriter**—None.

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.

★ **Great Western Petroleum Corp., Reno, Nev.**
Sept. 15 (letter of notification) 1,140,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to oil activities. **Office**—Clay Peters Bldg., Reno, Nev. **Underwriter**—None.

★ **Green Giant Co., Le Sueur, Minn.**
Sept. 17 (letter of notification) 2,600 shares of class B common stock. **Price**—At market, less 5% (market estimated at $19 per share). **Proceeds**—For working capital. **Underwriter**—None.

★ **Growth Industry Shares, Inc., Chicago, Ill.**
Sept. 15 filed 30,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● **Guild Films Co., Inc. (9/30)**
Sept. 3 filed 250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. Expected at $4 per share. **Proceeds**—For payment of loans and for working capital. **Business**—Manufactures films for television. **Underwriter** — Van Alstyne, Noel & Co., New York.

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. 17 on new issue.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

★ **Gulf Sulphur Corp., North Kansas City, Mo.**
Sept. 15 filed 92,310 shares of 60-cent cumulative convertible preferred and participating stock (par 10 cents), of which 57,310 shares are to be offered publicly at $10 per share and 35,000 shares to be sold to V. V. Jacomini, a partner of Tehuantepec Co., on an investment basis, at $8.50 per share. **Proceeds** — For operating expenses and exploration development. **Underwriters** — For the 57,310 shares, Fridley & Hess and Crockett & Co., both of Houston, Tex.

Hawaiian Electric Co., Ltd., Honolulu
Sept. 14 filed 50,000 shares of common stock (par $20) to be offered for subscription by stockholders at rate of one new share for each 13 shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—None.

Hercules Plastics Corp.
Sept. 9 (letter of notification) 75,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To repay a $17,500 loan; for cost of mold, $20,000; for manufacture and assembling of dishwasher and vacuum breaker-check valve. **Office** — 9 Rochefeller Plaza, New York, N. Y. **Underwriter**—Lincoln Securities Corp., New York.

Homestead Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For exploration and development expenses. **Office**—65 East Fourth South St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., of the same city.

★ **Home Telephone & Telegraph Co.**
Sept. 10 (letter of notification) 36,000 shares of common stock (no par), to be offered for subscription by stockholders (of which 27,358 shares will be purchased by Telephone Bond & Share Co., the parent). **Price**—$20 per share. **Proceeds**—For construction costs and working capital. **Office**—303 E. Berry St., Fort Wayne, Ind. **Underwriter**—None.

★ **Hudson Pulp & Paper Corp., N. Y. (10/6)**
Sept. 15 filed 200,000 shares of cumulative second preferred stock. **Price** — To be supplied by amendment. **Proceeds** — For expansion program. **Underwriter**—Lee Higginson Corp., New York.

★ **Idaho Goldfields, Inc., Spokane, Wash.**
Sept. 15 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—1114 W. Indiana Ave., Spokane 17, Wash. **Underwriter**—None.

★ **Incorporated Income Fund, Boston, Mass. (10/14)**
Sept. 15 filed 750,000 shares of common stock (par $1). **Price**—Expected to be around $8 per share. **Proceeds**—For investment. **Underwriter**—Kidder, Peabody & Co., New York.

Indiana & Michigan Electric Co. (10/5)
Sept. 2 filed $16,500,000 of first mortgage bonds due 1984 and 40,000 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: (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. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 5.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share; and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

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. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

★ **Israel-Mediterranean Petroleum, Inc.**
Sept. 21 filed American voting trust certificates for 900,000 shares of common capital stock (par one cent), of which 750,000 shares are to be offered to public. The remaining 150,000 shares to be under option to underwriters. **Price**—Last sale on American Stock Exchange day preceding the offering. **Purpose**—For exploratory drilling and development of presently held acreage in Israel. **Underwriter**—Gearhart & Otis, Inc., 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. **Office**—3455 Stanley St., Montreal, Canada. **Underwriter** — Daggett Securities, Inc., Newark, N. J.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Lindsay Chemical Co.
Aug 23 filed 60,714 shares of $1 par of common stock being offered for subscription by preferred and common stockholders of record Sept. 13 on the basis of one share for each seven shares of either preferred or common stock held; rights to expire on Sept. 28. **Price**—$27.50 per share. **Proceeds**—For working capital. **Underwriters**—Lehman Brothers, New York; and Farwell, Chapman & Co., Chicago, Ill.

Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York. **Offering**—Expected later in September.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

Louisiana Power & Light Co. (10/20)
Sept. 14 filed $18,000,000 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.

★ **Mac Fos Uranium, Inc., Salt Lake City, Utah**
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

★ **Magic Metals Uranium Corp.**
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Content Securities, Inc., the same city.

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 snare 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.

★ **M. D. Petroleum Co., Inc., Rolling Mills, Calif.**
Aug. 24 (letter of notification) 50,000 shares of common stock (par $1). **Price**—50 cents per share. **Proceeds**—For general corporate purposes. **Office** — 11 Empty Saddle Club Road, Rolling Mills, Calif. (c/o Andrew L. Mahoney). **Underwriter**—None.

Merritt-Chapman & Scott Corp.
Sept. 7 filed 448,868 shares of common stock (par $12.50) to be offered in exchange for stock of the Marion Power Shovel Co. and Osgood Co. on the basis of three shares for each two Marion Power common shares, and two shares for each three shares of Osgood Co.'s class A and class B stock not held by Marion Power Shovel Co. **Underwriter**—None.

Metropolitan Edison Co. (10/5)
Sept. 3 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds** — To redeem $8,000,000 of 3⅞% first mortgage bonds due 1983; to repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—To be received up to noon (EST) on Oct. 5 at offices of General Public Utilities Corp., 67 Broad St., New York, N. Y.

● **Middle South Utilities, Inc.**
Sept. 1 filed 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); rights to expire Oct. 8. **Price**—$28 per share. **Proceeds**—To retire $12,000,000 of bank loans and for investment in the System companies and for other corporate purposes. **Underwriter**—None.

★ **Miller Chemical & Fertilizer Corp.**
Sept. 16 (letter of notification) $50,000 maximum principal amount of 5% debentures, series of 1954. **Price**—At par (in denominations of $1,000 and $100). **Proceeds**—For working capital. **Office**—2226 North Howard St., Baltimore 18, Md. **Underwriter**—None.

● **Mississippi Power & Light Co. (10/13)**
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Oct 13, at 2 Retcor St., New York, 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.

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.

● **Nevada Southern Gas Co. (9/28)**
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

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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 (9/29)**
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 Sept. 29; rights to expire on Oct. 14. **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. 29, at 441 Stuart St., Boston 16, Mass.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

Northern Illinois Gas Co., Aurora, Ill.
Sept. 8 filed 200,000 shares of common stock (par $5) to be offered to all employees of the company pursuant to Employees' Stock Purchase Plan.

★ **Northern Oil & Gas Corp., Bismarck, N. D.**
Sept. 16 (letter of notification) 250,000 shares of 6% preferred stock (par $1) and 50,000 shares of common stock (par $1) to be offered in units of five shares of preferred and one share of common stock. **Price**—$6 per unit. **Proceeds**—For oil and gas exploration. **Office**—408½ main St., Bismarck, N. D. **Underwriter**—Transwestern Investment Co., Inc., Dallas, Tex.

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 up to 10:30 a.m. (CST) on Sept. 28 at 231 So. La Salle St., Chicago 4, Ill.

Northwest Defense Minerals, Inc.
Aug. 12 (letter of notification) 300 000 shares of common stock, of which 270,000 shares are to be offered to public and 30,000 shares to underwriter. **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—2101 S St., N. W., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

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.

O'Sullivan Rubber Corp.
Aug. 23 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To a selling stockholders. **Underwriters** — Troster, Singer & Co., New York, N. Y., and C. F. Cassell & Co., Charlottesville, Va.

Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock being 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.

★ **Pan-Israel Oil Co., Inc. (City of Panama)**
Sept. 21 filed American voting trust certificates for 900,000 shares of common capital stock (par one cent), of which 750,000 shares are to be publicly offered. The remaining 150,000 shares are to be optioned to underwriters. **Price**—Last sale on American Stock Exchange day preceding the offering. **Proceeds**—For exploratory drilling and development of presently held acreage in Israel. **Underwriter**—Gearhart & Otis, Inc., New York.

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.

★ **Pine Street Fund, Inc., N. Y.**
Sept. 16 filed 90,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ **Progressive Farmer Co., Birmingham, Ala.**
Sept. 17 (letter of notification) 600 shares of capital stock (no par). **Price**—$75 per share. **Proceeds**—For working capital. **Office**—821 North 19th St., Birmingham 2, Ala. **Underwriter**—None.

Public Service Co. of Colorado (10/4)
Sept. 2 filed $20,000,000 of 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). **Bids**—Expected to be received up to noon (EST) on Oct. 4.

Quaker Warehouse Co., Inc., Philadelphia, Pa.
Sept. 10 filed $900,000 of 10-year 6% debentures due Sept. 1, 1964, to be offered to stockholder members of Quaker City Wholesale Grocery Co., a 100% cooperative retail grocer owned organization. **Price**—At par. **Proceeds**—To purchase building, and for modernization and improvements. **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.

★ **Ross (J. O.) Engineering Corp., New York**
Sept. 14 (letter of notification) 3,500 shares of common stock (par $1). **Price**—At market (approximately $25 per share). **Proceeds**—To a selling stockholder. **Office**—444 Madison Ave., New York, N. Y. **Underwriter**—Granbery, Marache & Co., New York, N. Y., and Philadelphia, Pa.

Sabre Uranium Corp., Dallas, Texas
Sept. 2 filed 1,400,000 shares of common stock (par 10 cents). **Price** — $1.25 per share. **Proceeds**—To pay for options, exploration and development and to be used for other general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Tex.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

● **San Diego Gas & Electric Co.**
Aug. 24 filed 800,000 shares of common stock (par $10) being 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. **Price**—$13.75 per share. **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.

★ **Savannah Electric & Power Co. (10/13)**
Sept. 16 filed $5,000,000 of first mortgage bonds due 1984 and $3,000,000 of debentures due Oct. 1, 1979. **Proceeds**—To redeem $5,000,000 of bonds and $3,000,000 of debentures presently outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Blyth & Co., Inc. (jointly); The First Boston Corp.; Blair & Co. Incorporated. **Bids**—Tentatively expected to be received on Oct. 13.

★ **Savannah Electric & Power Co. (10/13)**
Sept. 16 filed 30,000 shares of preferred stock, series A (par $100). **Proceeds**—To redeem a like number of preferred shares presently outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blair & Co. Incorporated. **Bids**—Tentatively expected to be received on Oct. 13.

★ **Science & Nuclear Fund, Inc., Philadelphia, Pa.**
Sept. 20 filed 40,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Securities Acceptance Corp., Omaha, Neb.**
Sept. 7 (letter of notification) 4,000 shares of 5% cumulative preferred stock (par $25). **Price** — $26.25 per share. **Proceeds** — For working capital. **Office** — 304 South 18th Street, Omaha, Neb. **Underwriters**—Cruttenden & Co., Chicago, Ill.; Wachob-Bender Corp., Omaha, Neb.; and The First Trust Co. of Lincoln, Neb.

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.

Sierra Pacific Power Co. (10/5)
Sept. 10 filed 34,807 shares of common stock (par $15) to be offered for subscription by common stockholders of record Oct. 5 on the basis of one share for each five shares of preferred stock held and one new share for each 10 common shares held (with an oversubscription privilege); rights to expire on Oct. 22. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp., New York; and Dean Witter & Co., San Francisco, Calif.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

★ **Southern New England Telephone Co.**
Sept. 17 filed 488,888 shares of capital stock (par $25) to be offered for subscription by stockholders of record Sept. 29 on the basis of one new share for each nine shares then held. **Price** — $30 per share. **Proceeds**—To repay advances from American Telephone & Telegraph Co., which owns 1,173,696 shares (or 26.67%) of the 4,400,000 shares presently outstanding. **Underwriter**—None.

★ **Southwestern Financial Corp., Dallas, Texas**
Aug. 30 (letter of notification) 285,000 shares of common stock (par 10 cents) to be offered first for subscription by stockholders of Texas Industries, Inc. **Price**—$1 per share. **Proceeds**—To purchase equipment and for working capital. **Underwriters**—Rauscher, Pierce & Co., Dallas, Tex.; and Russ & Co., San Antonio, Tex.

● **Spencer Chemical Co. (9/29)**
Sept. 9 filed 150,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Approximately $7,900,000 to be used to redeem the outstanding shares of 4.60% cumulative preferred stock, and the balance for capital expenditures and working capital. **Underwriters**—Morgan Stanley & Co. and Goldman, Sachs & Co., both of New York.

● **Sprague Engineering Corp. (9/29)**
Sept. 7 filed 142,500 shares of common stock (par $1). **Price**—To be supplied by amendment, of which the company will offer 112,500 shares, the remaining 30,000 shares to be offered for account of selling stockholders **Proceeds**—To repay bank loans and for other general corporate purposes. **Office**—Gardena, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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.

State Loan & Finance Corp. (10/11)
Sept. 10 filed $8,000,000 of convertible capital debentures due Sept. 15, 1969. **Price**—To be supplied by amendment. **Proceeds**—To reduce outstanding bank loans. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Supermarket Merchandisers of America, Inc.
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

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.

Texas Gas Transmission Corp. (9/29)
Sept. 9 filed 75,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—$6,754,552 to retire bank loans and the 4% note of Louisiana Natural Gas Corp. in the amount of $3,254,552; and for general corporate purposes. **Underwriter**—Dillon, Read & Co. Inc.

Texas International Sulphur Co.
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. **Offering**—Expected early in October.

★ **Texas Power & Light Co. (10/18)**
Sept. 22 filed $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem 3⅞% first mortgage bonds due 1983, and for new construction. **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, Fen-

ner & Beane (jointly); White, Weld & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp. **Bids** — Expected to be received up to 11:30 a.m. (EST) on Oct. 18 at Room 2033, Two Rector St., New York 6, N. Y.

★ Theatrical Enterprises, Inc.
Sept. 15 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance and exploit a theatrical publishing company, to establish a theatrical travel tour company and for working capital, etc. **Office**—598 Madison Ave., New York 22, N. Y. **Underwriter**—None.

★ 1320 Corporation, Washington, D. C.
Aug. 26 (letter of notification) 570 shares of preferred stock (par $100) and 380 shares of common stock (par $100) to be offered in units of three preferred shares and two common shares. **Price**—$500 per unit. **Proceeds**—For leasehold improvements in preparing premises to be used as a banquet hall. **Office** — 954 Washington Bldg., Washington, D. C. **Underwriter**—None.

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.

Trans World Atlas Corp., San Francisco, Calif.
Sept. 1 (letter of notification) 12,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—209 Post St., San Francisco, Calif. **Underwriter**—None.

Tri-Continental Corp. (9/29)
Sept. 8 filed 810,740 shares of new $2.70 cumulative preferred stock (par $50) to be offered in exchange for the presently outstanding $6 preferred stock (no par value) on the basis of two new shares for each $6 preferred share held. Offer will be made about Sept. 29 to expire on Oct. 27. Unexchanged $6 preferred stock will be called for redemption on Oct. 31, 1954. **Underwriter**—Union Securities Corp., New York.

★ Triumph Mines, Inc., Seattle, Wash.
Sept. 13 (letter of notification) 425,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—311 Douglas Bldg., Seattle, Wash. **Underwriter** — None, sales to be made through Robert R. Armstrong, Secretary-Treasurer.

★ Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

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.

● U. S. Fiberglass Industrial Plastics, Inc. (9/29)
Aug. 27 (letter of notification 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additional equipment, further research and development of new products and new products design, and for working capital. **Underwriter**—General Investing Corp., New York.

United States Lithium Corp.
Sept. 9 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expense incident to extraction operations. **Office**—1111 Walker Bank Building, Salt Lake City, Utah. **Underwriter**—Thornton D. Morris & Co., the same city.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

★ Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office** 227 N. University Ave., Provo, Utah. **Underwriter**—Bay Securities Corp., New York.

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.

★ Value Line Income Fund, Inc. (N. Y.)
Sept. 17 filed 2,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ Venezuelan Sulphur Corp. of America, New York
Sept. 17 filed 1,000,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To pay obligations of Venezuela Sulphur Corp., C.A.; and for advances to latter for exploratory and geological surveys and related activities. **Underwriter**—Hunter Securities Corp., New York.

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. Fennekohl & 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.

★ Warrior Basin Oil Corp.
Sept. 14 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For exploration and development costs. **Office**—100 W. 10th St., Wilmington, Del. **Underwriter**—None.

★ Washington Water Power Co.
Sept. 17 (letter of notification) 8,100 shares of common stock (no par), to be offered for subscription by employees, officers and directors. **Price**—$34.75 per share. **Proceeds**—To reimburse company for shares purchased. **Office**—West 825 Trent Ave., Spokane 1, Wash. **Underwriter**—None.

★ Wayco Manufacturing Inc.
Sept. 17 (letter of notification) 6,000 shares of preferred stock (par $10) and 1,200 shares of common stock (no par). **Price**—For preferred, at par; and for common, not to exceed $20.83⅓ per share. **Proceeds**—For capital expenditures. **Office** — c/o Norco, Watertown Shopping Plaza, Watertown, N. Y. **Underwriter**—None.

● Welex Jet Services, Inc.
Aug. 27 filed 68,528 shares of common stock (par $1) being offered for subscription by common stockholders on the basis of one new share for each five shares held as of Sept. 10; rights to expire Oct. 7. **Price**—$15.50 per share. **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.

★ West Virginia Water Service Co. (9/28)
Sept. 13 (letter of notification) 2,000 shares of $5 preferred stock (no par). **Price**—$104 per share. **Proceeds**—For construction program. **Underwriters**—Allen & Co., New York, and Shea & Co., Inc., Boston, Mass.

★ Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). **Price**—At market (estimated at 36½ cents). **Proceeds**—To certain selling stockholders. **Office** — 32 Broadway, New York. **Underwriter** — S. B. Cantor Co., New York.

● Western Development Co. (9/29-30)
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. (9/28)
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. and White, Weld & Co. (jointly); Blyth & Co. Inc.; Lehman Brothers Blair & Co., Inc. **Bids**—To be received up to 11:30 a.m. (EST) on Sept. 28 at 201 Devonshire Street, Boston 10, Mass.

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.

★ Wind River Uranium Co.
Sept. 15 (letter of notification) 9,965,000 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter** K. T. Hansen & Co., same city.

● Wisconsin Power & Light Co. (10/4)
Sept. 7 filed $18,000,000 of first mortgage bonds, series H, due Oct. 1, 1984. **Proceeds**—To redeem $8,000,000 4% first mortgage bonds sold last year and the balance to repay bank loans and 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 to be received up to noon (EST) on Oct. 4.

● Wisconsin Public Service Corp. (10/14)
Sept. 15 filed $12,500,000 first mortgage bonds due Oct. 1, 1984. **Proceeds**—To refund $8,000,000 4⅛% bonds presently outstanding and for construction program. **Underwriters**—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. **Bids**—To be received on Oct. 14 up to 10 a.m. (CST) at 231 So. La Salle St., Chicago 4, Ill.

★ WJR, The Goodwill Station, Inc., Detroit, Mich.
Sept. 8 (letter of notification), 4,000 shares of common stock (par $1.25). **Price**—$11.25 per share. **Proceeds**—To a selling stockholder. **Underwriters**—Straus, Blosser & McDowell, Chicago, Ill.; and Smith, Hague, Noble & Co., Detroit, Mich.

★ Woodbury Telephone Co., Woodbury, Conn.
Sept. 10 (letter of notification) 2,650 shares of common stock to be offered for subscription by stockholders at the ratio of one new share for each share held; with rights to expire on Nov. 12. **Price** — At par ($25 per share). **Proceeds**—For construction program. **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.

★ Wytex Oil Corp.
Sept. 17 (letter of notification) $290,000 of 10-year 5% sinking fund debentures (with warrants) to be offered to class A and for class B stockholders of record Aug. 29 on the basis of $500 of debentures for each 50 shares of stock held; rights to expire on Nov. 30. **Price**—At par. **Proceeds**—To reduce bank loans and for development of company's wells in Weston County, Wyo. **Office** — 100 State St., Albany 7, N. Y. **Underwriter**—None.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

Alabama Gas Corp.
Sept. 8 it was announced that company has applied to the Alabama P. S. Commission for authority to issue and sell 84,119 additional shares of common stock to common stockholders on the basis of one new share for each 10 shares held (with an oversubscription privilege). Present plans call for mailing warrants during latter part of October and for the warrants to expire about mid-November. **Proceeds** — For construction program. **Underwriter**—May be Allen & Co., New York.

★ American Telephone & Telegraph Co.
Sept. 15 directors voted to make another stock offering to Bell System employees under the Employees' Stock Plan approved by the share owners in 1950. About one-half of the 3,000,000 shares authorized under the plan remain to be offered now. It is planned to send a prospectus describing the new offer to employees late in October. They will have until Dec. 15 to make their purchase selection. **Price**—The purchase price will be $20 per share less than the market price when payment is completed, but not more than $150 nor less than $100 per share. **Proceeds** — To be used for additions and improvements to Bell System.

Anglo California National Bank (10/11)
Aug. 31 it was announced 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 about Oct. 9; with rights to expire Nov. 1. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ Axe Atomic & Electronic Fund
Sept. 20 it was reported securities of this new closed-end fund will be soon offered through Axe Securities Corp., New York, N. Y.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

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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. **Offering**—Expected in November.

★ **Consolidated Natural Gas Co.**
Sept. 16 J. French Robinson, President, announced that stockholders on Dec. 2 will vote on authorizing additional shares of capital stock for a stock offering planned for 1955.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. **Underwriter** — May be Tellier & Co., Jersey City, N. J.

Continental Uranium, Inc.
Sept 8 it was reported company plans to register with the SEC next week 500,000 shares of common stock. **Price**—Expected around $2.50 per share. **Proceeds**—For expansion. **Underwriter**—May be Van Alstyne, Noel & Co., New York.

Cortland Equipment Lessors, Inc.
Aug. 31 it was reported this corporation, a subsidiary of Safeway Stores, Inc., may sell notes and debentures totaling $60,000,000 to $70,000,000. **Proceeds**—To repay bank loans which are understood to amount to between $50,000,00 and $60,000,000 at the present time. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Deere & Co.
Sept. 2 it was announced a registration statement will be filed with the SEC covering the proposed sale of a block of common stock owned by the estate of a deceased stockholder. **Underwriter**—Harriman Ripley & Co. Inc. handled previous financing.

First National Bank in Dallas (Texas)
Sept. 1 it was announced that this Bank plans to offer to its stockholders of record Sept. 21 rights to subscribe on or before Oct. 6 for 200,000 shares of additional capital stock (par $10) on the basis of one new share for each nine shares held. **Price**—$25 per share. **Proceeds**—To increase surplus, capital and undivided profits account. **Underwriters** — Previous offering was underwritten by Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

First National Bank of San Jose, Calif.
Sept. 8 stockholders increased the authorized capital stock from 12,500 shares to 15,000 shares, the additional 2,500 shares being offered to stockholders on the basis of one new share for each five shares held Sept. 8; rights to expire Oct. 6. **Price**—$100 per share. **Proceeds**—For expansion and to increase capital stock account.

Florida Power & Light Co. (10/27)
Sept. 7 it was reported company is considering raising about $10,000,000 for its construction program. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Lehman Brothers (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. **Bids**—Expected about Oct. 27.

General Telephone Co. of Upstate New York
July 2 it was reported company plans to issue and sell 50,000 shares of 5% cumulative preferred stock (par $25). **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Gulf, Moblie & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

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.

Holly Corp., New York.
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

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.

● **Kansas City Power & Light Co.**
Sept. 15 it was announced that company may sell in the latter part of 1954 or early in 1955 $16,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co., (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp.

★ **Kansas City Southern Ry.**
Sept. 20 it was reported company may issue and sell in November about $50,000,000 first mortgage bonds. **Proceeds**—To refund $38,345,000 of 4s due 1975 and $13,336,000 of 3⅝s due 1966. **Underwriter** — To be determined by Competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (with latter handling books); Kuhn, Loeb & Co., Ladenburg, Thalmann & Co. and Blyth & Co., Inc. (jointly).

Kansas Power & Light Co.
May 4, D. E. Ackers, President, announced that the company plans to sell approximately $10,000,000 of bonds later this year. **Proceeds**—To repay bank loans and for construction purposes. **Underwriter**—Previous bond sale was done privately through The First Boston Corp.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

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.

● **Louisville & Nashville RR. (9/30)**
Sept. 15 company applied to ICC for permission to issue and sell $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.

● **National City Bank of New York (9/30)**
Sept. 20 stockholders approved 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 by 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. **Price**—$52.50 per share. **Proceeds**—To increase capital and surplus. **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 Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York 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)
Sept. 8 company applied to ICC for authority to issue and 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 up to noon (EDT) on Sept. 23.

★ **Pacific Power & Light Co.**
Sept. 19 it was announced stockholders will vote Oct. 19 on a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction.

Pacific Telephone & Telegraph Co. (11/16)
Sept. 2 the directors authorized the issue and sale of $50,000,000 of 35-year debentures to be dated Nov. 15, 1954. **Proceeds**—To redeem a like amount of 31-year 4% debentures due Sept. 15, 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co., Lehman Brothers and Union Securities Corp. (jointly). **Bids**—Expected to be received at 195 Broadway, New York, N. Y., on Nov. 16.

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. **Meeting**—Stockholders are to vote Nov. 1 on approving new financing.

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.

Public Service Co. of Oklahoma
Sept. 2 it was reported company may sell between $20,000,000 and $25,000,000 of first mortgage bonds in January. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Shields & Co.

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. Olin Mathieson Chemical Corp. owns 50% of the presently outstanding shares, which are being split-up on a two-for-one basis.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

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.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

● **Sierra Pacific Power Co. (11/9)**
Sept. 7 it was announced company plans to issue and sell $4,000,000 first mortgage bonds. **Proceeds**—To redeem $1,500,000 of 3¾% bonds, to repay bank loans and 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 Nov. 9.

★ **Southern Pacific Co. (10/6)**
Bids will be received up to noon (EST) on Oct. 6 for the purchase from the company of $8,505,000 of equipment trust certificates, series OO, to mature in 15 equal installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair & Co. Inc.; Kidder, Peabody & Co.

Standard-Thomson Corp., Dayton, Ohio
Sept. 10 it was announced company has commenced negotiations for the sale of a new preferred stock issue which will provide the approximately $1,500,000 additional capital. **Underwriters**—Previous financing was handled by Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

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 Pacific RR. Co.
Sept. 8 the holders of up to 225,000 shares of outstanding preferred stock, series A (par $100) have been offered in exchange $22,500,000 of 30-year 5% income debentures, due Oct. 1, 1984 and 37,500 shares of no par value common stock on the basis of $100 of new 5% 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 on Oct. 31 at $106.67 per share (including accrued dividends). The exchange offer is underwritten by Blyth & Co., Inc. and Union Securities Corp. and associates who will purchase any unissued units at a price equal to the redemption price of unexchanged preferred stock. The exchange offer expires on Sept. 29.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of $7,000,000 of first mortgage bonds, series B. **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).

New Synthetic Rubber Developed

Chemists of Minnesota Mining and Manufacturing Company announce creation of a new synthetic substance that can stand being boiled in oil, and which promises to have important military and industrial uses.

A new synthetic rubber that can stand being boiled in oil was announced on Sept. 16 at the 126th national meeting of the American Chemical Society in New York City.

Important uses in military aircraft for the rubber, which withstands oils, gasoline and temperatures up to 400 degrees Fahrenheit, were foreseen by P. J. Stedry, a chemist in the central research department of the Minnesota Mining and Manufacturing Company, St. Paul, Minn. Dr. J. F. Abere, a chemist who is section leader of that department's colloid section, was co-author of the report, presented before the Society's Division of Rubber Chemistry in the Hotel Commodore.

The fluorine-containing rubber, known as Poly-FBA, is now in small-scale experimental production, according to Mr. Stedry.

"The nation's aircraft designers are constantly striving to improve the efficiency and speed of military planes by increasing the operating temperature of jet and rocket engines," Mr. Stedry said. "Their demands place a heavy burden on all materials of construction. Above 300 degrees Fahrenheit, common lubricants and hydraulic fluids decompose or burn, and initially elastic rubber components become hard and brittle.

"New high-temperature fluids were successfully developed to replace the old petroleum derivatives, but they were found to attack and swell all known rubber compounds. Gaskets, seals, hose, and other essential flexible engine components failed rapidly when exposed to the combined deleterious effects of high temperature and synthetic fluids.

"Since commercial rubber developments had not kept pace with the demands of modern aircraft design, the Wright Air Development Center of the U. S. Air Force has initiated an extensive program of rubber research. Work is in progress on a contract basis in many industrial and academic laboratories, as well as in the Materials Laboratory at Wright-Patterson Air Force Base, Ohio. One objective of this research is a solvent-resistant and chemically stable rubber with serviceability over the widest possible temperature range.

"Synthesis of fluorine-containing polymers appeared to be a promising approach to the attainment of the desired goal, because known fluorinated liquids, greases, and plastics possessed outstanding thermal stability and chemical inertness. Since Minnesota Mining & Manufacturing Co. had a basic position in the chemistry of organic fluorine compounds, it was awarded one of the contracts. During the past four years, a substantial number of polymers and copolymers containing fluorine have been prepared and evaluated in the Central Research Department of 3-M Company. One of them, technically known as 1, 1-dihydroperfluorobutyl polyacrylate and abbreviated as Poly-FBA, has shown outstanding promise and has reached pilot plant production.

"The raw material (monomer) for Poly-FBA preparation is derived from perfluorobutyric acid, a product of the Simons-3M electrochemical cell, by a series of chemical reactions. After careful purification, the monomer is emulsified with water and converted into a stable rubber latex, from which white Poly-FBA gum can be obtained by coagulation and drying. This raw gum contains about 52% by weight of chemically combined fluorine, and has higher density and lower refractive index than other synthetic elastomers.

"Elastic articles are manufactured from the gum by compounding and vulcanizing on standard rubber processing equipment. Poly-FBA can be milled, calendered, extruded, molded, or applied directly from the latex or from solutions in fluorinated solvents. It differs in basic chemical structure from natural and common synthetic rubbers, and cannot be vulcanized with sulfur, but other materials known as polyamines accomplish the same purpose.

"Carbon blacks or other fine pigments are used to reinforce the finished product. Most frequently, Poly-FBA is mixed with vulcanizing agents, reinforcing pigments, and other desired chemicals on a rubber mill, and the plastic mixture is then shaped by extrusion or molding and vulcanized by heat.

"Poly-FBA vulcanizates possess outstanding resistance to deterioration by many solvents, oils, or acids, and swell less than 25% in benzene, kerosene, gasoline, or high-octane aviation fuels. Their serviceability at high temperatures is even more important to the Air Force. Tests have shown that parts fabricated from Poly-FBA function satisfactorily for long periods of time when immersed in synthetic lubricants and hydraulic fluids at temperatures up to 400 degrees.

"In addition, they are not attacked by ozone, which is frequently present in the vicinity of spark-producing engine parts. The chemical inertness and high temperature stability of Poly-FBA vulcanizates cannot be attained by compounding any other known synthetic rubber.

"Although Poly-FBA rubber is not exceptionally tough, its tensile strength and other mechanical properties are adequate for many important applications. The principal shortcoming of this new rubber is its limited low temperature flexibility. It stiffens and becomes brittle at about zero degrees.

"Poly-FBA is not intended to replace the more abundant and cheaper rubbers, but to serve in new and specialized applications. Its first use will probably come in military airplane engines as O-ring seals, gaskets, diaphragms, hose, etc. Advances in manufacturing and compounding technology will probably lead to applications in commercial aircraft and automobiles. It is hoped that Poly-FBA will eventually find its way into other industrial and consumer goods where its unique properties may bring about greater efficiency and longer life."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Investors can have themselves a brand new kind of security, maybe, if they can get together with Administration housing officials. This would be a debenture bond on apartment houses with a yield guaranteed by the Federal Housing Administration.

Back in 1948, when 2.5% annually on a government bond looked like a good yield, Congress as part of one of the more or less annual housing bills, enacted a new FHA Title VII called "yield insurance," without either FHA or Congress having much idea what it was all about.

In theory, the debentures issued to provide most of the financing of a multi-family housing unit would have a yield guaranteed annually by FHA. Just how much that yield would amount to, and what the strings might be in any given case, FHA doesn't seem to have much of an idea.

As a matter of fact, if anything of this character were ever to be worked out, it probably would have to start from scratch as a brand new proposition, anyhow, with Congress writing new legislation. So Norman P. Mason, the new FHA Commissioner, has sent his notice of a beginning of talkfests with mortgage bankers and others to try to work out a deal of this character.

According to the reports, the initiative for doing something about a guarantee of housing debentures, in fact housing mortgage bonds, originated with persons outside the government. Supposedly FHA was approached with the question, "Why don't you try this scheme?"

It would be interesting to learn whether the initiative came from the building industry or from possible investor institutions. The builders have never been hibernating when it came time to hunt around for new means of financing housing construction.

Under present FHA practices the government insures the loan for an apartment house project, and in case of default, pays off the lending institution and handles the liquidation. Under the alternative of yield insurance, the government's commitment appears to be lesser.

Some quarters in the government assert that yield insurance would involve less red tape than mortgage insurance.

FHA Wants to Keep Hand In

There is no enthusiasm whatever in government housing circles over the suggestion that private lenders "go it alone" hereafter on home modernization and repair loans, and forget about the Federal Housing Administration, it was learned from a reliable source.

A great many banks are disgusted with the way the Eisenhower housing crowd has handled the publicity on the housing scandal, especially with respect to the alleged abuses of home modernization loans.

These loans were conceived by the Roosevelt Administration as a grand scheme to get the money flowing out into the spending stream. Uncle Sammy, through FHA, took on all the risk, insured the loan, and deliberately set it up so that a bank's job would more or less the the automatic one of shoveling out the dough and collecting it back in instalments, except for those cases where borrowers themselves went directly to banks.

Despite the generality of the charges about abuse of Title I insurance, the housing officials have yet to reveal anything but a trickle of information to indicate that banks on any noticeable scale connived in rackets to beat the customers out of money.

And the new law provides, since only 10% of each loan is insured, that lenders shall therefore share some of the risk of these loans. The fact that banks must take some credit responsibility and that they have inferentially been tarred by the scandal talk, has led many to decide to forget the whole FHA set-up on modernization loans.

This does not please officials, however, who say it isn't the nice thing to do. In place of loans carrying a rate of 5% discounted in advance, some banks or other lenders might charge 7 or even 8%, it is reported to be their objection.

Hence the new houses are interested in retaining control of modernization credit for the sake of "egalitarianism."

Flexible Support "Victory" Analyzed

Entirely competent statistical sources have made a late analysis indicating the probable support levels for the basic agricultural commodities under the "flexible" price support program the President persuaded Congress to enact into law.

These percentages cannot be in all cases stated precisely, because there are still final production information and carry-over figures to come in.

Theoretically, Congress provided that in place of the present rigid 90% of parity supports, future price-propping operations should run between 82½% and 90%.

As lately computed, however, it appears that cotton will remain supported at 90% of parity.

By law tobacco is untouched and stays at 90%.

Corn will be supported at a price some where between 88% and 90% of parity.

Rice supports will settle some where between 87% and 89%.

Peanuts will be supported at from 87% to 88%.

With respect to only one crop, wheat, will the support drop in 1955 to the minimum of 82½%.

The reason why the percentage cut in government price-propping operations will be so small is because of the "set asides" proposed by the Eisenhower Administration itself. Under these "set asides," $2.5 billion of presently available farm crop surpluses are excluded from the computation of supplies on hand for purposes of calculating how much should be produced next year and consequently at what level the government should sustain high prices of these basic crops.

Rules Needed to Operate New Act

Congress in its recent Atomic Energy Act amendments expressed the philosophy that private enterprise should share in the development of the atom, not only for power but for any other industrial or research applications that prove feasible.

However, before this purpose or philosophy can be carried out, the Atomic Energy Commission will have to work out extensive rules, regulations, and definitions, it was explained.

In view of the technical nature of the Atomic Energy Act, all Congress could do was to express an objective. It was left pretty much to AEC to define the terms and objectives, and to get one Congressional philosophy with another.

Hence it will be some weeks, for example, before companies interested in trying to generate electric energy from nuclear fission, will be able to ascertain on what terms and under what conditions they may obtain fissionable material from the AEC.

Hit Government Competition With Private Business

There is being organized here slowly and quietly a big drive to get the government out of competition with business.

Large numbers of trade associations are discussing a drive to be made before Congress next year to get legislation adopted with a definite and affirmative procedure whereby government business activities can be routed out.

Last year Congress passed a "law" which amounted to little more than a statement of policy that government should not unnecessarily be in competition with business. There is nothing in the law which creates any mechanism whereby a governmental business activity can be terminated unless the President wants to terminate it — something he could do without the writing of legal incantation.

Business elements have awakened to the fact that although the philosophy of the Eisenhower Administration is against government-in-business, there are so many thousands of employees with a vested interest in their government-in-business jobs, that it is going to take a real drive to get Congress to pass legislation to end those activities.

VA Direct Loans Exceed $400 Million

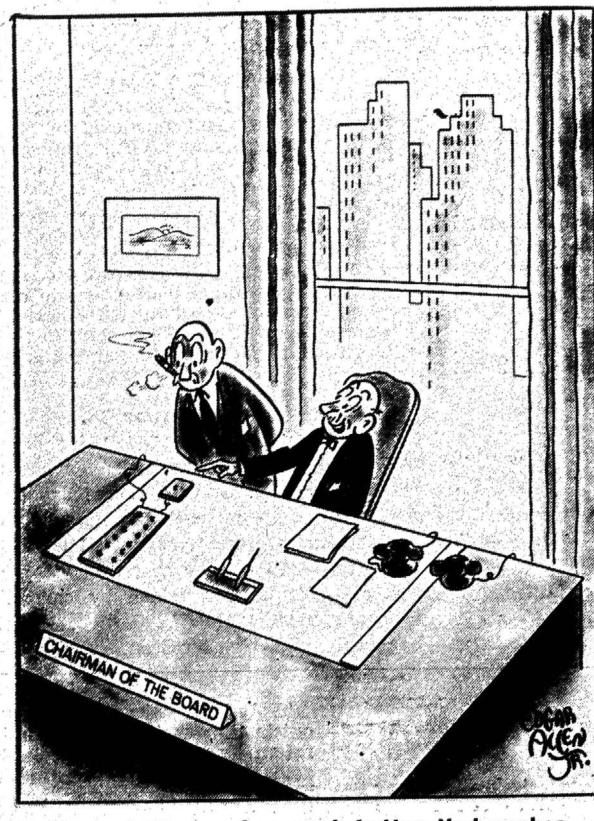
Veterans Administration direct housing loans have now passed the total of $400 million and are still going strong.

Four years ago Congress provided that where a veteran could not find a bank or other lender who would provide a housing mortgage loan on the liberal basis provided by the GI guarantee, then Treasury money could be dispensed for such loans.

Altogether nearly 50,000 loans for an aggregate of $403 million has been provided. For some time Congress has been allowing disbursement of new loans at a maximum rate of $25 million per quarter. The Eisenhower do-everything Congress raised that to $37.5 million, $12.5 million per quarter beyond the Truman rate of disbursement.

(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



"—and this one is a push button that pushes my push buttons!"

Business Man's Bookshelf

Big Enterprise in a Competitive System—A. D. H. Kaplan—The Brookings Institution, 722 Jackson Place, Washington 6, D. C. (cloth), $4.00.

Colonial Sterling Balances, The—Ida Greaves—International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), on request.

Essays on Liberty — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), $1.50, (cloth—$2.50).

Gains for Handicapped Children—Herbert Yahraes—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25¢.

Helping the Taxpayer: A Discussion of Current Issues Affecting Professional Services in the Field of Federal Taxes—American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y. (paper).

Screening Out Turnover on a Sales Force — Leonard Gross—The Commerce and Industry Association of New York, Inc., 99 Church Street, New York 7, N. Y. (paper).

Tax Pitfalls in Pension and Profit-Sharing Plans Under the Internal Revenue Code of 1954—Meyer M. Goldstein—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. (paper).

What About Mutual Funds—John A. Straley—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $2.50.

What Every Woman Should Know About Finance — Mabel Raef Putnam — Charles Scribner's Sons., 597 Fifth Avenue, New York 17, N. Y. (cloth), $3.50.