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EDITORIAL

As We See It

The long talked of meeting "at the Summit" is about to take place. Certain influential figures would have liked to make it impossible for representatives from the United States to be present. They failed. It is probably safe enough to assert that the consensus in this country, and elsewhere in the world too, for that matter, is that despite the black record of former postwar conferences, another attempt should be made to start the world back to a more rational footing and away from the horrors of another World War, this time with atomic weapons possibly quite commonplace. Only the future will disclose whether the effort now about to reach a climax will accomplish lasting good for mankind.

Those who follow the course of events during the next week or two, assuming that information adequate for that purpose is vouchsafed by the powers that be, will find their task of appraisal easier if they bear in mind not only what might conceivably be done in such a conference, but also the cause of the low estate to which all such international gatherings have fallen in the minds of so many. They will do well also to weigh all pertinent factors with minds freed of the influence of those observers who would make almost anything impossible for us by shouting the word "appeasement." Heaven knows that some of the participants in these forthcoming meetings have in their record quite enough to arouse distrust of anything they may say or do, but to take the position that it would be naive — or worse — even to sit down and talk with them to explore possible paths to greater likelihood of

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Another Group of Comments On Guaranteed Annual Wage

Some more contributions to the "Chronicle's" symposium on the Guaranteed Annual Wage philosophy reproduced in this issue. Others will be published next week.

As noted in this space last week, the volume of letters received in response to the "Chronicle's" invitation for comment on the Guaranteed Annual Wage philosophy has been so large that we have been obliged to limit the number given in each issue, starting with that of June 2. The decision to conduct the symposium coincided with the publication in the May 26 issue of Frank Rising's article "Guaranteed Annual Wage: Blue Sky and Brass Tacks." The backlog of unpublished commentaries is substantial and some of them are given below, while others will be carried in subsequent issues.—EDITOR.

T. C. CARROLL

President, Brotherhood of Maintenance of Way Employees (AFL)

In my opinion any plan for a Guaranteed Annual Wage will be unpopular until proven beneficial to the economy of the country. I believe, and I think it has also been recognized by many of our leading economists, that the purchasing power of the wage earner is a vital factor in maintaining our economic balance. Personally, I feel a full employment program will provide the stimulus to create an exciting new era that will bring relationship between employee and employer, thereby resulting in the security of both.

T. C. Carroll

Any annual wage program which pays the worker for idleness is merely a dole system. Idleness breeds contempt, and while the unployed worker may be compensated under an annual wage plan, it does not assure his contentment. An employed worker on the other hand sees some satisfaction in the knowledge that he is productive, and feels he is not a ward of industry. The guilt complex of a worker being paid for idleness is bound to create a feeling that his

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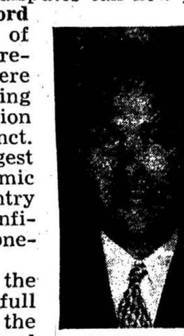
Some Readings of Our Economic Barometer

By NEIL H. JACOBY*

Dean, School of Business Administration, University of California, Los Angeles, Calif.
Former Member, Council of Economic Advisors

After asserting that only involvement in war or major industrial disputes can prevent 1955 from setting a new high record of national production, Dean Jacoby analyses the factors in the present economic situation. Traces the demand for goods and services by governments, business, and the public for 1956. Finds as important forces in coming year: (1) tax reduction; (2) enlarged national highway program; (3) increased government outlays; (4) heavy plant and equipment outlays, and (5) Free World progress.

I can sum up my view of the American business outlook for the current year in this statement: Only involvement in war or major industrial disputes can now prevent 1955 from setting a new record of national production, and both of these contingencies appear more remote that for several years. There will probably be no letdown during the last half of 1955. One's vision of 1956 is necessarily less distinct. Yet a number of factors suggest prolongation of overall economic expansion, provided that our country avoids the dangers of over-confidence, speculation, or inept monetary policy.



Neil H. Jacoby

It has become obvious that the first half of 1955 has brought full employment and prosperity to the United States. With gross national production estimated to be running at an annual rate of about $375 billions, unemployment now under 4% of the civilian work force, and most economic curves still tilted upward, it is clear that the

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*An address by Dean Jacoby before the Linen Supply Association of America, University of California, Los Angeles, Calif.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 40.

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

F. L. Jacoby Company—Frank M. Cryan, Partner, McLaughlin, Cryan & Co., New York City. (Page 2).

Timken Roller Bearing Company—William Witherspoon, Investment Counselor, St. Louis, Mo. (Page 22).

FRANK M. CRYAN

Partner, McLaughlin, Cryan & Co., New York City, Members N. Y. Stock Exchange and other principal Exchanges

F. L. Jacobs Co.

The F. L. Jacobs Company, with a network of six divisions and eight plants, is and for 44 years has been basically a manufacturer of specialized metal parts for the automotive industry, in whose growth it has participated since its own modest beginnings in 1911. With valuble patents and designs, to which it is constantly adding — and with hard-won "know how"—the company can be expected to maintain and improve its position as one of the most important and largest producers of equipment and accessories for motor vehicles.

Frank M. Cryan

Over the years, its total output of finished products is in excess of $500 million, reflecting the confidence and satisfaction of the automobile makers and of the Federal Government, who have been its principal customers.

In the first half of its fiscal year 1955, the company completed one of the most extensive re-tooling programs in the history of the automotive industry, this being tangible expression of the management's confidence not only in the future of the growth of "Jacobs" but also in the continuing expansion of the market for automobile, commensurate with the uninterrupted prosperity of this era in the United States of America.

Currently, substantial progress is being made in the acquisition and diversification program devised by the new management.

Consequently, as one of the few pioneer part firms still existent which have continuously served the automotive industry, F. L. Jacobs Co. enters its 45th year as an "old pro" with a "New Look"—a look to the rich opportunities of today and of the immediate future, in new fields of endeavor as challenging — and as potentially rewarding—as the "horseless carriage" of 40 years ago. In these progressive times, when the trend in industry is towards expansion, acquisition and diversification, the "Jacobs" management — alert, aggressive and esteemed in its field —mindful of its primary responsibility to stockholders, is guiding the company along a carefully charted course, preparing it to participate in the stepped-up growth of modern industry.

In pursuit of new and diversified products and the markets for their disposal, "Jacobs" — while constantly strengthening its automotive line — has added vending machines, electronics and avionics devices and various defense items for the new era. By integrating the acquisitions, insofar as possible, with its present facilities and working force, "Jacobs" is adding sales and production volume without incurring a disproportionate increase in costly labor. Its commitments are planned to fit in with its production capacity.

Prospects

For the coming years, the prospects of the corporation seem to be more favorable than at any time in its history. Business for the fiscal year 1956 is completely booked at even higher levels than in 1955.

Aggregate sales for 1955-56 should run well above present levels with the added volume to be expected from the company's acquisitions in the vending machine field. It is an inevitable conclusion, based on comprehensive surveys, that this particular field has one of the most fabulous growth potentials of any industry, with an expected tripling of the present $1,500,000,000 annual volume of merchandise purchased from vending machines.

With the ever-increasing interest in and emphasis on electronics and the so-called pushbutton age, one of the most potentially beneficial moves made by "Jacobs" is the new acquisition of a company manufacturing electronics and avionics equipment.

The entrance of "Jacobs" into other fields supplementing the automotive, particularly fields with such acknowledge growth prospects, can be expected to push earning power to greater capacity.

Firmly accepted in its original role as an important producer and supplier of automotive parts, and well advanced on the path to acquisition and diversification, the company should be followed with keen interest by the investment-minded public.

Financial Position

With a very simple capital structure of 875,622 shares of outstanding common stock preceded by about 54,000 shares of $2.50 cumulative convertible preferred, the company has NO FUNDED DEBT. The very favorable current position, at a ratio of almost 2 to 1, includes cash and receivables alone almost sufficient to cover current liabilities.

One of the most important factors affecting the financial position of the company is concerned with current litigation in which the U. S. Government is seeking additional taxes from the company. Because of this action, the company has been compelled to set up on its balance sheet, as of April 30, 1955, a contingent reserve of $3,800,000, to the detriment of its credit rating.

The company has been awaiting the outcome of an action before the Supreme Court of the United States in a case which exactly paralleled the F. L. Jacobs situation. The Supreme Court recently handed down a decision which company's counsel advises is favorable to the F. L. Jacobs Co. It is the opinion of company's tax counsel that not only will the $3,800,000 contingent liability be terminated, but a further amount may be refunded to the company. This may result in an increase of over $5,000,000 in the net worth of "Jacobs" and should be equal to additional net worth of more than $6.00 per share.

The removal of this roadback not only would substantially increase the company's net worth and current ratio position, but it should also greatly improve the company's banking relations.

Automotive Parts and Accessories

Automotive items for all the automobile manufacturers are produced with Chrysler, Ford, and General Motors, the largest customers, followed by the so-called "independents."

Recently developed by the company is a new type pushbutton electric window lift. It is possible that as a result of this development, these windows will become standard equipment on all automobiles in the not-distant future.

It is interesting to note that by legal requirements all cars must be delivered with ash trays installed.

F. L. Jacobs Co. manufactures 93% of the ash trays used in U. S. automobiles, indicative of the basic stability of the company's operations.

Presently the company purchases from other sources all its considerable requirements of fractional horse-power motors. The management is studying the possibilities of obtaining its future supply of actuator motors within the framework of company operations, thus benefiting by a "captive" market for its own product, which should further assure stabilized operations.

Vending Machines

The company produces coin-operated coffee, orange juice and soft drink bottle vendors, ice cream and milk shake freezers, and manually operated fountain dispensing units.

With the emphasis that the Jacobs Company is placing on the production and development of vending machines, it is not improbable that it will eventually take the lead in this industry. The unexplored potentials of this field seem to be limitless. It is not commonly known, but still of great import, that two out of every 10 candy bars that are sold are dispensed by vending machines; 16 out of every 100 packs of cigarettes are sold automatically; and 25% of all soft drinks that are bought in this country are merchandised through automatic vending.

To further the development of its vending machine business, F. L. Jacobs Co. recently acquired the Mills Industries, Incorporated, manufacturers of vending equipment, and Selmix Dispensers, Inc., which produces the well-known manually operated fountain dispensers of Pepsi-Cola and Coca-Cola. The operations of Selmix are being integrated with operations of the "Jacobs" plant at Traverse City, Michigan.

Electronics and Avionics

"Jacobs" recently acquired Eicor, Inc., located in Oglesby, Illinois. This company is a specialist in developing and manufacturing electrical equipment for the electronics and avionics industries.

Its products, including such items as dynamotors, alternators and inverters, are used principally in aircraft and in the guided missile program. The company will be operated as an electronics and avionics subsidiary of F. L. Jacobs Co., with production continuing at the plant in Illinois under the same management. It is very likely that this phase of the Jacobs Company's operations should fast become an important source of earning power.

Management

The most important factor in the future growth of "Jacobs" is the aggressive, alert and enthusiastic methods of the new management. It is understood that the

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Dividends, Dynamics and Wages

By PETER L. BERNSTEIN
Vice-President, Bernstein-Macaulay, Inc.,
Investment Counsel

Market economist maintains that despite economy's dynamism, there is strong possibility of lag in dividends and earnings—to the detriment of common stock prices. Maintains spiralling cost of labor is main cause of failure of earnings to keep pace with the rest of the economy. Stresses low take-home yield on common stocks, and the contrast with return available from tax-exempt bonds. Cites rising costs of capital expenditures, maintaining they are often merely "defensive." Concludes stock market may be on verge of very dangerous period of over-discounting.

We hear a great deal these days about our dynamic economy, about growth, research, new markets, and new products. All of these ideas are very exciting and very stimulating, and the more imaginative the speaker, the more glamorous the future becomes. The famous chicken in every pot will turn into a squab (bred, of course, from a mother and father squab responsive to magnetic tape controls and transistor-circuited servomechanisms), while the car in every garage will be an atomic-powered demon which will make our present-day barber pole hot-rods look like old Model T's. Thus, every bull market has its own millenium to dream about.


Peter L. Bernstein

But to come back to earth, it is fair to ask just what all of this dynamic change promises the investor in terms of earnings and dividends on his common stocks. It has become so fashionable (and, indeed, so easy) to project all rising economic curves into the indefinite future, that one should not fall into the trap of believing that dividends and earnings will automatically keep step all the way. And, of course, if dividends and earnings lag behind the growth in the rest of the economy, then common stock prices will lag, too.

Therefore, as he peers into the future hopefully, the more thoughtful investor will want to know what obstacles may stand in the path of "the best of all possible worlds," and specifically he will want to give some consideration to the following factors:

(1) Our economy is apparently so dynamic that there is an insatiable need for new capital equipment, and this means a continued heavy cash outflow which may cause dividend payments to lag behind any increase in cash earnings.

(2) But the problem goes very much deeper than that: corporate cash earnings are likely to lag behind the growth of the rest of the economy, for labor has been demanding—and getting—an ever greater share of the fruits of our fabulously productive economy.

(3) The only way to maintain profits in the face of the rising cost of labor has been to install new equipment which makes possible the production of more goods with fewer workers. But new equipment costs money, and so the cash drain is increased still further.

The recent labor agreements reached in the automobile and steel industries have already given evidence of intensifying these trends. Thus, with profits squeezed by the rising cost of labor and with dividends limited by mounting needs for capital equipment, it is curious that the stock market should be reflecting such bouyant optimism. Clearly, the situation calls for some sober analysis to see whether this optimism is in fact fully justified.

The whole problem was recently summarized with apt precision, frankness, and clarity in the annual report of one of the world's giant corporations, which warned its stockholders as follows:

"Two-thirds of capital outlays have been met from depreciation . . . and the remainder from retained earnings. It appears probable that the future levels of capital expenditure will be even higher than in the recent past. . . . Demand over the next 25 years (will) double. . . . We must face higher capital costs in all phases of the industry: rising costs of capital goods . . . the public's demand for higher quality products . . . increasing use of expensive plant . . . demand for a higher standard of technical services which frequently involves the provision of extra equipment.

"In this sense, much of our capital expenditures may be defensive and consequently does not offer prospects of any great increase of income. The normal test of profit-earning cannot be applied to such investments, which must be treated rather as a cost of maintaining our business than as a new investment on which added return can be expected." (Italics added.)

The Facts of Recent Experience

The issues posed by this discussion are not academic—they are clearly revealed in the actual experience of American industry. Thus, manufacturing corporations spent a total of $45 billion on new plant and equipment during the four years 1951-54. *But the record of sales and earnings certainly supports the proposition that much of this was a "cost of*

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Allied Strength

By IRA U. COBLEIGH
Enterprise Economist

A midsummer look at the largest department store chain in America, Allied Stores Corporation—its stocks of merchandise and its common stock.

Time was when big downtown department stores were the major citadels of merchandising. By trolley, bus, subway, or motor car, shoppers (predominantly feminine) would converge on the big centrally located shopping emporiums, in the busiest sections of busy metropolitan streets, and buy everything from pins to pianos, from pocketbooks to prefabricated houses. Then slowly something happened. Main city streets got more congested, parking got to be a nagging problem, transit fares went up, specialty shops blossomed, and finally there was the major postwar home migration to the suburbs.


Ira U. Cobleigh

All these factors tended to increase buyer reluctance to paddling down to the center of town to shop. They also caused an upsurge in mail and telephone ordering, and, in due course, evoked brand new buying customs and facilities in the form of suburban shopping centers that sprang up. These first appeared as a cluster of three or four stores, often starting with a supermarket, and then, as the peripheral population grew, they blossomed out as full blown single-stop shopping centers containing department store branches. It is the development of these outskirt branches that has reversed the relative decline in department store sales in the immediate postwar years, and provided more market zing for shares in this field of merchandising.

We could hardly find a more worthy example of distinguished department store operation, coupled with effective expansion into shopping centers, than the enterprise known as Allied Stores Corporation.

LS is the largest department store chain in the U. S. with 1954 net sales of $544 million, and upwards of $575 million predicted for this year (fiscal year ends January 31). The Allied group contains some very famous names in merchandising—Jordan Marsh in Boston, Stern Bros. in New York, Gertz in Jamaica and Flushing, Long Island, The Bon Marche in Seattle, Dey Brothers in Syracuse, Titche-Goettinger Co. in Dallas. Altogether there are 75 stores in the chain; 32 full grown department stores, 33 junior ones, seven big branches and three specialty units. These retail outlets are spread all over the country, a fact auguring well for stability of earning power, since a recession in one locality, could easily be offset by more favorable conditions elsewhere.

In any event, Allied, judged both by past operations, and its plans for extensive expansion, demonstrates a fabulous retailing "know-how." It has done well with traditional department stores; and if you look over the new projected locations of shopping centers, it doesn't take much imagination to perceive, in them, the department stores of the future. The Bergen Mall center in Paramus, N. J., is right in the heart of New Jersey's most populous and fastest growing suburbs. There's a new Allied Shopping center a-building north of Boston, and others in various stages of planning or construction near Houston, Texas, Levittown, Pa., near Cincinnati, Ohio, and at Hicksville, L. I. (plus a new department store in Miami, Fla.). All these new shopping centers have been shrewdly selected as serving areas of rapidly growing, above average income bracket, population; and all make the vital provision for commodious and convenient parking facilities. Today's suburban buyer shops by motor car, and insists on an accessible drive-in space requiring neither a butter knife to get in, nor a fee to get out. Allied has planned accordingly.

Altogether, the new shopping facilities listed above will involve a capital layout of close to $70 million in the next 30 months. A third of this money will probably come from retained earnings, and the balances by mortgages.

Since this suburban center program, together with all the big stores already operating, represents a king-size investment in land and buildings, it is of interest to see how Allied handles all the requisite real estate financing In 1947 Alstores Realty Corp. (wholly owned) was created to acquire, own and finance properties for Allied Stores. It has, in numerous instances, bought property leased to Allied Stores from former owners; and then created new and more favorable (to Allied) leases. Under this arrangement, the lease is usually reduced each year. The long range result is that Alstores will finally wind up owning all these leased properties, free of any debt, since the leases are so arranged to pay all costs including debt amortization. Meanwhile, the parent is not responsible for Alstores debt, and funds which might otherwise be tied up in real estate, are released for Allied working capital.

Moreover, a quite impressive "hidden asset" is being built up in the Alstores equity. For example, Alstores realty holdings (Jan. 31, 1955) were carried on its books at around $89 million. Against that figure stood debt of $81.6 million. Well let's face it—no self-respecting institutional mortgage lender is going to loan above 90% on store property. So the obvious conclusion is that Alstores holdings are worth a lot more than $89 million—probably $20 million more (or about $8 a share applied against the 2,516,700 shares of Allied Stores outstanding).

Mere addition to property is not of itself conclusive proof of corporate progress; but the way Allied has done, it is. Each new Allied branch store, or unit in a shopping center, has been successful from the day it opened, and the least will gross $10 million a year. Although 300,000 additional common shares were sold earlier this year, the per share results on the larger capitalization will probably exceed the $5.50 per share shown in 1954. That's the acid test. Can new units of capital funds expand per share net? In good companies like Allied, they can and they do.

About dividends, Allied has paid $3 since 1947. It will pay that, and possibly more, this year. The least coverage of the $3 dividend was in 1951 with $3.30 net per share; and the best, 1948, was $7.14. Also persuasive to stockholder contentment is the steadily rising curve of total sales with the 1955 figure double that of 1945. Everything points to a continuance of this pleasing sales expansion.

Department store shares were not the market favorites in 1954, with 16 leading issues advancing about 35%, a performance inferior to the Dow Jones Industrial average. This year, department store shares seem better appreciated, due partly to a 6½% sales increase in this industry for the first six months. The rising national product, high levels of employment, and in particular the $7 billion increase in disposable income projected for 1955, all point to bigger sales and bigger nets. Of course, the Christmas buying always results in the lion's share of sales (between 40% and 50%) coming in the last quarter of the year. This Christmas should create the biggest buying spree in history, and Allied will surely share generously in it.

Department store retailing is so arranged that even relatively slight increases in sales can be translated into sizable gains in net profits. This is due to the fact that costs of occupancy such as taxes, maintenance, lease rental, etc. and management and administration charges are a steady figure and do not fluctuate with sales.

If anyone is seeking a department store equity of proven merit, dividend durability, sturdy balance sheet strength, with progress propelled by an energetic, farsighted, and competent management, then consideration of Allied Stores is indicated. At 59½, the yield on the common is a shade above 5%. For the more conservative, there's a 4% preferred of prime quality selling at 97½. Preceding these equity isues there is $40 million in long term debt. There has been considerable Wall Street chatter about a possible merger between Allied and Montgomery Ward. Allied management is much more progressive; but both companies are respecters of a strong cash position. If this merger should ever "jell," the combination would be exciting; but Allied doesn't have to await a merger to be a good stock.

Observations . . .

By A. WILFRED MAY

SCOTCHING EAST-WEST TRADE ILLUSIONS

In our long-time observations on East-West Trade, following our attendance at the International Economic Conference in Moscow and subsequent investigation in principal European and Near and Middle East countries, we have consistently emphasized our conclusion that the occurrence of a material increase in business with the Russians is not a matter of our choice. The usual question *"Should* we do business with the Russians?" is academic. The realistic line of inquiry is based on *"Can* we . . ."


A. Wilfred May

This conclusion that trade is a two-way street is now authoritatively substantiated in the currently issued semi-annual report, "Soviet Bloc Economic Activities in The Free World," submitted to the Congress by Harold E. Stassen, outgoing director of the Foreign Operations Administration.

This new Report reviews Moscow's attempts at economic penetration, to play off one nation against the other, to divide the free nations and to neutralize trade controls. With these policies as a background, it cites some of the practical difficulties obstructing free-world traders in dealing with the Soviet bloc.

West's Controls Alibi Debunked

The Report significantly discloses, that despite widespread expectations to the contrary, Soviet purchases from the West actually declined after the relaxation on strategic shipments last August. The decline in Soviet-Free World trade, reported as lasting right up to the present, authoritatively demolishes the Moscow propaganda line that the West's trade restrictions have been the cause of the paucity of East-West trade.

A Burst Propaganda Bubble

Moscow's stepped-up purchases of consumer goods last year turned out to be "a golden bubble inflated with propaganda which soon burst," in the words of the report. Instead of exporting needed goods at the right prices to pay for her swollen purchases of meat, fish and butter, Moscow paid for them by exports of gold—as a non-recurring one-time incident.

Far from foreseeing any increase in East-West business this year, the Stassen findings offer the conclusion: "If the recent trend in Soviet-bloc exports continues, the overall level of East-West trade may even decline." Soviet purchases in the free world actually fell during the second half of last year.

Blocking the Two-Way Street

The Report is particularly important in specifying some of the ways in which the Communists have actually made it impossible to conduct normal commercial trade.

Despite the pleasant *talk* to the contrary, Western trade officials are persistently faced with the refusal of Soviet bloc countries to send them the amount of goods they have desired at a price and quality they could accept.

The account of Soviet-bloc exhibits at trade fairs, shows them occupied with propaganda purposes rather than commodity sales promotion. "Observers . . . concluded that the displays were designed more to impress the crowds than to attract prospective buyers."

Then, our officials find that many of the difficulties have stemmed from the nature of the Soviet-type economy and the fact that the trading system is 100% state monopoly.

Practical Blocks

As relevant specific hindrances, the report cites lack of reciprocity, the veil of secrecy, discrimination under cover, and encompassing price-manipulation in the state-controlled economy's monopolistic trading operations.

The "one-time buyer" obstacle also is clearly cited here, with quotation of the following expression by the President of the Federation of British Industries: —"Few, if any of us, would put down an expensive new plant or building to cater for trade with countries where initial orders may never be repeated regardless of the price, regardless of the value we may offer but simply on political grounds."

Instances of abrupt Moscow reversals either for admitted political reasons or else wholly inexplicable, are shown in her dealings with Australia, Mexico, Denmark, Yugoslavia, and Iceland.

And then there is often "uncertainty after the deal," occasioned by the Soviet's cancellations of orders previously placed.

The Soviet's chronic demand for special concessions, arising out of the nature of her economic system, is also recognized as a major obstacle. Likewise obstructive to two-way trade is the Soviet bloc's recurrently demonstrated inability to act as a reliable supplier of traditional exports.

* * *

Mr. Stassen's report offers an important service toward debunking the Communist-serving illusion that beyond the Iron Curtain there lies untapped, because of the West's restrictions on strategic exports, a vast potential of satisfactory trade.

Joins Sheehan Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Anthony Rados is now with Sheehan & Co., 79 Milk Street.

Joins Marshall Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Elizabeth M. Adles is now affiliated with The Marshall Company, 30 North La Salle Street.

J. W. Langdale Joins Webber-Simpson & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—J. Willis Langdale has become associated with Webber-Simpson & Co. 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Langdale was formerly manager of the mutual funds department for Taylor & Co.

The State of Trade and Industry

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

The extended week-end in celebration of Independence Day worked to curtail operating schedules and resulted in a decrease in total industrial production for the country-at-large in the period ended on Wednesday of last week.

Scattered factories and many of the coal mines shut down for the customary week or two of vacation. The output of bituminous coal was less than one-fourth as large as a week ago. Output in most industries, however, remained noticeably above the corresponding year-ago level.

While claims for unemployment insurance rose, more than half of the states reported a decrease in unemployment.

Total employment climbed above the 64,000,000 mark last month for the first time. Secretary Mitchell of the United States Department of Labor and Secretary Weeks, of the United States Department of Commerce, credited the upsurge to seasonal expansion in most activities and a larger-than-usual gain in manufacturing. Unemployment in June was only 200,000 above the May level and represented one of the smallest increases for the period in the postwar era.

National production of goods and services soared to a record rate of close to $380,000,000,000 annually in the second quarter, according to a report from the United States Department of Commerce. The agency lifted the estimated level of output in the first quarter to a $375,300,000,000 yearly gait, and stated "further sizable gains" took place in the subsequent three months. The department considers a change of 1% or more as "sizable," officials noted. Such an increase in the second quarter would have carried production to around the $380,000,000,000 pace.

In the steel industry producers are up against one of the biggest order log-jams in their history. The contract strike, short at it was, set deliveries back a week to 10 days on some products, "The Iron Age," national metalworking weekly, states this week.

The producers are confronted with a maintenance problem compounded by effects of the shutdown, a reduction in available supply of hot iron due to the strike and blast furnaces down for repairs and the usual hot weather and vacation problems which normally slow production during the summer, it asserts.

Steel price increases following the wage settlement jumped "The Iron Age" finished steel composite base price $7.62 per ton to $103.56. "The Iron Age" composite does not include coated products, such as tin plate, which was not increased in price. For this reason, the composite rose more than the average of $7.35 per ton announced by major producers.

Meanwhile, there is no prospect of a letdown in consumer demand. If anything, it is increasing in tempo. Automotive companies are pushing production to the hilt and expecting prompt deliveries in the face of short inventories. They will make the switch to new models almost without missing a beat in production. A roll call of other industries shows pretty much the same picture, this trade authority declares.

It now looks as though consumers are in for another cut in their steel rations this quarter. Some mills will be forced to set aside at least one full month's production of, sheets for instance, to bring deliveries into line with promises. This day of reckoning will intensify the scramble for steel in the fourth quarter, continues this trade weekly.

The scrap market is running wild with prices this week jumping as much as $5 per ton in some consuming areas. Steel companies are in a bad way for scrap. The blast furnace slowdowns and attempts to step up production to where it was before the strike have put a premium on scrap. Scrap prices were on the rise even before the strike, this trade magazine states.

Domestic car and truck production last week equaled an annual rate of 8,500,000 units despite Independence Day observances and heat losses which have cut into volume.

"Ward's Automotive Reports" estimated the July 5-9 car-truck output at 163,266 units or 140,356 cars and 22,910 trucks,

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Coming Changes in Oil Refining

By A. L. LYMAN*
California Research Corporation
San Francisco, Calif.

Mr. Lyman estimates that increased energy needs and changes in product requirements will create a total petroleum demand on U. S. refining of 11 million barrels daily by 1965. Foresees need of new equipment and processes because of changes in product quality, particularly in more catalytic equipment for high-octane gasoline. Concludes, whatever the demands, the industry will meet them.

Introduction

A major element in the expanding American economy is the rapidly increasing requirement for energy. This has been highlighted by the release of the President's Materials Policy Commission (Paley) Report. Ultimately, atomic and solar sources will make significant contributions to the energy supply. Somewhat sooner, fuels closely resembling present petroleum products, but made from shale oil or coal, may be major energy sources; but, for the immediate future at least, the present major sources—petroleum, natural gas, and coal—will continue to supply the bulk of our requirements. In meeting the demands to be placed on the petroleum industry, the oil refiner will be called upon to make continuing changes in product qualities and yields. This discussion will consider some of the developments of the next 10 years in the petroleum refining industry of the United States.

A. L. Lyman

Forecasters agree that total petroleum demand on U. S. refineries will continue to increase and will reach slightly over 11 million barrels daily by 1965. This forecast is largely an extension of the trend since 1925, but at a lower annual rate of increase (3.3% forecast compared with 4.4% since 1925). Present refinery capacity will have to increase at a corresponding rate to meet the future demands. Fig. 1 shows the total petroleum demand on U. S. refineries from 1930 to 1965. Total petroleum demand on U. S. refineries is the base point for this paper. In addition to crude processed, it includes natural-gas liquids and liquefied petroleum gas, although a considerable fraction of these do not physically pass through the refineries. As we are primarily concerned with trends, this basis is satisfactory for our consideration. Fig. 1 also shows the increasing demands for gasoline, distillate fuels, residual fuels, and "other" products. This increasing demand will require more crude production, and we may assume that, with a vigorous exploration and development program and with adequate imports, there will be no crude supply limitation on our refineries.

With the passage of time there will be changes in the demand for products as a percentage of total petroleum run, the principal one being a continuation of the reduction in yield of residual fuels. Fig. 2 shows the yield of various products as per cent of total petroleum demand from 1930 to 1965. We are all familiar with the spectacular increase in gasoline yield during the late 1920's and early 1930's and the corresponding drop in residual fuel. Gasoline will remain the largest volume product and will account for about 45% of total petroleum demand. Distillate fuels have constituted the second largest class of products since 1951, at which time residual fuels fell to third place.

Of much greater significane to the individual refiner will be the changes in product quality and formulations, and these changes will largely set the pattern for refinery operations for the future. The trend toward higher octane gasolines will continue, and many motorists will be demanding 100-octane fuel before 1965. In order to meet this trend, catalytic reformers are being installed at a rapid rate; and this will bring the total installed catalytic-reforming capacity near to a saturation point before 1960. Another factor, better tetraethyllead response with lower sulfur content, coupled with the availability of hydrogen from catalytic-reforming operations, will result in wider application of sulfur-removal processes.

The various products will be discussed separately and in more detail to point out some of the future problems the refiner must face.

Gasoline

First, gasolines are considered with respect to what has happened during the past 10 years and what may be expected during the next decade. Jet fuel is considered with gasolines because of the preference of the military for the volatile type of fuel and the probability that civilian use of the kerosene type will be relatively small, even by 1965. Fig. 3 shows the demand for regular motor gasoline, premium motor gasoline, aviation gasoline, and jet fuel, and the percentage of each for the years 1945, 1955, and 1965, relative to total petroleum demand on refineries. These curves show a motor-gasoline demand upwards of 4.5 million barrels daily by 1965, of which one-third will be premium quality. It is interesting to note that aviation-gasoline demand is expected to decline very slowly, with jet fuel supplying the increasing demands of a growing aviation industry, first military and later civilian. Aviation-gasoline quality requirements are expected to remain high, with over 90% of the demand being for grades in excess of 100 octane. Thus, the advent of the jet engine will have little effect on the demand for high quality aviation gasoline as it will be used to power a new and more powerful type of aircraft. Further, there will be no significant contribution to motor-gasoline octane quality from excess aviation-gasoline capacity.

The most important change in gasoline quality during the past 10 years has been in octane number, and this change is expected to continue. Fig. 4 shows the trend of Research octane number as it has occurred, plus a prediction of where it will go from here. The lower line of the prediction is a simple extrapolation of the previous trend, and the upper portion is based on competitive forces. These forces are already at work, and there are now many commercial, first-structure gasolines in the 95- to 98-octane-number range.

Fig. 4 also shows an extrapolation of octane-requirement trends. Each point is based on the last three years' car models, prorated in accordance with production, of several makes of premium-gasoline-burning cars. Attention is called to the fact that the average of these future cars should be satisfied by the gasolines of the future, because the 50% satisfied line is below the predicted octane-number range. However, to satisfy as high a proportion as 90% of these cars, gasolines some four octane numbers higher will be required. It, therefore, seems safe to predict that there will be detonation in a substantial number of cars. Hill climbing will exaggerate this by raising octane requirements by two to four octane numbers. On the other hand, the use of 10W/30 oils and other new products to come, both oils and gasolines, will tend to reduce octane-requirement increases. Thus, the octane requirements of future cars will be influenced by the octane numbers of the gasolines which can be produced, and the octane numbers of the gasolines will be influenced by the cars in which they will be used. The net result will be better performing, more economical cars, using better gasolines.

To the refiner this means a continued growth of catalytic processes, principally catalytic reforming. Fig. 5 shows the past and predicted growth of thermal cracking and reforming and catalytic cracking and reforming in terms of per cent of gasoline produced. The growth of thermal

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*A paper presented at 20th Mid-year Meeting of the American Petroleum Institute's Division of Refining, St. Louis, Missouri.

America's Future in International Trade

By HON. JOHN SPARKMAN*

U. S. Senator from Alabama

Sen. Sparkman, stressing the principle that international economic trade policy should be based on a long-term equalization of imports and exports, points out if we wish to maintain or expand our exports we must make possible greater imports. Lists a number of crucial imports we require, and hints that in time our imports may exceed exports, and we will then have to husband our gold reserve. Cites problem of maintaining trade with Japan and Indonesia, so as to keep them from embracing Communism, and reviews proposals for private international financing.

My subject, "America's Future in International Trade," is a timely one. It is so for at least two reasons: One is that we must have ever expanding trade to promote our domestic welfare and the welfare of other free countries. Another reason the subject is timely and appropriate is that new Federal legislation, designed to provide more stability in world trade, is under serious consideration by the Congress.

Sen. John Sparkman

Let us examine each of these points more fully.

Traffic experts claim that "so-called one way streets" prevent congestion and tend to reduce hazards of driving. This may be true, but while such traffic may go fast, it all goes in one direction. If you want to come back to a given point, you must go around a few corners and return over some other street. In doing so, you may either get lost or lose interest in wanting to come back.

One way streets may work for a while, but unless some way is provided for a return trip the traffic will, eventually, diminish and finally cease altogether.

International trade may be similarly described. Thus, you people in International Trade and Transportation activities must be interested in maintaining a smooth two-way flow—without road blocks or detours—on the throughways of our international economic traffic.

Equalization of Imports and Exports

One of the pillars of international economic trade policy is the long-term equalization of imports and exports. It is illusory to talk, as was once the vogue, in terms of a "favorable balance of trade."

If a country's exports exceed its imports the difference must be found in grants, loans and gifts. Trade restrictions are thus a subsidy—of the domestic producer whose products cannot successfully compete with imports, and of the exporter whose high volume of business can be sustained only by having the nation as a whole, through governmental action, provide other nations with the funds necessary to purchase our exports without commensurately exporting to us.

Between the two world wars our excess of exports was compensated by a high flow of gold bullion from Europe to this country. Since World War II, with European gold reserves greatly reduced, we have bridged the gap between exports and imports by $35 billion in economic aid.

"Trade, not aid," some say. But it is elemental economics that no aid and not enough trade are mutually exclusive conditions. Either we have aid in the amount necessary for absorbing the excess of exports, or trade will reach a level at which exports and imports are equal.

This means, of course, that if we wish to maintain—and, if possible to expand—our present level of exports, we must either make possible greater imports, or expect to continue, and even to enlarge, our aid programs.

Without grants and loans, our export trade necessarily depends upon our quantity of imports. This point was made clear recently in testimony before the Senate Foreign Relations Committee, of which I am a member, by Mr. Henry Holland, Assistant Secretary of State for Inter-American Affairs. Mr. Holland pointed out that we could measure our exports to Latin America almost to the dollar by our quantity of imports from Latin America.

That statement interested me and I did some checking of my own concerning this point. I found Mr. Holland to be right. Since 1951, our exports to Latin America have just about equaled our imports.

Year	Exports (Millions of $)	Imports (Millions of $)
1951	3,740.9	3,347.8
1952	3,479.9	3,411.1
1953	3,133.6	3,442.0
1954	3,371.4	3,289.4

From these figures it seems obvious that if we wish to increase our exports to Latin America, we shall have to increase our imports from Latin America.

There are some who say that we may be able to do with less exports in the future as our population increases, and we thus consume more of our own production.

The other side of the coin is that our productive capacity may be expected, as has been true in the past, to continue to outstrip our consumptive capacity.

Certainly, at least in the foreseeable future, a prosperous America with full employment is dependent to a great degree upon the maintenance and expansion of our export trade.

While the ratio of United States exports to the total domestic exportable supply of goods is only 10%, this ratio when applied to specific exporting industries assumes much deeper and significant proportions.

For example, in 1952, the following industries relied on foreign sales for the indicated percentages of production:

Earth grading machinery	30%
Tractors	23
Textile machinery	22
Typewriters	19
Trucks and buses	16
Refrigerators	13
Cotton textiles	9

We depend upon exports for the sale of about one-tenth of our machine tools, and about one-fifth of our construction and mining equipment.

The welfare of the farmer is equally dependent upon foreign sales.

More than one-third of our cotton production, one-fourth of our tobacco, one-fourth of our wheat, and one-half of our rice go to foreign markets.

In fact, since 1945, the value of agricultural exports has equaled each year about one-eighth of our annual cash farm income. One acre in every ten of our total farmland is producing for foreign consumption. Even these few facts make clear the necessity of our maintaining large and expanding export markets.

Our Dependence on Critical Imports

Another point equally as important to our welfare—indeed a mat-

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*An address by Sen. Sparkman at the Annual Summer Luncheon of the Industrial Trade and Transportation Sections of the New York Board of Trade, New York City, June 29, 1955.

From Washington Ahead of the News

By CARLISLE BARGERON

When Senator Joe McCarthy, currently a political leper, recently introduced a resolution in the Senate by which the Senate would have demanded that the President at the forthcoming Geneva conferences insist that Russia give up its satellite countries, the resolution was overwhelmingly voted down and the occasion was taken by the anti-McCarthy columnists and commentators to mean how low he had sunk in the esteem of his fellow Senators. This meant, they said, just about the end of McCarthy's influence in the Senate and therefore the end of McCarthyism, as it is called.

Carlisle Bargeron

But it so happens that it may be another instance of McCarthy's "methods" without disagreement as to what he was trying to do.

It so happens that there are few Senators in this instance who do not agree with his objective. The fact is also that most of them are concerned about what agreements Eisenhower may make at the "Summit Conference" in his anxiety to accomplish what is called peace. The man is obviously bent upon relieving world tensions. Politically speaking, it would make him unbeatable in 1956, after having relieved these tensions and with the country seeping with prosperity. I doubt that Mr. Eisenhower things of it in these political terms, but prosperity and the relief of world tensions would be a tremendous accomplishment on the part of any man regardless of politics.

The fact remains, however, that the whole cold war has been primarily over the situation whereby we went to the rescue of Britain, France and Russia in World War II against Hitler and in the end turned up with Russia as the most powerful nation in Europe. It would take a lot of selling to the American people that that was an accomplishment.

Obviously the only way we can get together with the Russians at the Summit Conference is for them to agree to withdraw their troops from Czecho Slovakia, from Bulgaria, Poland and the Baltic countries. In other words withdraw her troops to her boundaries. Then we could easily agree to take our troops out of Germany and to dismantle the air bases with which we now have Russia surrounded.

These are the essential things and they were what Senator McCarthy was talking about. As a matter of fact, Secretary of State Dulles in a speech a couple of weeks later stated these same essentials. He did not state them out loud enough, and perhaps, he should not have, just as, perhaps, Senator McCarthy's speech was untimely and somehow or another, the Senator has given the impression that he didn't mean any good by it. He has gotten himself in that category.

Nevertheless, there are many other Senators who are worried about the forthcoming conference. They have a fear that Mr. Eisenhower, strangely enough a military man, may do some "appeasing" at the Summit Conference. These Senators are no more belligerent or warlike than he is, but they are of a feeling that any "appeasement" will come home to roost.

As is stands, and as they measure public opinion, the country wants a relief from "world tensions." They are fed up on paying taxes for a big military establishment, for "aid to our allies." And most any agreement with Russia would be joyously hailed.

Then, however, if this agreement were based on any "appeasement," any letting of Russia keep what she has, it would soon dawn upon the American people and there would be hell to pay. This, at least, is the impression I get from talking with the gentlemen on the hill who want to see "world tensions" eased just as much as you and I do.

They do not want any "agreements" with Russia or any expressions of good will. What they want to see is the only show of good faith which Russia can give: withdrawal of her troops from the satellite countries. In that event, you can rest ssured that in due time there will arise bandit leaders in those countries to give them "independnce," and amazingly enough they will, at least temporarily, probably be hailed by us as democracies. It's the way things have gone in the past.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Edmund A. Allen has become affiliated with Interstate Securities Corp., Commercial National Bank Bldg.

Security Assoc. Branch

DAYTONA BEACH, Fla.—Security Associates, Inc., have opened a branch at 402-D Seabreeze Boulevard under the direction of Waldo Shuman.

Joins Ohio Company

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—William E. Deegan has joined the staff of The Ohio Company, 51 North High Street.

Now Guss Securities

SALT LAKE CITY, Utah — The firm name of Guss & Mednick Co., 165 East Third Street South, has been changed to Guss Securities Company.

Estate Planning

By ELEANOR A. KROPF*
Estate Planning Division, The Chase Manhattan Bank

Pointing out there is nothing mysterious about estate planning, Miss Kropf illustrates the case of an average man's estate and how it should be planned and devised. Discusses briefly Estate and Inheritance taxes and the problems of estate administration. Covers the subjects of trusts and the benefits available under life insurance policies in estate planning. Concludes disposition of a person's estate is not a simple matter

Estate Planning has become quite a common phrase but just what it is remains a mystery to many people. Actually, there is nothing mysterious about estate planning. Very simply it is the devising of means whereby your objectives for the disposition of your property during your lifetime and at your death will be carried out most effectively and most economically. As a result of careful estate planning your wishes in regard to the disposition of your estate can be carried out during your lifetime by you yourself with the help of whatever legal, tax, investment, insurance and trust specialists you may need and after your death by your executor whom you select to act for you under a Will which provides for the disposition of your estate in accordance with your wishes.

You may say—as many people do—"I have no estate and neither has my husband." Of course that is not true, because each of us has an estate — no matter how small. The very clothes on our backs constitute what are known as personal effects and are ours to dispose of as we see fit. Those of you who have ever read a Will know that there is usually included a provision that reads something like the following:

"I bequeath to my wife, if she survives me (or to whomever it may be), all my jewelry, clothing and other articles of personal use or adornment that I may own at the time of my death."

Or, perhaps you have some especially treasured antique that has been in your family for generations and you want to make certain that your daughter will receive it when you die. If you have no Will providing for that antique to be given to your daughter, it may well be that it will be disposed of or given to someone for whom it will have little or no significance.

As you all know, all of your assets form your estate whether they are personal effects, household furniture, automobiles, real estate, insurance, bank accounts, stocks, bonds, securities of any and all kinds, a business interest, cash—anything you may own.

Before we can arrive at estate arrangements which will achieve our objectives for the disposition of our assets many factors must be considered and I would like to go into some of these now.

Wills

As a starting point let me talk about Wills. The ordinary Will is in writing, is dated, states the domicile of the testator or testatrix—the man or woman making the Will — states that it is the testator's Last Will and Testament, provides distributive clauses disposing of his property and is signed at the end by the testator in the presence of at least two witnesses.

Generally speaking an individual may dispose of his property by Will to such persons and for such purposes as he pleases provided his disposition is not in violation of the law or public policy. And here we meet up with the law—State law, because the disposition of property after death is restricted in some respects by the State—the laws of the State in which we reside governing in the case of personal property and the laws of the State in which it is located governing in the case of real property.

If we take the case of an Average Man whose assets are listed below:

Mr. Average Man's Estate

Home	$15,000	
Less: Mortgage	5,000	
		$10,000
Life Insurance		15,000
Stocks		4,000
U. S. Government Bonds		1,000
Bank Accounts		3,000
Cash		1,000
Personal and Household Effects and Automobile		2,500
		$36,500

and assume he has a wife and two children—one 25 and one 22 — it would appear that he will probably want a simple type of Will. We will assume that his is the usual desire — to provide first for his wife and then for his children. As we can see, he has the usual personal and household effects and owns a home. His home is not free and clear but undoubtedly he will have so arranged his life insurance that if he dies before the mortgage is paid off there will be an amount of insurance equal to the mortgage and known as mortgage life insurance available to pay off the mortgage.

Like most people our Average Man has life insurance which he probably has made payable to his wife as primary beneficiary and to his children in equal shares as contingent beneficiaries if his wife is not living at his death. I will speak further of life insurance as it is related to estate planning a little later.

Going on with our assumption that our Average Man's first thought is for his wife, his Will would probably be quite short and provide that all of his property be given to his wife; or, if she did not survive him, that it be given to his children in equal shares. His Will would also contain some technical provisions relating to the payment of death taxes and the actual administration of his estate. In addition Mr. AM's Will would contain a most important provision always found in a Will —the appointment of his Executor—and we will assume that Mr. AM names his wife his Executrix.

When Mr. AM has his Will drawn by his attorney he will undoubtedly ask him just what the death taxes on his estate will be. I don't want to get technical about the subject of Estate and Inheritance taxes so I will merely touch on it briefly.

Under the Federal Estate Tax an exemption of $60,000 is allowed so you can see that our average man's estate will have no Federal Estate Tax due at his death since his gross estate is valued at less than $60,000. Under the New Jersey Inheritance Tax an exemption of $5,000 is allowed the surviving spouse and an exemption is allowed for all life insurance passing to named beneficiaries. Therefore, in computing Mr. AM's New Jersey Inheritance Tax, after allowing for the permissible exemptions, his taxable estate is only $16,500. The New Jersey Inheritance Tax rate on amounts up to $50,000 passing to a wife is 1% so you can see the New Jersey Inheritance Tax on Mr. AM's estate will be 1% on $16,500 or $165. This is a tax computation in its roughest form and does not consider allowable deductions for such things as debts, administration expenses or executors' fees nor does it get us deeply involved with what is known as the "marital deduction."

In passing, just let me briefly define this "marital deduction." It is a deduction allowed in the computation of the Federal Estate Tax for property passing to a surviving spouse and the **maximum** marital deduction permitted is an amount equal to one-half of the gross estate less debts, funeral expenses and administration expenses other than estate taxes. To indicate how important this deduction may be, let us take the case of Mr. Y, who has a gross estate of $125,000 and is leaving it all outright to his wife. The maximum marital deduction permitted would be equal to one-half of this gross estate—$125,000—less debts, funeral and administration expenses other than estate taxes of, say $5,000—or one-half of $120,000. After reducing his gross estate by the amount of his debts, administration expenses, the Federal Estate Tax exemption **and** the maximum marital deduction there will be no Federal Estate Tax due on his estate. Prior to the enactment of the 1948 Revenue Act which first permitted this marital deduction, the Federal Estate Tax on Mr. Y's estate would have been $9,340. At the present time some states also allow a marital deduction of this type in the computation of their estate and inheritance taxes but New Jersey does not.

Going back to our case of the average man since we have assumed that he has had a Will drawn, if he were to pass away tomorrow, we would say he died "testate"—that is, he left a Will. If he had left no Will, we would say he died "intestate" and if that were the case his estate would pass to his beneficiaries according to the intestacy laws of the State of his residence. In effect, the State would make his Will and very likely his property would not be distributed according to his wishes. Hence, the importance of having a Will and dying testate.

Estate Administration

Next let me go on to some of the problems with which we may be confronted after our Mr. Average Man has passed away. It is at this point that the administration of his estate is begun. You will recall that Mr. AM named his wife executrix and she will carry out his wishes as he expressed them in his Will as she fulfills her duties as executrix. She will locate all of her husband's assets —the deed to the real estate, his life insurance policies, stock certificates, bonds, and bank books. She will have to decide whether or not to advertise for creditors. She will have to request the Tax Department in Washington to audit all income tax returns filed by her husband—send notice to all sources of income to send income to her as executrix—prepare an inventory of the estate which involves having Mr. AM's assets appraised and valued as of the date of his death. Then she must pay all of his debts, which may include undertaker's and funeral expenses, expenses of his last illness, administration expenses which may include her own fees as executrix, possibly attorney's fees and various court costs and all taxes assessed on Mr. AM's property previous to his death.

After paying all of her husband's debts, Mrs. AM will have to prepare her husband's estate tax returns. If there were any Federal Estate Tax due on Mr. AM's estate, it would be due 15 months after his death and the New Jersey Inheritance Tax would be due within 12 months after his death. After the tax returns have been filed, they are audited and the taxes fixed. Then the executrix may proceed to make her final accounting, notify everyone who may share in her husband's estate and, if there is no objection, a decree closing the estate is signed by the Court and she may distribute his assets.

From the foregoing you can see that the Executor or Executrix of even a small and uncomplicated estate has a job on his or her hands. It is because of the complexity of administering an estate and out of deep consideration for their wives that many men name a corporate fiduciary instead of their wives to act as executor under their Wills. Here I might mention that the term "corporate fiduciary" refers to a bank or trust company which has complied with all legal requirements enabling it to act in the capacity of executor and/or trustee under the laws of the State.

By naming a corporate fiduciary rather than his wife, a man is relieving his wife of an unfamiliar responsibility and of the many inherent duties of an executrix of which she has no knowledge. The corporate fiduciary settles estates day in and day out and is experienced in practically every problem that can arise in the administration of an estate. In addition, the corporate fiduciary provides custody and investment services and has specialists in taxes, investments, accounting, research and other related fields readily available at all times. An individual executor usually must retain outside assistance to obtain these services and thus total expenses of administering an estate may be less when a bank or trust company acts as executor. As to the fees of a corporate fiduciary, an executor's fees are set by the statutes in most states so whether the wife, some other individual or a corporate fiduciary is named as executor the fees are the same. But perhaps of most importance to the man who names a corporate fiduciary as his executor is the knowledge that the trust officers of his bank or trust company who spend their full time administering estates will take a deep and

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*An address by Miss Kropf at the "Woman's Financial Forum" given by the Second National Bank, Red Bank, N. J., June 28, 1955.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Map, in four colors (revised)—Describing and locating atomic activity of 97 different companies—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Best's Digest of Insurance Stocks—1955 Edition available latter part of July—copies available at "bulk" rate of $8.09 per copy through Blair & Co. Incorporated (Att.: Mr. George Geyer), 44 Wall Street, New York 5, 6. Y.

Book Manuscripts—Booklet CN describing service in publishing and promoting books—Vantage Press, Inc., 120 West 31st Street, New York, N. Y.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 65 West 44th Street, New York 36, N. Y.

Colloids Out of the Sea—Describing uses for SeaKem Colloids (derived principally from Irish Moss) — brochure — Byron Spence, Seaplant Chemical Corporation, 63 David Street, New Bedford, Mass.

Ethical Drug Industry—Price indexes—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also in the same bulletin are price indexes for **Chemical** industry common stocks.

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

Investments in Canada—Bulletin with particular reference to **British American Oil, Canadian Breweries, Canada Cement, Dominion Steel & Coal, Gatineau Power,** and **Mining Corp. of Canada**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Japanese Commodity Price Movements—Analysis in current "Stock Digest"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

New England Trends—Bulletin—First National Bank of Boston, Boston, Mass.

New York City Bank Stocks—Comparison and analysis of 13 New York City Bank stocks for the second quarter of 1955—Laird, Bissell & Meads, 120 Broadway, New York 5, N. Y.

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

Petroleum Industry for 1954—Financial analysis—The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Portfolios—Study of 10 sample portfolios—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Shoe Industry—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin is an analysis of **Daystrom Incorporated.**

Thruways—Analytical bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Unfavorably Situated Stocks—Special list of over 100 stocks considered unfavorable—with 88 switch suggestions—available on special introductory offer of three months subscription for $18.00—Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y.

What About Stocks—Leaflet of answers to most common questions about stocks—Gatling Associates, 115 Albany Street, New Brunswick, N. J.

* * *

Bonanza Oil & Mine—Report—L. D. Friedman & Co., Inc., 52 Broadway, New York 4, N. Y.

Brown Rubber Company—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Central Maine Power—Report—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **General American Transportation.**

Chicago Pneumatic Tool—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Eagle Picher Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Empire District Electric—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **Merck, John Morrell** and **National Distillers.**

W. R. Grace & Co.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Harris-Seybold Company—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Lehman Corporation—Annual report—The Lehman Corporation, 1 South William Street, New York 4, N. Y.

National Tool Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a memorandum on **Globe Union Inc.**

OJI Paper—Analysis in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Pittsburgh Coke & Chemical Co.—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Puget Sound Power & Light—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Olin Mathieson Chemiccal, Merck & Co., U. S. Industries, Inc., Shamrock Oil & Gas, Beaunit Mills, Inc., American Smelting & Refining, Union Chemical & Materials Corp.** and **Armstrong Rubber Company.**

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

Schmieg Industries, Inc.—Memorandum—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

Uranium Corporation of America—New illustrated brochure—McCoy & Willard, 30 Federal Street, Boston 10, Mass.

West Virginia Turnpike — Analysis of operating results and future trends—John Nuveen & Co., 40 Wall Street, New York 5, N. Y.

Westinghouse Air Brake Co.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

NSTA Notes

NASHVILLE SECURITY TRADERS ASSOCIATION

The Nashville Security Traders Association has published its "Union Suit Journal" in connection with its annual outing. Copies of this humorous publication can be obtained through Edward L. Kirkpatrick, Jr., Clark, Landstreet & Kirkpatrick.

AD LIBBING

L. E. Walker

We are pleased to announce that our fellow member and good friend, Lou Walker of National Quotation Bureau, has placed with us a half page advertisement for our NSTA Convention issue.

Maurice Hart of New York Hanseatic Corporation, New York City, has also given us an order for an advertisement of similar size.

Have you made your firm's reservation yet? If so, you will have time to work on some commercial ads for this year's issue.

Maurice Hart

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

NSTA 22nd ANNUAL CONVENTION

The 22nd Annual Convention of the National Security Traders Association will be held at Grand Hotel, Machinac Island, Sept. 11-14, 1955. There is swimming or sun bathing at the pool or beach, two golf courses, tennis, shuffleboard, softball and other games. There are no automobiles on the Island. Transportation is by carriages, bicycles or rolling chairs.

The Grand is on the American Plan and all Convention activities; banquets, cocktail parties, etc. will be held at the hotel. Dining room gratuities will be assumed by the Convention Committee.

The Security Traders Association of Detroit and Michigan will be hosts at a reception, Sunday evening, Sept. 11. The meetings of the National Committee have been scheduled for Monday and Wednesday mornings, Sept. 12 and 14, and will be followed by luncheon, at which time prominent individuals will address the group.

Harry A. McDonald, Jr., Detroit, will be Chairman of the Golf Tournament and Leslie B. Swan, New Haven, will act as Chairman of the Tennis Tournament. Tuesday the 13th has been designated as a day for sport and relaxation and no business meetings have been planned. Arrangements are being made to view the progress

Continued on page 16

Carl Hill Officer of Johnson, Lane, Space

ATLANTA, Ga.—Carl E. Hill has been promoted to Assistant Vice-President of Johnson, Lane, Space and Company, Inc., Citizens & Southern Building, it is announced by Thomas M. Johnson, President of the investment banking firm.

A member of the firm for the past four years, Mr. Hill has been active in investment banking since 1928. He is an alumnus of Georgia Tech and has had special investment banking training at Mercer and New York University.

Mr. Hill served in the U. S. Army during World War II, being discharged as a major in 1946. Prior to joining Johnson, Lane, Space, he was associated with the Trust Company of Georgia in Atlanta, Merrill Lynch, Pierce, Fenner and Beane in Macon and F. Eberstadt and Company in New York City.

Wm. A. Read, Jr. With Byrne and Phelps

Byrne and Phelps, Incorporated, 44 Wall Street, New York City, Municipal bond dealers, have announced that William A. Read, Jr. has become associated with them in their sales department.

Formerly with R. D. White and Co., and prior thereto with The City Bank Farmers Trust Co., Mr. Read served with the U. S. Navy in World War II and is a Lieutenant Commander in the reserve.

Springer H. Brooks

Springer H. Brooks, partner in Piper, Jaffray & Hopwood, Minneapolis, passed away July 6.

With A. G. Edwards Sons

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Errett M. Lyter is now with A. G. Edwards & Sons, 336 Maine Street.

Joins Boyd J. Easton

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Gerald M. Cameron has joined the staff of Boyd J. Easton, City Hall Building.

With D. N. Silverman

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Charles M. Richardson is now with D. N. Silverman Co., Inc., Shell Building Arcade.

With Donovan, Gilbert

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, Mich.—Benjamin J. Marxer is now with Donovan, Gilbert & Co., Bearinger Building.

Business Man's Bookshelf

Book Manuscripts — Booklet CN describing service in promoting and distributing books—Vantage Press, Inc., 120 West 31st Street, New York, N. Y.

Savings and Loan Fact Book: 1955 — United States Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill.—paper.

Water Resources and Power (in 2 volumes) — Commission on Organization of the Executive Branch of the Government — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—paper Vol. 1—$3.25; Vol. 2—$1.25.

Adjustments in Railroad Regulation

By RICHARD F. MITCHELL*
Chairman, Interstate Commerce Commission

ICC Chairman finds need for revision of transportation regulation to bring it up-to-date by adjusting it to recent changes. Says railways are no longer monopolies and competition should determine pricing of railroad and other transportation services. Scores delays in adjusting railway rates, and denies railroads are not furnishing improved and adequate services. Concludes "regulation is absolutely necessary."

Today I would like to discuss with you my views upon regulation. They are my individual views—not those of the Commission. In the very beginning let me call your attention to the fact that at no time have I advocated deregulation, nor do I now.

What I really advocate is more regulation. You hear the cry, "We don't need changes in regulation." But I say to you, when we regulate only one-fourth of the trucks upon the highways of the nation, when we regulate only about 10% of the water carriers upon the waterways, in reality we are not regulating transportation. The great bulk of it is free from the handicaps and the difficulties of regulation. 1,400,000 trucks upon the highways and only 350,000 subject to regulation, and you tell me we don't need to bring regulation up to date! If regulation is good for 350,000 trucks, it ought to be good for the better than one million unregulated trucks as they speed down the highway.

I believe in bringing regulation up to date, and I am not alone in this idea. President Eisenhower appointed a committee, known as the Cabinet Committee, which has made a report to the President. The railroads did not make the report, neither did the airlines nor the truckers. The report was prepared by the special Cabinet Committee, members of which were appointed by the President. I have seen statements by certain interested parties condemning the entire report. Letters have reached my office telling of the disaster which will come to certain segments of the transportation industry if the measures contained in the Cabinet Committee Report are approved by the Congress. Bills pertaining thereto have been introduced in the Congress and, in accordance with the ordinary procedure, these bills have been referred to the Interstate Commerce Commission for its views. We are now engaged in a study of this report and shortly the Commission will issue its report through its Legislative Committee. On that account I do not believe it would be proper for me to express my views at this time. But I repeat, when regulation reaches only a small fraction, to wit, about one-fourth of the trucks, about 10% of the water carriers, none of the private carriers, and none of the exempt carriers, it is hard for me to understand how anyone can say that we do not need changes in the regulatory laws.

In my judgment, many of our rules and interpretations need to be rewritten and reinterpreted in the light of existing conditions in the transportation industry in America today. The railroads of the nation had an absolute monopoly for better than 30 years, and frankly, they were a little highhanded and took advantage of their position. As a result, some 60 years ago, the Congress passed certain laws to protect the public, and the Commission interpreted those laws in the light of the prevailing situation, to wit, the monopoly of the railroads. Many of those laws of 30 years ago are still on the statute books, but in the 30-year interval the transportation industry has completely changed. It is now a highly competitive business. Where we found the rails alone 30 years ago, today we find a great trucking industry has entered the transportation picture.

Everyone recognizes the fact that the trucking industry is here to stay. It plays a big and important part in the transportation facilities of America, for the motor industry furnishes service to all parts of the country. Without the trucking industry this nation's transportation needs could not possibly be served. A bus system operates on the highways at low costs; the watercarriers operate in certain parts of our country; and now the airplane is capable of transporting people by the thousands, from New York to California, and all parts of the country. Only a few weeks ago one of our daring aviators ate breakfast in California, lunched in New York, and had dinner that evening in California. Tomorrow that kind of service will be offered to all. Your friend in San Francisco will call you in New York and invite you to have lunch with him that day in San Francisco, and you will accept. Then both of you will fly back to New York and attend the Opera that same evening. Even the most optimistic railroad enthusiast will have to admit the railroads cannot compete in that field.

Competition in Transportation

The airplane was the only means of public transportation which increased the number of passengers carried last year. The rails and buses lost passengers. Competition? I know of no field in which there is keener competition than that of transportation.

Regulation where an industry is a monopoly is quite different than regulation where an industry is engaged in a competitive business. There is a terrific difference between a regulatedy industry and one not regulated; a difference which I believe is not generally understood. Not long ago a leading businessman said to me, "The great corporations of America are manned by executives with vision. They have built huge plants with the thought of tomorrow; up-to-date plants with the latest equipment able to produce a better finished product. For example, if they were operating the railroads, how long do you suppose the executives of General Motors would permit the trains to climb these steep grades and twist around these sharp curves? How long do you suppose the executives of General Electric, or of Ford, would operate the railroads with this old equipment?"

When he mentioned General Motors, General Electric, and Ford, that is where I entered the picture. "But," I replied, "there is a difference, an important difference, between General Motors, General Electric, Ford, and the railroads of the nation. General Motors, General Electric and Ford are not regulated industries; the railroads are. You can't compare a regulated industry with one not regulated."

Let me give you a theoretical example. General Motors had an old plant out in Detroit where they manufactured the one-cylinder Cadillac. The president of General Motors arrived at his office one morning about 11 o'clock. Shortly thereafter his controller entered with some papers in his hand. "Mr. President," said he, "we are losing money operating the one-cylinder Cadillac factory building. It was built 40 years ago. Our engineers, machinists, and other experts tell us it can't be successfully operated now because it is out of date." The president of General Motors replied, "Call the experts in here. We can't afford to operate one of our factories at a loss." In came the head of the engineering department, of the accounting department, and the construction forces. The president asked each one, "Have you examined this factory? Is it your opinion that it can't be operated at a profit?" They all replied, "Yes, that is true." Without hesitating, the president of General Motors ordered, "Tear it down!" At one o'clock that afternoon the employees of General Motors were engaged in tearing down that one-cylinder Cadillac factory.

About the same year General Motors built its one-cylinder Cadillac factory, a certain railroad built a branch line approximately 70 miles long out in my country —the middle west. A coal deposit had been discovered and the railroad company believed a branch line could be operated profitably by hauling coal. For 20 years it did, and than unfortunately they ran out of coal. For the last 20 years the branch line — which cost approximately the same amount of money as did the one-cylinder Cadillac factory — has been losing money, and taxes have been increased by the local tax boards.

Over three years ago the railroad filed an application with the Commission for abandonment of the branch line, showing a loss of over $200,000 a year. The railroad president knew the branch line should be abandoned just as well as the president of General Motors knew the one-cylinder factory should be torn down. But the people of the community wanted the railroad operation continued. They did not use it, but they had an attachment for it. A hearing was held, and the abandonment case went on for several years. The railroad suffered a loss of over a quarter of a million dollars operating that branch line. That is the difference between a regulated industry and one not regulated.

Again, to emphasize the difference between regulated and unregulated industry. A short time ago U. S. Steel, one of our largest corporations engaged in the important work of manufacturing steel, entered into a agreement with its hundreds of thousands of employees, granting wage increases. I know nothing about that labor dispute, nor the amount of the wage increase. It was a matter for U. S. Steel and its employees, and it was a fine thing for the country they were able to negotiate and reach a satisfactory settlement. But, on the very next day U. S. Steel announced it was increasing the price of the product manufactured $3 a ton. This increase, it was explained, was necessary to cover the increased costs of the labor settlement. U. S. Steel had a right to do that. But suppose U. S. Steel had been a regulated industry, as are the buses, the trucks, the rails, and the water carriers. They can't increase the price of their product—to wit, service — without first securing consent from the Interstate Commerce Commission, and the record of the past shows it takes months, even years, to secure this consent.

Delays in Adjusting Rates

The delay in giving consideration to and the granting of increased rates to common carriers, both rails and trucks, has cost these common carriers hundreds upon hundreds of millions of dollars. There is no known way of getting that money back; it is gone.

In a regulated industry even the smartest executives in the world are unable to make binding decisions without first securing the consent of the commission which regulates it. Not only that, but in many instances (and I can cite them), regulated industry is required to put up with a lot of what I refer to as "petty" regulation; injurious to the regulated and of no help to the public. The story of the one-cylinder Cadillac factory is typical. It took private industry one week to tear down the old factory. It took regulated industry more than three years to abandon a branch line as worthless and useless as the one-cylinder Cadilac plant.

But in face of the change in transportation from a monopoly to a competitive system, I find regulatory laws and interpretations have failed to keep pace with changing conditions. True, there have been some changes, and I am not unmindful that we have a new Commission which has been referred to by others as having the "new look"; and I agree. In my judgment, the mental attitude of one charged with making decisions, whether he be a member of a Commission or Court, is an all important factor for into every decision every man makes must go his past experiences. Even the Judges of the Supreme Court of the United States look at written laws differently. Honest, intelligent and able, these Judges come to different conclusions as to what different laws mean. I have known men on the Commission who believed in the strict technical enforcement of the regulatory laws. I have also known men on the Commission who believed those laws and interpretations should be altered to meet the changed conditions in transportation. Frankly, I think the present Commission has made great progress toward bringing about a more reasonable and fair interpretation of the regulatory laws.

Regulation is necessary. Over the past eight years, as a member of the Commission, it has been interesting to me to find that no one wants his own business regulated, yet everyone wants his competitors regulated. Oh, how

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*An address by Chairman Mitchell before the Accounting Division of the Association of American Railroads, Atlantic City, N. J., June 23, 1955.

Some Measures of Today's Stock Market Level

By C. AUSTIN BARKER*

Director, Financial and General Economic Research
Cleveland Electric Illuminating Company

As a guide in gauging the duration of the present bull market, Mr. Barker uses the rate of change between the capital goods stock market and the general overall stock market. Reviews various measurements of stock market levels and trend indicators, and concludes today's bull market levels bear careful watching in spite of the almost overwhelming long-term evidences of the upward driving forces.

Every 9 or 10 years the stock market undergoes an upward fluctuation of unusual extent and about every 10 or 20 years these extreme fluctuations reach levels which classify them as outstanding bull markets. These cycles have been confirmed by many students of financial theory as an observed fact. The basic reason for them has not yet been fully explained.[1] During these periods the level of the stock market itself, becomes as important to the investor as the heretofore all-important, agonizing selection of the securities to be bought or sold. To be sure, painstaking selection is always a necessity for the investor. He must as usual seek the help of a good brokerage house with a competent analytical department, or a dependable financial service, or a trusted investment adviser, or some other reliable source, depending upon the degree of help he needs in selecting the securities appropriate to his own investment program. However, every 10 or 20 years, as illustrated by the bull cycle stock market today, the question of when to buy tends to become as important as what to buy.

C. Austin Barker

In such periods investors must keenly realize that the preservation and appreciation of stock capital is not achieved solely by the study of individual company stocks, but by recognition and study of major price cycles. Investors who for years have followed the wise provision of "don't watch the market too closely" or "don't play the market," must readjust their self-discipline to include careful observance of the general market during these periods.

Therefore, at times like these, since the market itself has become of equal importance to the analysis of securities, we find ourselves trying to determine how high the market should be or what level is too high or too low. Due to the rare occurrence of such periods, the impressions are almost always incomplete and sometimes false.

Now if all of us had electronic computer minds and memories like magnetic tape recorders, we wouldn't need the charts or tables I find it necessary to look at to compare the levels of today with 10 or 20 years ago.

For example, how does the recent high of 450 for the Dow-Jones average actually compare with the outstanding bull market of 1929 or 1936-37? (I will not make comparisons with the 1946 upturn because the heavy industries never got into full swing due to material shortages and postwar reconversion.)

Analytical Tools

What are some of the analytical tools used to compare the level of today's market with other outstanding bull market levels in order to give us an historical and statistical background on which to make our future estimates? Such comparisons don't imply that everything in the future must happen as it did in the past, nor should we project a figure or a curve blindly into the future. However, these comparisons should serve to give us a brief review of the fundamental statistics which reflect the comparative levels of today's stock market with other outstanding bull markets.

I suppose the level of the market is the most important single problem an investor faces under today's conditions. And yet, in view of the fact that such a situation occurs only once or twice in every business generation, it may be the problem with which we are least familiar. Some of the fundamental, historical comparisons which are most useful in financial research to determine the relative position of common stocks at any particular time include:

Common stock price averages themselves;
Common stock yields;
Relationship of stock yields to bond yields;
Common stock prices as multiples of earnings (price-earnings ratios);
Ratios of market prices of common stock to book values;
Relationship of index of low-priced shares to the general market;
Margin trading evidenced by brokers' loans; and
Relationship of prices of capital goods stocks to the general market.

These and a few other basic fundamental statistics, taken as a whole, reflect the market as it is and, indirectly, the psychology which operates on the market. It is not necessary to rely on a single mechanical aid or factual illustration for fundamentals. However, when all the statistical measures are before us they should provide a springboard for each of us to base his personal judgment in making his decision of "how high is high?" and "where are we now?"

With this in mind, let us make a quick review then of the market levels in the three bull markets of our generation—1929, 1936-37 and 1955.

First of all, we have the so-called aggregate common stock market prices themselves, such as the Dow-Jones Industrials average and the Standard & Poor's Industrial index. Both are highly useful, especially to show current trends.

Today the Dow-Jones industrials have just reached an all-time high of 450, compared with 381 in the 1929 bull market and 194 at the 1937 peak. This is an interesting but hardly valid comparison with these distant periods for many reasons. Among these are the increase in number of listed shares, the replacement of stocks in the index, and the change in the value of the dollar.

The Standard & Poor's index of 50 leading industrials is based on 1926 as 100. It is subject to similar limitations. However, this index lends itself to a better presentation of the visual growth picture. A glance at a chart of this index verifies that the industrial stocks have again broken out of their long-term channel, as they did in 1929 and 1936-37. This confirms the general impression that we are now in one of the three outstanding bull markets of the twentieth century—1929, 1936-37 and 1955.

The researcher or statistician finds it necessary to look at the relationship of these market prices to fundamental, underlying values to help him in comparing the levels of the cycles.

For example, on a common stock yield basis alone the Standard & Poor's 50 industrials today yield 4%, compared with the 1936 low of 3% and the 1929 low yield of 3.2%. On this basis, common stocks do not appear to be priced as high today as in these previous bull markets.

However, a better picture of alternative investment valuations is shown by comparing the stock yields to high grade corporate bond yields. The yield of these same industrial stocks has recently declined from two times the interest rate of high grade bonds in early 1954 to 1½ times the interest rate today. This contrasts with stock yields of only 90% to 100% of bond yields in 1936-37 and with 65% to 70% of bond yields in 1929 and corrects the comparison for the long-term decline in bond interest rates which set in after the middle thirties.

The price of these common stocks divided by their net earnings per share after taxes is another very important comparison because it ties their prices to the fundamental factor of earnings. It is especially valuable in comparing market levels of past bull markets. Today these industrial stocks are selling at a price of approximately 12 to 13 times earnings, compared with prices of 18 to 20 times earnings in the 1929 and 1936-37 bull markets.

Another useful comparison of market levels is the ratio of the market value of Dow-Jones or Standard & Poor's industrial common stocks to their book values. Both averages show approximately the same degrees of difference between the three bull markets. For example, today the Standard & Poor's industrial shares' market value is about 2.0 times the average book value. In 1937, market value reached 2.3 times book value before the downturn and in the 1929 high the average price was approximately 3 times average book value.

Another widely used comparison is based on the habit in the past of low-priced shares surging forward beyond the general market indices in the latter stages of the bull markets. At present, the Standard & Poor's low-priced stocks index is still well below the 50 industrials index. It has about 130 points to go if it is even to overtake the high grade industrials. This is a provocative situation of view of the relative performance of these two indices in past bull markets, the recent Senate investigation of the stock market, and the increase in margin requirements. The only impact of tightening margin requirements appears to be on the low-priced shares.

One of the most unusual aspects is the difference in stock market credit currently employed. Brokers' loans are only 1% of total market value of all New York Stock Exchange stocks today, as compared with 10% in 1929 and over 2% in 1937. Even a careful estimate of all forms of credit extension to the stock market, including brokers' loans, does not exceed 3% for today as compared with approximately 20% in 1929.[2]

The spot survey of transaction on the New York Stock Exchange during two days in December, 1954 disclosed some evidences of speculation with respect to margin purchases and short-term capital gains expectations. However, it also disclosed that institutional investors accounted for 14% of the total transactions on the Exchange while individuals with long-term objectives accounted for another 35%. Less than 30% of the total transactions could be definitely identified as speculative.

The credit factor, plus the lag in Standard & Poor's index of low-priced shares, affirms the general statements in financial circles that buying stocks on credit is not now a heavily speculative factor.

Advancing Toward Danger Signals

Most of these market indicators tell us how high we are in comparison with other outstanding bull markets. Although their present overall status seems to be healthy, the indicators appear to be advancing toward possible danger signals. What will be the duration of these major advances is the $64,000 question.

A guide based upon the relationship of the rate of change between the capital goods market and the general stock market appears to be integrated with the many causes responsible for the nine-to-ten-year upward swings and reversals of the stock market. This new guide was described in detail in a recent issue of Barron's.[3] Both indices are published by Standard & Poor's.

During the last stages of the 1929 and 1937 bull markets, the capital goods index overtook the industrials index prior to the last stages of the cycle and accelerated at a rate faster than the industrials until the peak of the bull market was reached four to eight months later.

The decline came after the capital goods index had risen some 11% to 13% over the industrials and had also advanced 20% to 35% from its own base month (the month prior to the breakthrough). At present (estimated through June) the capital goods index has risen 7% over the industrials since the breakthrough and has advanced about 27% from its base month.

The current bull market behavior of this capital goods indicator appears to most closely resemble the 1936-37 market, but has a slower excess-acceleration rate over the industrials index indicating a possible longer period for the late phase. On this basis there appears to be grounds for expecting the present bull cycle to continue at least through August, 1955.

Conclusions

The above measures of today's bull market levels bear careful watching in spite of the almost overwhelming and long-term bullish evidences of the driving economic forces of the nation, such as automation and industrial research, automobile production, new construction, national defense, population growth, and a host of others.

However, the latter items comprise what we generally term the business cycle, not the stock market cycle. It would not be expected that a major downturn in the stoick market would occur after the fundamental business data showed signs of trouble.

The stock market decline of 1953 was followed months later by only a slight dip in overall business activity as measured by the Gross National Product. The evidences presented in the recent study by Geoffrey H. Moore[4] indicate that the stock price averages have substantial forecasting significance. This does not mean that an expectation of lowered profits and concurrent stock market downturn requires that a business cycle downturn also must occur six months or a year later, but it would indicate a strong tendency in that direction.

At the present time, with the favorable climate in Washington for business and labor, with the increased flexibility and coordination of fiscal and monetary policies and the various purchasing power cushions in the economy, the financial markets are not so much at the mercy of destructive forces as they were prior to earlier cycle liquidations. Moreover, the next cyclical action the business cycle undergoes should not be so susceptible to the contagion of sentiment that can spread from a major downturn in the stock market cycle.

*An address by Mr. Barker before the Lakewood Kiwanis Club, Lakewood, O., June 28, 1955.

1 For stock market cycles see Edgar L. Smith, "Tides in the Affairs of Men," MacMillan Company, 1939. For a treatise on business cycles see Gottfried von Haberler, "Prosperity and Depression," third edition, United Nations, Lake Success, N. Y., 1946; and Arthur F. Burns and Wesley C. Mitchell, "Measuring Business Cycles," National Bureau of Economic Research, N. Y., 1947.

2 Richard W. Lambourne, "Is It Another 1929 in the Market?", Analysts Journal, May, 1955.

3 Barron's, May 2, 1955, "Market Top?"

4 "Statistical Indicators of Cyclical Revivals and Recessions," Occasional Paper 31, National Bureau of Economic Research, inc., 1950.

H. C. Wainwright Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward M. Sandford has been added to the staff of H. C. Wainwright & Co. 60 State Street, members of the New York and Boston Stock Exchanges.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Moran T. Jammen has joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

With Brown Bros. Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—James M. Potts is with Brown Brothers Harriman & Co., 10 Post Office Square.

Keller Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John R. Watson has been added to the staff of Keller Brothers Securities Co. Zero Court Street.

Thomson McKinnon Adds

(Special to THE FINANCIAL CHRONICLE)

WINSTON SALEM, N. C.—Eric E. Wilson is with Thomson & McKinnon, Reynolds Building.

COMING EVENTS

In Investment Field

July 14-15 1955 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Toledo Country Club.

July 22, 1955 (Portland, Oreg.)
Investment Securities Dealers of Portland, Oreg., annual summer party at the Oswego Country Club.

Aug. 18-19, 1955 (Denver, Colo.)
Denver Bond Club annual outing at Park Hill County Club.

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Sept. 16-17 (Chicago, Ill.)
Investment Bankers Association Fall meeting of Board of Governors.

Sept. 16, 1955 (Philadelphia, Pa.)
Bond Club of Philadelphia 30th Annual Field Day, at Huntingdon Valley Country Club, Abington, Pa.

Sept. 21-23, 1955 (Denver, Colo.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 16-18 (New York, N. Y.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 27-Dec. 2, 1955 (Hollywood, Florida)
Investment Bankers Association annual Convention at Hollywood Beach Hotel.

Financial Roots of Dynamic Growth

By W. RANDOLPH BURGESS*
Under Secretary of the Treasury

Dr. Burgess calls attention to the great financial traditions that undergird those in our political arena. Reviews Alexander Hamilton's financial policies that established and maintained a sound money and a sound national credit, and deplores the opposition raised in the last few years to these old principles. Combats ideas that there should be a gradual decline in the value of money, and recounts the financial objectives of the present Administration. Points out period from 1951 on was a period of revival of sound money policy throughout the world.

In the field of finance where I labor we are, perhaps, less frequently reminded of our founding traditions. It has therefore seemed to me it might be appropriate for me to remind you that this country has certain financial traditions which parallel those in the political arena — I could even say that they undergird the political ones.


W. R. Burgess

Every day in my office at the Treasury I am surrounded by these traditions. My room, which dates back more than 100 years, once housed Andrew Johnson in his first few months in office as President after Lincoln's assassination because he did not want to disturb Mrs. Lincoln at the White House. Portraits of former Secretaries of the Treasury now hang on this wall.

These former Secretaries, as we realize when we read their writings, faced problems astonishingly like our own: difficulties in raising taxes and borrowing money, despair over the spending pressures of the Congress and the people, the constant importunity of people looking for Federal jobs.

This evening, I should like to remind you of the nature of the great financial traditions which we inherited along with our Declaration of Independence and Constitution and then examine those traditions in the light of the pressures and problems of this new dynamic atomic age in which we live.

It was in the year 1789, immediately following the adoption of the Constitution, that Alexander Hamilton became the first Secretary of the Treasury. He was the first cabinet officer appointed by George Washington.

Hamilton's most immediate and challenging problem was that the country had no money that could be trusted. There were some coins of various nationalities and some paper money issued by the states and the Continental Congress. "Not worth a continental," was the common phrase which characterized the value of that money. It has come down to us today—and still means what it did then—something which has no soundness, nor integrity behind it.

Hamilton realized that a politically independent and permanent nation was virtually impossible without national financial stability. To achieve this in a raw, new country, with credit virtually destroyed both at home and abroad, and with states strongly opposed to taxation by a Federal authority, seemed an almost insurmountable task.

Hamilton's bold plan for re-establishing the nation's credit involved recognizing and funding the nation's debts, paying interest on them, and retiring them as they came due. The domestic debts owed by the Federal Government, the debts incurred by the 13 colonies in fighting the war, and debts owed to foreign countries amounted in all to $78 million, a towering sum in those days. Perhaps no more courageous step was ever taken by a financial statesman than Hamilton's action committing the country to pay this debt in full, even though bonds representing the debt sold in the market at 10 cents on the dollar or less. But Hamilton knew that the surest way to establish confidence in the new government's financial integrity, was to start immediately on a sound program to pay debts.

Before the government could put the plan into effect, it needed money, and needed it badly. No sound financial program was possible without adequate Federal income to pay interest on the debt, to retire the debt as it matured, and to meet government operating expenses.

But the possible sources of Federal revenue were limited. The individual states were jealous of their own prerogatives in levying taxes. The colonists, under the British crown, had vigorously resented such imposts as the stamp tax on tea, and had taken delight in evading British levies on imports. The administration of any system of internal taxation was certain to be very difficult.

For this reason, and because of the country's heavy dependence on imported products, the government decided to rely on import duties for most of its income, adding levies on distilled spirits to cover domestic production as well. Under this simple plan, collections were concentrated at relatively few points.

But there was one especially serious threat to the success of this plan—the widespread evasion of customs duties through smuggling. For revenue enforcement —so vital to the nation's sound money program — Hamilton recommended the construction and manning of "10 boats," to use his words, at $1,000 each, for a "Revenue Marine Service."

These 10 vessels, so small that Hamilton called them boats, were authorized by the Congress, were built and started active operations against smuggling in the following year. Thus, the Coast Guard began. It was commanded by 40 carefully selected "officers of the customs," and manned by crews which, as Hamilton insisted, should be made up of "respectable characters."

Despite its small size and the extensive area of its operations, the Revenue Marine Service gradually established an effective blockade against smuggling. Hamilton's aims were realized. The Coast Guard remains today an important agency of the Treasury.

Thus, the first steps were designed to assure that the nation's income would be adequate to meet its current expenditures, as well as to begin some payment on the debt.

The second step in support of a program of handling the debt was the establishment of the Bank of the United States which was chartered in 1891 to act as a central bank and as the core of the new American banking system.

These policies of Alexander Hamilton, supported by the great moral force of George Washington, were adopted by a reluctant Congress and carried out under great difficulties. The result was that the foundations were laid for making the dollar the best money in the world. You of this organization who have traveled in many countries and have such wide international experience know what this means. The dollar today is a standard of value for the whole world. "Sound as a dollar" has taken the place of "not worth a continental."

The Treasury as the National Bookkeeper

These rigorous principles which Alexander Hamilton inaugurated have an implication far beyond technical finance. The Treasury of the United States is, in a sense, the bookkeeper for the country's civilization. It keeps the books, not only for the National treasury, but for the whole economic and social life of the country. Women are theoretically the nation's bookkeepers so they, particularly, will undertsand the importance of sound bookkeeping. On this subject, I quote from an article by Esther Eberstadt Brooke in the second challenging volume of "The Spiritual Woman," edited by Marion Turner Sheehan, a member of this association:

"One creaky relic of the didies-not-dollars-for-women era is the deathless myth that women hate figures. The truth is that woman brought to business an orderly mind, trained by years of battling with the budget. Women is the only creature on earth able to multiply nothing by nothing and get something out of it. She is inherently a bookkeeper with an accountant's delight in the profit column and a determined broom to sweep away the loss."

Our own personal check books reflect almost every aspect of our personal lives — food, clothing, education, transportation, medical, recreation, charitable, social. Anyone who flipped over the stubs in our check books would have a pretty good idea of the life of the family. So, the accounts of the Treasury give a vivid picture of the life of the nation.

When the nation's check book is out of balance, when income fails to meet outgo, then people begin to question the sound value of their money and the many transactions which depend on money are thrown out of gear.

Hamilton and his associates in the government knew that, because he saw how the disorganization of the value of money during the Revolution held back the war effort, made people even more reluctant to serve in the Army and Navy, made the people desire to hoard their foodstuffs instead of making them available to feed the troops. His tremendous determination to establish the country's money on a sound and reliable basis was a direct result of what he had seen and known.

Sound Traditions Followed

Fortunately, the sound principles of finance on which this country was founded have been cherished during most of our history.

There have been exceptions. At times of each great war we have had serious inflation, more than was necessary had wiser policies been followed.

Over the span of history we have had tremendous disputes about money in and out of Congress. The central bank which Hamilton set up, The Bank of the United States, and its successor bank were the subject of violent political arguments and the lives of both banks were terminated for political reasons. It was, indeed, not until 1914 that we had re-established in this country a sound central banking system and during this interim period we suffered from inadequate monetary policies.

Other great disputes about money included the question of the resumption of specie payments after the Civil War; and there was the struggle for free silver, led by William Jennings Bryan and defeated so decisively in 1896.

But, in the main, and in the long run, the American people have clung to the concept of sound money and the dollar has been so secure in people's minds that the flow of trade and business could go on unimpeded by worry about the value of their money. This, of course, is one of the reasons for the great prosperity and economic growth of this country.

Some Questions

But in the past few years some voices have been raised to question these old principles.

World War II with its long duration and the succeeding cold war produced an inflation which seriously reduced the buying power of the dollar and brought hardship to people who were depending on savings or were living on pensions or fixed incomes.

It is this recent experience, particularly, which has led some to wonder whether traditional policies of sound money could be maintained and whether it is possible, in the long run, to avoid inflation. I am sure you have heard people say, "What's the use of saving your money because it will not buy as much when you come to spend it?"

Some economists have even gone so far as to predict that this and other countries would face continually rising prices and a gradual decline in the value of money.

Our Policies Today

Let me reassure you: Today in the Treasury Department we do not believe this. Quite the contrary, we believe firmly that this country can have sound, stable money which will retain its value down the years. We believe also, that this is the best foundation for a sound and growing economy.

We are, in fact, in the Treasury today following policies which are closely parallel to those inaugurated by Alexander Hamilton 165 years ago. Let me list them:

(1) We believe in, and are working toward, a balanced Federal budget. The first year we came into office (1953) there was a deficit of $9½ billion, which we inherited from our predecessors. This we have reduced so that, this coming year it is estimated at about $2½ billion; we shall try to make it less. This has been done, primarily, by reducing expenditures by about $12 billion. With the recognition that our tax rates are too high for the maximum dynamic growth of the economy, taxes have also been reduced by $7½ billion. The road block in the way of further economy is the cold war and the imperative need it imposes to keep our country's defenses strong. Until we bring the budget into complete balance, the debt, of course, will

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*An address by Dr. Burgess before the National Federation of Business and Professional Women's Clubs, Inc., Louisville, Ky., July 2, 1955.

Banking in Prosperity

By WOODLIEF THOMAS*
Economic Adviser Board of Governors
The Federal Reserve System

Federal Reserve economist reviews current economic developments, and discusses role played by credit policies of the Federal Reserve. Says during past three years there has been a complete cycle of business and credit which has significance for understanding the future. Holds it is evident that industrial recovery in the U. S. has been achieved, largely by private initiative and actions. Concludes, if present rapid advances continue, there will be pressure on the available credit supply, and cautions bankers against encouraging credit excesses.

Economic developments in the United States during recent years present a record of events, of causes and consequences, that may be considered as epoch-making. The performance of the United States economy since 1939 has been magnificent in terms of growth, resource utilization, and avoidance of important setbacks. It has been marked by recovery from the under-utilization of resources that characterized the 1930s, by a war that required the use of nearly half of our output, by two periods of inflation growing out of war and made possible by inadequately restrained credit expansion, and by two phases of moderate recession, each followed promptly by recovery. It has included extended periods of economic equilibrium at close to the maximum capacity of the economy. Throughout these years, particularly since the war, there has been a continued growth in consumption, in physical wealth, and in productive capacity.

Woodlief Thomas

Total output of the economy, after adjustment for the price rise, has doubled since 1939 and is now about a fifth above the pre-Korean maximum. Notwithstanding the growing demands of government activities, the average standard of living has improved. Personal expenditures for consumption and for housing on a per capita basis, that is after adjustment for an accelerated growth in population as well as for price changes, has increased by about 40% since 1939 and by 5% since early 1950. In addition, the volume of current savings has increased and provided capital needed for expanding our productive capacity.

Overall declines in economic activity occurred only in the brief readjustment period following the end of World War II and in the very moderate, limited, and short recessions or readjustments of 1949 and 1953-54. The most unfavorable economic event of the period—aside from the destruction of war—was the degree of inflation that occurred. This resulted from the strains of war and of the recent defense program and from excessive expansion in credit and money. The total volume of public and private debt has more than tripled since 1939. The money supply—composed of demand deposits in banks and currency in circulation—almost tripled during the war and, after showing little further expansion for several years, has increased steadily since 1950 to an amount nearly four times the prewar level, compared with a duobling of physical output.

The resulting inflation, which occurred during the war and early postwar years and again after the Korean outbreak, accounted for approximately a doubling of the price level, with rather wide swings in some groups of prices. These price developments were disturbing; they greatly upset the relationships between various groups in the economy and were particularly burdensome to persons with relatively fixed incomes, as well as to those with accumulated savings in assets giving a fixed rate of return.

For the past four years, credit and monetary expansion has been more closely knit to the needs of stable economic growth. Commodity prices and other values have been remarkably stable, with some prices declining and others rising moderately. The declines have been most marked in those prices which had risen most sharply in response to specially stimulated demands or curtailed supplies resulting from war or defense activities — notably farm products. Increases have occurred in some prices and costs that earlier had not risen much and in some products affected by steadily rising wage levels. Prices of corporate stocks, which remained remarkably stable at relatively low levels during most of the period, have shown a rather spectacular rise since September, 1953, but it is questionable whether stock market prices and activity are excessively high for a period of prosperity and in relation to returns on other types of investment.

These developments have surprised many prophets of disaster. Some had expected a downturn of serious proportions; others had looked for inadequate growth to utilize our potential resources; while a number had feared disastrous inflation followed by collapse. It may now be stated with confidence that this country, Western Europe, and many other parts of the globe are enjoying a higher degree of prosperity than at any time in the past quarter of a century.

Even more, there appears to be better reason to hope for a continuation of that condition than there was 26 or more years ago, when we unknowingly stood on the verge of the greatest economic collapse in our history. Probably the principal reason for the severity of that collapse was the previous unprecedented growth of credit subject to call without notice, based on incautious speculative commitments. The example of that experience, as well as regulatory devices subsequently devised to prevent its re-occurrence, should suffice to obviate a repetition of that particular course of events. But each cycle of boom and bust is different. Often they arise from causes not recognized at the time. The recent favorable course of events gives reason for hope that we may continue to have growth and prosperity, but they do not provide basis for abandonment of caution. Caution exercised by businessmen and consumers, by borrowers and lenders, has been one reason why results in recent years have been as salutary as they were and such an attitude is essential for a continuation of that state.

Role of Credit and of Federal Reserve Policies

Credit and monetary developments and policies have played an important role in the course of events. Banks helped to finance the wartime and post-Korean government deficits, as well as the expansion of private borrowing, that together contributed to the inflationary outbursts. Banks, together with lenders, have also financed the more stable demands that have permitted high level activity and sound growth. At times they have exercised needed restraint on too rapid or unsound credit expansion. One of the striking characteristics of recent years has been the large flow of savings through institutions — bank and nonbank — which have permitted the financing of growth without inflation.

Another outstanding development of the last five years all over the world has been the restoration of monetary policies of central banks as an influence in the course of economic events. Central banks—in this country the Federal Reserve System—endeavor to regulate, and to a large extent supply, the primary reserves on the basis of which bank credit and bank deposits are expanded. This is a tremendous responsibility because it can be used to foster inflation or to force deflation. The guides and instruments of monetary policy are not precise and they require a high degree of judgment in their application. Nor are they infallible in obtaining desired results. Policies and actions in other fields are always important and may be determining. Yet appropriate monetary policies are indispensable for sustained economic growth and prosperity.

Events during the past five years have provided significant tests, in this and other countries, of the use of monetary policies to promote stable economic expansion. During the 1930s banks in this country had more reserves than they were able to put to use, and Federal Reserve policies were of relatively little consequence. In the 1940s, monetary restraint was subordinated first to needs of war finance and later to supporting the prices of the vast volume of government securities that were outstanding. This practice resulted in pegging interest rates and permitted what has been called "monetization of the public debt" without limit at the initiative of the holders of government securities. Under such policies, the Federal Reserve could exercise little restraint on credit creation or inflation.

Since early 1951, however, Federal Reserve policies have been more flexibly adjusted to changing economic conditions. They have been used at times to restrain inflationary developments, at times to discourage recession, and then again to promote economic recovery. At all times the major objective has been to foster economic growth at a rate and of a nature that would be sustainable, while maintaining the operation of free competitive markets. Prices of securities and interest rates have been permitted to fluctuate and to perform their normal economic functions of keeping saving and investment, and borrowing and lending, within limits consistent with the productive capacity of the economy.

The 1952-55 Cycle

Review of developments during the past three years provides a picture of a complete cycle of business and credit that may be significant for understanding the future. By mid-1952, the post-Korean inflationary outburst with its wave of overbuying, overborrowing, and overpricing, was long past; the pace of expansion of defense expenditures was beginning to slacken; and there was again leeway for growth in private expenditures for consumption and investment. Many of the special, direct controls had been or were being discontinued — including regulation of consumer and real estate credit and the voluntary credit restraint program, as well as price ceilings and allocations of scarce goods. These regulations, together with the more flexible Federal Reserve policies, had helped to keep credit extension and private demands within the bounds of productive capacity.

In the year from mid-1952 to mid-1953, the rate of increase in defense spending slackened, but there was renewed expansion of private expenditures for nearly all purposes, and private credit demands became much more vigorous. All major types of credit showed accelerated rates of increase. Consumer credit increased $5 billion in the 12 months ending June, 1953, as compared with little change during most of the previous year. The volume of mortgage loans completed and of corporate and State and local government securities issued totaled more than in any previous year. Bank loans to businesses, largely to finance inventory accumulation, expanded very sharply in late 1952 and failed to show the usual season decline in early 1953.

In addition, the United States Government, with its expanded defense program, became a net borrower of about $3 billion from the public, as compared with debt reduction in previous years, and more borrowing was in prospect. It is an exceptional situation, except in war, for the Federal Government to have a deficit and be expanding debt when the rest of the economy is also operating at a high level and manifesting vigorous credit demands.

Fortunately, the public generally increased its savings in this period, and thus provided a substantial source of non-inflationary lending. The net expansion in credit supplied by non-bank lenders was much greater than in the preceding year, while bank credit showed a smaller rate of increase. Furthermore, a larger portion of the bank credit included the investment of savings deposits, which increased by 7%. Demand deposits and currency—representing the active money supply—continued to expand, but the annual rate of growth declined to 3% from 6% in the preceding year. Thus, the amount of new money created was kept within moderate limits.

Total credit demands, at a record high level, but pressure on the available supply of lendable funds and resulted also in demands for goods and services that taxed the productive capacity of the economy. In late 1952 and early 1953, the economy generally was operating on an overtime basis. With the resources of the economy fully utilized, continued expansion in demands for credit of many types early in 1953 threatened to create an inflationary situation.

Federal Reserve policies imposed limitations on the availability of bank reserves and were partly responsible for slackening the bank credit growth. To obtain reserves needed for the expansion that occurred, banks had to borrow heavily from the Reserve Banks in late 1952 and early 1953. The reluctance of banks to be in debt for more than a short time led to some curtailment of lending and to liquidation of securities in order to reduce their borrowing. Moreover, the Federal Reserve discount rate on such borrowings was increased, and the Reserve Banks also took other action to discourage continuous borrowing by individual member banks. Thus banks were restrained from meeting all credit demands. A sharp rise in interest rates—to the highest levels in 15 to 20 years—resulted from the pressure of demends on the limited supply. The higher interest rates acted as an impediment to customer borrowing and an inducement to saving.

The restraints imposed did limit, but they did not stop, credit and monetary growth. The growth that occurred apparently corresponded closely to the capacity of the economy to absorb more money without inflation. Since the resources of the economy were generally fully utilized, any more credit would have resulted in inflationary price rises. Moreover, additional credit might have built up an unsustainable debt structure.

Inflation was prevented, notwithstanding strong pressures of demand for more credit. Prices remained relatively stable. This stability of prices is evidence of the effectiveness of the restraints adopted rather than an indication that they were not needed. Even so, in some lines, particularly instalment loans to consumers and inventory loans to business, the rate of expansion was more rapid than could be sustained, as was proved by subsequent events.

The credit restraints imposed served principally to check further expansion, but they may also have been a factor bringing about a decrease in inventories and in consumer buying on credit, which contributed to the recession in production and employement that followed. The major factor in this decline, however — the reduction in the defense program—was not due to credit restraint. The recession was accompanied by curtailment in some types of credit demands, especially consumer instalment credit and short-term business loans, while some types of credit continued to increase. Demand deposits and currency increased slightly from mid-1953 to mid-1954 notwithstanding the decline in business activity. Savings continued in substantial volume.

Even before a downturn was evident in any of the major economic measures, Federal Reserve policy was altered toward avoiding additional credit restraint. As slackening of demands appeared, policy was further relaxed to promote a condition of ease in the money market in order to foster business revival and sustained economic growth. Member bank reserve requirements were reduced and discount rates lowered. Member bank borrowings at Reserve Banks declined to negligible amounts. As a consequence of slackened credit demands and increased availability of funds, interest rates declined sharply in lates 1953 and the first half of 1954; some short-term rates fell to the lowest level since 1947.

Throughout 1954, credit was readily available on terms attractive to borrowers. Demand for many types of credit continued to grow, particularly mortgage credit and borrowing by governmental bodies. With a reduced demand for short-term bank credit, banks used available funds to increase their holdings of governmental securities and their real estate loans. Insurance companies, savings banks, and other holders sold government securities to banks and used the proceeds to increase business and other loans. Treasury debt management policies resulted in an increased volume of intermediate and long-term government securities outstanding and some decrease in short-term issues. Banks shifted their portfolios accordingly. Thus the liquidity position of banks was somewhat lowered.

After mid-1954, credit and monetary expansion proceeded at an accelerated pace. In addition to continued expansion in real estate loan and in holdings of securities, there was renewed growth in short-term business loans and in consumer credit. Loans on securities also increased somewhat. Total loans and investments of commercial banks increased more in the calendar year 1954 than in any other peace-time year. Lending by nonbank credit

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*An address by Mr. Thomas before the District of Columbia Bankers Association Convention, Hot Springs, Va., June 10, 1955. The views expressed by Mr. Thomas should not be considered as representing the official views of the Federal Reserve Board, except to the extent that thev have been expressed in public statments.

Look for Extension of Guaranteed Annual Wage Demands!

By GEORGE MOSKOWITZ*
Director, Labor Department
Research Institute of America, Inc.

Mr. Moskowitz maintains business management will have to make adjustments as a result of the Guaranteed Annual Wage agreements between the Ford Company and General Motors with United Automobile Workers, since there has been created thereby a new militancy on the part of labor union officials in other industries. Predicts efforts to stabilize employment will become a primary consideration of many employers, and a damper will be placed on business expansion.

What appeared on the horizon in 1946 as a puff no bigger than a man's hand has by 1955 grown to the size of a cloud which some herald as a tornado bound to bring destruction in its wake, while others forecast refreshing showers which will increasingly nurture our society. These conflicting forecasts tend to compound confusion—which flows from such conflicting and contradictory statements, a few of which I repeat. For example:

George Moskowitz

The goal of the CIO Autoworker's and other CIO unions is a Guaranteed Annual Wage.

The settlement reached by the Ford Motor Company provides for supplementary unemployment compensation.

The principle of providing cash benefits for laid off workers will set a pattern for all American industry.

It will be limited to mass production industries such as steel, glass, rubber, atomics, electronics and chemicals.

GAW is a commitment which only the big companies can undertake.

The same cry was raised when the statutory minimum Wage-Hour Law was introduced, when the unions launched their pension campaign in 1949, when other fringe benefits rippled out across American industry GAW will stabilize employment.

It will introduce immobility into the labor market.

GAW will tend to drive up prices and accelerate inflationary pressures.

Consequences of the Ford-UAW Settlement

How much of this is fact—how much is fancy. It is my impression that it is not unreasonable to conclude that the Ford-UAW settlement will produce the following consequences:

(1) GAW will create a new militancy on the part of labor union officials in other industries in their approach to future collective bargaining sessions.

(2) While average increases negotiated earlier this year ran around 6 or 7 cents, industries which have yet to bargain in 1955 will probably have to settle at a higher price even though they may not have to make a GAW commitment.

(3) GAW will create serious adjustment problems in other industries, particularly for smaller and financially weaker companies.

(4) GAW will create a temptation to more conservative planning. This may lead to lower levels of production as and if managements seek stabilization of jobs rather than rapid growth. Efforts to stabilize employment will be a primary consideration to many employers as a way of avoiding GAW demands in union negotiations.

(5) GAW will create a hazard for smaller companies which Ford apparently has calculated it can risk. While the prospect of maintaining employment at current levels will enable Ford to build up its $55 million fund, smaller firms, even though making payments of 5 cents an hour would—due to inevitable periods of reduced operation — still face the annual cost of supplementary benefits and an endless race to build up the benefit fund to its maximum.

(6) The GAW will create pressures for easing up restrictions on subcontracting and hours of work. Greater management freedom in this area would permit employers to place a ceiling on the number of workers during periods of heavy activity, thereby limiting losses due to wage guarantees when business falls off.

(7) Ford's offer to supplement unemployment compensation will create new pressures for legislative action at state and national levels for revision of unemployment compensation laws: (a) to permit integration of private plans with state benefits and (b) to lift basic state payments to higher levels.

According to Dr. George Taylor, Professor of industry at the Wharton School, University of Pennsylvania, and I quote, "There can be no single or all-sufficient plan for minimizing the worker's risk of unemployment. Unemployment has various causes. For instance, a downward cyclical movement of our economy cannot be effectively grappled with by a single company. Measures to handle a nationwide situation of general unemployment have been assigned to government."

In this respect I concur with Dr. Taylor.

What Does Guaranteed Annual Pay Mean to You

The historic auto settlement will ultimately have wise effects —in both social and economic terms. Non-union as well as unionized companies will feel the impact, indirectly if not directly. Employers both small and large must now consider the management adjustments which GAW's entrance on the labor scene will require.

Many businessmen are convinced that a guarantee of annual pay, toward which the auto industry has taken a first step, is completely outside the responsibility of management in our economic system. Others feel just as earnestly that business and the country as a whole will benefit by the hoped-for stabilization of production and employment in basic industries like autos.

Like the concepts of holidays with pay, fringe benefits, pensions, etc., the GAW will now become part of the basic thinking in the organized labor movement. In industries where it is practical, its pressure will take the form of sharper demands for higher pay, new fringe benefits, shorter workweeks. The resulting union gains, in turn, will ripple out in ever-spreading circles to affect the payrolls and practices in companies which are not organized.

That is why it is important for every top executive to have a bird's-eye view of the basic types of challenges which GAW presents to management — whether immediately or remotely, whether in the form of the Ford package or one of the scores of variants which have been blueprinted by other unions and other managements.

Getting GAW into Focus

The Ford settlement does not necessarily set a GAW pattern. For the marginal auto producers, and for the auto parts manufacturers and suppliers, the settlements may be substantially different. How their GAW agreements are tailored will be heavily influenced by both employment experience and ability to pay. In other industries, these factors are already proving more decisive.

In these respects, the collective bargaining history of 1949 is likely to be paralleled in 1955. The pension plan first accepted in 1949 by Ford was shaped and reshaped in the following months. As adopted first by steel and then by others, it went through important modifications in terms of both cost and retirement benefits.

Other CIO unions are taking a variety of routes to GAW. In many cases, this is being overlooked—even lost sight of—in the wake of the UAW settlement. Yet, it's important to note the differences in approach.

The CIO Electrical Workers Union signed a contract with Philco that made no mention of the guaranteed wage issue—this despite the fact the IUE-CIO proclaimed GAW as the keystone of its 1955 national bargaining policy.

On the other hand, the same union negotiated its first so-called guaranteed annual wage plan with International Resistence Company of Philadelphia. The settlement called for nine cents an hour across-the-board. Instead of going into pay envelopes, this money will go into an interest-bearing fund. However, the details of the plan to assure employees' pay for 52 weeks a year have not been worked out. If an acceptable plan does not materialize, the extra nine cents will be put into pay envelopes.

With the obstacles posed by state unemployment compensation laws in mind, the AFL International Brotherhood of Electrical Workers has worked out a combination insurance-annuity-unemployment proposal. It would provide:

Employees would draw out-of-work payments of $25 a week for 26 weeks if they become unemployed, sick, injured or disabled. Eligibility for payments in any week would depend on the employee's receipt of corresponding payments under state unemployment insurance, disability or workmen's compensation laws.

Any employee retiring or leaving the industry after age 60 would be guaranteed a monthly annuity. The source would be the employee's individual share of employer contributions, plus dividends or interest on investments. But any money owed because of out-of-work payments would be deducted from the individual account prior to final payment.

The program includes death benefits ranging from $1,000 to $2,000.

Sometimes GAW is simply what the union can sell to its members under that label. The AFL Teamsters, announcing the signing of new contracts with four major employer groups in 22 mid-western and southern states, evaluated the settlement as is equivalent of a guaranteed annual wage. About 185,000 local and long distance truckmen will get a full week's pay if called in for any part of a week. (The mid-west contract provides that 90% of the regular drivers employed by each operator are to be guaranteed 40 hours work or 40 hours pay.)

Starting in one such form or another, the following industries have GAW in their future—many of these within a year or two: rubber, chemical, atomics, oil, electrical, maritime, railroads and steel. The CIO unions in these fields have clearly indicated that the GAW is at or over the top of their bargaining agenda.

Within the AFL, unions like the Teamsters and Machinists have already made a bargaining issue of the guaranteed annual wage. Others, more purely craft in membership have shown less interest, undoubtedly because they are aware that some of the consequences of the guaranteed annual wage endanger the pure craft structure of their unions.

Indirect Effects of GAW

Many companies not concerned with the guaranteed problem in any form may find it wise to review questions like the following in the near future:

What happens to pay rates? Early this year collective bargaining settlements averaged around six cents an hour. When the Ford settlement was announced, the union calculated the total package at 20 cents an hour — a figure which is sure to influence negotiations in other industries. Already the CIO Steelworkers Union,

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*An address by Mr. Moskowitz before the New York State Telephone Association, Scaroon Manor, Schroon Lake, N. Y.

Prospect of a Labor Government

By DONALD R. RICHBERG*

One-time NRA Administrator attacks arguments of labor attorneys that a labor union has in a sense the powers and responsibilities of a government, holding that this would mean the establishment of a socialist labor government in the United States. Holds the most fundamentally wrong attitude of labor leaders today is their intention to establish a compulsory union membership along with unlimited governing powers in a voluntary society, thus creating a governing class. Stresses vast increase of economic and political power of organized labor, and sees threat of a labor dominated political power.

The purpose of the outstanding leaders of organized labor to establish a Socialist labor government of the United States is becoming more evident every day. Listen to this argument made by the American Federation of Labor in a case which I argued against it in the Supreme Court of the United States:

Donald R. Richberg

"The worker becomes a member of an economic society when he takes employment . . . The union is the organization or government of this society. . . . It has in a sense the powers and responsibilities of a government."

You do not need to be a Communist to konw that in order to govern such an economic society you must control the political government of this society. This is well understood by our modern labor leaders and their immediate program to increase their political power has two principal objectives:

First, unite all labor organizations either in one federation or at least in a concert of action to have laws enacted which favor union labor.

Second, repeal all the state laws that forbid a union closed shop and then force all employers everywhere to agree not to hire or to retain any employee who does not join a union, pay its dues, and submit to its discipline.

There is nothing imaginary or uncertain about this determination of union officials to acquire and maintain a monopoly power over all industrial employments. I quote again from the Supreme Court argument of the A. F. of L.:

"We can summarize the nature of union membership as a common condition of employment in an industrial society by again comparing it to citizenship in a political society. Both are compulsory upon individuals."

Some people may think that compulsion to join a private union as a universal requirement before any willing worker is allowed to earn a living would be a violation of fundamental freedoms which are constitutionally guaranteed to all Americans. But union labor has a short answer to that contention. I quote again from the A. F. of L. argument:

"The liberty of the individual is not the right to license, but participation in a social organization founded upon equality, justice and law. The union is that organization for employees."

To put this in simple language, I would explain that according to this labor argument the liberty of an American worker does not include a right to refuse to join a union, but only the right to be a member of a union. However, even this peculiar liberty does not include a right to join any union the worker chooses because, under a union shop agreement, he must join the particular union which made the agreement with his employer, or else lose his job.

You may also note that all kinds of unions are included in the description of a "social organization founded upon equality, justice and law." Perhaps you may wonder whether various Communist ruled unions merit such a flattering description. You may wonder whether unions which have been run by notorious extortioners and other unions ruled by violent and tyrannical bosses should be classified as exemplars of "equality, justice and law."

It is strange, however, that whenever trade unions are under discussion in legislatures, executive offices, or in the courts, all liberals are expected to assume that all unions are essentially noble in purpose, angelic in operation, and admirable in their objectives. If anyone criticizes the vicious practices that disgrace all too many unions he is denounced as an enemy of labor. Now, as a matter of plain fact, unions even at their best, are simply organizations of men and women who by concerted action are trying to make a better living for themselves under better conditions. This is also the aim of many other organizations that make no claim to holy virtue and immunity from criticism.

But there is a vast difference between those voluntary organizations whose members can resign if they don't like their policies or their management, and a closed shop union whose members are compelled to support union policies and union bosses, or lose their livelihood.

What Compulsory Union Membership Means

The most fundamentally wrong attitude of labor leaders today is their plain intention to establish a compulsory membership and an unlimited governing power in what should be a voluntary society. The development of societies of human beings to work together for common benefit is what has raised man from animalism to civilization. Even a voluntary society must have some sort of internal government. But any government is the power of a ruling class to lay down laws and force others to obey them. So more government than is absolutely necessary is an evil that changes the happiness and efficiency of willing cooperation into an unhappy submission to an oppressive sevitude.

Of course as long as membership in a society is voluntary some restraints of individual liberty are not oppressive and are necessary to prevent the disorder and destructive results of anarchistic freedom. In a voluntary society of scientists or businessmen or workers a great deal of discipline will be gladly accepted. But if the private government of such a society forces needless or unfair obligations and restrictions on the members that they can always regain individual freedom by resigning.

The Creation of a Governing Class

Unfortunately, the creation of any society such as a community, a nation, or a union develops a governing class that inevitably seeks to increase its power. Sometimes this desire for power rises from apparently laudable motives, ambitions to make people happier, more prosperous, or more virtuous. These intentions are always claimed by rising rulers. Some times power hunger is just a base desire for power itself, an ambition to rule the lives of others for personal profit or glory. These intentions are never admitted. The corrupting influence of power is one of the few positive laws that every social scientist should recognize.

For centuries human beings, for mutual aid and protection, formed economic and political societies of every conceivable character. Merchants and traders, workers and fighters, communities and nations were organized. As these societies grew larger their governments became bigger and more powerful — and more tyrannical. Then the demand for individual freedom, which seems to be born in every human being, became strong enough to challenge all the old concepts of a compulsory society governed by a divinely qualified ruling class. A free society of free men maintained by a free government became the objective of millions of people.

Here in America is seemed for many decades that such a society with a free government of limited powers was being achieved. The only challenges to our ideal of individual liberty, the only demand for unlimited government, came from small number of Socialists whose program to make everyone dependent on an all-powerful state had little appeal to the prospering millions of free Americans. Then we were forced by a great depression and two world wars into tremendous expansions of government power which we had always opposed. Voices of protest were denounced as voices of reaction. We were told that more and more government, more and more forceful discipline, less and less individual liberty, were inevitable. Whether we listened to Fascists, Communists, or those milder Socialists who called themselves "liberals," we were told that all-powerful governments were coming irrisitibly on the wave of the future.

In the last 20 years of this period the political power of organized labor has grown steadily with its vast increase of economic power. Ambitious labor union officials, both the best and the worst, have developed Napoleonic concepts of making the political power of big government subservient to big labor. They seek to control government immediately as their ally, and eventually as their servant. The older union policy of voting, for friends and against enemies, but avoiding political partisanship, has been abandoned. The modern policy is to put heavy pressures to support labor programs on all parties and candidates and then to deliver all possible votes to the party and candidates bidding the highest for union favor.

Threat of a Labor Dominated Political Power

The political machines of organized labor have not been developing a labor party, which would be a minority party, but have been working shrewdly toward a labor dominated party which would have majority power. The labor partisanship of all the national administrations from 1935 to 1953 increased enormously both the size and the influence of labor unions. Labor politicians found in the veiled socialism of the growing welfare state a political program which appealed to millions of voters like farmers, small businessmen and white collar workers, who would not previously follow labor leadership.

The strategy of increasing union labor's political power was obvious. The Democratic party could not be completely converted into a Socialist labor party, because in some areas its historical devotion to local self-government and its distrust of centralized power still survived — particularly in the South. The Republican party could not be completely condemned and abandoned because it had segments and leaders whose conversion to welfare state socialism would help to counter balance the unconverted sections of the Democratic party.

So the strategy for achieving a Socialist labor government still required bi-partisan activities. The majority support of Democratic socializers must be maintained and a minority support from Republican socializers obtained wherever possible. The prospects of the 1956 election and the present situation emphasize the wisdom of this bi-partisan development of labor's political power.

Now we have a Republican President who, despite earlier vigorous opposition to a welfare state, has advanced many welfare state projects, as, for example, social insurance, Federal control of education and Federal public works, to an extent worthy of more union labor applause than has been given. Of course in many ways the Eisenhower Administration is far from satisfactory to a Socialist labor leadership. It is too friendly to free enterprise. The President does not espouse all union programs, and many well oppose some of them. When his Secretary of Labor openly advocated compulsory unionism the President said that the Secretary spoke for himself alone.

We have a Demrocatic Congress. But, there are many Republicans in Congress who are easily persuaded by union labor arguments and many Democrats who are not always suvservient to union demands. So it is still a sound strategy to make sure in a bi-partisan government that union labor can always command a bi-partisan majority in its favor on crucial issues. Of course, more pro-labor legislation and pro-labor law enforcement is always desired, but the prevention of any government action to free industry from organized labor violence, coercion and monopoly is most important to maintain the economic power of the labor unions, and this they have accomplished during many years through bi-partisan political support.

So long as we allow labor unions to use brutal force, to paralyze vital industries and to compel great business enterprises to yield to demands that are unfair and injurious to the public, the union bureaucrats will be able to maintain their private tyrannies superior to any effective restraint by our public government. These are indeed the only private organizations that are permitted to carry out vicious conspiracies against public and private interests in open disregard of the laws that elsewhere protect the lives, business and property of a free people.

It is not surprising that such a favored class now seeks openly to establish a compulsory society under their personal government to which all workers must submit. Already the unionists have been authorized by Federal laws to fortify their private autocracies with union shop contracts under which every worker must pay them tribute and become subject to their rule.

The Anti-Closed Shop State Laws

All that now stands as a legal barrier to compusory unionism are the laws of 18 states which forbid the union closed shop contracts which in other states employers are compelled to sign. There is happily one clause in the Taft-Hartley Act which permits these state laws to be enforced. This is most offensive to the compulsory unionists because otherwise in all interstate enterprises the unions would be permitted by Federal law to ignore and nullify these state laws.

It should be evident from the union campaign against state right-to-work laws that union officials are not sure they can continue to persuade more and more workers to join their huge unions. These unions are so large that the average member is far more helpless to protect himself against union tyranny than he was years ago helpless to protect himself against a hard employer. In olden days he had a chance to get another job. How can he get a job today when blacklisted by a monopolizing union?

Most union men today understand how helpless they are as individuals to control union policy, or even to have their ideas or complaints fairly considered. They have one of two choices. They can just remain voiceless and accept the inevitable, as many citizens accept bad city government. Or they can resign from the union if this will not deprive them of every opportunity to earn a living. Of course if and when there is a union monopoly of the employments for which they are fitted they will probably submit to compulsory unionism rather than starve.

Competition Between Unions

Nevertheless, there is plenty of evidence that high union officials are worried by two things. One is any competition between unions. The other is any competition between union workers and independent workers. They want to end both competitions. First, they would stop the unions from competing for members. Second, they would end the competition between workers by making all workers submissive members of non-competing unions. The AFL argument in the Supreme Court, to which I have previously referred, made this desire and policy plain in the extraordinary contention that—"workers cannot thrive but can only die under competition between themselves."

It is a curious fact that for thousands of years workers have been competing with one another without dying, but with better living as a consequence. Despite labor organizations that from time to time have sought to limit or end competition between workers they have, under persistent competition, steadily improved their abilities and increased their productivity. With the aid of machines and other managerial devices to increase productive capacity, which labor organizations have usually opposed, the persistent competition of workers with workers has brought about an average standard of living incomparably higher than was even imagined in ancient days. The greatest restraint on the continuing increase of the workers' productive capacity is imposed today by uniform union wages and rules which are designed to end this beneficent competition. Yet, in disregard of economic history, outstanding labor leaders try to make us believe that "workers can only die under competition."

The real fear of labor officials appears to be that the power and profit of their offices may be diminished or even die under competition for voluntary support. They fear to have the value of their services tested by competition. Their customary claim is that practically all union members are loyal supporters of their union bosses and that only the non-union man is a menace to union solidarity. But now and then an authoritative unionist reveals the truth, which is that the object of compulsory unionism is not

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*An address by Mr. Richberg at the Annual Luncheon Meeting of the Associated Employers of Illinois, Chicago, Ill.

How to Gauge the Top Of the Stock Market

By ROBERT S. NATTELL*
Robert S. Nattell & Co.
Registered Investment Counselors, Los Angeles, Calif.

Pointing out the "top" of the stock market is not reached on any day or in any week, but covers a period of six months or more, Mr. Nattell stresses the presence of "a certain psychological atmosphere" as an indicator. Also notes a tightening of money as a sign of a market top, as well as a weakening of low-priced speculative issues. Finds over-buying by speculators as a cause of market break.

One of the most difficult things for any investor or speculator in the stock market is to know when the top has arrived. To most people this is a certain mysterious day that occurs and suddenly the market drops from it. It seems to most like a guessing game of exactly when. And as a guessing game it generally is a very costly one. Because only five out of every 100 get out and stay out anywhere near the top of the stock market. Many sell out too soon only to come back in again at higher prices and then get caught as the market turns down. But for most people they simply ride up to the top toboggan down again.

Robert S. Nattell

Actually if you know what you are doing and have a sense of financial history you do have a good chance of getting out and staying out near the top. The top of the stock market is not any one day or week but actually forms over a broad period of six to nine months. During this period one group of stocks after another hit their highs and start sagging down. Even though the popular Dow-Jones Industrial averages continue to rise and everyone continues to think the market is making new highs.

For instance, in 1929 most stocks were already sagging long before the crash. By the time the actual top in the Dow-Jones Industrial average occured in September 1929, over 70% of the stocks listed had already seen their top before and had started down. Only a handful of high-priced Blue Chips had hit new highs at the so-called top in September 1929. This same phenomenon of just a few blue chips going up near the end with the broad list of stocks doing nothing or sagging has occured near the top of every Bull market in the past 40 years.

Today (July 5, 1955) the Dow-Jones Industrial average hit a new all-time high of nearly 460, up over $5.00. Yet out of the 1,234 stocks traded on that day only 116 actually hit new highs. Last December, when the Dow-Jones Average first hit 400 or nearly 60 points lower than recently—over 240 stocks hit new highs, more than twice as many as today. So, as in previous top areas, less and less stocks are hitting new highs, even though most people do not realize it at the time.

At the top of every market there is a certain psychological atmosphere. Things always look wonderful and there is always iron-clad hopes of things getting better. If you look over the old newspapers of the previous Bull Market top areas, you will read how all the "experts," services, market letters, bankers, big businessmen, government officials were 100% unanimous in their optimistic predictions of grand things to come. Hardly anywhere can you read a pessimistic statement. This is characteristic of a top. For only then can stocks sell at their highest; only when the news is at its best.

Another sign of a market top is a tightening of money. Interest rates start to climb as investors and businessmen borrow madly in their optimism. As a result the Bond Market always falls first, from six months to one year before the stock market. The Bond Market hit its high in the middle of 1928 and during 1929 bonds fell badly as money tightened. At present the Bond Market hit its high last December 1954 and recently has been sagging under tighter money conditions.

During every market top area the marginal companies representing the "cats and dogs" always get weak way before the Dow-Jones averages, marginal companies representing the most speculative part of the market will always sour first if there is any let-up at all in enthusiasum. For instance the "cats and dogs" hit their highs in February 1929 and dropped very badly way before the crash. Recently, the low-priced stocks hit their highs last March and have been sagging despite continued advances in the Dow-Jones blue chips.

One of the best reasons for the market to form a top is when investors and the public speculators are so loaded up with stocks that they start to run out of money. How can you tell this? Well as people have less and less buying ability it will show up in their being unable to transact as many trades on the exchanges. This means that volume of transactions will decline as money is running out. As a result, the peak of volume of transactions in the stock market has in the past always occured six months or longer **before** the peak in the popular market averages. For instance, in the 1929 top the peak of volume of transactions occurred in November 1928 nine months before the crash. Recently our peak of volume of transactions occurred in December 1954 and volume has been steadily declining ever since.

Discovering the top of the stock market is more complicated than most people realize. Knowing the signposts along the way certainly helps. History has a strange way of repeating itself, because human nature never changes. In every market top in the past only a small minority of well informed or lucky investors got out and stayed out. No doubt it will be the same way this time.

*An address by Mr. Nattell before the International Toastmasters, Westwood, Calif., July 5, 1955.

Now Security Planning Inc.

WEST PALM BEACH, Fla.—The firm name of Investors Planning Corporation of the South, Harvey Building, has been changed to Security Planning, Inc.

With H. V. Sattley Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — John T. Martin is with H. V. Sattley & Co., Inc., Hammond Building.

The "Guaranteed Wage"

By ROGER W. BABSON

Mr. Babson points out that if the "Guaranteed Wage" spreads to a large number of companies, the result will be higher rents, higher prices and greater interest rates, and therefore there will be little benefit to the worker. Sees inventions of labor-saving devices as greatest benefit to workers.

Supposing the principle of some form of the so-called guaranteed annual wage, or an extended form of unemployment compensation, spreads to a large number of companies, will most workers really benefit?

Roger W. Babson

Many workers think that somehow or other life can be made secure by legislation or labor union agreement. Higher wages, shorter hours, and unemployment benefits may temporarily raise their standard of living. Most of their victories, however, so increase their cost of living that the wage earner would have little more left at the end of the year **were it not for the inventions of labor-saving devices.**

Capital (employers) and wage earners are like two tanks of water connected at the bottom by a pipe. The pipe represents the channels of trade. The water represents income. The Capital Tank is big and holds lots of water. The Labor Tank is smaller and holds less water. Because, however, both tanks stand at the same level, and because water always seeks its own level, the water in both tanks will reach the same level, no matter how much is poured into either tank. This applies to the so-called "guaranteed wage."

Let's Not Fool Ourselves

If a Labor Union "wins" a strike for a Guaranteed Wage, this is like pouring water into the little tank from the big tank. For only a moment does the Labor Union have the increase in its tank. The benefit soon flows back to the big tank by way of higher rents, higher prices, and greater interest rates. The "water" is constantly adjusting itself by means of the connecting pipe, which is Trade. So you see the proportion of the money Union Labor retains is not really an increase. There are only two ways to get healthy increases in wages. One is through producing more by working harder and longer. The other is through new inventions and products that cut costs and increase output. The greatest value of Labor Unions to the wageworkers is that the Unions force Capital to spend money on research, inventions, and advertising—which reduces costs and increases production. A healthy economy is dependent upon good business, which is the operation of an enterprise profitably and efficiently.

To do this the employer must be free to buy his raw materials and labor only in the amount needed and at the lowest reasonable price. Long-term contracts should be entered into only if they assure the most economical use of resources. In our private enterprise system, an employer benefits his wageworkers most when he minimizes his costs and maximizes his returns. We have real prosperity only when there are more jobs and more opportunities for more people.

What Does Increase Security and Wages?

To say that we shall stabilize our economy by a guaranteed annual wage, rather than by the operation of business efficiently and profitably, is to misunderstand what makes our private enterprise system work. It is hard-headed business sense and new inventions that have given us more refrigerators, more automobiles, and more homes. This is the kind of system which benefits wageworkers in the long run.

The great mass of wageworkers can obtain a greater proportion of the world's wealth only by increasing their real efficiency by means of their heads, hands, or inventions. To go back to my tank illustration, wageworkers can get a greater proportion of the total water in their tank only by increasing the capacity of their tank—that is, its length, breadth, or depth. As fast as such an increase in capacity (or efficiency) takes place, the water will flow into the Union Labor's tank automatically, and no wealth or power can prevent it. Only legislation which truly increases the efficiency and savings of the wageworkers is sure to make them richer, stronger and more invincible.

J. T. Whalen Joins Blaise D'Antoni Staff

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—J. Thomas Whalen and Manuel A. Sala have become associated with Blaise D'Antoni, Carondelet Bldg., member of the New Orleans Stock Exchange. Mr. Whalen was formerly in the trading department of Howard, Weil, Labouisse, Friedrichs & Company.

With Edward D. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Louis A. Bonafede has been added to the staff of Edward D. Jones & Co. 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Capitol Securities Opens

SALT LAKE CITY, Utah—Capitol Securities, Inc. has been formed with offices in the Darling Building to engage in a securities business. E. J. Wolf is a principal of the firm.

Walter Dames Opens

POTTSTOWN, Pa. — Walter E. Dames has opened offices at 373 High Street to engage in a securities business.

Estill Mtg. & Inv.

ENID, Okla.—The Estill Mortgage & Investment Company is conducting a securities business from offices at 318 North Independence. Ray Estill is a principal.

Carroll Kirschner Branch

ALBUQUERQUE, N. Mex. — Carrol, Kirchner & Jaquith has opened a branch office at 112 Second Street, S. W., under the direction of A. T. Montoya.

New Honnold Branch

SALT LAKE CITY, Utah — Honnold and Company, Inc. has opened a branch office at 53 East Fourth Street South, under the management of J. W. Shields.

THE MARKET... AND YOU

By WALLACE STREETE

The going was rough in the stock market this week as the previous record high for the industrials put up somewhat stiffer resistance than had been the rule.

* * *

Many of the issues were downright discouraging. One research department, studying the recent unfavorable action of Westinghouse, came up with a depressing estimate of 1955 earnings of $3.60 against more than $5 last year and recommended a switch into Pfizer which is expected to post a 15% boost in this year's earnings. But Westinghouse responded by rebounding vigorously from its recent new low. Pfizer's price action was desultory.

* * *

That Split Interest

A good bit of the market action was devoted to anticipated splits, with reactions following in cases where the hopes were too high. Probably the leading illustration of this was Sears Roebuck which had been putting on some spirited price surges in anticipation of a stock split. When no such action came out of the directors' meeting early in the week, the issue tumbled rather hard. Directors, however, were careful not to slam the door on future action and the stock was able to stabilize after the initial disappointment.

* * *

Bethlehem Steel, also regarded as a likely split candidate, was one of the more buoyant of the steel shares. Directors of the company meet in two weeks. This, plus the fact that U. S. Steel has split its shares this year without Bethlehem following suit so far, served to heighten the expectations.

* * *

"Deal" Rumors a Stimulant

Where a stock split has already taken place, as in Monsanto Chemical, a variety of possible "deals" served as the chief topics of discussion. The company has been linked with a variety of others ranging from American Viscose, which was denied, to Lion Oil which still lacks any official recognition. It was enough to give at least momentary spurts to the stock of the other companies, although Monsanto was inclined to be among the laggards more than not this week.

* * *

The actions of other chemical shares weren't any more encouraging. The big play in duPont arising out of its large holding of General Motors was pretty much over, and the stock was given to sinking spells of some size. Even Olin Mathieson, which is considered the more intriguing of the chemicals currently, replaced last week's good strength with somewhat pronounced weakness at times. Olin has been far more energetic in the merger field than the other chemical companies, starting with the big merger of Olin Industries and Mathieson Chemical Corp. not quite a year ago, which followed the acquisition of E. R. Squibb to put the firm in the pharmaceutical business. Its recent acquisitions have been aimed at a paper company and Blockson Chemical, to give it a wide range of interests starting with a railroad and running through guided missiles, coal mining equipment, ammunition and petrochemicals.

Earnings Guessing

Guessing on earnings brought some spirited responses in some issues including Chrysler and Allegheny Ludlum Steel. Chrysler, particularly, is certain to show a highly favorable comparison with the dour earnings of last year when the company was in trouble. Some estimates for the first half earnings run as high as $8, or roughly four times the full year's results in 1954.

* * *

The warm weather, apparently, is expected to be a good boon to the soft drink shares which showed on good demand including elevation of Pepsi Cola to the top rung in turnover at times. The stock was able on this new popularity wave to post its best reading since 1948 and forged well into the 20 bracket. The issue has been in the doldrums for a rather longer period than other of the traditional laggards and has a good distance to go to equal its 1946 high of above 40.

* * *

Coca-Cola, once an esteemed investment, has also been poorly regarded for a rather long period until interest picked up in it recently. The stock finally worked back to the 145 level against highs of around 125 last year and 1953 but in comparison with a peak of 165 as recently as 1950 and 200 in 1946. The $5 dividend has been rather constant but earnings reports haven't encouraged much speculation over any possible increase in the rate. A good measure of the new interest in the stock followed unofficial reports that the company might be in line to renegotiate its perpetual contracts with the bottlers to end the squeeze of rising cost vs. a fixed return.

* * *

As far as group action is concerned, few others will seriously challenge the private depression that has afflicted the textile shares virtually since the end of World War II. Yet there were signs of some quiet accumulation by some of the more practiced investors this week. Textron's apparent aim to diversify well outside the prime textile field—one of the more remote being a plan to take over Western Union's cable business—kept the issue interesting to a good extent and while it was no dynamo pricewise, it was able to maintain good stability when the market was heavy generally.

Another behind-the-market group that has been getting good attention, at least from the market analysts, are the sugar stocks which have had unsatisfactory market experiences of a long-standing nature. West Indies Sugar is usually prominent when the discussion centers on issues that are selling below their asset value. The stock has had the minor range of around five points for the first half of this year with a good body of opinion holding that it is a thoroughly liquidated situation with no way to go but up on the slightest pickup in investor interest.

Above-Average Rail Situations

Rails have been another group poised on a one-way, up track in majority opinion. But the demand hasn't yet come along so that the carriers offer some of the better dividend yields of the moment plus, in cases like Southern Pacific, a fair chance of even higher payout with a concurrent price appreciation. The stock has partially reflected an above-average situation by moderate strength during periods of general market buoyancy.

* * *

As a group the rails have shown somewhat better action at times this week after their listless recent performance. The rail average has shown no interest in exploring the new high level touched momentarily three weeks ago, but the feeling is that any real penetration on subsequent strength will go a long way to encourage investors looking for behind-the-market situations.

* * *

New York Central, despite its doubled price since control of the line changed hands, still has its enthusiastic followers who are freely predicting that the present $2 dividend will be doubled within a year or two. Apparently they are sufficiently numerous to keep the stock forging to new highs, as it continued to do this week.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 8

NSTA Notes

of the construction of the Mackinac Toll Bridge which should be of interest to many of our members. The new officers and directors will be introduced at the Banquet on Wednesday evening which will conclude the Convention.

A special train has been arranged for the convenience of the members.

The members and guests enroute to the 22nd Annual Convention of the National Security Dealers Association will leave in special Pullman cars from the East on Saturday, Sept. 10, and those from the West and South will leave Chicago that evening. At Fort Wayne the Pullmans from both East and West will be consolidated into a special train arriving at Grand Rapids Sunday morning where a stop will be made for church services. Upon arrival at Mackinaw City in the afternoon the group will transfer by ferry to the Island.

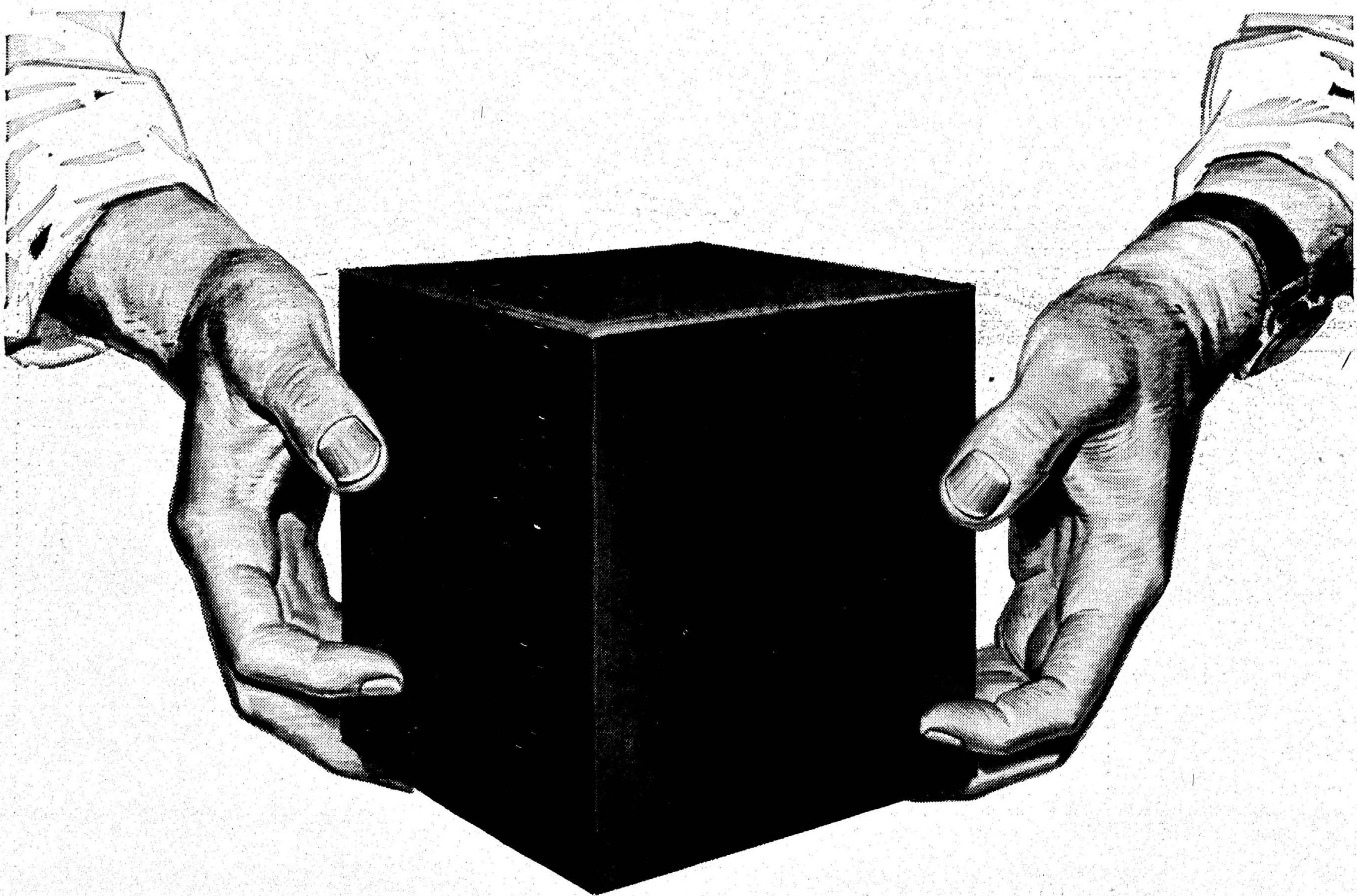
The special train will leave Mackinaw City on Thursday, Sept. 15, at 3:30 p.m. arriving at Grand Rapids at 9:40 p.m. and at Fort Wayne the cars for the East and West will be attached to regular trains arriving at Chicago and Pittburgh Friday morning and Philadelphia and New York in the afternoon.

The cost of each tour includes round trip rail and Pullmans, meals on train as specified, transfer of individuals and baggage between train, docks and Grand Hotel. Hotel room on American plan (two in room) are also included. Single occupancy of hotel rooms will be $4 additional. Gratuities are not included.

For reservations and additional information communicate with: Charles L. Wallingford, H. M. Byllesby & Co., Philadelphia; John F. McLaughlin, McLaughlin, Cryan & Co., New York; or Edward H. Welch, Sincere and Co., Chicago.

DETAILED TOUR SCHEDULE
(All time mentioned is Standard and not Daylight Savings Time)

GOING SCHEDULE		
From the East		
Saturday, September 10th—		
1:15 p.m.	Leave New York	Penna. R.R.
2.57 p.m.	Leave North Philadelphia—Dinner on train	Penna. R.R.
10:30 p.m.	Leave Pittsburgh	Penna. R.R.
From the West		
10:30 p.m.	Leave Chicago	Penna. R.R.
Sunday, September 11th—		
4:00 a.m.	Leave Fort Wayne	Penna R.R.
8:45 a.m.	Arrive Grand Rapids — Breakfast on train	Penna. R.R.
9:45 a.m.	Leave Grand Rapids — Luncheon on train	Penna. R.R.
3.45 p.m.	Arrive Mackinaw City	Penna. R.R.
5:00 p.m.	Arrive Machinac Island	Steamer
RETURNING SCHEDULE		
Thursday, September 15th—		
2:00 p.m.	Leave Mackinac Island	Steamer
3:30 p.m.	Leave Mackinaw City — Dinner on train	Penna. R.R.
9:40 p.m.	Leave Grand Rapids	Penna. R.R.
Friday, September 16th—		
6:20 a.m.	Arrive Chicago	Penna. R.R.
7:55 a.m.	Arrive Pittsburgh—Breakfast served arriving Pittsburgh	Penna. R.R.
3:25 p.m.	Arrive North Philadelphia	Penna. R.R.
5:05 p.m.	Arrive New York—Luncheon on train	Penna. R.R.



The Credit Squeeze in Britain

By PAUL EINZIG

In commenting on views about Britain's economic position and prospects, Dr. Einzig points out the adverse effects of the recent strikes have been deferred, and conditions ahead are not generally favorable. Sees a problem of inflated domestic consumption in Britain, and says country is living beyond its means; says rise in prices and wages has caused corresponding increase in volume of credit that is resulting in a credit squeeze.

LONDON, Eng.—The wave of optimism that followed the Conservative victory at the General Election is gradually giving way—at any rate in official quarters — to more sober and realistic views about Britain's economic position and prospects. It is true that the decline of the gold reserve during the strike month of June was very small. But the prolonged dock strike is expected to produce deferred effects that is likely to be felt over months. The exports of motor vehicles in particular is expected to suffer, because, owing to the delay, import licenses in various countries have expired and orders have been cancelled. Although this aspect of the balance of payments problem is receiving much publicity, it is incomparably less important than the problem of inflated domestic consumption in Britain.

Dr. Paul Einzig

In official circles it is realized that the country is living beyond its present means. The wages claims that are chasing each other in a rising vicious spiral have raised the cost of production of many exporting industries to such an extent that their prices are now barely competitive. The increased wages payments have resulted in heavy consumer demand for goods that could and should be exported. Most industrial firms are too prosperous to refuse wages demands and risk an interruption of their highly profitable production. Indeed, most of the strikes in recent months occurred in nationalized industries.

The expansion of production and the rise in prices and wages has entailed a corresponding increase in the volume of credit. Throughout the post-war period, apart from a brief interruption during the credit squeeze of 1952, it has been an understood thing for banks to satisfy the increased credit requirements of their customers, provided that the money was needed for sound business purposes. If as a result of granting wages claims the wages bill of an industrial firm increased, it could depend on its bank to raise its credit limit accordingly.

Acting under the influence of the balance of payments problem, the Government has now arrived at the conclusion that a halt must be called to the rising cost of production of exporting industries. To that end, expansion of production for the domestic market must be checked. This could only be done by making industrial firms realize that the sky is no longer the limit to their bank credit accommodation, and that they are liable to encounter difficulties if they assumed commitments involving a substantial increase of their credit requirements.

The long-overdue credit squeeze has made its first appearance. Acting on unofficial hints by official quarters, the banks have instructed their branch managers to resist further demands for increased credit facilities and to endeavor to curtail the existing limits. There is as yet no hard and fast rule, and each individual case is to be judged according to its merit. It seems probable, however, that before very long, more rigid rules will have to be enforced in order to make the Government's monetary policy effective.

Britain's experience of 1925 has conclusively proved that in itself an increase of the bank rate need not necessarily bring about a reduction in the volume of credit, or indeed arrest the process of credit expansion. During a period of rising prices and prosperous trade the turnover of goods is quick, so that the burden of the additional interest charge is not unduly heavy. In any case it can be passed on to the consumer. The increase of the bank rate to 4½% has utterly failed to induce most British borrowers to curtail their borrowing of their own free will. It seems probable that a further increase of the bank rate to, say, 6%, would be almost equally ineffective. The bank rate would have to be raised to a prohibitive level before it could produce its effect automatically.

It has become evident that high bank rate has to be supplemented by credit reductions on the initiative of the lenders. It would be considered infinitely preferable if the banks themselves could achieve this end without rigid restrictions being imposed on them by the Government by means of an official "request" which amounts to a command. To some extent the desired end is being achieved through a reduction in the liquid resources of the banks by means of policies pursued by the Bank of England. Until recently the banks were able to supplement their liquid resources by realizing their short-dated Government securities. A stage has been reached, however, at which the banks have not enough short-dated stock which they could sell. They would have to sell their long-dated stocks in order to maintain their liquid ratio. Owing to the decline in the quotations of Government Loans, however, this would entail heavy capital losses. It would also cause a further decline in the market for Government Loans and this would further increase the cost of impending issues by the Treasury and by nationalized industries.

Both Government and banks now feel that the volume of credit must be curtailed without any further reduction of bank cash through the selling of Government Loans. It may not be necessary for the Treasury to instruct the banks formally about the extent of credit restrictions. The banks themselves may feel the need for cutting down their total credit facilities to a sufficient extent to safeguard their liquidity.

To some extent, however, the banks feel that it would strengthen their hand in the performance of an unpopular task if the Government were to make it plain to the public that the banks are acting under pressure from official quarters. The position of bank managers having to refuse credit for perfectly sound and secure transactions is not enviable. In the old days under the gold standard their customers were used to such refusals and accepted them as a matter of course. For the last 20 years or so, however, the business world has been accustomed to much more liberal attitude on the part of the banks. Indeed the new generation of businessmen is not accustomed to the sound of the monosyllable "no" on the part of the banker. Fortunately for the harassed bank managers, all banks are more or less in the same boat, so that they can safely ignore the threats of their customers that, in case of refusal, they would take their account elsewhere. Even so, bankers are in for a difficult period. During the next few months they will have to perform an unpopular but necessary task.

Whether the extent of the credit squeeze will be such as to cause unemployment, remains to be seen. This need not necessarily be the case to any considerable degree. The first step towards the deflation of the consumers' increased purchasing power will be to cut down overtime payments and various bonuses and other expensive facilities with the aid of which industrial firms have been trying to attract each others' employees. Possibly a drastic curtailment of such expenditure under the influence of the credit squeeze will achieve the desired result.

Morgan Stanley Group Offers Illinois Bell Telephone Bonds

An underwriting group headed by Morgan Stanley & Co. offered for public sale yesterday (July 13) a new issue of $30,000,000 Illinois Bell Telephone Co. first mortgage 3¾% bonds, series D due July 15, 1995. The bonds, awarded to the group at competitive sale July 12, were priced at 101¾% and accrued interest to yield approximately 3.17% to maturity. The group's winning bid was 101.16, naming the above interest rate.

Money from the sale of the bonds will be applied by the communications company toward repayment of advances from American Telephone & Telegraph Co., which owns over 99% of the Illinois company's capital stock. Such advances have been used to finance construction on which the Illinois company spent $344,400,000 in the five-year period 1950-1954.

In June 1955 Illinois Bell sold 663,438 shares of its capital stock to shareholders at par, $100 per share. Proceeds from this sale have been applied toward repayment of advances from the parent company.

The series D bonds are redeemable at the option of the company at 104¾% if redeemed on or before July 14, 1960 and thereafter at prices decreasing to 100% on and after July 15, 1990.

Illinois Bell has more than 3,000,000 telephones in service, about 55% being located in Chicago. Other principal communities served include Aurora, Berwyn, Cicero, Decatur, Evanston, Joliet, Oak Park, Peoria, Rockford, Rock Island and Springfield, Illinois and East Chicago, Gary and Hammond, Indiana.

Total operating revenues for 1954 were $347,796,654 and total income before interest deductions $40,830,491.

Form Percy Friedlander Co.

Percy Friedlander and Robert J. Friedlander on Aug. 1 will form Percy Friedlander & Co. with offices at One Wall Street, New York City. The new firm will be a member of the New York Stock Exchange, with Robert J. Friedlander acquiring the membership. Percy Friedlander was formerly a partner in Gimbel & Co.

Continued from page 7

Estate Planning

lasting personal interest in his family and his estate.

Trusts

Next I would like to delve into the subject of trusts. A trust is relatively unimportant in an estate like that of our Average Man but it is a very important and useful device for the transmission of property in a large estate and in special situations. First, let me define a trust. Very simply, it is a holding of property subject to the duty of employing it or applying its proceeds faithfully according to directions given by the person from whom the property was derived.

In general there are two types of trusts. One is a voluntary trust created under an agreement and is known as a living trust because it is created during the grantor's lifetime. A living trust may be revocable if the person who creates the trust provides that it can be changed or ended during his lifetime. Or a living trust may be irrevocable if it cannot be changed during the grantor's lifetime and once created it is final and binding.

Let me tell you the story of how a living trust proved to be the answer in the estate planning for an elderly maiden lady, Miss W., who came to us for help some time ago. She said she no longer felt competent to look after her securities; she was afraid she might become incapacitated, and, although she had some near relatives to whom she wanted her property ultimately to go, her main concern now was for herself.

We discussed a Custody Account and how it provides help for those who need asistance in the physical handling of dividends and coupons and wish to have all their financial affairs centered in one place but Miss W. said she needed something more than that.

Next we discussed what we call an Investment Service Account, which in addition to the services of a Custody Account, provides investment recommendations but, as we pointed out to Miss W., the final decision in regard to investment changes would rest with her. Again, Miss W. wanted something more—she did not want to be burdened with decisions about things with which she was not too familiar.

Then we finally discussed the living trust, showing Miss W. that all of her securities could be placed in trust for her own benefit during her lifetime and disposed of to her relatives after her death in accordance with the Trust Agreement. Miss W. would have to make no more decisions — her trustee would take care of all her financial affairs. She would receive all the income from the Trust and also whatever amounts of principal she might require. This was just what Miss W. was looking for. After the details were worked out, Miss W.'s attorney prepared the Trust Agreement, she executed it, her securities were transferred to the Trust and Miss W. was happy.

I mentioned before that there were, in general, two types of Trusts. The first was the voluntary or living trust and the second is the testamentary trust or trust created under a Will. It is unlike the living trust in that it does not become operative during the lifetime of the grantor or creator of the trust. Aside from the manner in which it is created and the time it becomes effective, the provisions of both may be substantially the same and the same rules of law govern both the testamentary and the living trust.

If we go back to the case of Mr. Y with his $125,000 estate, and the case of his widow, Mrs. Y, we find a situation where the use of a testamentary trust will materially reduce estate taxes. In his case, if, after the payment of his debts and administration expenses, Mr. Y gave his wife all of his property outright, we found there would be no Federal Estate taxes due at his death. However, at Mrs. Y's subsequent death there would be a Federal Estate Tax of $9,340 due. If Mr. Y were to give his wife only the maximum marital deduction of $60,000, and were to create a testamentary trust for his wife's benefit of the balance of his estate there would be no Federal Estate Tax due at Mrs. Y's death and additional funds would be available to ultimate beneficiaries.

Up to this point I have covered mainly the way in which a man's property is distributed by Will or Trust. There are certain types of assets which are distributable other than by Will; for example, life insurance not payable to a man's estate and property held in joint tenancy. As you undoubtedly know, jointly held property is property held in two or more names. I am sure you are all familiar with joint bank accounts. Such accounts do not pass through the decedent's estate. The funds in these accounts, however, are blocked upon the death of a co-tenant and in most states can only be released to the survivor upon filing with the bank a Certificate of Death and a State Tax Waiver. Real estate also is often held jointly — most often by a husband and wife and on the death of either of them the other will immediately secure title to the property without the need of any Will or any proceeding in the Surrogate's Court.

Life Insurance

And now I would like to discuss very briefly a few of the benefits available under life insurance policies in which we are primarily interested in planning the estate of the average person. There are certain benefits available under life insurance policies which are not obvious and with which the average person is not familiar. These are the various settlement options provided in the policies. As you know, if your husband has a $1,000 ordinary life insurance policy naming you as beneficiary, the company will pay out the proceeds—$1,000—to you in a lump sum at his death. However, under most life insurance policies, the proceeds may also be made payable to the beneficiary under various options such as:

(1) The interest option which means the company will pay the beneficiary interest each year in the same manner as interest is paid on a bond.

(2) A second option is the limited instalment option which provides that the proceeds be paid out in equal instalments until the proceeds are exhausted.

(3) Then there is another available option—perhaps the one most used in estate planning. This is known as the Life Income Option with instalment payments guaranteed for a definite number of years and thereafter continuing throughout the lifetime of the beneficiary. Under this option a man may name his wife his primary beneficiary and be assured that she will receive income from this insurance throughout her life no matter how many years she may live. Should she survive only five years and the settlement option guarantee payments for ten years, then either the payments due over the next five years or their computed value will be paid to a contingent beneficiary or beneficiaries.

Each insurance company has various settlement options available and written into its policies but in addition, on request, the companies will write special settlement agreemens to provide for whatever distribution the insured wishes so long as his wishes are not to far out of line. Thus life insurance becomes a very flexible and valuable asset in every estate and its importance should not be underestimated.

I hope that in trying to disperse any clouds of mystery that may have surrounded estate planning I have not led you to believe that the disposition of a person's estate is a simple matter. It is anything but that and from my discussion I am sure you can realize a few of the many considerations involved in spite of the fact that I could only touch on them briefly and in a very elemental manner. However, if we will all give due thought to these considerations and use this tool we know as "Estate Planning" to carefully plan our own estate arrangements before it is too late, perhaps we may be able to attain at least some part of that "nine-tenths of wisdom" which Theodore Roosevelt some years ago said "consists of being wise in time."

Bankers Offer Siegler Corp. Common Stock

An issue of 225,000 shares of The Siegler Corporation common stock were offered publicly on July 13 at $11 a share, by an underwriting group headed by William R. Staats & Co., and including Dominick & Dominick, Bache & Co. and Schwabacher & Co.

The Siegler Corp.—started as a family business in 1921—maintains its general offices and plants in Centralia, Ill. It is engaged in the manufacture and sales of space heating units for use both with oil and natural gas fuel. The Siegler heaters, which are unique in their field, are sold direct to over 5,000 retail units in 37 states, Alaska, and the District of Columbia. In addition, Siegler has recently acquired the Hallamore Mfg. Co., a young California electronics firm engaged in the design, manufacture, and sale of various electrical and electronic devises, largely for U. S. government use. Its principal products include communication equipments and systems, scintillometers and geiger counters, test and group support equipment for guided missiles, and industrial closed circuit televisions equipment. Hallamore is now being operated by Siegler as a separate division under the name of Hallamore Electronics Company in Long Beach, California.

Hallamore's backlog as of April 30, 1955, was over $2,000,000; net sales for the year ended Dec. 1954, $2,425,000. The Siegler Corporation's net sales for the 10-month period ended April 30, 1955 were $6,887,758.

Proceeds from the sale of stock will be used to provide working capital and for general corporate purposes. Including the 225,000 shares offered, stock capitalization outstanding will be 485,000 shares of $1 par value common stock.

Form Feigon & Levy

Thomas Levy, member of the New York Stock Exchange, and Gershon J. Feigon will form the Exchange member firm of Feigon and Levy with offices at 44 Wall Street, New York City, as of July 18. Mr. Levy was a partner in Stanley & Co.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Willard N. Moore, Jr., and Richard M. Lamb are now with Merrill Lynch, Pierce, Fenner & Beane, 23 Pryor Street, N. E.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga.—Kenneth V. Dawes has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 101 Twelfth Street.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga.—Lawrence M. Austin is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 7 Drayton Street at Bay.

Forms Sequoyah Secs

OKLAHOMA CITY, Okla. — James R. Fitzgibbon is conducting a securities business under the name of Sequoyah Securities Co. from offices in the Fidelity Bldg.

Forms Zone Inv. Co.

FT. WORTH, Tex. — Crawford S. Bullington is conducting a securities business from offices at 2901 Cleburne Road under the name of Zone Investment Co.

Joins Green, Erb

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Edward L. Rickard is now with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

With Ashton & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Lloyd W. Berger has become associated with Ashton & Co., 15315 West Mc-Nichols Road.

With Harris, Upham Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Robert H. Hinsen has become associated with Harris, Upham & Co., 912 Baltimore Avenue.

F. L. Salomon Partner

F. L. Salomon & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on July 14 will admit William Brockman to limited partnership.

In Support of Fulbright Bill Concerning Unlisted Companies

By G. KEITH FUNSTON*

President of the New York Stock Exchange

New York Stock Exchange Executive, speaking in favor of the Fulbright Bill, presents views regarding placing under SEC regulation companies with assets of $5 million or over and having 300 or more shareholders.

I'm happy to have the opportunity to present to the committee the position of the New York Stock Exchange on the Fulbright Bill (S-2054) to amend the Securities Exchange Act of 1934.

G. Keith Funston

Some 2,200 companies whose securities are registered on national securities exchanges are presently subject to the following provisions of that Act: Section 12 (Registration), Section 13 (Supplemental Reports), Section 14 (Proxy Requirements) and Section 16 (Reporting of purchases and sales made by officers, directors and 10% stockholders of the equity securities of their companies and the recapture by the corporation of any profits made within a six-month period by these persons).

Publicly held companies whose securities are not registered on a national securities exchange are not subject to all of those requirements. It has long been our view that a single standard should apply to all publicly held companies. Public owners of unlisted securities are entitled to the same considerations and safeguards as the holders of securities registered on a national securities exchange. If the present requirements are shown to be too burdensome for publicly held companies which are unlisted, then the burdens should be lightened on listed companies. But, in any case, the double standard should not be allowed to continue.

The Fulbright Bill would subject all companies having assets of at least $5 million and at least 500 security holders to the provisions of the Securities and Exchange Act of 1934 to which listed companies are now subject. It would abolish the double standard as to companies of this size.

However, we question whether the $5 million asset figure and the 500 security holder standard may not be too high for determining which companies are publicly held and which should be brought within the provisions of the Securities Exchange Act. In 1941, the New York Stock Exchange, after much consideration, concluded that any company with at least 300 stockholders and $3 million in gross assets was publicly held and in the public interest should be subject to the provisions of the 1934 Act. That is still our view.

As far as the New York Stock Exchange is concerned, it makes no difference whether the $5,000,000-500 or the $3,000,000-300 formula be used. In either case there are only 120 unlisted companies which meet our minimum requirement for listing—$7,000,000 in assets. Many of these 120 companies would be unable or may not wish to comply with our additional, more stringent, listing requirements.

However, we understand that the $5,000,000-500 formula would cover about 1,300 companies and the $3,000,000-300 formula about 1,800 companies. A large number of these companies would be eligible for listing on the regional exchanges and one of the strong objections they now have to listing would be removed. To the extent that these companies might list their securities, the public would have the additional advantage of price, quotation and volume information which exchange markets provide. But there are many companies already listed on the regional exchanges which do not have assets of $5,000,000. These companies would still be subject to the double standard.

In perfecting the draft of the Bill, we think further thought ought to be given to defining security holders as holders of equity securities, to prescribing standards for the exercise by the Commission of its exemptive powers, and to setting the minimum at $3,000,000 gross assets and 300 stockholders. Subject to these comments, we believe the Bill under consideration is sound in principle and its enactment would be in the public interest. It would enlarge the area of informed share ownership, and, to a substantial extent, would abolish the double standard which now exists. In the case of many of the companies which would be affected by the Bill, additional infomation would be made available to stockholders at more frequent intervals than at present; stockholders would be provided with more informative proxy solicitation material; stockholders would be apprized of the securities transactions of officers, directors and 10% stockholders; and the stockholders would be able to obtain the same credit on the securities of these unlisted companies as they could if the securities were listed on a national securities exchange.

For many years the Exchange has been a staunch advocate of full and adequate disclosure of corporate affairs to shareholders and the public. Present disclosure requirements of the New York Stock Exchange go much beyond those of the 1934 Act and the rules and regulations of the Securities and Exchange Commission.

For example: The Exchange requires its listed companies to furnish to their shareholders annual reports and to publish quarterly reports of earnings, except in a few cases where such a quarterly report is not feasible. At the present time, 89.7% of our companies publish quarterly earnings figures, 6.9% publish semi-annual figures, and 3.4% publish only annual figures.

Since 1926, the Exchange has not listed any non-voting stock. Recently it has adopted a policy under which any issuer desiring to list its shares on the New York Stock Exchange must agree to solicit proxies.

The Exchange has taken these steps believing firmly that shareholders, as owners of the corporation, are entitled to adequate information about the affairs of their companies, and should have an opportunity to voice their opinions on important corporate matters. The passage of this Bill would be in keeping with the traditional position of the Exchange on disclosure.

We believe that the enactment of this Bill in providing share owners with additional information about publicly owned companies will be a constructive move in the education of the American people and in building up their confidence in the securities markets. It should encourage their increased participation in providing the $375 billion which it is estimated United States corporations will need for plants, products, tools and jobs required to build to the economic levels projected for 1965.

*Statement by Mr. Funston before the Sub-Committee on Securities of the Senate Committee on Banking and Currency, Washington, D. C., June 30, 1955.

Van Alstyne, Noel & Co. Offers Vanadium Queen Uranium Stock

Van Alstyne, Noel & Co., New York, on July 8 publicly offered 550,000 shares of capital stock (par 10 cents) of Vanadium Queen Uranium Corp. at a price of $2.50 per share. Each share of stock is accompanied by a warrant entitling the owner to purchase on or before Jan. 2, 1957, an additional one-half share of stock at $2.50 per share.

Of the 550,000 shares being offered, 480,000 shares are being sold on behalf of the company and 70,000 shares on behalf of certain selling stockholders.

Net proceeds from the sale of the 480,000 shares, will be used by the company to retire notes and for general corporate purposes.

Vanadium Queen Uranium Corp. owns or leases an aggregate of approximately 375 unpatented claims covering an area of about 7,500 acres, located in the Colorado Plateau in the vicinity of Moab, Utah, near the Colorado-Utah state line, except for six claims in the Inter-River mining district to the west of Moab. The company's Vanadium Queen mine on the Vanadium Queen No. 1 claim has been a well-known producer of vanadium ores for many years. The Vanadium Queen mine has produced about 5,300 tons of ore since July, 1953, is presently producing at a rate of 15 tons per day. It is planned to step up this output after receipt of proceeds from the current financing. The engineer's report states that the Vanadium Queen property of 12 claims, as of June 1, 1955, had proven ore reserves of around 11,975 tons with an estimated average gross assay value, before production costs, of $81.87 per ton and probable ore reserves of approximately 3,395 tons with an estimated average gross assay value, before production costs, of $84.03 per ton.

Upon completion of the present financing, outstanding capitalization will consist of 1,005,000 shares of capital stock and 275,000 rights to purchase additional shares.

Forms Earle Smith Co.

MARSHALL, Mo. — Earle H. Smith has formed Earle Smith Company with offices at 358 West Summit to engage in a securities business. Mr. Smith was previously with E. R. Bell Co.

With Financial Investors

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Milo R. Roberts has joined the staff of Financial Investors, Incorporated, 1716 Broadway. Mr. Roberts was previously with Richard A. Harrison.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — James D Creger is now with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Creger was formerly with Marache, Dofflemyre & Co.

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Dividends, Dynamics and Wages

maintaining our business rather than as a new investment on which added return can be expected" (Table I).

In addition to the fact that the trend of earnings has been flat despite the additions to plant and equipment, heavy expenditures on capital goods have kept the margin for dividend payments a very narrow one indeed. Management's apparent conservatism in payments to stockholders in recent years seems in fact to have been a matter of stern necessity, as a study of Table II shows:

Of course, these corporations did float long-term debt and new stock issues to the tune of $8 billion net during the 1951-1954 period. However, very little of this was available for dividends, as nearly all of it was needed for working capital. Even with this inflow of funds, working capital has just about managed to keep pace with the growth in sales. At the present time, working capital is equal to about 78 days' sales—only very slightly above the 1953 ratio and still a little below 1951.

These data are pretty clear proof that our postwar "dynamic" economy has to plough back about two-thirds of its cash earnings in manufacturing corporations to keep going and this plough-back does not necessarily result in a corresponding rise in earning power. *Indeed, the Table II above suggests that rising dividends come primarily from the increased depreciation charges which accrue as a result of the additions to gross plant and equipment.*

The Rising Cost of Labor

The failure of earnings to keep pace with the rest of the economy is primarily due to the spiraling cost of labor. However, this is not a new phenomenon in our economy, for the country has gone through a more profound economic revolution in the past 25 years than most people realize Not only has labor's share of the national income been increasing—the shift has been substantial in size and unremitting in tempo:

(1) In 1929, 60% of total personal income was paid in wages and salaries—but this component is now approaching three quarters of the total, and its share has increase pretty steadily at a rate of about 0.4% per year. At this rate, more than four out of every five dollars of personal income will be accruing to labor by 1965.

(2) The converse of this trend has been the shrinking share of profits. Profits now receive only 10% of total income originating in corporations—a sharp drop from 16% in 1941 and 18% in 1929.

(3) Correspondingly, dividends and interest have also lagged. Only 8% of personal income is paid in this form today, compared with 15% in 1929.

Furthermore, it would be naive to believe that these trends will be reversed in the forseeable future. With the automobile workers doing the trail-blazing, most industrial workers now earn wages which are stepped up with changes in the cost of living as well as output per man-hour. But perhaps even more important, through old age pensions and supplementary unemployment benefits, *labor is now claiming a substantial amount of income when men are not working!*

The Need for Capital Equipment

Thus, in recent years, technological change, the introduction of new products, the normal growth of the economy, and the rising cost of labor have all forced businessmen to invest tremendous sums in new capital goods without a corresponding increase in earning power. More than $100 billion has been spent by all corporations for this purpose in the past four years, and authoritative estimates indicate that another $100 billion will have been spent by 1957, with average annual expenditures after that running at more than $40 billion a year. Since the end of World War II, in short, we have both doubled our stocks of durable capital equipment and replaced virtually all equipment which was in use in 1941.

In fact, durable capital equipment has expanded much faster than the number of workers employed. Measured in dollars of 1947 purchasing power, we are now using half again as much capital equipment per worker as we used only 15 years ago; in many manufacturing operations today, there is more than $10,000 invested in capital goods for every worker employed. Some examples of gross plant and equipment per worker at the end of 1954 are: General Motors, $7,840; U. S. Steel, $17,400; duPont, $16,100; International Paper, $13,300.

As might be expected, the increased use of equipment relative to labor has significantly improved the volume of output per worker. Measuring in dollars of 1947 purchasing power, each worker now produces about $5,100 a year in goods and services—this is well above the $4,200 produced at the end of World War II, and it far exceeds the $3,800 produced in 1941 and $3,300 in 1929. With each worker now producing $154 for each $100 produced 25 years ago, a very substantial offset to the rising cost of labor has obviously been achieved.

But this does not mean that the increased amount and productivity of capital equipment has accrued to the benefit of capital. Over a long period of time, output per dollar of equipment (in 1947 dollars) ~~has been~~ surprisingly constant, with the result that every increase of $100 in total output has required the addition of about $67 in equipment. Since, as we pointed

TABLE I

	—Billions of Dollars—		—Per Dollar of Gross Plant—		
Year	Earnings Before Taxes	Earnings After Taxes	Sales	Earnings Before Taxes	Earnings After Taxes
1951	27.5	11.8	$2.70	$0.303	$0.130
1952	22.9	10.8	$2.48	$0.229	$0.108
1953	24.4	11.3	$2.45	$0.226	$0.105
1954	21.0	11.3	$2.13	$0.179	$0.097
*1955	24.0	12.5	$2.25	$0.190	$0.099

*Estimate based on first quarter data.

TABLE II

	—Billions of Dollars*—				
	1951	1952	1953	1954	Total
Profits after taxes	11.8	10.8	11.3	11.3	45.2
Plus depreciation and amortization	5.5	5.5	6.2	6.8	24.0
Total cash earnings	17.3	16.3	17.5	18.1	69.2
Less plant and equipment outlays	10.9	11.6	11.9	11.0	45.4
Available for dividends	6.4	4.7	5.6	7.1	23.8
Dividend payments	4.8	5.5	5.6	5.9	21.8

*Manufacturing corporations only.

out above, profits have lagged behind the growth of the economy as a whole, profits per dollar of equipment have clearly fallen significantly since 1929, and labor has received the lion's share of the increase in productivity.

What of the Future?

To tie this discussion to the future, and in particular to the stock market, we must turn to the primary indicator of investor expectations: the yield on common stocks and the relationship of that yield to the return on bonds.

And at this writing, the bull market has pushed the yield on industrial common stocks below 4% for the first time since the autumn of 1946. Indeed, after most individual investors have paid their income taxes on their dividends, their take-home yield on common stocks has seldom been as low as it is at this moment. Almost all taxpayers can now earn a larger take-home income on decent quality tax-exempt bonds than they can on common stocks—and this comes at a time when bond yields over the months ahead will probably move upward.

So optimism is clearly running at flood tide: these yield relationships reflect more than just a high degree of optimism with respect to the stability of dividend payments—investors can justify accepting the smaller income on common stocks despite the greater risks involved *only if* a steady and substantial *increase* in dividend payments be anticipated. How justified is this optimism in the light of the arguments presented above?

The prevalent optimism does seem to make some sense in terms of this analysis as far as the stability of dividend payments is concerned, for a high level of plant and equipment expenditures contributes to prosperity in the economy as a whole. Other things being equal, therefore, both earnings and dividends may be expected to avoid any sharp and protracted decline as long as the forces making for a high level of plant and equipment expenditures remain strong.

The probabilities also favor a gradually rising level of dividend payments over a period of time. *But this is not at all the same thing as arguing that an unusually low current yield on common stocks is justifiable at the same moment that bond prices are declining.* Basic earning power, upon which dividends must ultimately be based, is likely to be held back by labor's insatiable and apparently successful efforts to increase the worker's share of the national income. To the extent that this can be offset at all, dividend payments per share will not keep step (or the present common stock equity will be diluted), reflecting the need to finance new equipment designed to increase output per man-hour. And, in addition, expenditures on capital goods are likely to remain high due to the dynamics of our economy: introduction of new products, innovation of new productive techniques, shifts in demand, and growth of population.

To all of this must be added the *caveat* that the management of most major American corporations today is not responsive to ownership interests and desires: they consider themselves arbiters in the three-way struggle among consumers, labor and stockholders. The latter, being the least vocal and most poorly organized, are likely to continue to be also-rans when it comes to cutting the pie.

Thus, *even if* all the bright and optimistic projections of the economy's growth should materialize (and even that is a big assumption), the investor should not be surprised if earnings—and even more so dividends—fail to keep pace with the growth of the economy as a whole, any more than they have in the past.

Seen from this standpoint, the stock market may be on the verge of a very dangerous period of over-discounting, of pushing common stock prices to levels which can be justified only by predicting a future too far off to be predicted with any accuracy at all.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Wendell N. Gustafson has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Gustafson was previously with F. S. Moseley & Co.

Dillon, Read Group Offers Texas Eastern Transmission Pfd. Stk.

Dillon, Read & Co. Inc. headed an investment banking group which offered publicly yesterday (July 13) a new issue of 160,000 shares of 5% preferred stock of Texas Eastern Transmission Corp. at par ($100 per share) plus accrued dividends.

Texas Eastern will use the proceeds from the sale of the new preferred stock in connection with its program to reconvert a portion of the Little Big Inch pipeline to the transportation of petroleum products. Construction on the reconversion program has already begun.

New natural gas facilities in the program are estimated to cost $70,900,000, which, in addition to a new 30-inch pipeline, include eight new compressor stations, 100 miles of additional lateral and connecting smaller diameter lines, and the addition of compression to certain existing stations. These new facilities will increase the capacity of Texas Eastern's 30-inch pipeline by an amount equal to that now being carried by the Little Big Inch (approximately 200 million cubic feet per day). Reconversion of the Little Big Inch to petroleum product service is expected to cost an additional $14,800,000.

Straus, Blosser Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Howard S. Gross, Robert A. Lilienthal, Paul H. Schoessling, Gerald R. Verr, Jacob Warsaw and Sol Zisook have joined the staff of Straus, Blosser & McDowell, 39 South La Salle Street, member of the New York and Midwest Stock Exchanges. Mr. Schoessling was previously with Municipal Bond Corp. Mr. Verr was with Mid Continent Investment & Securities Corporation.

With Reserve Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Mrs. Helen S. Herzog has been added to the staff of Reserve Investment Company, Dixie Terminal Building.

The Key to Peace May Be Gold

By B. BARRET GRIFFITH*

Partner, John H. Lewis & Co., Colorado Springs, Colo.
Members, New York Stock Exchange

Mr. Griffith reviews the domestic and foreign situation with reference to the outlook for gold. Concludes the most constructive development in the postwar period which could come about would be a revival of world trade, and this could be accomplished by a realistic treatment of the value of gold. Says realistic treatment of gold is not only key to trade revival, but is also a key to peace.

Because modern governments do not wish any restrictions on the issue of credit, gold has been and is in an unfavorable position. Governments have been following the theory that all the world's ills can be cured by the unlimited issue of credit and paper money. Today it is worthwhile briefly to look at the domestic situation and the foreign situation and from them conclude the outlook for gold.

B. Barret Griffith

Because at this time there may be more benefit from a broad view, I am going to touch only on the overall and general big picture without statistics. During the last 25 years there has been a tremendous expansion in the United States. Industries and corporations have been encouraged to expand their spending and put into motion the increased money supply. High depreciation allowances have encouraged corporations to spend money on plants because the cost of such investments have in effect been deductions from income taxes. Furthermore, corporate taxes have been recently reduced. Money has been easily obtained at low interest rates. Likewise consumers have been encouraged to buy autos, television sets and houses by easy money and small down-payments. Some slight tax reduction has encouraged consumer spending as has the tax provision that proceeds from the sale of an old house can be applied on a new house without any income tax payment on any profits realized from the sale of the old home. The prosperity, inflationary in character, has touched all segments of the economy.

However, recently, and since 1951 declining agricultural prices, including livestock, have resulted in a depression of sorts in that segment of our economy. Like gold mining, we find that the expanding policies of our economy managers have not been applied to agriculture. Price controls, or price supports as they are called, and production, or crop controls have been restrictive on agriculture. Cattle raising, although not restricted by production controls, or directly affected by price supports, has nevertheless failed to enjoy any spending encouragement or profit benefits from a fast write-off for tax purposes for any capital expenditures made. It is a reasonable conclusion that our economy managers must either very promptly apply their expansion policies to agriculture, or face a possibility of seeing that brake on the economy since 1951 drag it into a slump.

At this late date it would be reasonable for agriculture to ask and our money managers give tax relief to farmers and ranchers to include the treatment of all capital expenditures by them for the last five years and henceforth as 100% deductible from income taxes. The purchase of tractors, fencing and barns and even land is as much a necessary plant expense as is factory building for industrial corporations. Furthermore, all profits from the sale of agricultural products and livestock should be regarded as long term capital gains and taxed accordingly. For mining, it would seem reasonable for depletion allowances there to be raised to 50% to compensate for the discrepancy that there has been between depletion allowances in mining and in oil production.

The Foreign Situation

Turning to the foreign situation, the history of the last 15 years is amazing and possibly indicative. We have been allied with the Kremlin and fought the then common enemies, Japan and Germany. We have been allied with Japan and Germany against the Kremlin in an intermittently hot cold war, so-called. What will the next spin on the wheel of world affairs bring? Momentous meetings of foreign ministers of the large nations lie immediately ahead. As has been true throughout history, we may expect that the fundamental issue discussed will be how to obtain goods through mutually profitable trade, or by force and war if peaceful trade cannot be arranged. Many other versions of the discussions will be given, but as always the fundamental issue will be how nations which are hungry for goods can obtain them. Realistically, and because world events of the last 15 years have seen us almost complete the circle of whom are our friends and whom are our enemies, there is ground for economic speculation from projecting one step ahead in the turn of our political wheel.

How World Trade Can Be Revived

If we have been enemies of Japan and Germany and friendly with the Kremlin and later friendly with Japan and Germany and unfriendly with the Kremlin, it is entirely reasonable to expect shortly to see Japan and Germany return to their economic and trade positions of some years ago. In such case, Japan would be the power in the East and Germany the power in Europe. China, India and Russia continue to be hungry for goods produced in the West. It is easier to obtain goods by peace than by war. It is hoped that trade will come about. In such case the United States will either meet the competitive world price in selling part of its goods, or agree that the value of gold paid by the East for the goods is higher than the present $35 per ounce. Although it is entirely reasonable to expect the sale of our surplus goods at lower than present domestic prices, it is equally reasonable to expect that we would choose to sell goods on the world market at about present prices and accomplish the trade by valuing gold given us in payment, at say, $100 per ounce. After all, such a trade arrangement would be better than the giveaway policies we have followed.

The most constructive thing which could come out of the revival of world trade would be that war would be pushed into the background, off the stage, so to speak. Because realistic treatment of gold is the key to trade revival, it is the key to peace.

*An address by Mr. Griffith before the Pikes Peak Subsection of the American Institute of Mining and Metallurgical Engineers, Pueblo, Colo., June 23, 1955.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market was well prepared for the Treasury financing, because the investment community was expecting a long-term bond and the $750 million which was offered, was not so large as to have a disturbing effect upon the outstanding issues. Also, the instalment method of payment for the 3% bond will tend to lessen the need to make immediate switches from other investments in order to make payments for this obligation. The tax anticipation certificates were made to order for corporations and all other institutions that will have to make sizable income tax payments on March 15, 1956. The reception which this offering received indicates the demand was very substantial for the 1⅞% offering.

Even though the Treasury financing is the ruling force in the Government market now, it is evident that there will not be much of a change in the general tenor of things because the money markets are still under pressure and no lifting of this pressure is in sight yet.

Additional 3s in Demand

The 3% due 1995 which was reopened and offered in the amount of $750,000,000 by the Treasury to raise new money has been well received, according to reports. It is indicated that a number of investors have been attracted to this issue, which was available at 100, because it fits into programs which have been rearranged recently in light of current economic developments. It is reported that commercial banks with savings deposits have been among the important takers of the reopened 3s. This gives them a favorable rate of return, which will take care of the money which has to be paid out on savings deposits. Also, the tax and loan account can be used in making payment for the 3% bond, and this is not an unfavorable development for the banks either.

It is reported that not a few of these 3% bonds have also gone into private trust accounts, because it is the judgment of those in charge of the investments of such funds that the issue is more attractive than many non-Government obligations. It is evident that money which ordinarily would have gone into corporate bonds has been invested in the 3s of 1995. It is felt in some quarters that the spread between this issue and available corporate bonds is too narrow, which tends to make the Government obligation the more attractive security.

Banks Still Can Get More Than 3% Yield

Pension funds, both the public and private ones, and saving and loan associations have also been buyers of the reopened 3s, but, according to advices, the larger commercial banks, savings banks and insurance companies have not been attracted to this issue in any important way. It is still evident that the aforementioned institutions have other channels for investing funds, which gives them a more satisfactory return than is available in the Government 3s.

Higher Yield on Treasury Bills

The new tax anticipation certificates which come due March 22, 1956, and will pay interest at the annual rate of 1⅞%, proved to be a very popular issue and they were well taken by corporations, which will use them for the payment of taxes on next March 15. The purchase of the 1⅞% tax certificates by certain corporations resulted in the release, as well as a lessened demand, for Treasury bills which is a favorable development as far as the near-term money market is concerned. This, along with the $100 million of additional Treasury bills which have been offered each week so far, has increased the yield of the shortest Treasury obligation.

3¼s Divested for New 3s

There are reports that certain owners of the 3¼s of 1978-83 have disposed of some of their bonds, with the proceeds being used to make the first payment on the reopened 3s. According to these same sources, there was no trouble at all in finding buyers for the highest coupon rate Government bond which came into the market for sale.

Municipal and Corporate Markets Under Pressure

The municipal market is still on the heavy side, not only because of the sizable floating supply but also because of anticipated offerings. However, it is reported that some of the longer-term tax-free bonds are being taken out of the market with the money for these purchases coming in some instances from the sale of the more distant 2½% Government bonds. These exchanges are not too sizable yet, but there are indications that they will be stepped up if further weakness should develop in the tax free market.

The corporate bond market has been on the defensive, and the reopened 3s have increased the competition for funds that would be invested in the non-Government obligation. Also, it is reported that there have been some fair-sized switches from corporate issues into the 3s of 1995.

Ogden Uranium Brokerage

OGDEN, Utah—Ogden Uranium Brokerage has been formed with offices at 2419 Kiesel Avenue to engage in a securities business. Edward R. Martin is a principal of the firm.

New Hutton Branch

BIDDEFORD, Me. — W. E. Hutton & Co., members of the New York Stock Exchange, have opened a branch office at 161 Main Street under the management of Laurence H. Staples.

With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Thos. J. Lewis is now with Mitchum, Jones & Templeton, 650 South Spring Street, members of the Los Angeles Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald E. Corzine and Thomas D. Price are with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Continued from page 2

The Security I Like Best

company intends to follow an accelerated policy of developing new and diversified products and markets.

Products and market research, scientific engineering, efficient plants and manufacturing equipment and technique, and the versatility to adapt to the changing needs of modern industry, indicate a very favorable picture for the continued growth of the F. L. Jacobs Co. in its fields.

Conclusion

It has been announced recently that General Motors and Ford will embark on a tremendous new expansion program estimated at about $500 million, with Chrysler and the "independents" to follow suit. It is estimated that over 65 million automobiles will be on the road by 1960. The importance of these two factors to the growth potential of F. L. Jacobs is tremendous, and should result in a progressively greater market for its products, creating an attractive growth situation for anyone with the foresight and confidence to invest in a company with such a bright new future.

As an indication of the attractiveness of the present price of the stocks, it should be noted that in 1946 when the company had sales of only approximately $11 million the stock sold as high as 24½. Today, with aggressive and progressive policies, and with sales almost three times as high as 1946, it would appear that at the present figure of about $9.00 a share the stock is very attractively priced both for near-term and long-range prospects. This stock is listed on the New York Stock Exchange.

WILLIAM WITHERSPOON

Investment Counselor
St. Louis, Mo.

Timken Roller Bearing Co.

I always find it difficult to select the one security that I like best because they are legion, but a common stock that I like very much is that of the Timken Roller Bearing Company. The stock is listed on the New York Stock Exchange and other principal exchanges and is currently quoted around 53 to yield about 5.6% on the current $3.00 annual dividend rate.

William Witherspoon

Timken specializes in the manufacture of tapered roller bearings and related parts with the largest part of its output going to the automotive industry. Other industries which it serves include those of machine tool and other industrial machinery, farm implement and road building machinery, paper, steel, and the railroad industry. In this day of mergers and diversification of product, this manufacture of a single type of product is becoming rather unique. In this regard it might be reasoned that the Company is somewhat vulnerable in laying its confidence in this one product, but on the other hard it certainly knows the art of this manufacture, it is the largest producer of roller bearings, and it does supply a varied number of industries.

The capitalization of the Company is very simple. It has no funded debt nor preferred stock.

It merely has 2,421,380 shares of common.

Timken has expanded its manufacturing capacity very substantially since the end of the war. As of Dec. 31, 1945 gross property amounted to $42.92 million and nine years later as of Dec. 31, 1954 gross property amounted to $107.54 million — an increase of 150%! All of this expansion has been financed internally without any outside borrowing nor increase in the capital stock.

Sales of Timken in 1954 encountered a substantial decline because of the lower production of automobiles. Volume amounted to $135.6 million as compared with sales of $178.2 million in 1953. Earnings per share, however, declined only slightly as a result of this decline in operations. The reason for this was the elimination of the excess profits tax in 1954. Hence, earnings last year were reported at $4.40 per share as compared with earnings of $4.48 per share in 1953.

Now with the revival—indeed, exuberance — of the automobile industry, earnings in the first quarter of 1955 recovered to $2.06 per share as compared with earnings of $1.24 per share in the corresponding period of 1954. Although sales of the Company are not published on a quarterly basis it would seem evident from these earnings that not only has the 1953 rate of sales been restored, but it has probably been exceeded thus far this year and the recovery suggests that earnings of around $7 per share might be reported for the full year of 1955.

I arrive at this figure of estimated earnings on the basis of $180 million of sales this year with an operating profit of 23.6% before depreciation and income taxes. I have estimated depreciation at $7.2 million (it was $6.31 million in 1954) and would then deduct income taxes at 52%. This would result in a net income of $16.9 million and would produce earnings of $7 per share.

To project sales and earnings into future years requires many assumptions to be made and these assumptions permit a wide latitude for error to creep in. However, I would be inclined to estimate sales and earnings of Timken Roller Bearing Company for the next six years approximately as follows:

Year	Est. Sales (Millions)	Est. Earnings per share
1955	$180	$7.00
1956	210	8.70
1957	220	9.80
1958	194	9.60
1959	218	10.20
1960	260	13.50

To accommodate these estimated sales I feel that the Company's further expansion can be financed completely out of retaining ¼ of earnings plus depreciation cash. Therefore, I think it might be possible for the Company to pay as much as $4-$5 per share in 1955, depending to a large extent on the market value of the stock.

If the stock remains in the 50's, I think the Directors would be justified in paying out only the current $3.00 or possible $3.50. But, if the stock would advance to around 70 a $4.00 payment (to yield 5.7%) would be reasonable, and if the stock would advance to 85-90 this year a dividend of $5.00 (to yield around 5.7%) would be possible. Looking much further into the future I think that dividends of as much as $10.00 per share are entirely possible by about 1960.

On this basis I feel that the stock at current levels of around 53 offers an excellent investment to produce a good dividend return now, and that over the next few years substantial appreciation will accrue to the patient holder of these shares.

Courts Adds to Staff

(Special to The Financial Chronicle)

ATLANTA, Georgia — Charles Shainker has been added to the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

With Robinson Humphrey

(Special to The Financial Chronicle)

ATLANTA, Ga.—A. Willis Robertson, Jr., has joined the staff of The Robinson-Humphrey Company, Inc., Rhodes-Haverty Bldg.

2 With French & Crawford

(Special to The Financial Chronicle)

ATLANTA, Ga. — Leonard T. Harris and Howard H. Holt are now affiliated with French & Crawford, Inc., 68 Spring St., N.W.

Joins Beer & Co.

(Special to The Financial Chronicle)

ATLANTA, Ga. — William S. Askew has become connected with Beer & Company, Trust Company of Georgia Building.

With A. C. Allyn Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—James F. Sears has become associated with A. C. Allyn & Co., 122 South La Salle Street.

Blunt Ellis Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—George K. Hendrick, Jr., has been added to the staff of Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Link, Gorman, Peck

(Special to The Financial Chronicle)

CHICAGO, Illinois — Theodore L. Coleman is now with Link, Gorman, Peck & Co., 208 South La Salle Street.

With Newhard, Cook

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — George H. Mugge is with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

James J. Major has been appointed a Vice-President in the international department of the **Chase Manhattan Bank of New York,** J. Stewart Baker, President, announced on July 8. Mr. Major, who specializes in the bank's business in the Middle and Near East, has been with the bank for 45 years, serving exclusively in foreign banking. For eight years prior to 1934 he was on the official staff, first as an Assistant Manager and later as a Manager, of the bank's branches on the Isthmus of Panama.

Floyd M. Brown, Leonard Casey and Raymond T. O'Keefe have been appointed Assistant Vice-Presidents of the Chase Manhattan in the real estate department, and Neal T. Fitzpatrick has been promoted to Assistant Vice-President in the Aviation Department. Newly-appointed Assistant Treasurers are Alex H. Ardrey, Jr., Thomas Bellinger, Harry E. Colwell, III, Charles E. Fiero, Jr., Kaye H. Jones and Eugene L. Rooks, III.

* * *

S. Sloan Colt, President of **Bankers Trust Company of New York,** announced on July 11 the election of Charles G. Garrett and Harry F. Tappen as Vice-Presidents. Both had been assistant Vice-Presidents. Simultaneously, the promotion of Carl L. Maurer to Assistant Vice-President and the appointments of Herman E. Frenzel and Truxton B. Pratt, Jr., to the posts of Assistant Treasurer were also announced.

Mr. Garrett started his career with Bankers Trust in 1933 and is asociated with Branch Office Administrtion. He was graduated from the American Institute of Banking in 1928. He became an Assistant Treasurer in 1946 and an Assistant Vice-President in 1951. Mr. Tappen, who is in charge of Branch Loan Supervision, started with the company in 1929 in the Credit Department. A graduate of the National Institute of Credit in 1935 and the New York Institute of Finance, Mr. Tappen became an Assistant Treasurer in 1946 and an Assistant Vice-President in 1951. Mr. Maurer, who was recently elected President of the New York Chapter, American Institute of Banking, joined Bankers Trust in 1929 in the Note Teller Department and graduated from the American Institute of Banking the same year. He was named an Assistant Treasurer in 1947, and is presently assigned to the Out-of-Town division of the bank. Mr. Frenzel is with the company's United States Government Bond Division and Mr. Pratt with the Municipal Bond Division.

* * *

Guaranty Trust Company of New York announced on July 8 the appointment of Charles A. Cleveland as Second Vice-President, to be associated with the group administering the company's business in the Southwestern States. Mr. Cleveland was employed by the First National Bank of New York, now the First National City Bank, in 1947, and in 1952 was appointed an Assistant Cashier. He was graduated from Dartmouth College in 1947 and subsequently attended the Amos Tuck School of Business Administration.

On July 12 the **Guaranty Trust Company** announced the appointment of Louis R. Ince and Everett R. St. Aubyn as Second Vice-Presidents; Howard M. Ashley and Stephen J. Curran as Assistant Secretaries, and Robert A. Harris and Roderick M. MacDougall as Assistant Treasurers. All are associated with the company's main office.

* * *

The election of Charles E. McCarthy to the Board of Trustees of **The New York Savings Bank** at 8th Avenue and 14th Street, New York City, was announced on July 11 by the President, Richard L. Maloney, Jr. Mr. McCarthy is President of Allied Stores Corp.

* * *

Stewart Manor, Long Island will be the site of a new branch of the **Long Island Trust Company,** it is announced by Frederick Hainfeld, Jr., President, following approval by the New York State Banking Department and the Federal Reserve Board. The Stewart Manor office, which will open for business sometime during November, is the third branch to be established by the Long Island Trust Company. Construction of a new building on Covert Avenue, between Stewart Court and Chester Avenue, to house the branch office, will begin in the near future. "All of the present services of Long Island Trust Company, including safe deposit boxes, will be afforded to customers of the new branch," Mr. Hainfeld said. Long Island Trust Company maintains branches on Middle Neck Road in Great Neck and Stewart Avenue East in Garden City, in addition to the main office on 7th Street in Garden City.

* * *

Harry R. Marshall, of Mount Kosco New York, has been promoted to the post of Trust Officer of the **County Trust Company of White Plains, N. Y.** Previously an Assistant Trust Officer, he has been with the bank since 1934.

Edward M. Hoffman, of White Plains, former Vice-President in charge of **The County Trust Company's** Hartsdale office, has been elected a member of the bank's Hartsdale - Scarsdale Associate Board of Directors. On June 30, 1955, Mr. Hoffman retired from The County Trust Company after 30 years of service. He previously had been with the First National City Bank of New York and the Guaranty Trust Company in their foreign departments. While with First National City, Mr. Hoffman spent several years in Brazil with the Rio de Janeiro and Santos branches.

* * *

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	June 30,'55 $	Mar. 31,'55 $
Total resources	131,024,379	108,932,738
Deposits	118,153,268	101,517,617
Cash and due from banks	13,821,392	12,375,622
U. S. Govt. security holdings	41,199,606	36,427,659
Loans & discounts	51,341,946	40,859,884
Undivided profits	1,728,672	1,172,383

* * *

The capital of **The St. Lawrence County National Bank of Canton, N. Y.,** is reported as of June 22, as $200,000, the amount having been brought up to that figure from $100,000, both by a stock dividend of $50,000 and the sale of $50,000 of new stock.

* * *

As a result of a stock dividend of $50,000 the **Falmouth National Bank of Falmouth, Mass.,** has enlarged its capital from $100,000 to $150,000, the new capital having become operative on June 23.

* * *

The First National Bank of Butler, N. J., has increased its capital from $147,000 to $271,000; the increase was brought about by a stock dividend of $49,000 and the sale of $75,000 of new stock. The enlarged capital became effective June 21.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY, PATERSON, N. J.

	June 30,'55 $	Dec. 31,'54 $
Total resources	232,816,962	214,030,396
Deposits	215,765,865	196,959,434
Cash and due from banks	33,562,202	31,475,679
U. S. Govt. security holdings	57,806,633	58,400,235
Loans & discounts	47,685,265	36,726,665
Undivided profits	3,818,592	4,159,821

* * *

James H. Kennedy, widely-known banking executive, brought to a close a distinguished career in the banking business with his retirement on June 30, as Vice-President and Cashier of **The Philadelphia National Bank of Philadelphia, Pa.** Mr. Kennedy launched his 48-year banking career in 1907 with the **Farmers & Mechanics Bank** which was merged with The Philadelphia National in 1918. In 1920, he was made manager of the bank's analysis department and later the same year became manager of the transit department. Mr. Kennedy was made Assistant Cashier in April, 1929 and elected to a Vice-Presidency in 1941. In September, 1948 he added the duties of Cashier to those of Vice-President. Mr. Kennedy has been a member of the American Bankers Association's Bank Management Commission since 1943. He also represented the ABA as a member of the Joint Committee on the Check Collection System of the United States. He has been a certificate holder in the American Institute of Banking since 1918. Mr. Kennedy is succeeded as Vice-President and Cashier of the Philadelphia National Bank by G. Edward Cooper, as noted in our issue of June 30, page 3020.

* * *

Harold W. Scott, Vice-President of **The Pennsylvania Company for Banking and Trusts of Philadelphia** since 1934, has been elected a Senior Vice-President, effective July 1. Throughout his service with the company, he has been identified with its lending activities. Mr. Scott began his banking career with the **Bank of North America** in 1914. He was made Assistant Treasurer in January, 1928, and Treasurer the following November. When the Bank of North America was merged with The Pennsylvania Company in 1929, he became Assistant to the Executive Vice-President, serving in that capacity until he was promoted to Vice-President.

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	June 30,'55 $	Mar. 31,'55 $
Total resources	374,269,922	372,243,437
Deposits	345,291,517	341,579,404
Cash and due from banks	23,165,216	25,425,001
U. S. Govt. security holdings	123,423,155	121,003,791
Loans & discounts	62,683,328	65,903,951

* * *

CENTRAL NATIONAL BANK OF CLEVELAND, OHIO

	June 30,'55 $	Dec. 31,'54 $
Total resources	510,991,988	509,269,678
Deposits	468,702,841	473,812,601
Cash and due from banks	109,732,455	110,353,643
U. S. Govt. security holdings	191,658,847	191,374,743
Loans & discounts	184,041,391	191,075,691
Undivided profits	3,085,526	2,600,922

* * *

THE FIFTH THIRD UNION TRUST CO., CINCINNATI, OHIO

	June 30,'55 $	Dec. 31,'54 $
Total resources	352,327,346	324,940,573
Deposits	321,717,961	298,367,149
Cash and due from banks	76,596,688	74,041,349
U. S. Govt. security holdings	121,633,202	126,297,050
Loans & discounts	124,000,308	100,861,876
Undivided profits	3,346,304	2,740,062

* * *

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. OF CHICAGO, ILL.

	June 30,'55 $	Dec. 31,'54 $
Total resources	2,520,016,539	2,729,643,148
Deposits	2,269,410,558	2,476,975,255
Cash and due from banks	557,095,701	622,158,650
U. S. Govt. security holdgs.	1,010,789,881	1,247,587,765
Loans & discts.	749,592,807	688,374,766
Undiv. profits	19,047,703	17,000,309

Robert Lindquist, Vice-President in Charge of Public Relations and Business Development for **Harris Trust and Savings Bank, of Chicago,** has been elected Treasurer and a director of Junior Achievement of Chicago.

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What is termed a simplified and liberalzed type of personal loan service has been announced in the "Borrow-by-Check" plan introduced by **City National Bank & Trust Company, of Kansas City, Mo.** In effect, the service is a revolving loan account with checking privileges for individuals, according to R. C. Kemper, President of City National. Flexibility and convenience are advantages of the new plan, said Mr. Kemper, because the service provides for loans available anywhere, any time and for any purpose to individuals whose personal credit has been approved by the bank. Mr. Kemper explained that "Borrow-by-Check" loans are essentially signature loans—that is, loans made without collateral and based solely on the personal credit rating of the borrower. He added that it is not necessary for the "Borrow-by-Check" customer to make an application every time he wants a loan or to specify the purpose for which the money is to be used. Moreover, he said he can get his loan any place or any time he wants it, simply by writing a check. The "Borrow-by-Check" plan was designed for persons who want loans for major purchases or expenses, Mr. Kemper stated. He noted that this is the first time such a loan service has been offered by a Kansas City bank, though similar plans have been inaugurated recently by banks in Boston, Dallas and Oklahoma City.

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John Porter Everett, of Lawrence, Kansas, has been appointed Petroleum Engineer for the Oil & Gas Department of the **Hibernia National Bank of New Orleans, La.** it was announced on June 20 by Wallace M. Davis, President of The Hibernia National. Mr. Everett comes to the bank from the University of Kansas where he has been an instructor in the Department of Petroleum Engineering for the past four years. He will assume his duties on July 15. Mr. Davis said that since the organization of the bank's Oil & Gas Department, five years ago, under the able management of A. E. Alexander, the department has experienced exceptional growth and has proved of great value to the oil industry and its related interests.

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Plans for what is said to be the first bank merger in New Orleans in more than 25 years were made known on June 28 by Dale Graham, President of **The National Bank of Commerce** and Percy H. Sitges, President of the **Louisiana Bank & Trust Company.** The announcement followed meetings of the respective boards of the two banks at which consolidation of the two institutions was approved. This action is conditioned on the approval of the Comptroller of the Currency and ratification of the shareholders of the respective banks. Under the program announced, shareholders of Louisiana Bank & Trust Company would receive stock of The National Bank of Commerce in exchange for their shares, and the enlarged bank would operate under the charter of **The National Bank of Commerce** without change of name. The combined capital funds of the two banks approximate 12 million dollars, and total resources at the time of the consolidation are expected to exceed $240,000,000. Dale Graham, President of The National Bank of Commerce, will continue in the same capacity, and John A. Oulliber will continue as Executive Vice-President. Percy H. Sitges, now President of the Louisiana Bank, will become Chairman of the Executive Committee. Eugene M. McCarroll, Executive Vice-President of Louisiana, will hold a similar title in the merged bank.

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The issuance of a charter on June 22 for the **Mercantile National Bank of Corpus Christie, Texas,** is announced by the office of the Comptroller of the Currency at Washington, D. C. The new bank has been formed with a capital of $200,000, and surplus of $100,000. Cecil E. Burney is indicated as President under the Primary organization, and C. W. Jones as Cashier.

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The directors of the **Fort Worth National Bank, at Fort Worth, Texas,** at a meeting on June 30, elected H. Clay Bishop, F. S. Gilstrap and M. G. Roberts Assistant Cashiers and James P. Becker and Hollis H. Bowen Assistant Trust Officers, according to an announcement made by Estil Vance, President.

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Ground was recently broken in **Phoenix, Arizona,** by the **Valley National Bank** for a four-window "Motorbank"—the first complete drive-in banking facility of its type in Arizona. Representing a land, building and equipment investment of $175,000, the installation is being built on East Van Buren Street, in Arizona's capital city. When completed in September, the off-street banking facility will permit customers to make deposits and cash checks without parking or leaving their cars. "The Motorbank is designed as an added convenience for downtown customers," Valley Bank President Carl A. Bimson explained. "Where routine banking functions are concerned, it eliminates entirely the need for parking." James Dismuke, Vice-President and Manager of the bank's home office, located two blocks from Motorbank, will supervise the latter's operation, Mr. Bimson said.

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Decision of **First Western Bank and Trust Company of San Francisco** to establish a main office in Los Angeles became known on June 2 when it applied to State banking authorities for a permit to open an office in downtown Los Angeles. The bank's operations throughout Southern California will be administered from the new Los Angeles main office, according to T. P. Coats, Chairman of the bank's board of directors. He said that negotiations already had been started for banking quarters in the heart of the Los Angeles financial district, in the vicinity of Sixth and Spring Streets.

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The Bank of South San Francisco of San Francisco will become **the South San Francisco office of Anglo California National Bank of San Francisco**, upon the conclusion of merger negotiations now under way, it was announced jointly on July 7 by Paul E. Hoover, President of Anglo Bank, and E. P. Kauffman, President of the Bank of South San Francisco. The transaction will be subject to the approval of supervisory authorities and the completion of other necessary formalities, they said. The South San Francisco institution, established in 1905, has deposits of approximately $11,000,000 capital funds, it is stated, exceeding $700,000 and total assets of approximately $11,800,000. The South San Francisco office will be Anglo's 44th in northern and central California and will bring to 28 the number of communities in which it operates offices, Mr. Hoover said.

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Anglo California National Bank of San Francisco acquired the assets of **The First National Bank in Yreka, Calif.**, as of the close of business on June 24, according to an announcement by Paul E. Hoover, President of Anglo Bank. First National, it is announced, opened the Yreka Office of Anglo on June 27. Established in 1929, The First National Bank in Yreka had assets it is stated of approximately $6,000,000. George T. Simmons, previously Cashier of The First National, is Assistant Vice-President and Manager of the new Anglo office. Charles J. Cooley, Merlin S. Huntsman and Lawrence A. Jones, all previously associated with The First National, have been made Assistant Managers. Dr. W. W. Baham, former President, has retired from active duty but will serve in an advisory capacity during the remainder of the year. Miss B. M. Warrens, former Vice-President, will henceforth devote her time to her real estate investments in Yreka.

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Bank of America of San Francisco, Cal. has completed arrangements to purchase **Peoples Bank**, in the **Lakewood, Cal.** area of **Los Angeles County**, and plans to place its main office and two branches into operation as part of the Bank of America statewide banking system on June 27. Announcement of the purchase was made on June 16 in a joint statement by S. Clark Beise, President of Bank of America, and Laban H. Brewer, President of Peoples Bank. The joint announcement stated that the 142 officers and staff members will continue to operate the three branches. Laban Brewer has been appointed a Vice-President in Bank of America and has been designated to act as a Supervisor and Advisor for the three branches. Peoples Bank, in operation since May 15, 1942, has resources, it is stated, of approximately $23,000,000 and over 41,000 deposit accounts. Its main office, to be known as the **Lakewood Village Branch**, is at 4140 Norse Way. The two branches are in the Lakewood area.

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Frank L. King, President of **California Bank, of Los Angeles, Cal.**, has announced that arrangements for the proposed merger of the **Union National Bank of Pasadena** and the **Fishermen & Merchants Bank of San Pedro**, with California Bank have been approved by the boards of directors of the respective banks. The Union National Bank of Pasadena it is indicated, has total resources of approximately $18,000,000 and has offices at Colorado Street at Oakland and Colorado Street at Raymond in Pasadena. Resources of the Fishermen & Merchants Bank, located in San Pedro, are said to be in excess of $10,000,000. California Bank presently has 48 offices and resources totaling more than $700,000,000, Mr. King said. It is expected, subject to the approval of the shareholders of the three banks, that actual transfer of business will take place about Aug. 15.

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Arch F. LeQuesne and E. L. Stone were elected Vice-Presidents of **California Bank of Los Angeles, Cal.**, at a meeting of the board June 13, Frank L. King, President, announced. C. D. Sherman, Paul E. Uhl, R. A. Walter, and W. H. Wieland, Jr., were elected Assistant Vice-Presidents. Elected Assistant Cashiers were C. D. Baillie, H. O. Benton, F. W. Peterson, C. W. Roberts, R. W. Starr, and E. S Vojacek. Vice-President LeQuesne, began his banking career in 1927 with the **Guardian Trust Company in Cleveland.**

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Sherman McFedries, former Account Executive with a Los Angeles advertising company, has joined the public relations staff of **California Bank.** Mr. McFedries was associated with the Union Oil Company from 1939 to 1946 as Public Relations Representative. He was subsequently Account Executive with Foote, Cone & Belding, advertising agency, Advertising Manager of Rheem Manufacturing Co., Western Division, and was Account Executive with California Transit Advertising Company from 1950 to 1955.

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Elliott McAllister, President of **The Bank of California, N. A., of San Francisco**, announced on June 14 that the board of directors, at the regular monthly meeting approved three changes in the official staff of the bank. Fulmar J. Keaton will assume the position of Manager at the bank's new Mills office which was scheduled to start operations July 5 in temporary quarters at 43 El Camino Real, Millbrae. Mr. Keaton has served as a Commercial Loan Officer at the bank's San Francisco head office since 1952. Wesley P. Johnson has been appointed Assistant Manager and Assistant Secretary of the Mills office. At the bank's Seattle, Washington office Jean Tippery was appointed Assistant Manager.

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The Hongkong and Shanghai Banking Corporation Agency at **San Francisco, Cal.**, has filed an application with the California State Banking Department for permission to engage in the business of a commercial and savings bank in the State. The proposed subsidiary will be a State bank incorporated under the laws of California and will be known as **The Hongkong and Shanghai Banking Corporation (California).** The present agency of the bank, which has been operating in San Francisco for 80 years, will continue to operate as heretofore. Ian H. Bradford, former Manager of the San Francisco Agency and one of the incorporators of the proposed bank on June 8 said:

"The prime purpose in filing this application is to be able to offer our customers a complete domestic banking service, enabling them to make deposits and thereby assist them in their foreign banking transactions involving the many countries served by our 34 branches."

Officers of the proposed bank will include: Samuel J. H. Fox, President; Richard M. Roche, Vice-President; and Melvin J. Callaghan, Cashier. Mr. Fox has represented the bank in the Orient for many years, while Mr. Roche has been with the San Francisco Agency since 1920 and Mr. Callaghan since 1928. The 1954 annual report of the Hongkong Bank discloses, it is announced, that earnings for the year after taxes and provision for depreciation of bank premises were approximately $2,340,000 and dividends paid were $2,240,000. At Dec. 31, 1954, approximate total resources were reported as $630,000,000, deposits $470,000,000 and capital funds, which included profit and loss account, totaled $27,500,000.

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The National Bank of Commerce of Seattle, Wash., announces that Andrew Price has retired from active business. He was formerly Chairman of the Board of the National Bank of Commerce of Seattle; and President of the Marine Bancorporation.

Stewart Oil & Gas Common Stock Off'd

Barrett Herrick & Co., Inc., on July 12 offered for public sale 750,000 common shares (10 cents par value) of Stewart Oil & Gas Co., priced at $1 per share.

The company, which was incorporated on Feb. 1, 1955, will use the proceeds to repay a bank note of $75,000, and for drilling, development and for purchase of additional equipment. The company owns or has an interest in proven or unproven gas and oil leasehold royalty, overriding royalty, mineral and fee interests and oil payments in six counties in Texas and certain unproven uranium and vanadium mining leases in two counties in Utah. The company owns its own drilling rig.

Giving effect to the current issue, capitalization of the company will consist of 1,600,000 shares of common stock.

Joins du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Illinois—Warren J. Weber has become affiliated with Francis I. du Pont & Co., 141 West Jackson Boulevard. Mr. Weber was previously with A. G. Becker & Co., Inc.

With Wayne Hummer Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Illinois—William B. Hummer and John D. Carrill have joined the staff of Wayne Hummer & Co., 105 West Adams St., members of the New York and Midwest Stock Exchanges.

Joins Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Al Carty is now affiliated with Slayton & Co., Inc., 408 Olive Street.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — Max E. Keiffer and Thomas C. Sawyer are now connected with King Merritt & Co., Inc., Woodruff Building.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Of the two divisions of an insurance company's business, underwriting and investment, the former is not only the basic part, but the more important, too. Without the underwriting, the insurance company would become merely an investment trust. The underwriting end of the enterprise is the industry's *raison d'etre.*

It is because of the underwriting activities that the wide-spread agency plants were developed, for numerous large companies running into the thousands; none of these are required for the operation of the investment part of the industry, and, indeed the investment functions are conducted by a quite small proportion of the industry's personnel. Premium rates are subject to governmental supervisory review, whereas supervision of investment activities is, where present, limited.

Finally, over the longer periods, the underwriting part of the business supplies an important proportion of the "plow-back" that provides insurance companies with the means to expand their operations. True, in some periods, such as the present, when premium volume is growing rather rapidly, the ratio of dividend payout to investment income declines while dividends are kept low in order to build up surplus. But for the periods of normal growth the major portion of the "plow-back" comes from underwriting operations. This is true particularly of the units that consistently show large underwriting profit margins; those with skimpy margins have to resort to their stockholders more often for funds to support any rapidly increasing volume of business.

And so it is fitting to see how the various companies make out in connection with their long-term underwriting profit margins. The accompanying tabulation gives, for a ten-year span through 1954, the average loss ratio, expense ratio and underwriting profit margin. It will be noted that for the firewriters there is not much variation in the loss ratio from company to company. Most of the variations in profit margins comes out of the expense column. And this is logical, for an insurance company has a less measure of control over its losses (which are so much subject to the forces of nature) than it does over its expenses; and it is in the expenses of operation that capable management is reflected, always assuming a sufficiently lengthy period is used for the test.

	Ten Year Average		
	Loss Ratio	Expense Ratio	Profit Margin
Aetna Casualty	57.9%	37.7%	4.4%
Aetna Insurance	55.2	41.7	3.1
Agricultural Insurance	54.5	42.3	3.2
American Insurance	574	38.9	3.7
American Re-Insurance	57.9	39.4	2.7
American Surety	57.3	43.2	0.5
Bankers & Shippers	51.1	40.7	8.2
Boston Insurance	55.0	41.5	3.5
Continental Casualty	57.2	36.5	6.3
Continental Insurance	56.0	38.0	6.0
Federal Insurance	49.0	36.5	14.5
Fidelity & Deposit	30.4	53.3	16.3
Fidelity Phenix	56.9	37.7	5.4
Fire Association	56.9	41.7	1.4
Fireman's Fund	56.0	37.8	6.2
Firemen's Insurance	59.8	37.7	2.5
General Re-Insurance	56.2	41.8	2.0
Glens Falls Insurance	55.3	39.6	5.1
Great American	56.3	40.2	3.5
Hanover Fire	54.7	42.0	3.3
Hartford Fire	56.5	36.8	6.7
Home Insurance	55.4	41.4	3.2
Insurance Co. North Amer.	54.9	37.8	7.3
Massachusetts Bonding	62.5	37.5	0.0
National Fire	56.1	41.7	2.2
National Union Fire	55.8	40.3	3.9
New Amsterdam Casualty	62.7	35.7	1.6
New Hampshire Fire	56.5	41.4	2.1
Northern Insurance	51.1	42.7	6.2
North River Insurance	52.3	39.9	7.8
Pacific Fire	51.2	40.6	8.2
Phoenix Insurance	54.3	42.2	3.5
Providence Wash. Insurance	57.4	43.6	—1.0
St. Paul Fire & Marine	55.0	37.4	7.6
Seaboard Surety	33.0	44.7	22.3
Security Insurance	55.6	42.0	2.4
Springfield Fire & Marine	55.1	40.8	4.1
Standard Accident	56.4	38.7	4.9
United States Fid. & Guar.	56.5	37.1	6.4
United States Fire	51.9	40.4	7.7
Westchester Fire	52.3	40.0	7.7

These ratios are from dollar figures, and are not averages of percentages. Further they are on a consolidated basis, where fleets are involved.

Now With Merrill, Turben

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — R. Dale Nash has become affiliated with Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Bankers Bond & Secs.

(Special to THE FINANCIAL CHRONICLE)

HANNIBAL, Mo. — Francis G. Meyers is now with Bankers Bond & Securities Co., B. & L. Building, members of the Midwest Stock Exchange.

Continued from first page

Some Readings of Our Economic Barometer

recovery of the American economy from the mild set-back of 1953-54 is complete. The interesting question now is: Should we expect a fall-off from our present condition of full employment and production; a prolongation of healthy economic growth at a sustainable rate; or the development of a speculative boom in construction, inventories, or corporate securities? Nearly all of us strongly prefer the second of these three alternatives. Our chances of realizing it will be greater if we clearly apprehend the factors which could drive the economic car off the narrow road which separates the precipice of price inflation from the abyss of economic depression.

In studying the economic prospect for the balance of the current year, we may usefully consider, in turn, the probable course of the three great types of demand for the goods and services produced by our economy; demand by governments—Federal, state, and local — demand by business enterprises, and demand by consumers and households.

What is the olutlook for governmental demands? Beginning in the middle of 1953 Federal Government expednitures fell rapidly. Military expenditures were cutback sharply following the end of the post-Korean defense build-up and the filling of pipelines with all kinds of military equipment. Between the second quarter of 1953 and the last quarter of 1954 the annual rate of national security expenditures fell by almost $14 billion (from $54.3 billion to $40.5 billion). This posed a serious problem of economic readjustment, especially when it was accompanied by a concurrent shift by business enterprises from an inventory accumulation rate of $5.4 billion to an inventory depletion rate of $4.8 billion in the third quarter of 1954. Fortunately, the confidence of people in the future remained unshaken. This confidence, together with skillful management by the Federal Government of its fiscal, monetary, and other responsibilities, converted an ominous setback into renewed economic growth.

In all probability the phase of reduction in Federal national security expenditures is about over, and the vista ahead for the next year or two is a plateau of such spending at around the current annual rate of $40 billion. This is the implication of the President's budget recommendations last January and recent Congressional actions. The United States has apparently reached a rock-bottom level of security expenditures in a technological age of "cold" war. If so, an important factor of economic deflation during the past 18 months has spent its force.

Expenditures of state and local governments, on the contrary, will continue to rise quite rapidly. State and local governments spent $27.5 billion during the calendar year 1954; during 1955 they may spend as much as $30 billion. They are engaged in financing vast public improvements — building schools, roads, hospitals and welfare institutions, installing streets, lighting, water and sanitary installations, throwing great superhighways across the country, and otherwise catching up with an enormous backlog of demands for public services which have arisen out of the amazing postwar growth of the U. S. population and the construction of 10 million new homes. The backlog of demands for state and local public works of all kinds has been estimated at more than $200 billion by the Department of Commerce. We shall be working it off for a long time to come, and at a rising rate.

Taking prospective Federal, state and local government purchases of goods and services together, it appears to me that 1955 will witness an effective demand very little, if any, smaller than the $77.5 billion of governmental purchases during 1954.

Outlook for Consumer Expenditures

Let us turn to the outlook for consumer expenditures. So far this year, consumer demand has been exuberant beyond the expectations of all but the most optimistic among us. In the first quarter of 1955 new houses were being built at an annual rate of 1.5 million, and new autos were rolling off production lines at an annual rate of 8.8 million. Pessimists argue that our present economic expansion is based largely upon abnormally high auto and home production, which cannot continue for long. They say that sales have been kept high by "soft" credit terms, and that consumer and home mortgage credit is now stretched to the limit. A sharp letdown in home and auto production impends, which will probably carry the whole economy down to a lower level of activity by year-end. If it does not do so by the end of 1955, then it will in 1956. So runs the reasoning of the pessimists.

I reject this reasoning because it is at odds with the facts. The strong demand for new homes and autos is mainly the product of two factors: First, high and rising consumer incomes, widely distributed; secondly, sharp technological advances in the design and mechanical features of homes and passenger cars, which have greatly accelerated the obsolescence of existing homes and automobiles. Americans are seizing the new rainbow-hued automobiles off production lines and purchasing the new "Ranch Homes of Tomorrow" simply because they offer much more comfort and convenience, and they feel well able to afford them. Moreover, the rise in consumer expenditures is by no means confined to autos and houses. It is spread broadly over other durables, soft goods, and services as well.

Even though the number of marriages will probably fall below 600,000 a year during the next few years, more than four million babies are being born each year, causing their families to need larger homes. Present American housing is in large part obsolete in design. More than 25 million dwellings are now more than 30 years old, compared with only 15 million in 1940. If people insist upon homes as modern and well-equipped as the automobiles they drive—and there are some signs they are beginning to do so—then the long-term market for housing will continue to be large.

Although outstanding home mortgage and consumer instalment debt has been rising, it is not presently at a danger point, if we judge this by the relation of its amount to consumer disposable incomes or by its quality as revealed by defaults or repossessions. Taken in the aggregate, home mortgage credit is not overextended. Half of all American homes are held free of debt. Mortgage debt amounts to about 45% of the value of homes on which there is outstanding indebtedness. Recent surveys suggest that only four out of every 100 indebted homes have obligations amounting to 80% or more of their appraised value. Having noted this, however, it should quickly be said that 100% loans are a denial of good financial practice and should be discontinued. The President should be given the powers—for which he has asked Congress during the past two years — to adjust the downpayment and payout periods of FHA-insured and VA-guaranteed loans in the interest of stable economic growth. If we take these steps, we shall have little reason to feel nervous about the future of the home-building industry.

In summary, it appears reasonable to expect some let-down dring the balance of this year in the rate of home and automobile production. Yet the basic forces of effective demand—urgent wants combined with ample incomes—continue to be strong, and the reduction should not be large. The number of applications already filed for FHA commitments and VA appraisals is so large as to ensure a prolongation of high home-building activity to the end of 1955. It should not be forgotten that veterans of World War II have only until July, 1957, to exercise their rights to favorable GI mortgage loans, and millions of them have not yet done so. The rush for GI loans will continue. It requires no stretch of the imagination to conclude that 1955 will witness the production of around seven million passenger cars and more than 1.3 million homes, an estimate which contemplates a moderate fall-off from present hectic activity during the second half of this year. Meanwhile, it may be expected that consumers will continue to expand their spendings for appliances, furniture, soft goods and services. It would not be surprising if total consumer expenditures climbed to about $245 billion in 1955 as a whole, against $232 billion in 1954, a rise of around 5%.

Plant and Equipment Outlays

We now turn to business demand for inventories, plant, and equipment, a peculiarly sensitive and strategic element in the business outlook. The most important single change in the business outlook has been the recent upward revision of plans by business firms to purchase plant and equipment. Early this year, the expectation was almost universal that 1955 would witness a moderate reduction in capital spending by business. However, the sustained strength of consumer demand, combined with the steady obsolescence of existing plant and equipment, has caused American businessmen to plan expenditures on plant and equipment this year about 5% higher than those made in 1954, according to the most recent surveys. Business, government, universities, and foundations are now spending around $4.5 billion a year on scientific research and development. This is continually producing new materials, processes, and products which render present machinery and equipment obsolete and generate demands for new plant and equipment. Capital expenditures by business firms are "high-powered" dollars, generating more final demand for goods and services than dollars spent on consumer goods.

Then, account must be taken of probable shifts in business inventories. Business firms as a group depleted inventories to the extent of $3.7 billion during 1954. A shift was made to moderate inventory accumulation during the first quarter of this year. With firm or rising prices for steel, copper, and other primary raw materials in prospect, and with another round of stiff increases in labor costs in process of negotiation, it appears probable that businesses will begin to anticipate needs for inventories somewhat farther into the future. If so, some inventory accumulation may be expected during the last half of 1955, at least of the order of $2 billion. This would, of course, add to current demand.

So far as commercial and industrial construction is concerned, the outlook is for persisting strength during the balance of this year.

We are now in a position to sum up these observations. The prospect is that gross national production will amount to $375 billion or more during the current year, with the next six months witnessing a further expansion in total demand at a decelerating rate, and the year ending on a rising trend. If this is realized, it would mean that 1955 would set an all-time record of production, exceeding the previous peak year 1953 by about 3%, and exceeding 1954 by more than 5%. It would mean that economic developments had borne out the predictions made last January by President Eisenhower in his "Economic Report" to the Congress. The President then forecast that the measures taken by his Administration to enlarge the opportunities of private enterprise, to revise the tax system so as to offer stronger incentives to investment, to reduce taxes, and to make credit more readily available, would combine to produce a strong economic expansion this year.

What About 1956?

Looking beyond 1955 and into 1956, one's vision is less distinct. He would be rash, indeed, who ventured to put dollar signs beside economic prophecies so far ahead. Yet I think I perceive some economic forces that will probably come into play next year, with a constructive effect upon the business situation.

First of all, one may forecast tax reduction with considerable confidence. The political pressure for tax reduction in a Presidential election year will be almost irresistible, irrespective of economic considerations. When one takes into account the fact that economic expansion is, through higher revenues from personal income and corporate profits taxes, bringing the Federal budget into balance—at least on a cash basis—it is hard to see how some tax reduction will be avoided. Arguments will wax hot over the form of tax reduction and whether Republicans or Democrats deserve credit, but tax reduction we shall undoubtedly have. This would, of course, add to spendable funds in the hands of consumers and business firms.

Secondly, it is quite likely that 1956 will witness the initiation of the National Highway Program recommended by the President to the Congress last January. Whether or not it will take the form of a 10-year program involving Federal outlays averaging $3 billion a year and financed by bonds issued by a National Highway Authority — as suggested by the President—I do not venture to say. The principle of expansion of Federal expenditures on our major national highway network by $2 to $3 billion a year over the next decade appears to be generally accepted. Such expenditures would add something to aggregate demand if financed by current taxes; and even more if financed by highway bonds.

Thirdly, one may count with considerable assurance upon a further quickening of the pace of state and local expenditures during 1956 of the order of two or three billions a year.

Fourthly, the McGraw-Hill surveys of business plant and equipment plans for 1956 suggest that the current rising trend of capital spending will carry through next year. Businesses reported that their present plans for 1956 contemplate capital spending only 3% less than in 1955. Experience shows that preliminary plans have always fallen short of final plans, and that upward revisions are made as the year for action approaches. If so, 1956 will witness larger capital spending than the current year.

Finally, it is reasonable to look for a prolongation of the economic expansion of Europe and the Free World in 1956. An enlargement of American foreign investment and export markets for our products will probably buttress domestic demands.

The economic prognosis I have given is optimistic. It assumes, tacitly, that we shall be able to keep the American economy on the road of steady economic growth, avoiding both inflationary boom and recession during the next year. I think the chances of doing so are good; but this felicitous result is by no means certain. If prosperity is to be sustained, without price inflation and in a free economy, people must continue to behave confidently but warily, and government must continue to exercise a wise and vigilant control of its fiscal and monetary responsibilities. We have not yet conquered the business cycle.

The U. S. economy could conceivably be subjected to inflationary or deflationary shocks by events external to our borders, such as war, a sudden international move in the direction of disarmament, or a severe financial or economic collapse in Western Europe. Any such event would pose difficult problems of adjustment, as did the post-Korean reduction in military expenditures. None of them now appears likely.

Potential Dangers in Our Internal Situation

There are also potential dangers in our internal situation against which we must guard.

Most important are the dangers of over-confidence and speculation, on the one hand, and of inept monetary policy, on the other hand. At present, I would rate the hazards of an inflationary boom somewhat higher than those of an economic recession. Yet either is possible.

History teaches that prolonged economic expansion has often ended in a phase of over-confidence and speculation, producing an unsupportable structure of values and rash over-investment in certain fields. As successive obstacles to expansion are overcome during the upswing, as one after another difficulty is surmounted, doubts are dissolved, optimism spreads, and popular belief in a "New Era" of endless and uninterrupted prosperity becomes nearly universal. Then, a minor disappointment of these rosy expectations occurs. There is a rude awakening to economic realities. Confidence suddenly collapses. A spiral of deflationary consequences can carry the whole economy into prolonged recession.

Those Americans who lived through the late '20s and '30s as adults are not likely to repeat their mistakes. But a new generation has since come to maturity without such chastening experiences and the inhibitions it produced.

Over-confidence **could** lead to a speculative build-up of business inventories, or to excessive construction of certain kinds, or to a runaway stock market. So far, economic expansion has not been spurred on by much inventory accumulation. If businessmen generally should expect prices to rise and start piling inventories, the economy could rather quickly duplicate its top-heavy inventory position of mid-1953, and the stage would be set for a phase of inventory liquidation and economic contraction.

Stock market speculation could also produce trouble. For a time, it appeared that the Fulbright Committee inquiry and higher margin requirements would curb the exuberance of the traders. Now, this sobriety has waned. Stock prices in general do not appear to be dangerously high when judged by their relation to present and prospective dividends, interest rates, or the reproduction cost of the assets they represent. Nevertheless, the buyers of many stocks are looking a long way into an uncertain future for the returns which alone can justify present prices.

All this means that our monetary authority—the Federal Reserve Board—confronts a very delicate problem of monetary management during the next year or so. If possible, the Board must steer a careful course between monetary ease which would feed an inflationary boom and credit stringency which would restrain desirable economic growth. It must try to avoid a condition in which credit is so cheap and readily available as to encourage rapid inventory accumulation, stock speculation, or reckless construction. At the same time, it must be careful to prevent the "tight money" conditions which could quickly choke off the sustainable growth of the economy. It would face a most difficult problem, if as in the late '20s, a speculative boom in securities developed in the face of rather restrictive credit policies and stable commodity prices. It may also face Hobson's choice, should sharply higher labor costs cause inflationary price movements as a result of businessmen's efforts to restore a proper relation between production and profits. A credit policy which prevented any price inflation in these circumstances might easily produce a recession in production and employment.

In the absence of inflationary or deflationary tendencies, the rule of policy that the Federal Reserve authorities should follow is that of permitting the money supply to grow normally, which means an increase of 3 to 4% each year. A growing economy with a stable price level requires a rising volume of currency and demand deposits in banks to transact its business.

Our current economic expansion is based upon a widespread attitude of confidence in the economic future by workers, consumers, investors, and businessmen. Government should do nothing to impair this confidence, because it is soundly based. Yet it is equally important to avoid over-confidence. Let us always remember that a free economy is an economy of risk and uncertainty. It can inflict loss upon the unwary and the complacent, just as it can reward with profit the skillful and the enterprising. In sustaining prosperity, as in winning a war, eternal vigilance is the price of victory.

Continued from first page

As We See It

peace comes very near to condemning the world to eternal "cold war" if not worse.

No one with memory more than an inch long is likely to overlook the cost of the treachery by aggressive and unscrupulous nations after World War I. There was Japan, of course, which built a huge navy and a long string of "unsinkable aircraft carriers"—as one of her military men described the fortified islands so carefully arranged across the Pacific Ocean, much of it in obvious and even open violation of pledged word. Then there came Hitler who converted undertakings by his country into mere scraps of paper while the Allies looked on and did nothing. Finally, Hitler and Stalin—Greek against Greek in their infamous dealings—carried on the horrible fashion of the day not only to disregard sacred undertakings but to enter into agreements with the full intention of breaking them when other parties had been lulled to sleep with them.

Those War Meetings "at the Summit"

And World War II in its later stages brought the famous, and in some respects the infamous, meetings of Stalin, Churchill and Roosevelt (later also Truman). For barefaced giving away of other peoples property and for calm disregard on the part of Stalin of solemn assurances given, there is little if anything in history to match that epoch. It is impossible not to conclude that Stalin never had the slightest intention of living up to much that he promised on these occasions. And since those events, both the Russians and Communist Chinese have again and again and again served notice on the world that their word was worth exactly nothing. They have likewise on more than one occasion shown that their proposals and suggestions lacked the most elementary *bona fides*.

Meanwhile, thanks to Hitler in large part, there was a most lamentable breakdown in international custom in the matter of beginning war. On several occasions—it is hardly necessary to name them—the armed forces of one nation simply struck at another without preliminaries of any sort, sometimes at other nations which presumably were allies in good faith. It became apparent that in some instances, at least, it was not only quite useless to talk with these aggressor countries, but that it was also rather dangerous since a blow from the behind at any moment even while negotiations were in process was by no means an impossibility.

The futility of trying to pacify these aggressors by concessions finally became apparent. After Munich "appeasement" in some quarters at least became a cardinal sin. It was not always entirely clear precisely what meaning was to be assigned to the term, but it was evident enough that whatever these grasping nations were given their appetite was merely whetted thereby—and they had no scruple about what they would do next. This was the situation that existed at the outbreak of World War II. At that time, the word applied primarily to Hitler and his followers. The war was not long over before it became clear that Stalin was quite capable and willing to play the Hitler role. He did so with great profit to himself and damage to the remainder of the world.

Lenin's Maxim

Then, whether by deliberate observance of Lenin's maxim that the Communists would conquer the West through the East or not, both Communism and the double dealing that had been so developed in the West broke forth in the East. Communists in China with the help of the Russians soon established themselves in control of that vast land and innumerable people. Their behavior in international dealings have been quite typical of Stalin and Hitler. On the record their word appears to be worthless. An iron curtain has descended about them, to use the Churchillian phrase. The meeting in Geneva, at least as now scheduled, does not have these Eastern matters on its agenda, although doubtless Russia would like to have them there, but whatever Russia or anyone else may wish, Asia is part and parcel of the existing world situation, and must not ever be lost to sight.

Now in light of all this, it is obvious enough that the United States, and for that matter any of the other Western powers, would be more than foolish to take any unsecured notes from Russia or China, or from any of the countries which are under the thumb of Russia and China. We hardly need add, one must suppose, that no concessions of the sort made to Hitler in the later 'Thirties in the hope of satisfying him or of the type made to Stalin near the end of the war should be made. Any nation would, it seems to us, be almost incredibly naive even to consider any such steps. We can hardly believe that the rulers of either Russia and China expect such credulity on the part of their adversaries.

But short of that, is there nothing that can be offered the Communists and nothing that they might consent to which could start the world once more on the road to such conditions of international harmony, if such it can be called, as existed prior to World War I? It seems to us that there ought to be. None of the major parties in this tight world situation is in any real sense a have-not nation. Each should be reasonably well satisfied with the international *status quo*. At least the changes desired should not be so earth shaking as to warrant another World War with atomic weapons plentiful. It is hard to see why Russia should be burning with desire to acquire more territory. The United States certainly is content with its boundaries. China may have some sort of reason for some "correction" of its boundaries here and there, but its real needs lie in other directions where peace is a great advantage. If doctrinaire Communist gospel requiring conquest of the world is not already losing some of its force, we are confident that it will in the course of time.

Is it not worth the try to see what can be got out of Geneva?

Mitchum, Jones Firm To Be NYSE Member

LOS ANGELES, Calif.—Paul J. Shropshire will acquire membership in the New York Stock Exchange and Mitchum, Jones & Templeton, 650 South Spring Street, will become a member firm as of July 21. Partners in the firm, which is a member of the Los Angeles Stock Exchange, are Colis Mitchum, George E. Mones, N. Connor Templeton, Roland Seidler, Andrew Dunlap, Mr. Shropshire, Richard W. Mones, Edward C. Sterling, Malcolm C. Tracy, Gerald Secord, James D. Cockburn, George E. Jones, Jr., Meader Fletcher, Edward J. Spillane, Alexander C. McGilvray, and Ellsworth Tuplin.

The firm has offices in San Francisco, Sacramento, Lodi, Long Beach, San Jose, Salinas and Santa Rosa, California, and in Reno, Nevada.

Joins Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Mrs. Jeanne Morey has joined the staff of Straus, Blosser & McDowell, 20 West Ninth Street Building.

2 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James P. Connaughton and Thomas E. Sharp have been added to the staff of Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges.

Securities Salesman's Corner

By JOHN DUTTON

A Sound Foundation

Recently I had the opportunity of meeting the head of a successful investment firm that has been specializing primarily in the retail distribution of securities to private investors. About six years ago this firm began in a small way to build up a clientele of investor type individuals, who were interested in increasing their capital and obtaining income from a diversified, planned program of investments. They undertook to measure the needs of each person investmentwise and then set out to do the best possible job for them. This may sound like a big order but it has been a very workable procedure right from the start.

The Customers Were There

The first right thing done by this organization was to find the best location for their type of business. They began their business in a medium sized community where there were many retired and wealthy people. They did not have to cater to market speculators. They could specialize in good common stocks, municipal bonds, preferreds, and Mutual Funds, and they could also spend time developing the proper mental attitude toward sound investment procedure, because the people with whom they were doing business were receptive to this idea.

They Placed the Customer's Welfare First ALWAYS

Each account was analyzed as to the amount of risk it could assume, the percentage that should be kept in reserve type investments such as governments, high grade preferreds, etc., and the amount to be invested in common stocks. Growth stocks were placed in accounts that could not obtain maximum benefit from income type stocks due to high taxes, and those who needed more income were also guided along these lines. Instead of a collection of this and that, haphazardly selected, with little or no plan or purpose, many of this firm's clients now have the assurance that their funds are invested so that maximum results income-wise and growth-wise can be anticipated.

At times, this meant passing up an immediate commission for the larger good of the client. In return, the better results achieved brought more clients, and greater loyalty of the original customers. I was very certain that when the head of this firm said to me that any new issue, or underwriting in which they might take an interest, would have to be of such a character that it would fit in with the quality standards that they had made the foundation of their business, that he was in dead earnest. And why shoudn't he feel this way?

Your Customers Are Your Fortune

No firm, no salesman, no real sincere investment advisor should ever forget for one moment that the welfare of his clients is his most valuable asset. Go slowly, make up your mind decisively, and if there is a doubt as to the soundness of any issue you are going to offer to your customers, pass it by. That is, if you want to build the kind of a business that will stick with you through thick and thin.

Of course, if you are specializing in speculative stocks, if you have clients that want action, if you have to cater to the type of customer that is not happy unless he can get an emotional jag out of the financial page and the securities he owns, then that is a different matter. But if you have this type of clientele you are not in the investment business and the day will come when you may wonder why you wasted so much time on such customers.

There is nothing new in this little piece. The firm I have discussed here exists, it has a fine record of success, and I am quite certain that even during periods of bear markets that the people who work there will have steady employment. Not only that, the salesmen that are connected with this firm have the assurance that they are backed up 100% when they place the customer's welfare first. Such a relationship between the firm and its representatives makes it unnecessary for a salesman to have to make excuses if there are times when he cannot go along with his firm's participations and underwritings. Quality and a sound approach to their market makes money for this firm, keeps good reliable salesmen working for them, and presents opportunities for growth for every man in the organization.

As a result they now have four offices in cities within the state where only one existed six years ago. Capable men have found opportunities, and management jobs, as a result of this progressive and sound program. Moral—put the customer first.

William S. Barnhart Joins Eastman, Dillon

Wm. S. Barnhart

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William S. Barnhart has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Barnhart was formerly a partner in First La Salle Co.

Gustave J. Schlosser

Gustave J. Schlosser, Assistant Vice-President of Union Securities Corporation, New York City, passed away July 8 following a heart attack. Mr. Schlosser was 51 years of age.

Mr. Schlosser became associated with Union Securities Corporation in May, 1942, and was a bond trader during his entire affiliation with them. He became an officer of the firm Jan. 1, 1955.

Mr. Schlosser began his career in 1918 with the Bankers Trust Company. From 1935 to 1937 he was with Harriman Ripley & Co. Incorporated and from December, 1937, to February, 1941, with L. H. Rand & Co. From February, 1941, to April, 1942, he was with E. A. Purcell & Co.

He was an active member of the Security Traders Association of New York.

Mr. Schlosser is survived by his wife, three children and one grandchild.

Continued from page 5

Coming Changes in Oil Refining

cracking and reforming required 20 years to 25 years to reach an apparent saturation point in 1940. Although the primary advantage of thermal cracking was the shifting of heavier oils into the gasoline range, it did contribute somewhat to the increased octane rating of gasoline. The growth of catalytic cracking has been somewhat more rapid than was the growth of thermal cracking. The principal advantage of catalytic cracking was its improvement in octane rating while maintaining or increasing the shift from heavy oil to gasoline reached by thermal cracking. Now the extremely rapid expansion of catalytic reforming is evident, although it was hardly a significant factor two or three years ago. It seems probable that, by upgrading both straight-run and cracked stocks, catalytic-reforming capacity may soon surpass catalytic-cracking capacity for gasoline production.

Maximum utilization of catalytic reforming and cracking by refiners will permit production of gasolines of high octane value, but perhaps not high enough. We can reach an octane level of 98 or 99 for average premium grade by utilizing catalytic cracking and reforming to the fullest extent now considered possible. Perhaps improved catalysts will permit us to exceed the 100-octane level before 1965. It seems probable, however, that new processes will have to be developed to meet the future high octane levels beyond the ability of catalytic reforming. Furthermore, it is not probable that this upward octane trend will reverse or be superseded by some new automotive development during the next few years. Jet engines, several years after appearing in significant numbers, have only now apparently stabilized aviation-gasoline quantity and quality trends. Replacement of the piston-powered automotive engine by some comparable development, in significant numbers, is not expected, at least in the immediate future.

A number of other factors will increase refinery complexity, as well as manpower and special equipment requirements, even though they do not bring forth increased gasoline volume. Octane number, while a most important gasoline property, is only one of the factors which make up gasoline quality. Volatility and vapor pressure, for example, are also very important performance properties. Increase in engine horsepower has been brought about, in part, through "improved breathing"; i.e., by increasing induction-system capacity. This engine modification has considerably worsened cold-starting and warm-up characteristics of present automobiles. To date this difficulty has been offset by operation of automatic chokes over longer periods. A more desirable solution is the use of fuels with more volatile front ends. If recent improvements in automobile fuel handling systems can be extended further so as to minimize vapor-lock difficulties, it will be possible to raise the vapor pressure and front-end volatility of gasolines in this manner. The supply of butanes which would normally be used for this purpose should be ample, from increased natural-gas production and catalytic-refining processes.

The use of additives to improve gasoline performance characteristics has received much attention recently. Effective additives have been developed to prevent rusting of fuel systems, eliminate carburetor throttle body gumming, reduce ice formation in wet fuels and in carburetors, retard development of gums during storage, and reduce one of the causes of surface ignition. The success which has been achieved in improving engine fuels by use of additives has resulted in an increased level of technical effort to improve many other important performance characteristics by this means. In the future the refiner can expect to be more involved in handling special chemicals and blending into gasolines relatively minor, but accurately controlled, amounts of these special materials.

It has become apparent that a better understanding of the importance of gasoline gum content on fuel performance and storage is needed. Some of the existing gum-content specifications and test methods have been found to have little significance from a service-performance standpoint. As research efforts bring forth improved gum specifications based upon meaningful laboratory tests, it is quite possible that it will be necessary to alter either gasoline finishing methods or the type and amount of antioxidant additives.

Automobile developments, which, if successful, could have an influence on future gasoline-refining trends, are development of the gas turbine and new methods of introducing fuel into spark-ignition engines. The automotive gas turbine is not likely to be a significant factor in fuel requirements within the next five years; even if manufacturers were tooling up now to mass produce an automotive gas turbine, the number of these units on the road by 1960 would constitute a minor precentage of the total. This situation could, however, become quite different by 1965. Should automotive gas turbines reach the quantity production stage, refinery product balance would be altered markedly. The development of new methods of introducing fuel into automobile engines, such as by direct cylinder injection, also is not expected to advance sufficiently to exert a significant influence on gasoline requirements in the next five years, and probably not in 10 years. However, if successful, these technical efforts ultimately would alter the octane trend and would have a marked effect on volatility requirements.

Distillates

The total demand for distillate fuels is not expected to continue its rapid rise of the past 10 years, but will increase rather slowly aboue 20% of total petroleum demand on U. S. refineries. The trends for distillate fuels are shown in Fig. 6, which also shows the trends for the two major end uses—space heating and railroad diesel fuel. Dieselization of the railroads is largely complete, and future trends for all distillate uses will follow a normal growth pattern. As in the case of gasoline, yields trends are secondary to quality and composition changes.

Diesel fuels containing catalytically cracked components are in common use as a result of research which has been successful in overcoming the performance shortcomings of these petroleum fractions. This success has motivated extensive research directed toward additional improvements in catalytically cracked distillates. Production of diesel fuels containing cracked stocks and of equal or better quality than straight-run refined products soon will be possible. This will be obtained either by an expanded use of additives in diesel fuels or broader use of new distillate treating methods. Processes for the reduction of sulfur in premium diesel fuels will show some increase in the next few years, partly as a result of the availability of byproduct hydrogen from catalytic reformers. However, the use of fuel additives, better lubricants, improved metallurgy, and improved engine design will tend to reduce the necessity for process modifications.

Railroad use comprises about 40% of the total diesel fuel requirements. Recently, railroads have shown great interest in the use of residual fractions in fuels intended for medium speed diesel engines. Under conditions of high power output, many railroad engines will operate reasonably satisfactorily on fuels containing residuum. However, means must be developed for improving combustion under idling and low load operating conditions before extensive use of residual components will be attractive. If present research efforts are successful in adapting residual fuels to railroad diesel engines without incurring excessive maintenance costs or operational difficulties, we can expect the current trends in railroad diesel fuel requirements to decrease as the use of residual fuel increases. An interesting result of this situation is the probability that gas turbines will encounter even greater difficulty in supplanting diesel engines on an economic basis if it is found that diesel locomotives can burn lower cost fuels.

Residual Fuels

The past rapid reduction in yield of residual fuels from crude will continue, but at a slower pace. By 1965, although use will have increased by almost 50%, residual fuel demand on U. S. refineries will be 13% of the total petroleum demand on refineries. This is about half of the percentage of 1946 (the earliest postwar period for which statistics are significant). These trends are shown in Fig. 7, along with some of the major end uses. Fig. 7 also shows total residual fuel demand of the United States which exceeds the residual-fuel demand on U. S. refineries by the amount of imports. The requirements for residual fuel by the utilities is expected to increase 20% in the next 10 years, and will probably increase further before atomic energy begins to become significant in the power-generating field. It is in this and the ship-propulsion fields that atomic energy will first supplement fossil fuels as sources of energy.

The gradual decline in percentage demand of residual fuels will probably be accomplished by increased utilization of present processes for shifting heavier oils into the higher gravity ranges. Much wider use will be made of vacuum stripping for straight-run and cracked residua, and coking units of new types will become more popular.

The inorganic constituents which accompany most residual fuels account for the main technical difficulties in burning residuals in gas turbines or diesel engines. Research is very active in attempting to remove the inorganic components or to neutralize their harmful effects. Moderate success in these efforts undoubtedly would lead to new types of refinery operations. Should dual-fuel systems provide the solution to maximum utilization of residual components in diesel engines, the compatibility characteristics of residuals upon mixing with distillates will become important. It may be found necessary to restrict the composition of residual fuels to insure compatibility, and this development could have a great influence on refinery handling and segregation of residual components.

Other Products

Kerosine, lubricating oil and grease, liquefied petroleum gas, asphalt, and coke are very important petroleum products, although their volumes are minor. The trends of demand and percentage related to total petroleum demand for these products are shown in Fig. 8.

The demand for kerosine is expected to level out at 350,000 barrels daily for several years, but the yield will drop to less than 4%. This demand is 10 times that of 1915, a time when kerosine was considered a major product. Even if commercial airlines select kerosine as fuel for future jet transports, the effect on demand will not be great. No substantial quality changes in kerosine are anticipated.

The demand for lubricating oils and greases will increase moderately, but will show a slowly decreasing percentage yield because of the effect of mechanical design improvements in the mechanisms using them. Overshadowing these trends is the very rapid advance in quality levels attained through the use of special compounding materials and additives. These quality improvements will continue to advance at least as fast as advances occur in engine design. The refiner, therefore, will find it necessary to handle an increasing number of special compounding and additive materials. The use of viscosity index improvers in oils for uses other than automobiles is probable; this will result in an expanded use of neutral oils and a corresponding reduction in the use of bright stocks.

It is possible to control the corrosive wear of engines by means of improved lubricating-oil additives or, perhaps in the future, by entirely new types of lubricating oils. Thus, the fuel-sulfur problem mentioned before can be solved in a large measure by use of the proper engine lubricating oils, although it is expected that engine builders will recognize and avail themselves of mechanical means of ameliorating the problem. The use of addities in lubricating oils is probably more economical than the use of new, expensive processes for removing sulfur in fuels.

Synthetic lubricant developments are not expected to have a marked effect on requirements for petroleum - derived lubricants. Special lubricant applications will require an increasing volume of synthetic lubricants, but only in military applications will this volume become significant in the near future.

The demand for liquefied petroleum gas shown in Fig. 8 is from all sources, and refineries will have to meet about 35% of this requirement. One of the major uses of liquefied petroleum gas will be as a raw material for petrochemicals based upon light aliphatic hydrocarbons.

The demand for and yield of asphalt will show a substantial increase, largely as a result of the ambitious highway building program planned in this country. Specifications for paving asphalts will probably undergo many changes as the result of extensive research which even now is defining more precisely the factors important to asphalt quality. These specification changes will undoubtedly result in modifications to present manufacturing processes, but it is too early to predict what these changes will be.

A moderate increase in demand for petroleum coke will occur, based on its usual outlet for induction furnace electrodes. Considerable increase in demand could occur if petroleum coke should enter the metallurgical field. However, this is not considered probable.

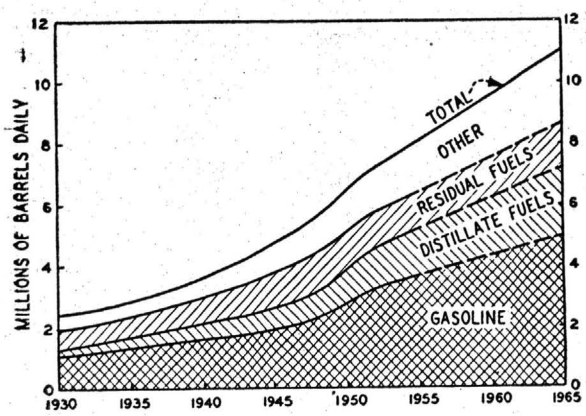
Whereas the increase in volume of the many special petroleum products will not be large in comparison with the increases in volume of products utilized for energy purposes, the manufacture of nonfuel products will become increasingly more complex and diverse. Unique properties of new additive materials which make them outstanding contributors to oiliness, extreme pressure resistance, antirusting, oil thickening, oxidation resistance, and the like are being explored continually in many laboratories. This work will bring forth a continuing stream of product improvements and some entirely new products. This specialty field may show a growth only slightly less spectacular than that of petrochemicals.

Petrochemicals

What effect will the rapid growth of the petrochemical industry have on the petroleum refiner? Volume-wise, very little; forecasts contained in the Paley report indicate only approximately 1.3% of total oil and gas production will be required for petrochemicals in 1965. Most of the hydrocarbons required for petrochemicals are aliphatic — ethane, propane, and butanes and their homologues. As the amount of natural gas produced will increase and the amount of light hydrocarbons from catalytic processes will greatly increase, there will be a negligible effect on the refiner from increased demand for aliphatic hydrocarbons for petrochemicals.

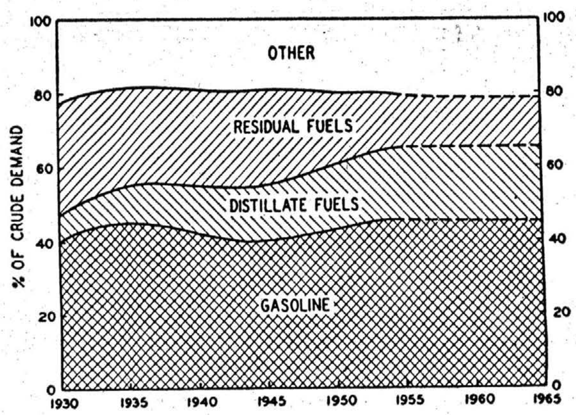
However, according to the Paley report, an increasing percentage of aromatic hydrocarbons, the large majority of which are in the gasoline boiling range, will be required for petrochemicals. If these forecasts are correct, the refiner will have even greater difficulty meeting the demand for high octane aviation and motor gasolines because of the high octane blending values of benzene, toluene, and the xylenes. As indicated in Fig. 9, which show the demand for hydrocarbons for petrochemicals, the volume of aromatics will approach that of aliphatics in 1965 and will be about 70,000 bbl. per day. This is approximately 5% of the volume of premium motor gasoline, and approximately 30% of the aviation-gasoline demands forecast for 1965. If these aromatics are required, they will have to come from wider application of the same processes which will be required to meet the high octane gasoline requirements or may have to be supplied from coal.

Thus the refiner will have to face problems in the next decade not unlike those he has faced successfully in the recent past. Changes may occur more rapidly, and product and process reseach will have to accelerate; but the oil refining industry will meet the challenge.



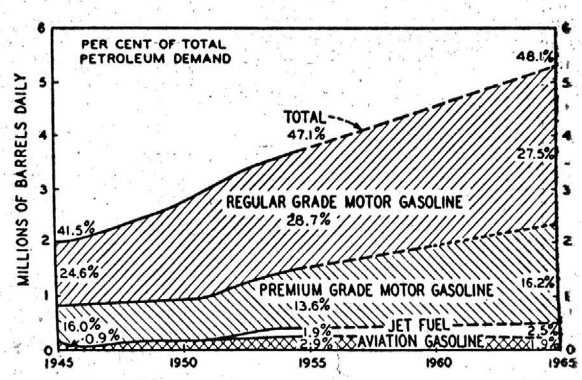
Petroleum Demand on U.S. Refineries.

FIG. 1



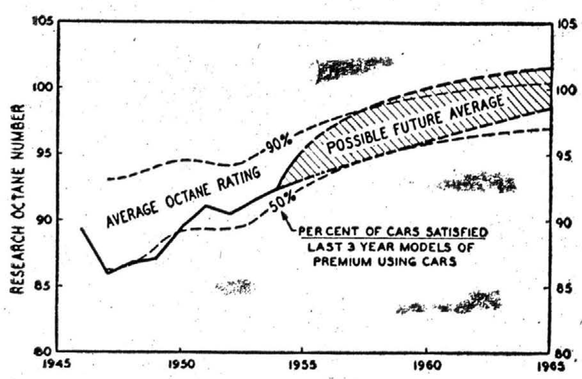
Petroleum Demand on U.S. Refineries.

FIG. 2



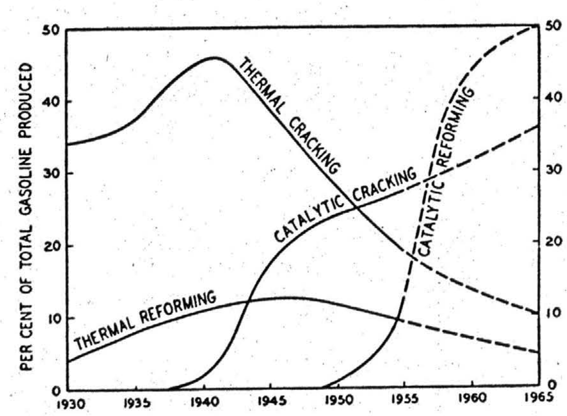
Gasoline Demand on U.S. Refineries.

FIG. 3



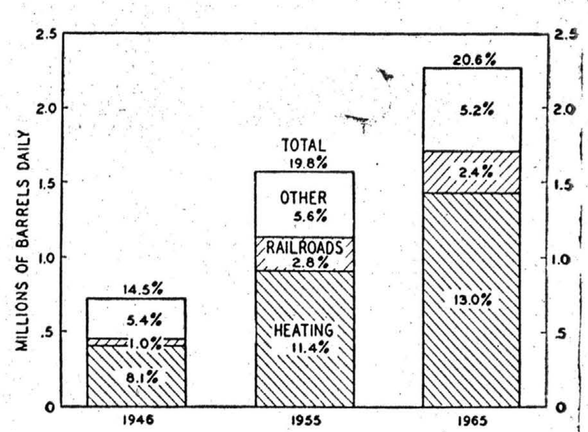
Premium Gasoline Octane-Number Trends.

FIG. 4



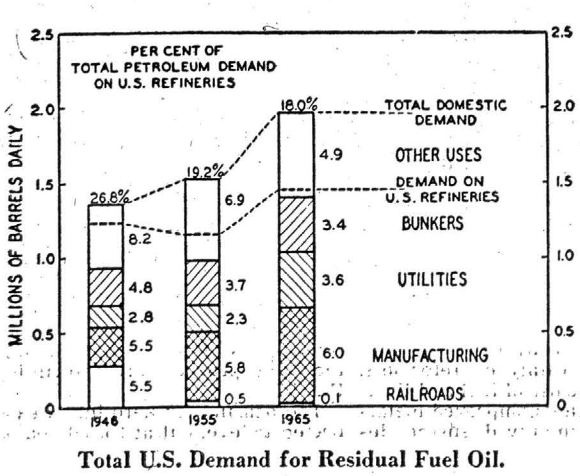
Gasoline Processed by Thermal and Catalytic Processes.

FIG. 5



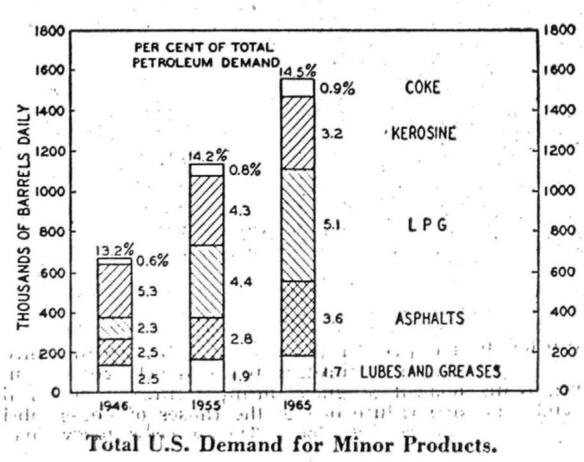
Total U.S. Demand for Distillate Fuels and Per Cent of Total Petroleum Demand.

FIG. 6



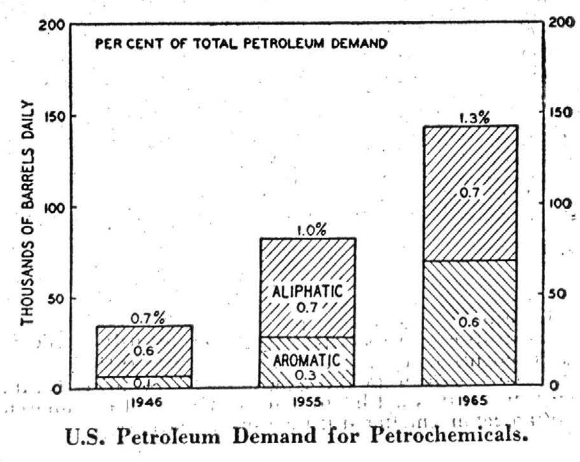
Total U.S. Demand for Residual Fuel Oil.

FIG. 7



Total U.S. Demand for Minor Products.

FIG. 8



U.S. Petroleum Demand for Petrochemicals.

FIG. 9

Continued from first page

Another Group of Comments On Guaranteed Annual Wage

personal dignity is cheapened, by placing him in cold storage until the time is ripe to utilize his productive ability. The animal instinct in the average human being will at some time or other arouse suspicion and the individual will question every motive of another. Should this develop to a great degree it could create alarming unrest among the unemployed to the extent that it could prove disastrous.

In 1950, our Brotherhood inaugurated a plan that embraces a form of annual wage. We prefer to refer to it as a stabilization program, since it is designed to guarantee full employment for the worker rather than compensation while unemployed.

We believe when a worker knows his security is assured by continuous employment, he is a better citizen and appreciates his place in the community. It is my contention that when a worker realizes his productiveness is not governed by market prices but by the skill he displays, industry benefits not only by the quality of service, but by the quantity of production as well.

Industry cannot violate the law of supply and demand without consequence and when production exceeds the demand, there is no market. A guaranteed annual wage plan may provide compensation for the idle worker, but it does not remove the log jam in our economic machine. In a sense it imposes a penalty on industry for shortsightedness by flooding the markets. As I see it, the penalty is also passed on to the worker despite the fact he is compensated while not performing any service. The fact remains that the worker is robbed of his earning power due to the absence of some sort of controlled production to permit an even flow of merchandise to the markets.

A full employment program, geared to the law of supply and demand, that will permit industry to make a fair profit and provide a decent living wage for the worker would be the long sought answer to our problem.

FRANK CIST
Brewster, Mass.

Relative to my views on a Guaranteed Annual Wage, I would guess this rather a subject for localized bargaining than for broad imposition by law. The Procter & Gamble Company, which has done such fine work in stabilizing its sales, might be able to afford a guarantee which more highly seasonal businesses could not.


Frank Cist

There is a risk in being too dogmatic as to what industry can "afford." In 1836, if I recall correctly, Nassau W. Senior argued that a 10% reduction in daily hours of work (from 11 to 10) would destroy all profits because profits averaged only 10%. He, of course, was wholly wrong.

On the other hand the argument that welfare projects such as minimum wages, high wage scales, etc., spread purchasing power can also be abused. Do we argue this for China? There is really no better way of spreading purchasing power, nor any better welfare project, than lowering general **prices to consumers. Then everybody** benefits. "Welfare" programs which impair the incentive of labor to do a reasonable day's work, or of capital to install better tools, raise prices and do harm and must then justify themselves, if they can, in spite of this harm. And there is no need to add that monopoly, whether initiated by capital or labor or both, is broadly hostile to the public good.

There is still another question. How far have the dice been loaded in all these disputes by politics in favor of labor and against capital. Let us take taxes for illustration. No person objects to taxing wealth much more heavily than poverty. But what I am thinking about is different. I am thinking of "redistribution of wealth" under the pretext of taxation. That is one "welfare project" and, in really plain English it is larceny, legalized larceny, from one class to another. Other "welfare projects" are subtly being used as a sort of catch-all for the loot. Constitutional protection against this sort of confiscation of minority property has been breached by the Income Tax Amendment and one incompletely answered question of our century is how far civilized progress can survive such semi-confiscation of its rewards.

MORRIS F. FOX
Security Analyst,
Morgan & Co., Los Angeles, Calif.

This observer feels that the American public got what it deserved in the **Ford and GM Settlements.** The public once felt so strongly about corporate bigness tending toward monopoly that it had its representatives pass restraining laws called the Clayton Act and the Sherman Anti-Trust Laws. But over the years as public apathy toward monopolistic size grew, under astute generalship General Motors (to cite the bellwether example) also grew—in fact grew into being half our entire automotive industry as well as becoming the world's largest industrial enterprise. GM has, in effect, become a quasi-government within our country, and with current assets, cash and equivalent greater than the aggregate "working capital" of at least a dozen or more of our 48 States.


Morris F. Fox

In condoning the growth of the GM giant (sticking to our example for the sake of brevity), the American citizen inferentially and in other ways also allowed the growth of a super-union, the CIO, to serve as a counterpoise to the new bigness of industries as represented here by GM. A laborer can scarcely bargain on favorable terms with an autocratic quasi-government of which he is a subject, so he invented a quasi-government of his own, the CIO. John Q. Citizen in his despair and desuetude in 1932, voted in Big Government in the hope it would solve some of his problems for him. But in spite of our requirements for more government as our society becomes more complex, John Q. Citizen threw out Big Government in the last election because he saw that it was corrupt and subtractive of his freedom. But he still has a big company and a big union which in combination tell him more every year what cars he must buy and how much he must pay for them.

Studebaker-Packard and American Motors won't be able to meet the standard won by the CIO from Ford and GM, their leaders say. (Incidentally, although Ford was the first to crack toward the idea of supporting workers whether they are working or not, Ford gave in only because it knew it would lose ground to GM if it had to endure a strike. Hence, GM is still the determining factor and therefore this writer's example.) If these independents haven't been able to make money in the strongest automotive year in history as is, how long can they hang on now?

To a degree which we can't yet determine, the effects of this decisive situation are sure to be felt through the whole gamut of American industry. To the law of the survival of the fittest enterprises will be added the further burden of Big Labor control and participation without concomitant responsibility. Many small firms will disappear and a few lucky ones will be absorbed by the "bigs," this also coming at a time when national survival may depend upon the dispersion of industry into small independent companies. Owners of smaller businesses and those who deal in them may have to retrain their sights.

Unless we can find a Guaranteed Annual Customer, no one but smaller businesses and the public itself will have to foot the bill for Big Labor's shakedown of Big Business. When business gets too big labor also gets too big in order to cope with it. And the events thus inevitably set into motion, if unchecked, will progressively chip away more and more of the individual's freedom and integrity until we have become completely cocooned in a Corporate State. This is not an exaggeration by any means. The way has been opened for the Guaranteed Annual Wage. For it is a fact, whether we bother to face it or not, that the recent events in Detroit have represented no mere furtherance of labor "gains," but rather a critical and dangerous departure in the structure of all American business, politics, and society, and—in view of the crucial role of America in the world today—of the future of humanity itself. A doctrine of moral irresponsibility has been allowed to come into vogue, backed by powerful and sinister political forces. Once again man stubs his toe in his peregrinations toward the light!

GRADY GAMMAGE
President, Arizona State College, Tempe, Arizona

It already has been pointed out repeatedly that the subject of the guaranteed annual wage is a difficult one which cannot be treated summarily. Some companies have for some time successfully provided a system of guaranteed annual wages to their employees. Where it has been accomplished, such provisions present a stabilizing influence because they can protect family incomes and thereby could conceivably provide stability for consumer market.


Dr. Grady Gammage

On the other hand, GAW certainly is not a panacea to economic security. There are many industries where the conditions currently prohibit the installation of such a guaranteed wage plan—in part, or in its entirety. Each industry must examine its own position in regard to this matter, considering the ability of the individual businesses within the industry to pay the costs, meet the needs of the workers within that industry, as well as other related factors affecting the economic well being of those concerned.

EDWIN W. PAULEY
Los Angeles 38, Calif.

The agreement which the Ford Motor Company reached with United Auto Workers whereby Ford will establish a fund to supplement state unemployment benefits to workers who have been "laid off" is now being attacked as "socialism" by many leaders of industry.


Edwin W. Pauley

The Ford plan is a logical extension of the Social Security Program enacted by the Roosevelt Administration in the middle 1930's following the great depression. That legislative program was dubbed "socialism" by most Republican leaders. Today both political parties accept social security as part of the American way of life. The Eisenhower Administration, far from repealing any of the social security legislation, has actually extended and strengthened those laws.

What does the Ford plan mean? First, it means that while there is no ceiling on a man's ambitions and accomplishments there is a floor to give him and his family a sense of security. Because the floor provided by the government was inadequate, Labor and Industry, through collective bargaining, have devised a plan to strengthen the floor by increased unemployment compensation payments. That is the Ford plan.

Secondly, it means that the United States is committed to a policy of inflation. Not only will the cost of the Ford plan ultimately be borne by the public through higher prices for automobiles, but Labor will push to put the Ford plan into operation in other mass production industries. This will necessarily mean a demand for increased state unemployment compensation benefits for the unorganized workers. This all adds up to inflation.

Third, it means that the drive for guaranteed annual wage has been put aside. Labor will have its hands full in extending the Ford plan to other industries and I doubt if we see a revival of GAW during the next decade.

To me, the extension through voluntary collective bargaining of a plan whereby Industry undertakes to supplement our government unemployment insurance system—a system now approved by both political parties—is a natural, normal, and healthy thing.

WILLIAM A. ROBERTSON
Member New York Bar,
East Orange, N. J.

The following commentary on the guaranteed annual wage doctrine is given after much thought and with much diffidence: it is an opinion of unqualified disapproval. It rests on no consideration of the state of business, but upon rules that can never be safely neglected or flouted by anybody.

(1) A guarantee should be of something definite and ascertainable; as for example, the guaranty attaching in the case of a railroad bond where one corporation guarantees payment of principal or interest. The guarantor then knows to what extent, if called upon to make good, his credit is pledged. But a guarantee that extends to the payment of wages to an indefinite and unascertainable number of idle persons, for an indefinite period of time, is neither "good business," nor "sound judgment." He who mounts a spirited horse without bit or bridle, assumes an unknowable risk. "He who pays for work before it is done," says Poor Richard, "has but a pennyworth for two pence."

(2) A guarantee for the maintaining of persons in idleness runs counter to every consideration of plain "horse sense."

(3) Sir William Vernon Harcourt, the English liberal statesman of the last century, once said, "no Treaty of Guarantee has ever compelled a nation to go to war against its will or against the judgment of the people as to its expediency and necessity — nor ever will." Equally true is it that no guarantee of wages that are not earned, payable to those who are unprofitable and idle, will ever compel any concern to observe such obligations, if that concern is in serious trouble, struggling to avert bankruptcy (no matter how profitable it may once have been when times were "good"). In the face of impending ruin, directors, managers and receivers simply cast such obligations or guarantees to the winds. How many guarantees of bonds, given in the last decade of the 19th century, were really valuable in the days of adversity? How dependable did the guarantee of titles to real estate, or of mortgages of land, prove when the storm raged in the years that followed 1929?

(4) The giving of such guarantees by any corporation is an exhibition of timidity and abject fear of an arrogant labor union that is something to be unqualifiedly condemned.

O. GLENN SAXON
Professor of Economics
Yale University
New Haven, Conn.

I feel that certain companies and certain industries will be *forced* to accept the proposal by *union* monopolies. Some *few* could afford it. Most cannot do so without adverse effects. It is, however, an eventual development so long as the unions maintain their present monopoly power. Eventually, it means the Federal Government will be asked to guarantee an annual wage in all industries. If it yields, Statism is only a few steps behind.


Dr. O. Glenn Saxon

JOHN B. SHOBER
814 Nat'l Bank of Commerce Building, New Orleans 12, La.

There is no doubt, as I see the stage, that "GAW" is another firm step towards further inflation, an ultimate higher price level, and further decline in the purchasing power of the contract dollar. It is unfortunate that ou educational efforts have not taught the union leaders and perhaps more so the individual members of the unions the dangerous implications of this policy, and it powerful influence towards keeping in motion the vicious cycle of wages versus costs in which our national economy seems to be in extricably entangled.


John B. Shober

My memory runs back to th

era of our national history when it became necessary to develop legislation to curb the power of capital over labor. Now we are clearly reaching a position, if we have not already reached it, where similar supplemental legislation becomes necessary to curb the power of labor over capital.

Perhaps we should all endeavor to create a new national policy, which I shall facetiously call "GAP"—guaranteed annual profit. Every wage earner should be required to pay x cents an hour into a stabilization fund set up for the purpose of insuring profits when the business cycle reverses itself and turns downwards. I can imagine the reception such a fantastic proposal would receive.

HON. CLEMENT J. ZABLOCKI
U. S. Congressman from Wisconsin

There is, to my mind, a serious question about the soundness and efficiency of a system of wage payments which leaves many industrial workers abandoned without income during seasonal layoffs and recessions. The social and economic costs of unemployment, which have been the subject of some thoughtful and penetrating studies, are very extensive. These costs are borne by the society in general, and by given communities and regions in specific cases. They are borne to a large extent by the workers, in terms of the hardships they and their families must endure.


Clement J. Zablocki

It would appear to me that considerably more thought should be given to the solution of this problem than has been given to it to date. There is a possibility that wage and employment security may be increased within the framework of our present system of wage payments. Certainly the progress made in this direction by such firms as the Nunn-Bush Shoe Company, Procter & Gamble, and Hormel, is encouraging and informative. There is also the possibility that the solution may rest in the development of a more scientific — and more humanitarian — system of wage payments which would further income and employment stability.

One thing appears clear: we cannot hope to find a solution to this problem without the wholehearted cooperation of industry and labor. There must be a mutual desire on both sides to remedy the existing situation—but there must also be a candid appreciation of each other's problems, and of each other's position.

To my mind, industry ought to seek employment stabilization with as much fervor as labor. On the other hand, labor must be willing to reappraise its current policies and demands. Our present hourly wage system is tied to the implicit understanding that the worker will be laid off as soon as there is no work for him. For that reason, in some industries subject to sharp seasonal fluctuations, hourly wages can be high, job classifications rigid, and so on.

If the employment in such industries should be placed on, for instance, annual basis, the hourly rates of pay would have to be subject to re-examination. The insistence on the preservation of all current benefits and prerogatives, combined with new demands for annual employment and wage guarantees, may work to the detriment of both labor and industry. It may prove particularly disadvantageous to the majority of workers who are **not** employed by strong, expanding industries, featuring high wages and highly organized labor force.

I believe that organized labor and industry have a responsibility to seek the way to greater employment security for our working people. Increased employment security will reduce the social and economic costs of unemployment, and benefit the entire society. This objective, however, can only be attained—short of a rigid government regimentation of the economy, which we do not want—if both industry and labor work earnestly, without prejudice, for its achievement

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Financial Roots of Dynamic Growth

continue to increase and the legal debt limit will have to be temporarily raised, just as the Secretary of the Treasury requested of Congress this week.

(2) We have sought by many means to distribute the debt more widely among more people. We are trying to lengthen its maturity by the sale of long-term and medium-term bonds. The amount of the floating, or short-term, debt has been reduced. The Savings Bond Program has been stepped up.

(3) We have worked unceasingly to carry out Hamilton's policies of an effective central banking system as the core of a sound financial mechanism. Our principal objective has been to relieve our Federal Reserve System from political pressure and make sure that its activities are devoted solely to serving the welfare of the people.

We are—as I hope I have been able to show you—following financial principles which go back to the establishment of the Republic, adapting them, of course, to current conditions.

What is our answer to those critics who say that these old-fashioned principles are lacking in dynamism and that more and more government spending is required to assure the country's growth and prosperity? Here is our reply:

First, that the dynamic growth of the United States has exceeded that of almost any other country in the world. The principle that good money is the best foundation for economic growth is supported by our economic history.

This year, under a continuation of these policies, indices of industrial production, employment, retail trade, and other economic factors have gone steadily upward until the country is once more at a high level of prosperity. The national income and gross national product are both setting new high records this year and without any price inflation. Confidence that comes from sound principles is proving the best stimulus to dynamism that could be found.

Evidence from Overseas

Second, let me cite evidence in another area—which I know particularly interests you—of the dynamic force of our traditional financial policies. In the Treasury Department, we have an Office of International Finance, the business of which is to follow carefully the financial developments abroad as a guide to the policies of the United States with respect to the financial aspects of foreign aid, the lending policies of the International Bank, the Export - Import Bank, and the operations of the International Monetary Fund. This U. S. Treasury division has representatives in many foreign countries. We receive a steady flow of information from them and other sources and have been able to watch at first hand financial developments throughout the world. From this listening post, we have seen startling and almost incredible evidence of the return to traditional and tested methods by country after country.

The period from 1951 on, I would say, could be designated the period of revival of sound monetary policy throughout the world.

It stands out very vividly to me personally because I visited Germany in 1946 and again in 1950. The thing that happened between those dates was the revaluation of the currency and the re-establishment of the German currency system under the "Dodge Plan," devised by our own Joe Dodge, Director of the Budget in 1953 and 1954. There you saw an economy turning from night to day in the space of a few months when a sound monetary and fiscal policy was adopted.

The International Monetary Fund has published a study entitled, "The Revival of Monetary Policy." A conclusion drawn in this study is that experience throughout the world indicates ". . . the use of monetary policy in recent years has strengthened confidence in currencies. It can no longer be assumed that the value of money will move uninterruptedly in one direction—downward. People are again encouraged to save and to keep their savings in their national currency, instead of seeking refuge in gold and dollars."

What You Can Do About it

All of this may seem remote to some of the members of your organization, but, in reality, it is very close.

First, many of you are the direct participants in the financial program of the government and related institutions. Your President this year deals every day in the Treasury with parts of the problem of maintaining sound money — the problem of honest tax collection. A former President, Sally Butler, was a roving representative of the Treasury. Another member, Ivy Baker Priest, Treasurer of the United States, is a particularly persuasive advocate of our policies.

Many other members are in responsible positions in finance and business, and it is my confident prediction that this number will increase year by year and that their responsibilities will grow. So the members of this organization will have a direct share in the country's monetary future.

Second, the education both of youth and of adults in this country is peculiarly within the sphere of women's influence. Early youth may not be the time to teach the theory of sound money in the technical sense, but it is the time in which to inculcate an attitude of mind, an approach to life's problems. It is then that the foundation is laid for an attitude of sympathetic understanding for the great achievements of the past and the great men and women in the country's history. Youth is the time to build bulwarks against the cynical attitudes which find satisfaction in debunking our historical heroes and traditions. We need to help our youth to respect integrity, whether it is integrity of statement, or of character, or of money.

Beyond this, I believe we can go much further and earlier in teaching more specifically the elementary principles of finance and their human and political as well as their technical aspects. A business group is, today, organizing a program in this direction, and your organization may be interested in studying their program.

Third, your organization is taking a helpful part in one particular phase of the Treasury's sound money program. I refer to the Savings Bond program. This year, millions of Americans are purchasing about $5½ billion of E and H Savings Bonds. This is in response to the work of many thousands of volunteer workers, including many business and professional women.

The immediate purpose of this program is to distribute the debt widely among our citizens, following the precedent set by Alexander Hamilton in 1791.

Less directly, but just as important, the Savings Bonds program is a method of educating more people in this country in habits of thrift and in giving them greater understanding and sympathy with the work of our government. Through their Savings Bonds, they become shareholders in the United States.

In these three ways, the members of your Association have already rendered distinguished service, and our appreciation is not only real and heartfelt but it conforms to the definition of "gratitude" as "a lively anticipation of favors yet to come."

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Prospect of a Labor Government

only to bring in new members but to establish a power of discipline over old members as well. This was the frank admission made to a Senate committee by George M. Harrison, President of the Railway Clerks, and a notable labor politician.

Harrison told the Senators that he wanted to be able to impose discipline on old as well as new members by having the coercive power of a union shop contract. Lated he testified before a Presidential emergency board that it was very difficult to govern an organization of 300,000 persons without having the police power of a public government.

You may sympathize with the difficulties of the officials of any voluntary organization — difficulties in getting agreement upon policies and programs and then in advancing them by orderly concerted action. But do you think that these difficulties should be relieved by making membership in a church or a civic association or a fraternal organization compulsory? Or do you believe that among a free people only voluntary societies, only unions which are privately governed by the consent of the governed, should be tolerated, and that compusory unionism should be as unlawful as other forms of involuntary servitude?

Many people, including even some large employers, do not appreciate the vast difference between the present campaign for a universal compulsory unionism and the negotiation in by-gone years of many closed shop contracts. In the days when competition between many employers and between many unions left many doors of employment open to independent workers there was no labor monopoly established by such contracts. There was no threat of the concentration of dangerous economic and political power in the hands of a union autocracy. Frequently an employer was only seeking industrial peace by ending union rivalries when he signed an exclusive contract with one union. The repeated claim of the unions today is that labor monopolies will bring peace. The establishment of a business monopoly will likewise end competitive strife. But a labor monopoly as well as a business monopoly can bring only the peace of submission to dictatorial power.

Today, We Have Union Bureaucracies

Today the union bureaucracies are plainly seeking supreme economic and political power. The union closed shop contract is a weapon of awesome force in that battle for power. The prospect of a Socialist labor government is not remote. It would be clearly an early prospect except for two retarding factors. One is the rivalries and jealousies that still divide union labor and hamper the concentrated exertion of its united strength. The other retarding factor is the disillusion spreading among the American people, first, as to the unselfish virture of labor unions and labor leaders, and, second, disillusion as to the comfort and security of life in the socialized welfare state which organized labor is promoting.

Time will not permit me to offer extensive evidence of this disillusioning. But it is my firm conviction that the Ohio election of the late Senator Taft and the national election of President Eisenhower provided strong evidence that neither a Socialistic labor leadership nor its program of a welfare state is as popular with the voters as our self-anointed "liberals" contend.

I believe that in the election of 1952 there was a great outpouring of silent dissatisfied citizens who for the first time in 20 years felt they have a real opportunity to register their opposition to any more socialism. I still believe that it is not too late to convince a majority of the American people that they do not want, and that their children will hate, the socialistic laws which are being forced upon us in wider circles and greater depth every year. But our great difficulty in making this demonstration is that the fear of foreign aggression and tyranny is being used again as the basis for calming other fears and stifling all objections to the aggressive imposition of more and more domestic tyranny, and the loss of more and more personal liberty.

This does not mean that I underestimate the threat or the evil of communism. It only means that I believe that the possibility of a physical conquest of the United States by Communist force is not so immediate a danger as the mental conquest of the United States by Socialist persuasion. State socialism is the fundamental creed of communism. We will never save the soul of America, we will never preserve the freedom of the American people, by sacrificing our lives and our treasury to prevent the forceful imposition of international socialism if we are persuaded to accept peacefully the same sort of government, imposed on us by United Nations treaties and by Federal laws expanding our national welfare state.

The well advertised Marxian way to create an all powerful Socialist state is to use labor organizations as the means of gaining an economic dictatorship out of which the political "dictatorship of the proletariat" can then be achieved. The recent rapid progress of such a program in the United States should warn us that the prospect of a Socialist labor government (under a less offensive label) is a very real and threatening menace to the maintenance of our constitutional form of government and the constitutional liberties of the American people.

Railroad Securities

Chicago & North Western Income 4½s, 1999

There has been some increase in interest and market activity in the securities of the Chicago & North Western Ry. in recent months, particularly the Income bonds, preferred and common stocks. This heightened interest has been due apparently to a combination of factors, including the recent improvement in earnings, hopes of a better showing in 1955, and possibility of more aggressive management policies stemming from recent changes in certain officials. At the annual meeting in May, an opposition group of stockholders elected Morton Weinress, head of an investment firm in Chicago, to the board of directors for a 3-year term. In June, H. L. Wells was selected chairman of the Finance Committee, succeeding F. W. Walker, resigned, and W. J. Montgomery was elected a member of the Finance Committee to succeed R. L. Williams. In 1954, the road failed to earn its Income bond interest for the first time since it was reorganized in 1944, and directors omitted the 4½% interest early this year, which would have been payable April 1, 1955.

The basic problems of the "North Western" are rather deep-seated and are not easily susceptible of solution. These include the large amount of light density branch mileage, heavy terminal costs and large losses from passenger train service. Severe winters and occasional floods tend to increase maintenance costs. Intensive competition from trucks, plus rising costs have aggravated the road's problems. Management has made strenuous efforts to effect economies, but the struggle has been a difficult one. Among some of the more important measures taken are installation of 691 diesel units, acquisition of modern freight and passenger equipment, elimination of unprofitable branch lines, reduction in passenger train mileage, increased rates and fares, and expansion of "piggy back" service. Some of these economy measures appear to have borne fruit. With a rise in revenues of only $949,000 in the first five months this year, net loss for this seasonally low earnings period was cut in half—or to $2,652,000, from $5,316,000 in the comparable 1954 period.

In analyzing the current position and prospects of the company's junior securities, there is an important point to bear in mind, and one that may not be fully realized. Under terms of the Income bond indenture, interest on the 4½s, 1999 is cumulative for three years, whether or not earned, or up to a maximum of 13½% at any one time. Should any interest arrears be outstanding, such arrears constitute a charge to income before determination of any earnings available for the equities. Arrears at the 1954 year-end amounted to 4½%, or a total of $3,039,000 on the $67.5 million principal amount of Income 4½s outstanding. In addition, if there are any net earnings in excess of fixed charges, sinking funds on the 1st mortgage 3s, 1989 and two year's requirements on the Income 4½s, such excess must be applied first to payment of interest on the Income 4½s held alive in the sinking fund. Since such interest amounting to $566,000, was not earned and accrued in 1954, it is presumed two year's sinking fund requirements would also have to be earned before determination of income available for the $5 preferred stock.

Adding up all of the 1955 prior charges and 1954 deficiencies, it is estimated the "North Western" would have to earn roughly $11.7 million before any net earnings would be available for the preferred stock. Since 1954 income available for charges was only $2.2 million, it can be seen the improvement in net would have to be substantial to permit any earnings to filter down to the preferred stock in 1955. Holders of the road's Income 4½s, on the other hand, are hopeful that with a continuance of good traffic and improved operating efficiency, something more than the regular 4½% accrual might be earned on the Income bonds in 1955. In fact, some rail analysts feel there is a possibility that a good portion, if not all, of the 4½% arrears may be earned in 1955, in addition to the regular accrual. Income bond interest is mandatorily payable, if earned, and if all of the 1954 and 1955 accruals are earned and paid on or before April 1, 1955, the Income 4½s would provide a handsome return, albeit speculative. The bonds are currently priced around 65. (In addition, bondholders can look forward to possible economies from the study now under way in connection with possible coordination of services and facilities of the "North Western" with the "Milwaukee," and possibly eventual consolidation. Realization of any sizable economies may take sometime, but release of this study this Fall could have favorable implications marketwise for the "North Western" Income 4½s.)

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Adjustments in Railroad Regulation

strictly we want the law enforced as to our competitor, but what a different interpretation we want placed upon the law as far as our own business is concerned!

"What about me?" is the cry in Washington. Special advantage, special service, special rules for me, but bear down on my competitor! is the story that comes from everywhere to the officials in Washington. Former President Herbert Hoover, a man I once criticized but now consider one of the great Americans of all times, said in a recent nationwide broadcast that men look to government for different things. "What is all wrong for government to do for some is all right for government to do for others." It is perhaps a harsh thing Mr. Hoover says, "but it is true that many men want strict enforcement in government of the laws for everyone but themselves." No truer statement was ever made. Regulate the other man, but overlook the law when you come to my operation!

Amendments to Interstate Commerce Act

Many changes have been made in the Interstate Commerce Act since it was established better than 60 years ago. The purpose of regulation is to build a transportation system able to serve the nation in times of peace and in times of war. Discrimination was found everywhere when regulation was first established. Railroad monopoly could crush an individual by discriminating against him. But not so today. Competition has practically eliminated discrimination as one of the main reasons for regulation. Today the important thing is the question of rates, and to maintain rates at a fair basis regulation must be continued. Rates are effectively reduced by competition, but there comes a time when competition becomes ruthless and destructive. That is where a regulatory body must have power to prevent such destruction. While there may be an advantage to the shipper in low, unfair rates today, tomorrow someone will pay added amounts on account of the destruction of some competitor.

But, it has been broadcast, the railroads, the trucking industry, and the water carriers have been getting along very well under regulation; that we have the finest transportation system in the world. Thank God our transportation system is under private enterprise. I am one of those who believe private enterprise can do a far better job than government operation. Compare the government's operation of the railroads during the First World War with that of private enterprise during the Second World War. The conclusion is inescapable. Government operation is inefficient and extravagant. It cannot be compared with private enterprise.

But, under regulation, there have been many difficult times in the past. In the last '20s and '30s it was found necessary to reorganize many of the great railroad systems of the nation, and eliminate from their capital structure over $1½ billion of bonded indebtedness and $800 million of preferred and common stock. Why, in the year 1954—last year — the railroads of the nation earned only 3.10% upon invested capital, and the trucking industry throughout the various parts of the country failed to make a fair return. Not only that, but to even make the amount they did in 1954 it was necessary to cut expenditures and employment. In 1954, the railroads employed 11.9% less employees than in the year 1953. It does not seem possible that they can maintain equipment and right-of-way with such a severe cut, especially when that cut is much higher on the great railroads of the east. Only the other day, in the May issue of the "Railway Progress" magazine, it was stated:

"But for the year 1955 some $200 million of earnings will be a borrowing from the future as a result of income tax deferments stemming from accelerated amortization. Railroad earnings statements are not only favored by lower tax accruals stemming from amortization but also the fact that operating expenses do not include these substantial amortization charges."

The same article lists such railroads as the Atlantic Coast Line, Baltimore and Ohio, Chesapeake and Ohio, New York Central, the Pennsylvania, and many others, which last year would not have shown reported earnings sufficient to meet their 1954 dividend payments, except for the accelerated amortization.

Railroad Earnings Inadequate

The earnings which are now reported by the rails are compared with those of the year 1954. As you know, in 1954 the rails experienced much more severe declines in operations and earnings that did most other industries. Freight carloadings fell to the lowest levels since 1938, a year of severe depression. Gross revenues and net earnings last year were the slimmest since 1949.

For 1955 to date, freight carloadings have averaged 8% more than those of 1954, but they still lag 6.2% behind the like period of 1953. It is true that in the last three weeks they have matched the corresponding totals for two years ago. Waterway carriers have retained their prewar share of 17% of the nation's freight traffic, and I call your attention to the fact that the Commission, due to the exemption clause, regulates only a small part of the waterway carriers. Truck and pipeline traffic has risen dramatically. Ton-miles of freight moved by the trucks are four times greater than before the war. Trucks accounted last year for 17% of all freight traffic. Ton-miles of liquids and gases moved through pipelines are three times the prewar level. The pipelines now account for 14% of total freight traffic.

Thus, we find the common carriers of the nation, both trucks and rails, are faced with problems which do not confront the unregulated carrier. No industry can properly carry on unless that industry is earning a fair rate upon invested capital. Thus, if one will review the past record of regulation one cannot say that transportation under regulation has not been confronted with many problems which have not been solved by regulation.

Railroad Services Are Adequate

It has been said the railroads are losing money because they are not furnishing the service; that they have failed to keep up to date; that their equipment is worn out and needs replacing. I have no doubt many improvements could be made which would be of great help, but I call your attention to the fact that the railroads have invested the sum of $6.8 billion for improved equipment and $3 billion on rebuilding the right-of-way, a total of over $10 billion since Jan. 1, 1946.

Now for your information, and not by way of reply to certain charges made against the Interstate Commerce Commission by a handful of individuals—and which for reasons I know not received great publicity—I call your attention to the record as to what has occurred as far as locomotive power is concerned.

(1) Since 1945, the railroads have purchased and installed, 20,754 diesel electric units at a cost of $3,081,489,900.

(2) Since 1945 the railroads have purchased and installed 477 coal-burning steam locomotives, at a cost of $99,171,800.

(3) Half of these 477 coal-burning steam locomotives were purchased and installed in the years 1945 and 1946.

(4) In the last five and a half-years the railroads have purchased and installed 64 coal-burning steam locomotives at a cost of $12,361,700.

(5) During the same five and a half years the railroads have purchased and installed 12,935 diesel electrics at a cost of $1,993,083,500.

(6) Not a single coal-burning locomotive was purchased by the railroads in the last 16 months.

I am also informed that one of the largest manufacturers of coal-burning locomotives has ceased to build steam locomotives. Finally, I call attention to the fact that the railroads of the nation are becoming dieselized as rapidly as possible. The Norfolk and Western, one of the last to recognize the necessity of new power, has bought eight diesels.

I believe the rails must meet the competition which confronts them. The segment of transportation which can furnish the best service is entitled to the business, be it the trucks, the water carriers, or the rails. But I want the regulatory laws and the interpretations thereof to be the same for all segments of the transportation industry.

The Passenger Deficit

What do I advocate? The rails of the nation are confronted with a huge passenger deficit. The Commission says $600 million. I think the formula should be changed and perhaps a nearer figure would be $400 million. Some way must be found to eliminate that deficit. Consideration must be given to cutting taxes levied on the passenger terminal stations throughout the nation, which are now huge amounts; $3,600,000 on the Pennsylvania Station in New York and approximately the same amount on the New York Central's great station in that city. We do not like the word "subsidy." But out in the Middle West we don't use that word. We call it "price support." Why not call it "passenger support?" If the passenger trains are needed in the public interest, why shouldn't the public assist in carrying the cost instead of forcing upon the shippers of the nation the burden of paying the passenger deficit? The railroads have no pot of gold from which to pay this loss. Every dollar must come from the freight shipper by way of added freight rates. The coal industry's very able and distinguished statistician has furnished us with figures showing the coal industry alone pays an additional 7% in freight rates due to the passenger deficit.

Time will not permit me to specify the many things I think could be done.

We have eliminated Rule 104. No one knows how much it cost the railroads, the shippers and the taxpayers. In one case, it is reported, the Commission expended better than a million dollars.

The waybill study. It has cost the railroads thousands of dollars, the taxpayers also, and as far as I can ascertain it is of very little value to either the shipper or the railroad.

I would limit the exempt carrier to a movement of agricultural products from the farm to the primary market.

I would eliminate the exemptions that now prevent the regulation of more than 90% of the water carriers of the nation.

Regulation "Absolutely Necessary"

I want no one to believe that I am for the abolishment of regulation. It is absolutely necessary. If there were no regulatory body to control rates, it would not take long for the various segments of the industry to drive other segments out of business. This is true not only between the trucks and the rails, but is also true between the various segments themselves. Rail against rail, and truck against truck. There is no justification for the war which is going on between the rails and the trucks. It should end. Neither one is lily-white. The biggest rate war since I have been on the Commission is rail against rail. The cuts certain rails have made will, and are, materially affecting the income of other railroads. It must be evident to all that now, in the year 1955, the rates are being cut because carloadings have materially increased but the gross revenue of the railroads has not. The increased earnings reported come from decreased operating and maintenance expenditures.

It is generally agreed that the United States has the best transportation system in the world. Moreover, this is just about the only country where the transportation system is controlled by private enterprise, and I hope we keep it that way. It should be remembered that the prosperity and growth of the United States is dependent to a very large extent upon the existence of an adequate and efficient transportation system.

The public officials needed in Washington today are not only men of industry, men of ability, and men of judgment, but above all, men of courage whose decisions will be made in the public interest without consideration as to whether the decisions are politically smart.

Some years ago the late Joe Eastman, who served with distinction as a member of the Commission for a great many years, said concerning the qualifications of members of the Interstate Commerce Commission, and I quote:

"Moral courage is, of course, a prime qualification, but there are often misapprehensions as to when it is shown. The thing that takes courage is to make a decision or take a position which may react seriously in some way upon the one who makes or takes it. It requires no courage to incur disapproval, unless those who disapprove have the desire and power to cause such a result. Power is not a permanent but a shifting thing. I can well remember the time when it was a dangerous thing to incur the displeasure of bankers, but there has been no danger in this since 1932. It became a greater danger to incur the displeasure of farm or labor organizations. There is nothing more important than to curb abuse of power, wherever it may reside, and power is always subject to abuse."

Named Directors

Three new directors have been elected by North Penn Gas Co. of Port Allegany, Pa., following the sale of 418,550 shares of that company's stock (93% of shares outstanding) by an underwriting group headed by Eastman, Dillon & Co. They are Messrs. Howard C. Herger and Paul D. Japp of Port Allegany, Pa. and Mr. Harold H. Young of New York. Mr. Herger is President of Pierce Glass Co. and Mr. Japp is General Sales Manager of Pittsburgh Corning Corp. Mr. Young is a Partner of Eastman, Dillon & Co.

Foster & Marshall Branch

OLYMPIA, Wash. — Foster & Marshall have opened a branch office at 504 South Washington Street under the management of Theodore F. Schmidt.

Merrill Lynch Branch

DAYTON, Ohio—Merrill Lynch, Pierce, Fenner & Beane have opened a branch office in the American Building under the management of George W. Humm.

With Campbell, McCarty

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Peter Van Osdol is now connected with Campbell, McCarty & Co., Buhl Building, members of the Detroit Stock Exchange.

Joins Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Louis C. Hebert has become associated with A. M. Kidder & Co., 600 Griswold Street. Mr. Hebert was formerly with Wm. C. Roney & Co., and prior thereto with Titus Miller & Co.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Peter S. Szalankiewicz has been added to the staff of B. C. Morton & Co., Penobscot Building.

Harr F. Ranney

Harr F. Ranney passed away July 6 at the age of 52. Mr. Ranney was Morristown, N. J., manager for Reynolds & Co.

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Look for Extension of Guaranteed Annual Wage Demands!

which is not asking for a GAW has indicated that it expects the industry to come across with a hefty increase (estimated to mean a 12-14 cent settlement). Don't overlook the fact that the glass industry settled for 14 cents an hour—partly to buy a year's time in which to study the problems of a guaranteed wage.

What happens to the labor pool? For many companies, laid-off employees of other firms have been a normal source of temporary or seasonal workers. But such sources will tend to dry up where GAW agreements are adopted—or where operations have to be rescheduled by suppliers who deal with GAW-committed companies.

When GAW Is An Issue

Wherever GAW comes up as a direct issue in the months and years ahead, the major questions it will pose for management will still be those the Ford Motor Company has just had to face:

(1) Determining the cost of financing a guarantee.

(2) The feasibility of stabilizing production, estimating or anticipating needed volume, ironing out seasonal and cyclical variations, calculating the risk of producing for inventory, designing new and special inducements to move stock during slow seasons.

It should be noted that the publicized $55 million fund is an outside figure for the next three years. It is not clear whether or not a favorable layoff experience would reduce the Ford contributions, resulting in a total expenditure of less than $55 million. It is also likely that the cost of the contract will be reflected in price adjustments. Therefore, the unspent or uncontributed portion of the $55 million could represent company saving.

The incentive to regularize or stabilize employment may, in the last analysis, hinge on whether Ford or any other company with a Union negotiated GAW will be confronted with an attempt by the union to recapture this difference.

Developments to Watch For

As of now, several of the most important questions about the GAW principle have yet to be answered. Assuming that guaranteed pay on a substantial basis will be confined to the auto industry for the next year or two, the experience and adjustments made in the pioneer auto deal can be of the greatest significance for business generally:

What steps will the industry take to meet its GAW responsibility and liability? The Auto Workers Union indicated its position quite clearly. While its goal is to stabilize employment, it says it does not intend to retard automation or prevent the re-location of new plants. But the union recognizes that "the guarantee injects into the employer's calculations an additional financial consideration . . . in determining when and where to introduce new equipment and build plants."

Amplifying this statement, the union has described in detail how it intends to apply GAW as a brake on management functions, decision and policy making responsobility. Here is what GAW will do, as the unions foresee it, and I quote.

"Under the guaranteed annual wage, the corporation moving its plant would have to meet a substantial part of such costs. It would have to maintain the living standards of fully eligible workers for a year after the plant was closed. Faced with that prospect, a corporation would give serious consideration to various alternatives before deciding to move its plant. It might find it cheaper, for example to:

"(a) modernize the plant and keep it in operation;

"(b) convert the plant to another product which it might be able to handle more efficiently than its previous products;

"(c) close down gradually in order to (1) allow time for the orderly absorption of the workers into other jobs, or (2) allow time for the reduction of the work force through quits, retirements, deaths, etc., so that the final closing of the plant would affect a minimum number of workers;

"(d) delay movement of the operation until a buyer had been found for the plant who would provide continued employment for the workers.

"If management, after considering all possible alternatives, nevertheless decided to close the plant, the guaranteed annual wage liabilities involved might cause it to volunteer various kinds of help to the workers, including payment of their moving expenses, assistance in financing the purchase of new homes, etc. (Under the guaranteed annual wage, of course, management could not force a worker to move by threatening to deprive him of his security, but there would be nothing to prevent a worker from taking advantage of such a company offer.)"

Even before GAW, of course, the auto makers sharply cut down the period of layoffs due to model changeover, the pushed sales more aggressively in traditionally off-season periods. They will certainly make further efforts in this direction.

What is the outlook for auto industry suppliers? To make fullest use of capital, equipment and work force, considering the additional GAW overhead, the auto manufacturers may undertake to become their own parts suppliers to an increasing extent.

Even in the absence of such a development, the rescheduling of car production will have to be paralleled by rescheduling at the supplier level. This could find suppliers facing stiffer competition for labor at the same time their labor costs are going up in line with UAW settlements in the industry.

So far as there is a squeeze on the companies which supply the auto industry, there may be hardship ahead for the businesses from whom **they** buy s u p p l i e s and services.

Will risk-taking be discouraged? If the GAW becomes firmly established throughout industry, much larger amounts of capital will be necessary to launch new ventures. Even established companies may hesitate to go into new fields, take chances on now products, risk going after new markets.

A New Look at Union Contracts

In the new light of GAW, a good deal of established bargaining practice and policy requires searching re-examination.

Basically, the collective bargaining agreement with which the average employer and union are familiar is not much different than it was five or ten years ago. Clauses covering new benefits such as Blue Cross, health and welfare programs, and even pensions have been added. But on the whole, the structure and concept of the agreement remain the same.

Generally, the trend in bargaining was first to give security to the workers on the job in terms of hours of work, wages, seniority and grievance machinery. After that followed off-the-job protection such as health and welfare programs, pensions and retirement systems. In the main, these strengthened the security of the senior or older worker. Now the chief concern is becoming protection for the junior worker against loss of job or job income. This calls for a reassessment of the union pact as an instrument of job rights and obligations.

Equally important, many union contracts will be obsolete in terms of the new pressures which the GAW will place on an employer to stabilize operations. Here are just a few of the clauses requiring a critical re-examination in view of the probably need for automation, shifts to new products and markets, etc.

Many contracts insist on work-sharing or short work-weeks before layoffs are permitted. Yet in some situations, layoffs may be more efficient and economical than the reduced workweek.

Many contracts strictly limit mobility between jobs, departments or shifts. Yet firms committing themselves for annual employment compensation must make the fullest productive use of employees.

The tendency in recent years to specify in detail the job and its rate is evidenced by the numerous grievances and arbitrations. What will be the meaning of these provisions when the emphasis must shift to worker flexibility?

In the case of seniority and bumping, the traditional concept of job-rights may have to be spelled out differently to avoid serious inefficiency.

The right of management to determine products, plant location, seasonality of operation becomes more assailable. The question of management perogatives is a particularly sensitive area since the union's policy-making role in connection with administration of any GAW fund is as yet an unknown quantity.

But stabilization of employment will require the most wholehearted application to the job. This spotlights objectives union and management must work toward together; and awareness on the part of all employees of the need to preserve the fund for their individual benefit their enthisiastic cooperation in shouldering their full share of the workload the cooperation of shop stewards and union representatives in backing up management when disciplinary steps are called for.

Stabilizing Employment

Smoothing out periodic interruptions in output is sound management policy regardless of the pressure of a GAW commitment. Fluctuations in production entail considerable loss for employers as well as workers. On the labor side, removing the fear of layoffs and interruptions to income can produce tangible results: Increased efficiency, higher productivity and a steadier work force.

Here are some of the steps a company can take to flatten out ups and downs:

(1) Forecast yearly personnel needs. Can you budget your manpower requirements on the basis of your estimated sales and production budget?

(2) Analyze labor t u r n o v e r. Keep an accurate record of all discharges. Distinguish between layoffs due to lack of orders, material, plant breakdown, release of temporary help, etc.

(3) Plan your hiring. Make additions to the force with an eye to permanent needs. The cost of overtime or transfers may add up to less than that of carrying temporary or seasonal employees.

(4) Train employees to do more than one job. This may be impossible or impractical where operations require a high degree of skill, but it's usually feasible to train at least a few workers in several operations so that a "flying squad" is available to meet temporary rush situations. Start by examining all jobs at the same wage level, cutting across organizational lines. Mobility will be more easily achieved by concentrating on jobs carrying approximately the same pay. Concentrate on the job requirements, not the qualifications of the present job holders.

Supervisors and GAW

Watch the psychological impact of GAW on foreman and supervisors. Where any of them get the feeling that rank-and-file people have achieved greater security than front-line management, a company is in for trouble.

In effect, a GAW settlement must be treated as narrowing the differential between foreman and their subordinates. In terms of their jobs, it may be necessary to re-examine or reinforce the responsibilities of the foremen. Since GAW puts a premium on a work force that can be shifted from job to job to avoid layoffs, management will need more flexibility. Here the foremen will probably have to bear the responsibility for additional training, for assignment and reassignment of employees.

Foreman responsibility is likely to increase in another area to— the decision as to whether new employees are to be retained at the end of probationary period. In general, the employer will want a better quality where a rank-and-file worker is hired on a guaranteed wage basis. It will be increasingly important to impress this new factor on foremen and supervisors who have the critical decision in their hands.

Joins Walston Staff

Walston & Co., members of the New York Stock Exchange and other principal exchanges, announces that June L. Kirchmann has become associated with the firm as a registered representative at its midtown office at 21 West 44th Street, New York City. Miss Kirchmann was formerly with Merrill Lynch, Pierce, Fenner & Beane in Newark, N. J.

With Kaufmann, Alsberg

Kaufmann, Alsberg & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announced that Harry H. Hornstein, Benjamin W. Mermelstein and Harry Rattner are now associated with the firm as registered representatives.

Mutual Funds

By ROBERT R. RICH

SEMI-ANNUAL report of Group Securities, Inc., now in the mail to shareholders, reports net assets of $89,962,062 at May 31, the end of the first half of fiscal 1955.

This represents an increase of 45% over the $62,007,281 figure on the same date last year. Shareholders increased 25% to 34,000 during the same period.

The general tone of the report, to the effect that "we are currently enjoying a soundly based and dynamic prosperity," and "an impressive balance of the evidence at hand . . . strongly indicates that total production and consumption will continue high and rising for some time yet," is tempered with the prudent reminder that, "during any period of generally rising securities prices, the temptation is strong to lose sight of the sound benefits to be derived from investing for long-term growth of income and principal. Shorter-term price increase itself, while highly acceptable, is irregular. Thus, more weighting of an investor's thinking in the direction of the more dependable benefits of income and long-term growth will provide an excellent bulwark against concern over any intermediate price unsettlement which, even if only temporary, can otherwise be disturbing."

SALES OF THE National Securities Series of mutual investment funds for June set an all-time record for the month at $4,924,978, a gain of 31% from the volume for June, 1954, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation, managers and sponsors of the funds.

For the first six months this year sales volume, including reinvestments, amounted to $30,244,455, compared with $29,122,284 in the corresponding period last year.

Net assets of the National Securities Series reached a new high on June 30 at $245,112,493, an increase of $71,764,592 or 41% from a year ago.

BOARD OF DIRECTORS of Investors Mutual, Inc., largest mutual fund affiliate of Investors Diversified Services, Inc., has declared a quarterly dividend of 17½ cents per share, payable July 15 to shareholders of record at the close of business June 30. The dividend will be distributed out of the fund's net investment income, derived from dividend and interest income.

SELECTED AMERICAN Shares reports that gross sales of shares in June reached a new high for that month at $880,409 compared with $354,235 in June 1954. Gross sales for the first six months of 1955 and for the 12 months ended June 30 were also at new highs for any similar periods in the company's 22½-year history.

In the first six months of 1955 gross sales amounted to $3,348,426 excluding $1,684,944 reinvested at net asset value from the capital gain distribution paid in January. This compares with $1,535,928 in the first six months of 1954 (during which no capital gain was paid). For the 12 months ended June 30, 1955 vs. June 30, 1954, gross sales (excluding reinvestment of capital gain distributions in both periods) were $5,945,391 vs. $3,096,846.

Total net assets of Selected American Shares at June 30, 1955 rose to $46,128,881 equal to $9.39 a share, compared with $32,109,526 equal to $7.55 a share on June 30, 1954. In addition to the gain in asset value per share, a 50-cent capital gain distribution was made in January 1955. Dividends from investment income in the first six months totaled 13c a share compared with 12c in the first half of 1954. Per share figures above are adjusted to the 2-for-1 stock split in April 1955.

At mid-year common stocks represented 93.8% of assets. U. S. Governments and cash 6.2%. At the 1954 year-end common stocks represented 85% with governments and cash at 15% of net assets.

EMLEN S. HARE, President of Institutional Shares, Ltd., sponsors of three general and two single industry mutual funds, reports net assets on June 30, 1955 were at a peak of $28,437,000 compared to net assets of $14,101,600 a year ago.

Total gross sales for June reached $1,647,700 compared to $862,600 for June of last year. Gross sales for the first half of 1955 were $7,425,892 representing a jump of 210% over the sales for the 1954 first half.

WALL STREET Investing Corporation, a common stock mutual fund with headquarters in New York City, has established offices in Boston at 140 Federal Street.

The fund recently announced a major policy and personnel reorganization aimed at strenthening its competitive position in the mutual fund industry. At present, the fund's net assets are well over $6,000,000.

Lehman Corp. Reports Assets Are Highest In History

Net asset value of The Lehman Corporation on June 30, 1955 was $224,250,663, equal to $48.47 per share on the 4,626,856 shares of capital stock outstanding, Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee, reported in the annual report to stockholders. This net asset value, which gives effect to the deduction of dividends totalling $2.01 per share, was the highest ever reported in the 26 years of The Lehman Corporation's operations. This compared with $38.14, the corresponding net asset value at the end of the previous 12 months.

Net ordinary income for the fiscal year ended June 30, 1955 amounted to $4,608,633 and net realized profit on securities sold was $7,090,172, compared with $4,259,993 and $5,079,716, respectively, in the prior 12 months. Net unrealized appreciation of portfolio securities amounted to $127,793,472 on June 30, 1955, as against $82,542,300 the year before.

Dividends paid for the fiscal year ended June 30, 1955 totalled $2.46 per share of which $.99 per share was from ordinary income and $1.47 was from profit realized on the sale of investments. This latter amount has been designated as a capital gains dividend and is taxable to recipients for Federal Income Tax purposes as a long-term capital gain irrespective of the length of time they may have held the stock of The Lehman Corporation.

Common stocks constituted 91% of net asset value at the fiscal year end with U. S. Governments and net cash items of $16,784,575 representing 7.5%.

New portfolio additions during the quarter were 16,000 shares The Grand Union Company; 10,000 shares Tennessee Gas Transmission Company; 10,000 shares R. H. Macy & Co., Inc.; 2,500 shares Public Service Company of Indiana, Inc., 4.20% Conv. Preferred; 9,300 shares Portland Gas & Coke Company; 3,000 shares Powell River Company Limited; and 5,000 shares Eastern States Corporation. Additions to the portfolio included 7,000 shares Allied Chemical & Dye Corporation; 3,700 shares Hercules Powder Company; 4,200 shares Southland Royalty Company; 10,000 shares Schering Corporation; 5,000 shares St. Regis Paper Company; 500 shares International Business Machinese Corporation; 2,500 shares Crown Zellerbach Corporation; and 10,000 shares Brown Company.

Sales included 14,180 shares United Gas Corporation, leaving 70,000 shares in the portfolio, 10,160 shares The National Cash Register Company, leaving 40,000 shares in the portfolio; 5,000 shares Corning Glass Works, leaving 20,000 shares in the portfolio; 15,300 shares Merck & Co., Inc., leaving 50,000 shares in the portfolio; 3,700 shares Johnson & Johnson, leaving 15,000 shares in the portfolio; 17,216 shares Columbia Broadcasting System, Inc., leaving 55,000 shares in the portfolio; 5,000 shares Dixie Cup Company, leaving 13,000 shares in the portfolio; 5,000 shares American Smelting and Refining Company, leaving 15,000 shares in the portfolio; and 20,845 shares Western Natural Gas Company, leaving 70,000 shares in the portfolio. During the final quarter of the fiscal year, the Corporation disposed of its holdings of 5,700 shares Mid-Continent Petroleum Corporation; 10,500 shares Colgate-Palmolive Company; and 10,000 shares The Brooklyn Union Gas Company.

Economist Cites Factors Promising Growing Economy

An investment research specialist who contributes to the management of funds totaling some $400,000,000, representing the mutual fund investments of 95,800 people, cited five factors which give promise of a progressively expanding economy replete with new markets, new industries, and new and better products for a better way of life.

Addressing an audience comprised of brokers and investment dealers meeting at the Missouri Athletic Club in St. Louis, Thomas J. Herbert, Vice-President and Research Director of Fundamental Investors, Inc., Elizabeth, N. J., declared that America's future economic growth will result from an expanding population, decentralization of industry, industrial research, the desire for a better way of life, and atomic energy.

Mr. Herbert explained that this pattern of economic growth could be upset temporarily by international incidents or by unwise policies on the part of the government or of labor unions. In the long run, however, his research organization believes that further substantial growth of the American economy is assured, and at the moment is being strengthened by an even faster rate of growth in the remainder of the free world.

Reviewing the course of investment management over the past ten years, Mr. Herbert concluded that successful management during the period has been aggressive management. "The weak of heart have faltered and investment portfolios that have gone defensive in anticipation of short-term declines in economic trends have failed to take advantage of the superb investment opportunities available," the speaker declared.

Emphasizing the necessity of constantly keeping in mind the longer term business horizons, Mr. Herbert said that "a belief in certain basic concepts has encouraged the aggressive investor to maintain a high percentage of his security holdings in common stocks."

These concepts, he added, have included a recognition that the world communist problem is a deep-seated and lasting enigma for which there is no ready solution, a recognition of the new and important business role exercised by both government and labor unions, and finally, recognition of the expanding characteristics of the American economy.

Other speakers at the meeting, whose overall theme centered on the role of investment management in America's expanding economy, included Eugene J. Habas and Glenn O. Kidd, both associates of Mr. Herbert as Vice-Presidents of Fundamental Investors, Inc.

Scudder Issues First Report

Investment Company Will Issue 250,000 Shares In a Lehman Underwriting

Scudder Fund of Canada Ltd.'s first annual report covering operations for the year ended May 31, 1955, reveals that the corporation's net asset value on that date was $37.41. On July 11, 1955 net asset value was $40.31 per share.

The report further discloses that when the fund began operations on June 14, 1954, it received $30,000,200 in U. S. from the sale of its 1,000,000 shares through the underwriting group headed by Lehman Brothers of New York. Thus, net asset value per share was $30 in U. S. a year ago.

The fund has mailed to stockholders a proxy statement asking for authorization to increase the authorized common shares from 1,000,000 to 1,250,000 shares of common stock. There is in preparation a registration statment which will be filed with the Securities and Exchange Commission covering the proposed sale of the additional 250,000 common shares for distribution to the public.

Although the fund's share may be redeemed at any time at net asset value, they have been traded in the "over-the-counter market" at prices consistently above the net asset value, and, to date, no shares have been redeemed. The June 30, 1955 market quotations, as reported in the daily press, were U. S. $41.75 bid and U. S. $43.25 asked. Net asset value on the same day was U. S. $39.54.

At the end of May, the fund's portfolio was invested 92% in common stocks, 6.3% in bonds and preferreds and 1.7% in net cash. The largest industry groupings were: Metals & Mining, 19.7%; Petroleum, 15.6%; Construction, 11.9%; Paper, 9.9%.

The fund is managed by Scudder, Stevens & Clark Ltd., a Canadian company, affiliated with Scudder, Stevens & Clark, a leading American firm of investment advisors. Investments have been limited to issuers deriving their income from sources outside the United States, concentrated in companies reflecting the development of Canadian industries and resources.

At present the entire 1,000,000 common shares of the fund have been issued and are outstanding so that no more are available. In the judgment of the management, the proposed additional capital could be satisfactorily invested, and the existing shareholders would derive advantages from the increase in assets in the form of an opportunity for wider diversification and a reduction in the aggregate per share operating cost of the fund.

In commenting upon the continued expansion and development of Canadian industries and resources, the fund's first annual report to its shareholders stated: "Canada's rapid economic progress, based on an abundant supply of natural resources, population growth at an appreciably faster rate than in the United States and the influence of tax and other governmental encouragements, have evoked widespread comment and needs no emphasis here."

"However, it may be noted as an indication of the continued vigor of the Canadian economy, that while the U. S. industrial production in 1954 fell 6½% below that of the preceding year, the corresponding index in Canada declined by only 1%. This comparison takes on added significance in appraising the value of Canadian securities when it is realized that during the first year of the fund's operations, common stock prices in the United States advanced approximately 32% in contrast with a rise of about 17% in Canadian stocks, as indicated by the Toronto Stock Exchange Index of Industrial Stock Prices."

Music Stock Buy

Ten thousand shares of common stock of Hammond Organ Company have been purchased by Massachusetts Investors Growth Stock Fund, Inc., Stanley M. Sorensen, President of the organ company, announced.

A leading manufacturer of home and church organs, Hammond has made dividend payments for 20 consecutive calendar years. A disbursement June 10 was the 57th consecutive quarterly payment since June, 1941. From 1936 to 1941 dividends were on an annual basis.

Hammond recently reported to stockholders that net earnings for the year ended March 31, 1955, amounting to $3,070,533, equal to $4.11 a share, were the highest in its 27-year history.

The company's 1954-55 earnings were approximately 23% greater than a year ago when it reported a net profit of $2,499,409, or $3.25 a share.

SOVEREIGN Investors reporting as of June 30, 1955 shows record high figures in total net assets, number of stockholders and shares outstanding. Assets were $1,501,469.65 compared with $949,561.88 June 30, 1954, or a net gain of 58% for the period.

The net asset value per share increased from $9.19 per share on June 30, 1954 to $12.56 on June 30, 1955, an increase of 37%.

I. D. S. Assets Cross Billion Dollar Mark

Total net assets of the four mutual funds managed by Investors Diversified Services, Inc. have exceeded the billion dollar mark by more than $6 million, Joseph M. Fitzsimmons, President of IDS, disclosed.

As of June 30, 1955, Investors Mutual, Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc., and Investors Group Canadian Fund Ltd. had combined total net assets of $1,006,297,677.

The combined total net assets of the first three funds mentioned above were $977,810,540, an increase of $119,239,320 for the first six months of 1955 over the 1954 year-end figure of $858,571,220.

On June 30, 1955, Investors Mutual, Inc. had net assets of $826,580,937, an increase of $94,333,046 over the Dec. 31, 1954 figure of $732,247,891; Investors Stock Fund, Inc. had net assets of $129,979,815, showing a six months increase of $24,646,874 over the 1954 year-end figure of $105,332,941; Investors Selective Fund, Inc. had net assets of $21,249,738, an increase of $259,400 over the net asset figure of $20,990,338 on Dec. 31, 1954.

Investors Group Canadian Fund Ltd. had total net assets, as of June 30, 1955, of $28,487,137.

Gains in the number of shareholders during the six-month period under review were as follows: On June 30, 1955, Investors Mutual, Inc. had 206,000 shareholders, an increase of 23,000 over the 1954 year-end figure of 183,000; Investors Stock Fund, Inc. had 34,000 shareholders as against the Dec. 31, 1954 figure of 28,700; Investors Selective Fund, Inc. had 8,000 shareholders as against 7,000 six months ago. Investors Group Canadian Fund Ltd. had 19,200 shareholders on June 30, 1955.

DIRECTORS of United Fund, Inc. have authorized a 100% stock split on the United Income Fund shares. For each share outstanding, currently amounting to more than 6,500,000, there will be issued a like number to the holders of record Aug. 4.

The action was taken in order to reduce the offering price of the shares, which, it is believed, will assist in the wider distribution of shares among investors, thus increasing the size of the fund and tend to reduce the overhead cost of the administration of the fund per share to each stockholder, Cameron K. Reed, President, said.

The net assets of Income Fund is about $125½ million, equal to about $19.32 a share, compared with $113,113,000, or $17.61 a share at the start of 1955.

Group Releases Industry Analysis

To show how the current prosperity is reflected within various segments of the economy, Distributors Group, Inc., sponsors of the mutual funds of Group Securities, Inc., has released up-to-date revisions of its 1955 earnings figures for 15 separate industry groups.

It estimates the largest gain for the steel industry, at 29% over 1954, with automobile and mining at 19%. Substantial improvement is seen for railroads with a 17% increase and electronics and electrical equipment with 13%. Despite the current cigarette-smoking controversy, the tobacco industry should show an 8% increase in earnings over last year's figures, according to Group's estimate.

In analyzing industries whose securities are normally considered useful for long-term growth of principal and income, Group continues to "advise caution" as far as Aviation stocks are concerned.

Chemical, and electronics and electrical equipment stocks, according to the report, "appear to be again pursuing their favorable long-term trend."

Petroleum stocks are seen "to be in an attractive price position," despite recent backwardness. Among industry groups useful for relative stability of principal and income, tobacco stocks "give early signs that investors are recognizing their substantial values and generous return."

Merchandising stocks appear to be in a position to improve, whereas both food and utility issues give little indication of any departure from their average price performance over recent months.

Among the cyclical groups, railroad stocks still appear attractive to the Group Securities management, while the steels are still considered worthwhile holdings.

While "it may be a bit late for new commitments" in building stocks, mining stocks "appear not to be too far advanced in their favorable price action and should continue to act well."

Railroad equipment stocks "continue to give signs of approaching an upturn" after a long period of relative inaction.

The report sees signs of growing public interest in Industrial Machinery stocks, although automobile stocks "give no evidence of developing a strong trend in either direction at this time."

Public Utility Securities

By OWEN ELY

Wisconsin Public Electric Company

Wisconsin Electric Power is the largest of the three Wisconsin electric utility companies. 1954 revenues of $88 million (an increase of 94% during the postwar period) were 90% electric, 8% gas and 2% heating and miscellaneous. While the company serves the City of Milwaukee, ranking eighth in industrial production, it also serves a considerable farm area with a substantial irrigation load. Thus electric revenues are about 33% residential, 6% rural, 28% commercial and only 25% industrial.

The company has several subsidiaries: Wisconsin Michigan Power Company, Wisconsin Natural Gas Company, and Milwaukee Railway & Transport Company (transit interests are now small). The System serves an estimated population of 1,634,000 in 386 communities and 37 counties of Wisconsin and Michigan, covering about 12,546 square miles. The territory served includes two separate areas in Wisconsin and another principally in the upper peninsula of Michigan, the three being fully interconnected and integrated. There are two relatively small gas distribution systems located within the electric service area, supplying natural gas purchased from another company.

The southern area includes some of the country's richest farm lands and the State's principal industrial centers. The central district also contains prosperous farm lands and some of the country's leading paper mills; the northern portion is noted for its timber, iron ore, water power and recreational facilities.

Wide diversification of farm activity contributes to an average income per farm family which is higher and more steady than in most States. Although Wisconsin is noted for dairying and the growing and processing of farm crops, other activities range all the way from poultry raising to fur farming. Electricity plays an increasingly important part in Wisconsin farm operations, as indicated by an average annual use of 6,697 kwh. High standards of milk production require the use of electrical equipment in cleaning and cooling processes. In cooperation with the State university and other Wisconsin utilities, Wisconsin Electric participates in a long-range program to develop new ways in which electricity can be used to make farming easier and more profitable. This includes operation of an experimental research farm.

Industrial business in the Milwaukee metropolitan area includes a number of old-line firms anti-dating the depression '30s, plus a great number of smaller firms added in recent years. The area's foreign trade is substantial, and should be enhanced by the St. Lawrence seaway project, planned for completion by 1959. This should result in a greater utilization of Milwaukee's fine harbor facilities.

The Milwaukee metropolitan area is enjoying a substantial building boom, and in Milwaukee County 40,000 new homes were constructed during the period 1950-54. The use of room air-conditioning equipment is becoming increasingly popular, and promotional activities to stimulate the use of electricity for house-heating are now in progress. The company is making special efforts to promote more adequate wiring so as to permit better use of appliances.

The company is notable for its low residential rates, which last year averaged only 2.21¢ per kwh, compared with the national residential average of 2.69¢. Average residential use was 2,919 kwh, compared with the U. S. average of 2,549 kwh. Low rates are permitted by the company's excellent generating efficiency in its large steam plants. In 1954, Wisconsin Electric Power System required only 11,428 Btu per net generated kwh, compared with the U. S. average of 12,200.

During 1955, Wisconsin Electric Power and subsidiaries spent about $41 million for construction. New generating capacity of 120,000 kw is scheduled for addition by the end of this year and another 120,000 kw in the following winter. This will bring total capacity up to an estimated 1,373,000 kw, or 115% more than in 1947.

Capitalization at the end of 1954 was as follows:

	Millions	Percent.
Funded Debt	$133	48%
Preferred Stock	34	13
Com. Stock Equity	109	139
Total	$276	100%

The common stock equity has increased from 25% in 1946 to 39% at the end of 1954, and book value from $13.85 to $23.13. Four subscription offerings of common stock during 1949-54 were far over-subscribed.

The company's earnings statements need some interpretation, due to the inclusion of provisions for contingent losses in 1951 and prior years, and non-recurring tax savings in recent years. As adjusted by Standard & Poor's, share earnings jumped from $1.24 in 1945 to $2.05 in 1946, due to substantial savings in excess profits taxes (repealed after the war). Share earnings have remained within a narrow range of that figure in later years.

Earnings for the 12 months ended March 31, 1955 have been reported at $2.37 in the financial services, but this figure included a $1,028,400 tax reduction due principally to the settlement of tax liabilities for previous years, for which a reserve had been established by charges to income in those years. Excluding this item share earnings would have been $2.15.

The common stock has been selling recently around 34, and based on the $1.50 dividend, the yield would be 4.4%. Based on share profits exclusive of non-recurring tax savings, the stock is selling at 15.8 times earnings, which is about average for all electric utilities.

Walker Director

George H. Walker, Jr., Managing Partner of G. H. Walker & Co., investment bankers, and R. James Foster, a Partner of Rand & Co., investment bankers, have been elected directors of Chemical Enterprises, Inc.

Mr. Walker is also a Director of West Indies Sugar Co., Walker-Bush Oil Co., Zapata Petroleum Corp., and City Investing Co.

William S. Kies, Jr., a Partner in the firm of W. S. Kies & Co., investment counselors, has also been elected a Director and Chairman of the Executive Committee of Chemical Enterprises, Inc. He is also a Director of Barker Brothers Corp., Michigan Gas Utilities Co., Acme Aluminum Alloys, Inc. and Green Mountain Power Corp.

Continued from page 6

America's Future in International Trade

ter of survival in case of all-out war—is our dependence on imports for many crucial items.

We must look to other countries for:

100% of our tin, mica, asbestos & chrome.
99% of our nickel.
95% of our manganese.
93% of our cobalt.
67% of our wool.
65% of our bauxite.
55% of our lead.
45% of our copper.

Even in time of peace, our demand for these items will rise as our population increases.

To pay for these increased imports basic to our national needs and security, we shall need to export more and more of our increased production.

This increasing reliance upon the importation of essential goods raises a possibility about which there has been little discussion, at least publicized discussion.

During postwar years, we have been so concerned about the dollar gap of other countries and our bridging of the deficit with loans and grants that we have had no occasion to fear a similar situation for ourselves.

However, some trade experts now estimate that on the basis of recent trends — and more and more reliance on other countries for raw materials — the United States by 1960 will actually be running a negative balance of trade of approximately $1½ billion.

The net result could be that we would be forced to husband our gold just as other nations have had to husband theirs.

This prediction, whether it comes true in 1960 or never, serves to emphasize the need for not only maintaining our exports —every dollar of them—not only of capital goods and farm produce, but all the surplus American production which the outside world is willing to buy and pay for.

So far, I have mentioned the importance of imports and exports primarily as they relate to our domestic well being. Equally important are their effects on our world-wide military, political and economic relationships.

The vitality of any nation's economy directly affects its political and military strength. Sound trade is a builder of national vitality.

It is almost indisputable that nations, thwarted in their trade with us, soon turn to other markets, even markets within the Communist bloc.

Under the Marshall Plan, for example, we gave to Denmark $1 million for the establishment of a blue cheese merchandising system especially adopted for sales in the United States. Several years later, upon complaints by cheese interests in this country that imports of Danish blue cheese were depressing their market, a quota on the imports of that product was established.

The Danes thereupon cancelled permission for us to use islands in the Baltic Sea as sites for air bases, and, deprived of American dollar exchange, turned from coal purchases in West Virginia to coal purchases from Communist Poland.

U. S. Economic Assistance Abroad

Since World War II, our country has gladly assisted in the economic recovery of England, France, Italy and other countries of Western Europe. By doing so, we may very well have prevented these nations, particularly those on the continent, from falling under the domination of Russia.

Their gains have been startling, but they can be maintained and strengthened only if we permit less restrictive access to our own markets in return for the large volume of our production being sold in Europe.

What is true of the Western European countries is also true of nations in other parts of the world.

I want to mention briefly just two of the many nations whose freedom is vital to our welfare—whose independence depends, over the long haul to a great extent upon our leadership in trade policies.

Japan is a keystone in the Pacific to the military and political planning of the free world. But there are disturbing signs that the economic stability of that country is being impaired by limited access to markets in the United States, Europe and the Commonwealth of Nations.

Japan is a country about the size of California, with 87 million inhabitants. Only 16% of its land is arable. In 1953, its per capita income was only $190, as compared with $1,850 in the United States. Its central economic problem lies in its dependence on external commerce.

We recognized from the very end of the war the important part that Japan could play in giving stability to the Western Pacific area and, indeed, to the whole world, if she could be kept on the side of the free world.

It is elemental that Japan has to trade to live. If she cannot trade with the free world, she necessarily will trade with the Communist world, and this means not just selling to the Communist countries civilian goods, but also those durable items of war or semi-war nature.

At this very moment, the Chinese Communists are dangling inducements before the Japanese to persuade them to reach agreements on a wide variety of goods, and particularly those included in the embargo on trade with Communist countries.

There are those in this country who, I fear, do not quite understand the importance of Japan being able to sell in our markets. They grow unduly alarmed over a slight increase in our importation of Japanese goods. Yet, there is no country to which it is more important that we demonstrate patience and statesmanship.

Our trade policy must be one that will give consideration to Japan's needs, and will induce her to stay on the side of the free world.

This does not mean that we have to absorb Japan's surplus goods. We shall need to buy some of her products to sell her our own; but we need not have our markets flooded with imports from that country.

Through multi-lateral trade agreements authorized under legislation, markets can be found elsewhere for Japanese goods. She particularly needs to establish markets in Asian countries.

Multi-lateral trade agreements are excellent devices for building broad trade relations. Under such agreements, for example, Indonesia may, through the sale of raw rubber to us, be able to buy textile goods from Japan while Japan buys our raw cotton.

Indonesia is the other nation that I offer as an example of the importance of trade policy to our foreign affairs.

Indonesia, which this August is celebrating the tenth anniversary of its declaration of independence, is a pivotal nation in the cold war. Only recently emerged from 350 years of colonial domination by a Western power, the Indonesians are understandably suspicious of anything that looks like foreign interference whether from East or West.

Hence, the fledgling nation is trying to follow an independent attitude toward the cold war. Its peoples' one concern is to preserve their hard-won freedom and independence.

Indonesia's economy, perhaps as much as any country in the Far East, is dependent upon foreign trade. Years of foreign rule have left the new nation with a lopsided economy dependent almost entirely upon certain world-wide raw commodities, especially rubber. The problem which the nation now faces is how to diversify its economic base, without losing important markets for its traditional exports.

Two years ago, in 1953, the world price of rubber took a disastrous tumble, and consequently Indonesia's foreign exchange holdings dipped down to a dangerously low level. As a result the Indonesian Government placed stringent embargoes against imports, especially from the dollar area.

These restrictions naturally led to some resentment by United States exporters; and this resentment, fanned by Indonesia's political opponents, led to a campaign whose theme centered upon the charge that the Indonesian economy was headed for bankruptcy; that foreign investment in the country was too risky for American capital; lastly, the inevitable charge that the Communists were getting stronger.

Fortunately, events of the past 10 months have done much to alleviate the critical situation. With an upturn in the price of rubber, the Indonesian foreign exchange holdings are $110,000,000 above last year's crisis low, and a consequent lowering of the import restrictions is turning United States traders' attention back to a market which will be all the more rewarding after a year of forced austerity.

Moreover, the confidence of American capital investment has just been given solid proof by the announcement of the Standard-Vacuum Oil Company of the completion of a new bulk goods plant at Palambang for marketing gasoline, kerosene, and high-speed diesel fuel.

The point for Americans to draw from these recent experiences is that we must not throw up our hands in despair every time a new, struggling underdeveloped nation such as Indonesia experiences difficult times. The Communists would like nothing better than to see us forsake the key nations of Southeast Asia. They want Americans to become discouraged, so that they can have the field to themselves.

As far as Indonesia is concerned, this is a long way from happening. The best evidence to support this is the fact that Indonesia, desperately needing new markets as she does, has faithfully fulfilled her pledge to the United Nations that she will not ship strategic raw materials to Red China.

From here on out it is up to an intelligent and enlightened American economic foreign policy to help the Indonesians, and other under-developed areas all we can. Like most Southeast Asia nations, the Indonesians want no handouts; but they do want an opportunity to broaden the base of their world trade and to attract on a mutually beneficial basis the foreign capital so necessary if their country is to provide a decent standard of living for all its citizens.

Trade Policy in Combating Communism

I cite Janpan and Indonesia as examples of many other countries of Asia, Africa and South America, that require recognition on our part of the importance of trade policy in the struggle against totalitarian dictatorship.

Not only must we buy to sell, but we must also establish and follow policies that prevent other nations from being forced into the Communist camp.

Many of our critical and strategic materials, such as tin, cobalt and others that I enumerated a few moments ago, come from countries that are not tied strongly to the West. Some of these countries are under constant Communist pressures.

Our welfare demands that on a mutually beneficial basis we endeavor to keep them within the free world trade orbit.

To help to do so, the Congress has just extended the Trade Agreements Act for three years. It has some unfortunate limitations, but it is basically sound.

In recent years, Congress has established several programs intended to promote trade growth between us and other nations.

A few such programs are grants and loans; off-shore procurement; extension of the Trade Agreements Act; and various programs to assist underdeveloped nations.

You are interested in these programs because you and your country have a stake in any effort to establish a growing trade and sound trade policies.

Another type program on which Congress has already taken some action and is now considering new legislation relates to the encouragement of venture capital by providing guaranties to investors and exporters. It is with this area —especially the guaranty to exporters — that you are most directly concerned, and it is about this area that I now wish to make a few remarks.

Inadequancy of Short- and Medium-Term Financing

One of the factors that has accentuated the "dollar gap" problem during the post-war period is the inadequacy of short- and medium-term private financing.

Unquestionably, there is a demand—and a need—for a greater self-supporting system of private international financing to finance our export trade. A chief difficulty has been the danger of unforeseeable political risks over which the investor or exporter has no control.

In this respect you surely are familiar with the attempts already made by Congress to give some relief.

For example, the insurance program under Public Law 30 of the 83rd Congress, administered by the Export-Import Bank, is intended to protect property of American citizens warehoused abroad against loss or physical damage.

The [former] Foreign Operations Administration also administers an investment guaranty program, but under this concept of investment the beneficiary is required to maintain his investment in projects abroad for minimum periods ranging from three to five years.

Moreover, the FOA guaranty program applies only to limited areas where a foreign nation and the United States have entered into specific agreements on a governmental level.

Finally, it guarantees only against risks of expropriation or non-convertibility.

In addition, the whole program is temporary, as authority to issue guaranties will expire on June 30, 1957, unless extended.

It is obvious that the FOA guaranty program, as good as it is, offers inadequate assistance to the greater promotion of commercial export trade.

Apart from Federal programs for maritime and aviation insurance under limited conditions, the foregoing are the only United States agency programs directly influencing the export trade.

In addition, the International Bank for Reconstruction and Development, through its operations, has indirectly helped to promote world trade.

It can extend long-term loans for development projects in countries that are members of the bank. However, under its charter, such loans must be guaranteed by the government or central bank of the country in which the project is located.

This has led to international bank loans on a government level rather than on a private business level. Moreover, there is no assurance that the proceeds of an International Bank loan will be spent for United States goods or services.

While I heartily favor the international bank program and consider its potential long-range impact on trade to be great, its effect is indirect and thus far has not been fully felt.

The International Finance Corporation

The proposed International Finance Corporation, to be an affiliate of the International Bank, would differ in operating procedure from the bank mainly by not requiring any government or central bank guaranty for loans by the corporation.

Much of the corporation's program would consist of investment in debentures in order to aid the development of specific industrial projects without exercising control over the organization issuing the debentures.

The most recent guaranty proposal, and the one in which you are understandably most interested, was introduced by Senator Fulbright, Chairman of the Senate Banking and Currency Committee, of which I am also a member, on June 16.

This bill, if enacted into law, would authorize a new United States Government corporation to provide guaranty on exports against non-payment resulting from certain risks of a political nature.

The bill would provide a program for supplying one of the elements now missing for the extension of more and better terms of private financing of exports.

The "political" risks proposed to be covered would include such items as confiscation, expropriation and requisition; hostile action ranging from civil strife to full-scale war; and governmental action that restricts convertibility of currencies into United States dollars or which improves licensing requirements, quotas or embargoes.

Note carefully the bill as introduced by Senator Fulbright is not a proposal to provide guaranty against the usual commercial credit risks. It is felt that with the "political" risks covered, private insurers or guarantors will be more inclined to provide whatever complementary commercial credit coverage may be required by exporters or their bankers.

The program envisaged is a self-supporting one.

A new government corporation with a comparatively small capital of $10 million would be organized. It would have authority to borrow up to $50 million from the United States Treasury if needed for corporate activities. However, it is anticipated that the corporation will pay for its own activities out of fees collected from exporters, income on investments, and recoveries on assets taken over when the guaranty claims are paid.

The new guaranty corporation would be allowed great flexibility in working out details as to the type of guaranty contracts to be offered, types of goods and services to be included, percentages of risks to be assumed by the government and fees to be charged.

The new corporation would also be permitted to borrow from the United States Treasury such additional funds as would from time to time be needed to pay approved claims under guaranty contracts. This borrowing authority is one of last resort to be used only after all reserves of the corporation have been exhausted.

Most significant of all is the fact that the bill envisages the maximum use of the services of privately-owned commercial insurance or guarantor companies for issuing guaranty contracts and adjusting claims arising under such contracts.

The program authorized by the guaranty bill is intended to supplement and not supplant the Federal programs I have already mentioned that are designed to encourage exports from the United States.

Similar government programs are in effect in several nations competing with our exporters for foreign markets.

The United Kingdom, Canada, France, Western Germany, Switzerland, Belgium, the Netherlands, Sweden, and Japan all offer export guaranties or insurance against political risks.

Practically all these nations also offer guaranties or insurance against commercial risks. Naturally, these aids constitute stiff government-aided competition for United States exporters competing against exporters of these nations in foreign markets.

Numerous instances have been noted in which foreign buyers prefer to buy goods made in the United States, but are persuaded to import goods made elsewhere because of the more favorable selling terms offered by exporters of such goods.

This bill would enable American exporters to meet that competition.

I am in accord with the objectives of the bill.

Assuming that a bill substantially in the form as that under discussion is enacted into law, it will be advisable to establish procedures to assure that decisions made under the law are based on accurate and complete information.

Your government's role in our nation's business life is to remove the impediments to free private enterprise.

It is your responsibility as citizens and as business leaders to help point the way to the most effective cooperation between government and business. This you can do by making specific sound suggestions to your elected representative.

The New York Board of Trade and more particularly its International Trade Section, deserves our commendation and congratulations for the exceptional efforts and cooperation in proposing the government political risk guaranty system as a forward step in the maintenance and expansion of world trade.

A sound and adequate trade policy is a route to a healthier economy at home, and a highway to a friendlier and more peaceful world.

Joins Blair Staff

CHICAGO, Ill. — Donald E. Nichols, Vice-President in charge of the Chicago office of Blair & Co., Incorporated, 105 South La Salle Street, announces Mrs. Genevieve Henkle has been appointed a registered representative to specialize in mutual funds. The two other Blair women who have made successful careers in the securities business are Grace May and May Hartigan.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold G. Lash is now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Continued from page 5

The State of Trade and Industry

only 11% under last week's 184,684 completions made up of 158,402 cars and 26,282 trucks and almost 65% higher than the like 1954 week when 84,643 cars and 14,439 trucks were turned out.

Highlighting the past week's manufacture was the completion of the 5,000,000th car or truck of 1955. The same 1954 milestone was not reached until Oct. 11.

The statistical agency added that last week's production was expected to top the volume hit in all but three weeks of 1954 as industry operations ran 27% above the record July 4th work period of 1950 when a total of 128,056 cars and trucks were produced.

Saturday programs at General Motors and Ford Motor Co. plants are vital factors in the strong pace.

The latter producer had 16 of its final assembly plants slated to work on July 9, including Mercury's St. Louis facility. However, the company will account for only 26.3% of the past week's car manufacture, compared to 27.0% during January-June due to factory alterations at Mercury division.

General Motors, meantime, was shooting for 54.7% of the July 5-9 car output against a 49.0% slice during the first six months of the year.

Soaring temperatures forced workers home at many factories, the latest disturbance hitting Chrysler Corp. volume on Friday last. Dodge car assembly, as planned, was limited to three days the past week.

Elsewhere, Lincoln was still down for changeover, and Kaiser and Willys car output halted, although Jeep and truck manufacture resumed last week following an inventory adjustment shutdown of the previous week.

To date this year, approximately 4,428,090 cars and 670,987 trucks have been built, or about 1,436,307 more than a year ago. Car output alone is beyond the 4,337,481 completions for as recent a year as 1952, when NPA controls limited car assembly. Percentagewise, car output is up 43.7% over a year ago, truck erecting 15.7% higher and combined car-truck operations 39.2% stronger.

During June a total of 649,373 cars and 119,739 trucks were built; respective January-June totals were 4,258,014 and 642,993.

A further report this week from the United States Department of Commerce states that retailers increased their sales to $15,600,000,000 in June. That was $100,000,000 above May, and $900,000,000 greater than in June, 1954. Going back to May, the department pointed out that retail inventories had declined less than seasonally during that month, mainly because auto dealers had added to their new car stocks.

Steel Production Set at 92.5% of Capacity This Week

Rising costs are in store for the metalworking industry, stemming from the wage and price increases in the steel industry, says "Steel," the metalworking weekly, the current week.

U. S. Steel Corp. says the additional cost of steel for a popular-priced automobile will be about $15, for a $300 refrigerator, 90 cents, and for building and equiping a six-room house, $19. Almost all other goods and services will go up, too. The tire manufacturer supplying the auto industry will find the cost of his machinery higher because the steel for making it will cost more per pound. So, the tire maker will pass the higher costs along to the auto manufacturer. Meanwhile, other suppliers to the auto industry will have similar experiences, and everything the auto industry buys will cost more. Not only will higher materials prices be passed on but so will higher labor costs. Industry in general will have to increase wages, now that the steel and auto industries have raised theirs.

It spells another round of inflation, says "Steel." For the last year, prices—as registered by the U. S. Bureau of Labor Statistics index—have been steady at the level to which they declined when business dropped off in early 1954.

The steel and auto industry had little choice but to raise wages. The labor unions keep driving for higher wages and more benefits for their members. Business is good now, and the companies don't want to be closed by a strike. They'll give as long as they can pass along the additional costs, this trade journal declares.

The new steel prices are an increase of 5.8%, or an average of $7.35 a net ton. The wage increase that brought them was 7.5%, or an average of 15 cents an hour. This marks the third consecutive year steel labor rates have gone up. The base wage now is $1.68½ an hour. For the last year it had been $1.57.

While the steel price raises the average to $7.35, some of the products went up much less than that and others much more. Hot-rolled carbon sheets rose $5.50 a ton, while cold-finished carbon bars went up $10 and electrical sheets $17, concludes this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 92.5% of capacity for the week beginning July 11, 1955, equivalent to 2,233,000 tons of ingots and steel for castings as compared with 85.9% (revised) and 2,073,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on an annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 96.0% and production 2,316,000 tons. A year ago the actual weekly production was placed at 1,534,000 tons, or 64.3%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Shows Further Contraction the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 9, 1955, was estimated at 9,759,000,000 kwh., a moderate decline from that of the preceding week, according to the Edison Electric Institute.

This week's output declined 379,000,000 kwh. below that of the previous week, when the actual output stood at 10,138,000,000 kwh. It increased 1,574,000,000 kwh., or 19.2% above the comparable 1954 week and 1,663,000,000 kwh. over the like week in 1953.

Car Loadings Declined 12.9% In Latest Week Due to Coal Miners' Annual Vacation

Loadings of revenue freight for the week ended July 2, 1955, which was affected by the coal miners' annual vacation decreased 102,738 cars or 12.9% below the preceding week, according to the Association of American Railroads.

Loadings for the week ended July 2, 1955, totaled 696,734 cars, an increase of 78,175 cars, or 12.6% above the corresponding 1954 week, and an increase of 26,461 cars, or 3.9% above the corresponding week in 1953.

U. S. Automotive Output Last Week Declined 11% From Preceding Week But Was Almost 65% Above a Year Ago

The automotive industry for the latest week, ended July 8, 1955, according to "Ward's Automotive Reports," assembled an estimated 140,356 cars, compared with 158,402 (revised) in the previous week. The past week's production total of cars and trucks amounted to 163,266 units, or a decrease of only 11% below the preceding week's output of 184,684 units. It was however 65% higher than for the like period a year ago. A total of 99,082 units was reported for the same week a year ago, states "Ward's."

Last week's car output declined below that of the previous week by 18,046 cars, while truck output declined by 3,372 vehicles during the week. In the corresponding week last year 84,643 cars and 14,439 trucks were assembled.

Last week the agency reported there were 22,910 trucks made in the United States. This compared with 26,282 in the previous week and 14,439 a year ago.

Canadian output last week was placed at 9,679 cars and 2,135 trucks. In the previous week Dominion plants built 8,331 cars and 2,056 trucks, and for the comparable 1954 week 5,680 cars and 1,407 trucks.

Business Failures Ease In Holiday Week But Exceed Like Weeks In 1954 and 1953

Commercial and industrial failures declined to 204 in the holiday-shortened week ended July 7 from 231 in the preceding week, according to Dun & Bradstreet, Inc. Despite this dip, failures were higher than in the comparable weeks of 1954 and 1953 when 196 and 139 occurred respectively. Remaining slightly below the prewar level, failures were down 2% from the 208 in 1939.

Failures involving liabilities of $5,000 or more dipped to 165 from 194 in the previous week and were less numerous than last year when 175 occurred. In contrast, small failures, those with liabilities under $5,000, edged up to 39 from 37 and exceeded the 21 in this size group a year ago. Twelve businesses succumbed with liabilities above $100,000, as against 23 in the preceding week.

All of the decline during the week centered in retail trade where casualties fell to 92 from 127 and in commercial service, off to 13 from 20. While wholesaling held at 18, the toll among manufacturers rose to 52 from 44 and among construction contractors to 29 from 22. More concerns failed than last year in all lines except retailing and service.

Five regions reported less failures, including the Middle Atlantic States, down to 73 from 83, the South Atlantic, down to 17 from 22, the East North Central, off to 28 from 36 and the Pacific States with 53 as against 59. No change appeared in three regions, while the New England States showed the only upturn, to 18 from 12. Four regions, the Middle Atlantic, South Atlantic, East North Central and Pacific, were above a year ago, while three were below, and two unchanged.

Wholesale Food Price Index Last Week Touched Lowest Point of Current Year

A further sharp dip in the Dun & Bradstreet wholesale food price index brought the July 5 figure to $6.33 to equal the 1955 low touched on May 31. This level represents the lowest since April 7, 1953, when the index stood at $6.32. The current number reflects a drop of 1.4% from last week's $6.42, and compares with $7.22 on the corresponding date a year ago, or a decrease of 12.3%.

Higher in wholesale cost last week were corn, lard, milk, cocoa and steers. Lower were wheat, rye, oats, beef, hams, bellies, sugar, coffee, raisins 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 Closed the Week Slightly Under Level of Prior Period

After trending mildly upward most of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned sharply downward to close at 272.28 on July 5. This compared with 272.68 a week previous and with 272.11 on the corresponding date a year ago.

Fluctuations in leading grain markets were mixed the past week. The more distant wheat deliveries showed strength early in the week following the ratification of marketing quotas by wheat growers.

Cash wheat prices were somewhat easier as the harvesting of the Winter wheat crop was nearing completion in the Southwest. Cash corn markets were active with prices moving higher for the week. Receipts in the Chicago market totaled 904 cars, slightly below the previous week but well above a year ago. Crop and weather conditions over the corn belt remained uniformly excellent. Prices for soybeans declined. Prospects for the crop were greatly improved by ample soil moisture and recent hot weather. Trading in grain and soybean futures on the Chicago Board of

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The State of Trade and Industry

Trade was more active last week. Daily average sales totaled 40,500,000 bushels, against 30,300,000 the previous week, and 50,500,000 bushels in the same week a year ago.

A sizable volume developed in family flour bookings during the latter part of the week as the result of mill protection against moderate price advances. Many buyers covered their requirements for periods ranging up to 120 days. The uptrend in prices for hard wheat bakery flours made for continued caution on the part of bakers. Trading in green coffee was less active with roasters showing little interest in current offerings in view of prospective heavy arrivals.

The lower trend in prices also reflected uncertainty concerning Brazil's attitude toward the International Coffee Agreement.

The cocoa market was fairly active and prices somewhat steadier, with support based to some extent on larger sales from Brazil to United States importers. Warehouse stocks of cocoa showed a drop to 235,016 bags, from 241,858 a week previous and compared with 125,751 bags a year ago. Factory and warehouse stocks of lard continued to mount and the market remained weak at around the lowest prices since August, 1953.

Livestock markets were featured by continued weakness in hogs, accompanied by further sharp declines in fresh pork as compared with prices prevailing a few weeks ago.

Spot cotton prices were mostly steady during the past week. Factors tending to support the market included the announcement of further foreign authorizations for the purchase of United States cotton, indications of plantings smaller than expected, and an increase of 12 points in the mid-June parity price over the May level. Reported sales in the 14 markets declined moderately to 33,200 bales, from 39,300 bales in the preceding week. Sales of cotton for export remained small in volume and totaled 61,000 bales, compared with 100,000 the previous week and 92,000 in the 1954 week.

Trade Volume Sustained In Latest Week at a Near-Record Rate

Shoppers continued to spend money in retail stores at a near-record rate in the period ended on Wednesday of last week. Merchants in most parts of the nation generally chalked up larger sales receipts than in the comparable week a year ago. The demand for many seasonal items, which had been lagging, rose as temperatures climbed.

Retailers in three cities in which transit workers were on strike—Los Angeles, Little Rock, and Washington—reported lagging sales volume.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% above the level of a year ago. Regional estimates varied from the comparable 1954 levels by the following percentages: New England and South +2 to +6; East and Pacific +1 to +5; Midwest +3 to +7; Northwest 0 to +4 and Southwest +4 to +8.

Warmer weather and vacation spending helped to boost the sales of apparel in most sections. Post-holiday clearance sales of Summer clothing were postponed in many cities. The total amount spent by apparel shoppers was slightly larger than that of a year ago. Sportswear and children's clothing were among the most popular items.

Despite the loss of one shopping day, food stores sold about as much as during the prior week. Canned goods, link meats, beverages, cold cuts and dairy foods rose in demand while the call for large roasts weakened.

Most food stores sold more than they did a year ago, with supermarkets reporting the largest advances.

Most household goods were in declining demand last week but some warm weather items rose more than had been expected. The buying of room air-conditioners expanded sharply in the East and left many dealers with scanty stocks. Many stores in New York City stayed open on July Fourth to meet the revived interest in air-conditioners and cooling devices. Sporting goods, picnic supplies and outdoor furniture were bought in larger volume than at this time last year.

Encouraged by the favorable volume of consumer buying, retailers maintained the active buying pace of recent weeks.

The dollar volume of wholesale trade remained noticeably above a year ago.

Cooling equipment was the most popular household appliances the past week, although the interest in washing machines continued unabated. It was predicted in a report released by the Commerce Department last week that sales of household appliances may reach a new high in the second half of 1955.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended July 2, 1955, advanced 4% from the like period of last year. In the preceding week, June 25, 1955, a rise of 6% was registered from that of the similar period of 1954, while for the four weeks ended July 2, 1955, an increase of 4% was recorded. For the period Jan. 1, 1955 to July 2, 1955, a gain of 6% was registered above that of 1954.

Retail trade volume in New York City last week, on the average, was somewhat improved over that of the preceding week with trade observers estimating the gain at about 2% to 3% better than the like period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 2, 1955, advanced 2% above that of the like period of last year. In the preceding week, June 25, 1955, a rise of 4% was noted from that of the previous week. For the four weeks ended July 2, 1955, an increase of 1% occurred. For the period Jan. 1, 1955, to July 2, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

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Banking in Prosperity

institutions also expanded at a high rate. From June 1954 through January 1955, total monetary growth, after allowance for seasonal variations, proceeded at an annual rate of about 6%, which was doubtless too fast to be continued indefinitely, particularly in view of the previous growth in the money supply relative to economic activity.

Because of the changed trend, Federal Reserve policy was modified in late 1954 so as to make bank reserves less easily available. At first the shift involved permitting the growth in credit to absorb some of the slack in credit availability. Gradually the restraint on further growth became evident. Member banks had to borrow increasing amounts to maintain their reserve positions; such borrowings recently have averaged close to half a billion dollars. Interest rates have risen somewhat but they are not up to the high levels of 1953. In April of this year, Federal Reserve Bank discount rates were raised.

Since these restraints were imposed, there has been some evidence of a slackening in the rate of credit and monetary growth. Banks have continued to increase loans, contrary to the usual seasonal trend, but they have been reducing their holdings of government securities. The growth in demand deposits and currency has slackened to a seasonally adjusted annual rate of about 4%.

In summary, it may be said that during the period of restraint on expansion in 1952-53, Federal Reserve policy looked toward the avoidance of credit excesses which could cause real trouble once a downturn came and might bring on a downturn. This policy sought to even out the flow of capital investment by fostering deferment of some projects until slack developed in the economy. During the period of ease from May 1953 until the late months of 1954, the major contribution was to facilitate as large a volume of bank lending as the economy required. The easier credit availability provided support for mortgage lending and for utility and state and municipal financing. This lending in turn facilitated a high volume of residential building, utilities installations, public building, and roads construction. These activities were a substantial offset to declines in defense expenditures and in business inventories. Another important offset was an early resumption of growth in consumer spending. In addition to easier credit, tax reduction in 1954 helped to stimulate both consumer buying and business investment. More recently, resumed economic expansion and accelerated credit demands have again begun to press upon the limits of credit supply. Moderate restraints have been exerted to help keep growth within reasonable bounds.

Current Outlook

At present it is evident from a survey of economic developments that industrial recovery in the United States has been achieved; that prosperity is here. Also, the international economic situation is generally more favorable to economic expansion than at any time since World War II. Continued growth at a sustainable pace is both desirable and possible, but cannot be considered as inevitable.

One of the important and encouraging aspects of the present condition of prosperity is that it is based to a larger extent than at any time since before World War II on private initiative and actions. The Gross National Product is now probably close to an annual rate of $375 billion or $5 billion more than at the previous peak in the second quarter of 1953. The Federal Government component, however, is at a rate about $17 billion less than it was two years ago and is expected to increase little if any in the near future. The rate of personal consumption expenditures has increased by $13 billion in the past two years, that of private construction by $7 billion, and State and local government expenditures by $5 billion. All of these elements are larger than at any time in history.

Further growth and the avoidance of excesses are dependent on decisions and actions of others rather than on those of the Federal Government. To be sure, the Federal Government budget of some $60 billion a year, with taxes of a corresponding amount, utilize a considerable portion of the country's resources and provide a source of income to many workers, as well as a drain on incomes. Further growth in the economy, however, will depend upon further advances in personal consumption expenditures, private investment, and expenditures of State and local governments. With expanding incomes and the broad distribution of income among the various spending units, consumer demands for goods and services may well increase further and be reflected in further additions to our already high standard of living.

The big question is whether the course of activity can shift from rapid recovery to more gradual long-term growth without the development of unstabilizing excesses. Uncertainties in the current situation are related particularly to very high levels of housing and automobile production. The exceptional volume of housing starts seems to depend to a somewhat disquieting degree upon easy mortgage terms offered by lenders, whose caution is lulled by lenient government guarantees. The advanced rate of car purchases has been accompanied by a rapid rise in instalment credit extensions and a lengthening of loan maturities on new cars. Expansion in exports from last year has been very sharp; further growth over the next several months might well be slower. Some slackening in those areas may be essential to release resources for other expanding wants as well as to avoid the development of surplus supplies in particular sectors.

Stock prices and stock market activity and credit are at advanced levels, although there may be some question as to whether these levels are too high for a prosperous economy. Business, financial, and consumer confidence are on the ebullient side.

Reported plans for increased plant and equipment expenditures by business, renewed business borrowing at banks to carry larger inventories, expanding borrowing to finance purchases of consumer durables, and continued large demands for funds on the part of public bodies, all point to heavy demands on the credit and capital markets during coming months. Added to these demands, the Treasury must borrow substantial amounts, largely for seasonal reasons, during the latter half of this year.

If all these demands develop, they will press hard against the available supply of credit. Unrestrained provision of bank credit to supplement the supply of savings could result in monetary expansion at a rate that might threaten stability of prices and sustainability of growth.

Usual seasonal expansion in credit and money for the remainder of this year will require a substantial volume of additional bank reserves and more reserves will be needed to foster economic growth. The Federal Reserve has a responsibility for seeing that banks have adequate reserves to meet seasonal needs and to support moderate credit growth, but not so much as to permit excessive expansion or laxness in credit granting. This task requires almost constant operations to adjust the supply of reserves to ever-changing daily, weekly, and other purely seasonal needs, as well as to the longer-run demands, but at the same time avoidance of excessive ease or undue stringency.

Exact projection of the amount of additional reserves that may be required for stable growth is not feasible, partly because of flexibilities in the credit system. Flexible aspects include variations in use of available funds by lenders, borrowers, and other holders of money. There can be wide variations in the velocity of money with little change in the volume outstanding.

Flexibility also derives from the willingness or unwillingness of banks to borrow from the Federal Reserve in order to obtain reserves not supplied through open market operations. While the need to borrow generally exerts a restraining influence, banker attitudes toward borrowing are subject to changing incentives: the vigor of credit demands may affect their decisions; in 1952 excess profits taxes and the relationship between market rates and discount rates were inducements to borrow; this year, incentives to borrow might be less and, with the reduced liquidity of the banking system, banks may tend to show more restraint in expanding loans. If credit demands and the amounts supplied by banks remain within the bounds of sustainable economic growth and conform to acceptable standards of quality, there should be an adequate supply of credit available and no reason for any great stringency in money markets.

Need for Caution by Bankers

The responsibility does not rest solely on Federal Reserve policy. The nature and quality of credit extended by banks will have an important bearing on the maintenance of economic growth. The policy instruments of credit regulation available to the Federal Reserve are largely concerned with the quantity of credit. While it is reasonable to count on the availability of savings and bank reserves in adequate amounts for continued moderate expansion, it is always necessary to keep in mind that monetary policies cannot alone assure the maintenance of stable growth. The decisions of borrowers and lenders as to how available funds are put to use can contribute either to sound growth or to unsustainable speculation. It is when the pressures of credit demands are heaviest that the need for caution in the extension of credit is greatest, in order to avoid consequences of an unstable nature.

The necessary policy decisions will be difficult, for the balancing of economic activities will always be delicate and pressures to carry some of them too far are hard to resist. Clearly, many of the basic conditions necessary for a period of high level economic performance and of steadily rising living standards are evident in the current economic situation, but caution will be needed to avoid developments that might jeopardize the achievement of these goals. An important task of banking in prosperity is to share responsibility for exercising the caution that is essential for the maintenance of prosperity.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Daniel J. Daly has become affiliated with Palmer, Pollacchi & Co., 84 State St.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 17	§92.5	*85.9	96.0	64.3
Equivalent to—					
Steel ingots and castings (net tons)	July 17	§2,233,000	*2,073,000	2,316,000	1,534,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 1	6,610,550	6,636,700	6,591,950	6,441,400
Crude runs to stills—daily average (bbls.)	July 1	¶7,499,000	7,454,000	7,565,000	7,005,000
Gasoline output (bbls.)	July 1	25,683,000	25,850,000	24,973,000	23,888,000
Kerosene output (bbls.)	July 1	2,026,000	1,946,000	2,159,000	2,277,000
Distillate fuel oil output (bbls.)	July 1	11,257,000	11,522,000	11,838,000	10,137,000
Residual fuel oil output (bbls.)	July 1	7,754,000	7,615,000	7,894,000	8,166,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 1	159,611,000	164,471,000	168,985,000	164,546,000
Kerosene (bbls.) at	July 1	29,899,000	29,132,000	26,344,000	27,942,000
Distillate fuel oil (bbls.) at	July 1	99,981,000	96,338,000	84,345,000	86,765,000
Residual fuel oil (bbls.) at	July 1	44,799,000	45,584,000	41,359,000	50,645,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 2	696,734	799,472	713,673	618,559
Revenue freight received from connections (no. of cars)	July 2	637,077	666,237	631,838	552,588
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 7	$378,851,000	$439,115,000	$378,269,000	$298,511,000
Private construction	July 7	200,559,000	277,673,000	193,339,000	127,027,000
Public construction	July 7	178,292,000	161,442,000	184,930,000	171,434,000
State and municipal	July 7	96,737,000	110,078,000	151,785,000	112,307,000
Federal	July 7	81,555,000	51,364,000	33,145,000	59,177,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 2	2,180,000	*9,700,000	8,790,000	1,474,000
Pennsylvania anthracite (tons)	July 2	81,000	607,000	412,000	63,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 2	97	103	102	93
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 9	9,759,000	10,138,000	10,041,000	8,185,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 7	204	231	230	196
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 5	4.797c	4.797c	4.797c	4.801c
Pig iron (per gross ton)	July 5	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	July 5	$37.17	$36.50	$34.00	$26.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 6	35.700c	35.700c	35.700c	29.700c
Export refinery at	July 6	35.550c	36.325c	35.825c	29.675c
Straits tin (New York) at	July 6	95.000c	95.000c	91.750c	96.750c
Lead (New York) at	July 6	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	July 6	14.800c	14.800c	14.800c	13.800c
Zinc (East St. Louis) at	July 6	12.500c	12.500c	12.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 12	95.63	95.78	96.70	100.35
Average corporate	July 12	108.70	108.70	108.88	110.15
Aaa	July 12	112.19	112.19	112.37	115.24
Aa	July 12	110.52	110.52	110.34	112.19
A	July 12	108.88	108.70	109.06	109.79
Baa	July 12	103.80	103.97	103.97	104.14
Railroad Group	July 12	107.44	107.27	107.44	108.88
Public Utilities Group	July 12	109.24	109.06	109.42	110.52
Industrials Group	July 12	109.79	109.97	109.97	111.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 12	2.82	2.82	2.74	2.47
Average corporate	July 12	3.24	3.24	3.23	3.16
Aaa	July 12	3.05	3.05	3.04	2.89
Aa	July 12	3.14	3.14	3.15	3.05
A	July 12	3.23	3.24	3.22	3.18
Baa	July 12	3.52	3.51	3.51	3.50
Railroad Group	July 12	3.31	3.32	3.31	3.23
Public Utilities Group	July 12	3.21	3.22	3.20	3.14
Industrials Group	July 12	3.18	3.17	3.17	3.10
MOODY'S COMMODITY INDEX	July 12	406.6	406.3	402.3	431.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 2	339,564	258,244	376,979	262,900
Production (tons)	July 2	279,303	280,600	263,148	227,077
Percentage of activity	July 2	96	99	90	84
Unfilled orders (tons) at end of period	July 2	582,243	525,731	621,016	359,824
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 8	106.78	106.76	106.76	106.53
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	June 18	1,313,207	1,374,389	1,054,685	851,534
Dollar value	June 18	$67,099,157	$70,676,763	$53,075,203	$38,764,551
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 18	1,212,106	1,234,998	937,188	797,701
Customers' short sales	June 18	4,257	6,380	7,171	7,062
Customers' other sales	June 18	1,207,849	1,228,618	930,017	790,639
Dollar value	June 18	$59,838,044	$61,712,211	$45,306,462	$33,963,305
Round-lot sales by dealers—					
Number of shares—Total sales	June 18	322,610	324,160	233,010	235,820
Short sales	June 18	------	------	------	------
Other sales	June 18	322,610	324,160	233,010	235,820
Round-lot purchases by dealers—					
Number of shares	June 18	441,430	497,270	406,470	320,240
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	June 18	520,630	598,300	481,520	396,060
Other sales	June 18	13,652,030	14,787,060	10,858,620	8,678,720
Total sales	June 18	14,172,660	15,385,360	11,340,140	9,074,780
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 18	1,661,780	1,824,060	1,370,930	986,670
Short sales	June 18	309,140	322,440	271,420	198,120
Other sales	June 18	1,383,430	1,533,700	1,165,720	808,450
Total sales	June 18	1,692,570	1,856,140	1,437,140	1,006,570
Other transactions initiated on the floor—					
Total purchases	June 18	323,360	384,000	254,710	272,790
Short sales	June 18	33,600	48,000	33,760	23,400
Other sales	June 18	339,320	463,810	256,600	258,640
Total sales	June 18	372,920	511,810	290,360	282,040
Other transactions initiated off the floor—					
Total purchases	June 18	619,195	685,979	525,405	276,820
Short sales	June 18	80,780	93,600	65,000	73,680
Other sales	June 18	628,834	866,883	566,019	357,495
Total sales	June 18	709,614	960,483	631,019	431,175
Total round-lot transactions for account of members—					
Total purchases	June 18	2,604,335	2,894,039	2,151,045	1,536,280
Short sales	June 18	423,520	464,040	370,180	295,200
Other sales	June 18	2,351,584	2,864,393	1,988,339	1,424,585
Total sales	June 18	2,775,104	3,328,433	2,358,519	1,719,785
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 5	110.0	110.0	110.0	110.0
Farm products	July 5	89.8	90.9	90.8	94.8
Processed foods	July 5	102.7	102.5	103.0	105.3
Meats	July 5	86.7	86.2	87.8	93.7
All commodities other than farm and foods	July 5	115.7	115.7	115.5	114.2

*Revised figure. ¶Includes 711,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	9,735,000	*10,328,316	7,363,634
Shipments of steel products (net tons)—Month of May	7,540,889	7,279,321	5,423,168
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (barrels of 42 gallons each)	227,236,000	235,835,000	218,302,000
Domestic crude oil output (barrels)	206,600,000	213,454,000	198,440,000
Natural gasoline output (barrels)	20,571,000	22,309,000	19,828,000
Benzol output (barrels)	65,000	72,000	34,000
Crude oil imports (barrels)	20,907,000	22,989,000	17,229,000
Refined products imports (barrels)	12,787,000	17,902,000	10,882,000
Indicated consumption domestic and export (barrels)	245,001,000	274,619,000	234,642,000
Increase all stock (barrels)	15,929,000	2,107,000	11,771,000
AMERICAN ZINC INSTITUTE INC.—Month of June:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	84,467	86,177	71,540
Shipments (tons of 2,000 pounds)	99,039	97,572	80,244
Stocks at end of period (tons)	48,612	63,184	201,124
Unfilled orders at end of period (tons)	57,231	70,084	33,100
ASSOCIATION OF AMERICAN RAILROADS—Month of May:			
Locomotives units installed in service	103	107	130
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	36,540,000	38,840,000	30,690,000
Pennsylvania anthracite (net tons)	2,020,000	*1,888,000	2,226,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,425,213	*6,135,645	4,801,244
Oven coke (net tons)	6,286,982	*6,013,542	4,772,388
Beehive coke (net tons)	138,231	*122,103	28,856
Oven coke stock at end of month (net tons)	2,346,041	*2,485,179	3,011,996
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — 1947-49 Average=100—Month of June:			
Adjusted for seasonal variations	116	117	112
Without seasonal adjustment	109	115	106
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of May:			
Contracts closed (tonnage)—estimated	304,498	*270,226	199,383
Shipments (tonnage)—estimated	223,184	*242,337	253,886
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of May:			
Gas-fired furnace shipments (units)	66,900	63,900	**
Gas conversion burner shipments (units)	12,400	9,300	22,500
Gas operated boiler shipments (units)	5,900	5,900	6,500
Domestic gas range shipments (units)	175,100	181,600	163,800
Gas water heater shipments (units)	230,400	260,100	**
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of May:			
Total number of vehicles	849,393	881,840	588,611
Number of passenger cars	721,139	753,434	497,062
Number of motor trucks	127,941	127,887	91,226
Number of buses	313	519	323
PORTLAND CEMENT (BUREAU OF MINES)—Month of April:			
Production (barrels)	24,847,000	22,409,000	21,730,000
Shipments from mills (barrels)	24,933,000	22,604,000	23,589,000
Stocks (at end of month—barrels)	26,039,000	26,486,000	27,045,000
Capacity used	103	90	93
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of May:			
Total operating revenues	$850,366,881	$795,972,328	$762,187,183
Total operating expenses	634,896,821	602,163,740	614,712,001
Operating ratio	74.66	75.65	80.65
Taxes	$92,976,244	$85,412,650	$67,683,972
Net railway operating income before charges	101,242,550	87,376,958	58,296,623
Net income after charges (estimated)	86,000,000	67,000,000	40,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of May:			
Production (short tons)	14,810	14,303	10,182
Shipments (short tons)	13,885	15,440	11,339
Stocks at end of month (short tons)	15,748	14,823	15,952
METAL PRICES (E. & M. J. QUOTATIONS)—Average for months of June:			
Copper (per pound)—			
Eletrolytic domestic refinery	35.700c	35.700c	29.700c
Electrolytic export refinery	36.333c	36.187c	29.603c
Lead—			
Common, New York (per pound)	15.000c	15.000c	14.106c
Common, St. Louis (per pound)	14.800c	14.800c	13.906c
‡‡Prompt, London (per long ton)	£102.815	£103.173	£97.455
††Three months, London (per long ton)	£102.702	£103.000	£95.097
‖Antimony, New York Boxed	31.970c	31.970c	31.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	28.500c
Antimony (per pound) Laredo	29.000c	29.000c	29.000c
Platinum refined (per ounce)	$79.077	$78.500	$84.000
†Zinc (per pound)—East St. Louis	12.232c	12.000c	10.960c
††Zinc, London, prompt (per long ton)	£91.398	£89.685	£79.920
††Zinc, London, three months (per long ton)	£89.955	£88.250	£80.262
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.71635
§Cadmium (per pound)	$1.70000	$1.70000	$1.73269
Cobalt, 97%	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	89.668c	88.928c	85.250c
Silver, London (pence per ounce)	77.977	77.214	72.940
Sterling Exchange (Check)	$2.78977	$2.79588	$2.81824
Tin, New York Straits	93.625c	91.380c	94.192c
§§New York, 99% min	92.625c	90.380c	93.192c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$283.269	$302.920	$275.000
Aluminium, 99% plus ingot (per pound)	23.200c	23.200c	21.500c
Magnesium ingot (per pound)	28.500c	28.500c	27.000c
**Nickel	64.500c	64.500c	60.000c
Bismuth (per pound)	$2.25	$2.25	$2.25

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ‖Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colbourne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Academy Uranium & Oil Corp.
June 10 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—65 East Fourth South St., Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

• **All State Uranium Corp., Moab, Utah (7/20)**
April 19 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—For mining operations. **Underwriter**—General Investing Corp., New York. Filing to be amended.

Allied Industrial Development Corp.
June 20 (letter of notification) 300,000 shares of class A common stock. **Price**—$1 per share. **Proceeds**—For oil and gas operations. **Office**—1508 Capitol Ave., Houston, Tex. **Underwriter** — Paul C. Ferguson & Co., same address.

★ **Allstates Credit Corp., Reno, Nev.**
June 27 (letter of notification 27,000 shares of 7% cumulative preferred stock (par $10) and 27,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds**—For working capital, etc. **Office**—206 No. Virginia St., Reno, Nev. **Underwriter**—Senderman & Co., same address.

Ambassador Hotel of New York, Inc.
May 19 filed 163,898 shares of common stock (par $1) to be offered for subscription by stockholders of record May 17, 1955, on basis of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—None.

American Asbestos Co., Ltd.
Feb. 17 (Regulation "D") 600,000 shares of common stock (par $1). **Price** — 50 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Maine Investment Co., Ltd.

• **American Broadcasting-Paramount Theatres, Inc.**
June 30 filed 210,600 shares of common stock (par $1), which are covered by option warrants held by key officers and employees. **Price**—$16.63 per share. **Proceeds**—For general corporate purposes. **Office**—New York, N. Y. **Underwriter**—None.

American Natural Gas Co. (7/18)
June 15 filed 736,856 shares of common stock (par $25) to be offered for subscription by common stockholders on the basis of one new share for each five shares held on July 18 (with an oversubscription privilege); rights to expire Aug. 2. **Price** — To be supplied by amendment. **Proceeds**—To be applied to the purchase of equity securities of subsidiaries or to replace other corporate funds used for that purpose. **Underwriter**—To be determined by competitive biding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on or about July 18, at 165 Broadway, New York 6, N. Y.

American Rare Metals Corp., N. Y.
May 11 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To repay debt and for general corporate purposes. **Underwriter**—Equity Securities Co., 11 Broadway, New York, N. Y.

Arizona Amortibanc, Phoenix, Ariz.
April 4 (letter of notification) 300,000 shares of common stock, class A. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—807 West Washington St., Phoenix, Ariz. **Underwriter**—First National Life Insurance Co. of Phoenix, same address.

Arkansas Oil Ventures, Inc.
June 16 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For drilling equipment and working capital. **Office**—615 Liberty Bank Bldg., Oklahoma City 2, Okla. **Underwriter**—Tellier & Co., Jersey City, N. J.

Automatic Remote Systems, Inc.
March 3 filed 540,000 shares of common stock (par 50 cents). **Price**—$3.75 per share. **Proceeds**—For manufacture of Teleac Sending and Receiving Units, working capital and general corporate purposes. **Office**—Baltimore, Md. **Underwriter**—Mitchell Securities, Inc., same city.

★ **Badger Uranium Corp., Las Vegas, Nev.**
July 1 (letter of notification) 6,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—401 Fremont St., Las Vegas, Nev. **Underwriter**—Weber Investment Co., same city.

★ **Bangtail Preferred, Inc.**
July 1 (letter of notification) 800 shares of capital stock. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—c/o Robert T. Groh, 47-44 Glenwood St., Little Neck, N. Y. **Underwriter**—None.

Beaumont Factors Corp., New York
June 7 filed $1,000,000 of five-year 8% subordinated debentures due July 1, 1960. **Price**—100% of principal amount. **Proceeds**—For working capital and expansion of loan business. **Office**—325 Lafayette Street, New York 12, N. Y. **Underwriter**—None.

Beehive Uranium Corp., Salt Lake City, Utah
May 26 (letter of notification) 20,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office** — 156 East Third South St., Salt Lake City, Utah. **Underwriter**—Columbia Securities Co., Denver, Colo., and Salt Lake City, Utah.

★ **Black Panther Uranium Co., Oklahoma City, Okla.**
July 12 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To explore and drill leases and claims in State of Utah. **Underwriter**—Porter, Stacy & Co., Houston, Tex., on "best efforts basis."

Blue Goose Mining, Inc.
June 7 (letter of notification) 1,950,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Offices**—Boulder, Garfield County, Utah, and Box 1055, Farmington, N. M. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Bonnyville Oil & Refining Corp., Montreal, Can.
April 29 filed $2,000,000 5% convertible notes due July 1, 1975 to be offered for subscription by common stockholders at rate of $100 of notes for each 100 shares of stock held. **Price**—95% of principal amount to stockholders and 100% to public. **Proceeds**—For development costs and general corporate purposes. **Underwriter**—None. Statement effective June 21.

★ **Brownstone Properties, Inc.**
June 30 (letter of notification) 90 shares of 10% cumulative preferred stock. **Price**—At par ($500 per share). **Proceeds** — For purchase of building and alteration thereof. **Office**—c/o Lazar Emanuel, 515 Madison Ave., New York 22, N. Y. **Underwriter**—None.

★ **Byers Portobase, Inc., Chanute, Kan.**
June 23 (letter of notification) an undetermined number of shares of common stock. **Price** — At par ($1 per share). **Proceeds**—For building of new plant. **Office**—402 N. Plummer St., Chanute, Kan. **Underwiter**—None.

Cal-U-Mines, Inc., Reno, Nev.
May 2 (letter of notification) 2,250,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—139 Virginia St., Reno, Nev. **Underwriter**—Coombs & Co. of Las Vegas, Inc., Las Vegas, Nev.

Calumet & Hecla, Inc.
June 9 filed 113,592 shares of common stock (par $5) to be offered in exchange for all of the issued and outstanding capital stock of Goodman Lumber Co., Goodman, Wis., on the following basis: 18 shares for each share of Goodman common stock; seven shares for each share of Goodman 2nd preferred stock; and eight shares for each share of Goodman 1st preferred stock; offer to terminate on Sept. 15, 1955 (subject to withdrawal by Calumet if the required number of Goodman shares have not been deposited and accepted within 30 days from the date of the mailing of the prospectus to the Goodman stockholders). **Underwriter**—None.

Canadian Uranium Mines, Ltd., Montreal, Canada
June 3 (regulation "D") 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Tellier & Co., Jersey City, N. J.

Carbon Uranium Co. (Utah)
April 27 (letter of notification) 746,280 shares of common stock (par one cent). **Price** — 25 cents per share. **Proceeds**—For mining costs. **Underwriter**—J. E. Call & Co., Salt Lake City, Utah.

Cedar Springs Uranium Co., Moab, Utah
June 8 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Universal Investment Corp., Washington, D. C.

Central Reserve Oil Co. (N. Y.)
May 31 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—130 West 42nd Street, New York, N. Y. **Underwriter**—United Equities Co., 136 Liberty Street, New York, N. Y.

• **Chance (A. B.) Co., Centralia, Mo. (7/19)**
June 29 filed 50,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans incurred in connection with acquisition of common stock of Seyler Manufacturing Co., Pittsburgh, Pa. **Underwriter**—Stifel, Nicolaus & Co., Inc., St. Louis, Mo.

Chieftain Uranium Mines, Inc.
April 22 (letter of notification) 4,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining operations. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., same city.

Clad (Victor V.) Co., Philadelphia, Pa.
June 17 (letter of notification) 120,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For equipment and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Clad-Rex Steel Co., Denver, Colo.
June 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To retire outstanding debts and for working capital. **Office**—40th Ave. and Ulster St., Denver, Colo. **Underwriters**—Mountain States Securities Corp. and Carroll, Kirchner & Jaquith, Inc., both of Denver, Colo.

• **Colohoma Uranium, Inc., Montrose, Colo. (8/2)**
April 21 filed 2,960,000 shares of common stock (par one cent), of which 2,500,000 shares are to be offered publicly. **Price**—50 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

Colorado Oil & Uranuim Corp.
June 7 (letter of notification) 300,000 shares of common stock (par 20 cents). **Price**—$1 per share. **Proceeds**—For oil and mining activities. **Office** — 350 Equitable Bldg., Denver, Colo. **Underwriter**—Birkenmayer & Co., same city.

• **Colorado Sports Racing Association (7/20)**
April 29 filed 600,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For purchase of land and other facilities and for working capital. **Office**—Grand Junction, Colo. **Underwriter**—General Investing Corp., New York.

Colzona Oil & Uranium Corp., Denver, Colo.
April 29 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1300 Larimer St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Community Credit Co., Omaha, Neb.
June 6 (letter of notification) 1,000 shares of 5½% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—3023 Farnam St., Omaha, Neb. **Underwriter**—Wachob-Bender Corp., same city.

Confidential Finance Corp., Omaha, Neb
March 11 (letter of notification) 150,000 shares of 7% cumulative preferred stock (par 95 cents) and 15,000 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $10 per unit. **Proceeds** — For working capital. **Underwriter**—J. J. Riordan & Co., Inc., 42 Broadway, New York City.

Conjecture Mines, Inc., Coeur d'Alene, Idaho
May 5 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—326 Wiggett Bldg., Coeur d'Alene, Idaho. **Underwriter**—M. A. Cleek, Spokane, Wash.

Consolidated Sudbury Basin Mines, Ltd., Toronto, Canada
Jan. 31 filed 3,000,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of properties. **Underwriter**—Stock to be sold on Toronto Stock Exchange or through underwriters or selected dealers in United States.

Consolidated Telephone Co., Florence, Ky.
June 21 (letter of notification) 10,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To repay accounts payable, for additions and improvements and working capital. **Underwriter**—Westheimer & Co., Cincinnati, O.

Constellation Uranium Corp., Denver, Colo.
March 22 (letter of notification) 2,855,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Bay Securities Corp., New York.

• **Consumers Power Co. (7/20)**
June 24 filed 373,689 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each 20 shares held as of July 21; rights to expire on Aug. 5. Unsubscribed shares to be offered to employees of company and its subsidiary. **Price**—To be not less favorable to the company than $4 per share below the then current market price at the time the offering price is determined. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co.; Lehman Brothers; Ladenburg, Thalmann & Co. **Bids**—To be received up to 10:30 a.m. (EDT) on July 20 at office of Commonwealth Service, Inc., 20 Pine St., New York 5, N. Y.

Consumers Power Co. (7/21)
June 24 filed 100,000 shares of cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For additions and improvements. **Underwriter**—Morgan Stanley & Co., New York.

★ **Copper Blossom Uranium & Mining Co.**
June 24 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter** — Empire Securities Corp., same city.

Copper Blossom Uranium & Mining Co.
June 24 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Five cents per share. **Pro-**

ceeds—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., same city.

Cordillera Mining Co., Denver, Colo.
June 8 (letter of notification) 2,995,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Offices** — 738 Majestic Bldg., Denver, Colo., and 317 Main St., Grand Junction, Colo. **Underwriter**—Lasseter & Co., Denver, Colo.

Cortez Uranium & Mining Co., Denver, Colo.
May 27 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—404 University Building, Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Coso Uranium, Inc., Long Beach, Calif.
May 31 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—2485—American Ave., Long Beach 6, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., San Francisco and Los Angeles, Calif.

★ **Cowles Chemical Co., Cleveland, Ohio**
June 30 (letter of notification) $295,000 of 4½% subordinated sinking fund debentures due July 1, 1965. **Price**—101% and accrued interest. **Proceeds**—To finance construction and for working capital. **Office** — 7016 Euclid Ave., Cleveland, O. **Underwriter**—Cunningham, Gunn & Carey, Inc., same city.

Cromwell Uranium & Development Co., Inc.
May 25 (regulation "D") 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses, etc. **Offices**—Toronto, Canada, and New York, N. Y. **Underwriter**—James Anthony Securities Corp., New York.

Crown Uranium Co., Casper, Wyo.
May 6 (letter of notification) 225,435 shares of common stock (par five cents). **Price**—At market (estimated at about 15 cents per share). **Proceeds**—To selling stockholder who received these shares in exchange for shares of Kontika Lead & Zinc Mines, Ltd. **Office**—205 Star Bldg., Casper, Wyo. **Underwriter**—Justin Steppler, Inc., New York.

● **Cuba (Republic of) (7/15)**
April 29 filed $2,500,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—Expected as 99% of principal amount. **Proceeds**—To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

Dawn Uranium & Oil Co., Spokane, Wash.
June 16 (letter of notification) 1,500,000 shares of common stock. **Price** — 10 cents per share. **Proceeds**—For uranium and oil exploration. **Office**—726 Paulsen Bldg., Spokane 1, Wash. **Underwriter**—Percy Dale Lanphere, Empire State Bldg., same city.

Denver-Golden Oil & Uranium Co.
June 23 (letter of notification) 2,999,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For oil and gas operations. **Office**—Denver Club Bldg., Denver, Colo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

Deseret Uranium Corp., Salt Lake City, Utah
June 9 (letter of notification) 2,000,000 shares of capital stock. **Price**—At par (15 cents per share). **Proceeds**—For mining expenses. **Office**—527 Atlas Bldg., Salt Lake City, Utah. **Underwriters**—Western Securities Corp. and Potter Investment Co., both of Salt Lake City, Utah.

Desert Sun Uranium Co., Inc.
April 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office** — 343 South State St., Salt Lake City, Utah. **Underwriter** — J. W. Hicks & Co., Inc., Denver, Colo.

★ **Digit-O-Meter Co., Denver, Colo.**
June 27 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay for components, engineering services, research, and related expenses. **Office**—1249 Bannock St., Denver 4, Colo. **Underwriter**—None.

Dinosaur Uranium Corp., Seattle, Wash.
June 20 (letter of notification) 1,750,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—1226-1411 Fourth Ave. Bldg., Seattle, Wash.

Durango Kid Uranium Corp., Moab, Utah
April 1 (letter of notification) 30,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—Guss & Mednick, Arches Building, Moab, Utah.

Dyno Mines, Ltd., Toronto, Canada.
March 25 filed 1,100,000 shares of common stock (par $1). **Price**—To be related to the current market price on the Toronto Stock Exchange. **Proceeds**—To American Trading Co. Ltd., the selling stockholder. **Underwriter**—R. W. Brown Ltd., Toronto, Canada, on a "best-efforts basis."

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

Fairway Uranium Corp., Salt Lake City, Utah
May 23 (letter of notification) 275,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—2320 South Main Street, Salt Lake City, Utah. **Underwriter** — Eliason, Taylor, Cafarelli Co., Las Vegas, Nev.

Farm Family Mutual Insurance Co., Albany, N. Y.
June 28 filed $1,500,000 of 5% debentures to be offered directly to members of the American Farm Bureau Federation and to State Farm Bureau Federations and local organization. **Price**—At 100% of principal amount (in denominations of $250 each). **Proceeds**—To provide company with necessary funds to comply with requirements of surplus to policyholders under New York and other state laws. **Underwriter**—None.

Federal Security Insurance Co.
April 21 (letter of notification) 6,000 shares of common stock (par $10) to be offered first to stockholders on the basis of one new share for each five shares held. **Price**—$40 per share. **Proceeds**—For general corporate purposes. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Allied Underwriters Co., same address.

Fidelity Insurance Co., Mullins, S. C.
March 25 (letter of notification) 86,666 shares of common stock (par $1). **Price**—$1.87½ per share. **Proceeds**—To increase capital and surplus. **Underwriters**—McDaniel Lewis & Co., Greensboro, N. C.; Dietenhofer & Heartfeld, Southern Pines, N. C.; and Calhoun & Co., Spartanburg, S. C.

★ **Five States Uranium Corp.**
June 30 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—1019 Simms Bldg., Albuquerque, N. M. **Underwriters** — Coombs & Co. of Ogden, Inc., Odgen, Utah; and Shelton Sanders Investments, Albuquerque, N. M.

Foremost Dairies, Inc., Jacksonville, Fla.
April 21 filed 495,524 shares of common stock (par $2), of which 343,025 shares are to be offered in exchange for 68,605 shares of common stock (par 25 cents) of Philadelphia Dairy Products Co. at the rate of five Foremost common shares for each Philadelphia Dairy common share; and 152,499 shares are to be reserved for issuance under Employees' Restricted Stock Option Plan for Foremost officers and key employees.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Fowler Telephone Co., Pella, Ia.
May 6 (letter of notification) $260,000 of 4% first mortgage bonds, series A, due May 1, 1975. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To retire existing debt, acquire Northwestern Bell properties in Leighton, Ia., and for conversion of both exchanges to dial operation. **Underwriter** — Wachob-Bender Corp., Omaha, Neb.

★ **Franklin Atlas Corp.**
July 6 (letter of notification) $150,000 of 10-year 6% convertible debentures due July 15, 1965 and 149,000 shares of class A stock (par 10 cents), both issues carrying options to purchase class B stock. **Price**—For debentures, at par; and for class A stock $1 per share. **Proceeds**—For general corporate purposes. **Office**— 80 Wall St., New York 5, N. Y. **Business**— Real estate, business ventures and other commercial operations. **Underwriter**—None.

Freedom Insurance Co., Berkeley, Calif.
June 6 filed 1,000,000 shares of common stock (par $10). **Price**—$22 per share. **Proceeds**—For capital and surplus. **Business**—All insurance coverages, except, life, title and mortgage. **Office**—2054 University Avenue, Berkeley.

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NEW ISSUE CALENDAR

July 15 (Friday)

Cuba (Republic of) — Bonds
(Allen & Co.) $2,500,000

McLean Securities Corp. — Preferred & Common
(White, Weld & Co.) 148,000 units

July 18 (Monday)

American Natural Gas Co. — Common
(Bids 11 a.m. EDT) 736,856 shares

Livingston Oil Co. — Common
(Van Alstyne, Noel & Co.) $1,298,500

Petrolane Gas Service, Inc. — Common
(Bateman, Eichler & Co.; First California Co.; and William R. Staats & Co.) 61,302 shares

Southland Racing Corp. — Common
(General Investing Corp.) $1,250,000

Sunshine Park Racing Association, Inc. — Common
(Hunter Securities Corp. and Gearhart & Otis, Inc.) $750,000

July 19 (Tuesday)

Chance (A. B.) Co. — Common
(Stifel, Nicolaus & Co., Inc.) 50,000 shares

Chesapeake & Ohio Ry. — Equip. Trust Ctfs.
(Bids noon EDT) $3,600,000

General Telephone Co. of Wisconsin — Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) $1,000,000

Krauss (John), Inc. — Preferred
(Offered by company—no underwriting) $100,000

July 20 (Wednesday)

All State Uranium Corp. — Common
(General Investing Corp.) $300,000

Colorado Sports Racing Association — Common
(General Investing Corp.) $600,000

Consumers Power Co. — Common
(Offering to stockholders—bids 10:30 a.m. EDT) 373,689 shares

Kroehler Mfg. Co. — Common
(White, Weld & Co.) 216,628 shares

Pacific Finance Corp. — Debentures
(Blyth & Co., Inc. and Hornblower & Weeks) $20,000,000

West Coast Telephone Co. — Common
(Blyth & Co., Inc.) 150,000 shares

July 21 (Thursday)

Consumers Power Co. — Preferred
(Morgan Stanley & Co.) 100,000 shares

July 22 (Friday)

Goodyear Tire & Rubber Co. — Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc.) 912,512 shares

Maremont Automotive Products, Inc. — Debentures
(Hallgarten & Co.; McCormick & Co.; and Straus, Blosser & McDowell) $1,000,000

July 25 (Monday)

Industrial Hardware Mfg. Co., Inc. — Debentures & Common
(Hallowell, Sulzberger & Co.; and Baruch Brothers & Co., Inc.) $1,500,000 debentures and 300,000 shares of stock

Western Nebraska Oil & Uranium Co., Inc. — Com.
(Israel & Co.) $300,000

Western Union Telegraph Co. — Common
(Offering to stockholders—underwritten by Kuhn, Loeb & Co.; Lehman Brothers; Clark, Dodge & Co.; and Salomon Bros. & Hutzler) 1,041,393 shares

July 27 (Wednesday)

Interstate Securities Co. — Common
(Harriman Ripley & Co. Inc. and Stern Brothers & Co.) 333,848 shares

Southern Colorado Power Co. — Preferred
(Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; and others) $1,000,000

TelAutograph Corp. — Debentures
(Offering to stockholders—no underwriting) $2,396,500

July 28 (Thursday)

Kirby Oil & Gas Co. — Common
(Allen & Co. and Rauscher, Pierce & Co.) 200,000 shares

Western Tool & Stamping Co. — Common
(Blunt Ellis & Simmons) 75,000 shares

August 1 (Monday)

Foremost Dairies, Inc. — Debentures
(Allen & Co. and Salomon Bros. & Hutzler) $20,000,000

August 2 (Tuesday)

Colohoma Uranium, Inc. — Common
(General Investing Corp. and Shaiman & Co.) $1,250,000

Pacific Far East Line, Inc. — Preferred
(A. G. Becker & Co. Inc.) $2,000,000

Pacific Far East Line, Inc. — Common
(A. G. Becker & Co. Inc.) 160,000 shares

August 8 (Monday)

Pictograph Mining & Uranium Co., Inc. — Common
Shaiman & Co.; J. H. Lederer Co.; and McGrath Securities Corp.) $600,000

Aug. 16 (Tuesday)

Pacific Telephone & Telegraph Co. — Debentures
(Bids to be invited) $67,000,000

August 22 (Monday)

St. Louis-San Francisco Ry. — Bonds
(Bids to be invited) $19,500,000

August 23 (Tuesday)

California Electric Power Co. — Common
(Bids to be invited) 230,000 shares

August 30 (Tuesday)

California Electric Power Co. — Bonds
(Bids to be invited) $6,000,000

Sept. 5 (Monday)

Housatonic Public Service Corp. — Common
(Offering to stockholders—no underwriting) $325,974

September 13 (Tuesday)

Utah Power & Light Co. — Bonds
(Bids to be invited) $15,000,000

Utah Power & Light Co. — Common
(Bids to be invited) 177,500 shares

Sept. 20 (Tuesday)

Ohio Power Co. — Preferred
(Bids 11 a.m. EDT) $6,000,000

Ohio Power Co. — Bonds
(Bids 11 a.m. EDT) $22,000,000

September 27 (Tuesday)

Pacific Power & Light Co. — Bonds
(Bids noon EDT) $10,000,000

October 4 (Tuesday)

Public Service Electric & Gas Co. — Debentures
(Bids to be invited) $35,000,000

October 5 (Wednesday)

Pacific Power & Light Co. — Preferred
(Expected by local dealers) $3,000,000

Oct. 18 (Tuesday)

Worcester County Electric Co. — Bonds
(Bids to be invited) $8,500,000

October 19 (Wednesday)

New York State Electric & Gas Corp. — Bonds
(Bids to be invited) $25,000,000

November 9 (Wednesday)

Southern Co. — Common
(Bids to be invited) 500,000 shares

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Calif., c/o Ray B. Wiser, President. **Underwriter**—Any underwriting agreement will be made on behalf of this company by Uni-Insurance Service Corp.

Fremont Uranium Corp., Denver, Colo.
April 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For mining expenses. **Office**—235 Ivy St., Denver, Colo. **Underwriter**—L. A. Huey Co., same city.

GAD Enterprises, Inc., Alexandria, Va.
March 15 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of factory and working capital. **Office**—1710 Mount Vernon Avenue, Alexandria, Va. **Underwriter**—T. J. O'Connor and Associates, Washington, D. C.

General Homes, Inc.
Dec. 15 filed 300,000 shares of common stock (par $1). Price—$5 per share. Proceeds—For plant expansion, new equipment, inventory and working capital. Office—Huntington Station, L. I., N. Y. Underwriter—S. D. Fuller & Co., New York.

● **General Telephone Co. of Wisconsin (7/19)**
July 1 filed 10,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Office** — Madison, Wis. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Goodyear Tire & Rubber Co., Akron, Ohio (7/22)
June 28 filed 912,512 shares of common stock (par $5) to be offered for subscription by stockholders of record July 21 on the basis of one new share for each 10 shares held; rights to expire on Aug. 8. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter** — Dillon, Read & Co., Inc., New York.

Great Eastern Mutual Life Insurance Co.
June 23 (letter of notification) 45,583 shares of common stock (par $1) to be offered for subscription by stockholders of record June 10 in the ratio of one new share for each three shares held; stock not subscribed for by Sept. 10, 1955 will be offered to public. **Price**—To stockholders, $3 per share; and to public, $5 per share. **Proceeds**—To increase capital and surplus accounts. **Office**—210 Boston Bldg., Denver, Colo. **Underwriter**—None.

★ **Great Lakes Growers, Inc., Lake City, Pa.**
June 20 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For improvements to building and warehouse (frozen foods); and for working capital. **Underwriter**—None.

★ **Great Yellowstone Uranium Co.**
June 29 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Office**—139 N. Virginia St., Reno, Nev. **Underwriters**—Cromer Brokerage Co. and Walter Sondrup & Co., both of Salt Lake City, Utah.

Harley Patents, Inc.
April 6 (letter of notification) 10,000 shares of capital stock (par 10 cents.) **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—580 Fifth Ave., New York 36, N. Y. **Underwriter**—E. E. Smith Co., same city.

Hawk Lake Uranium Corp.
April 12 filed 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — For mining expenses, etc. **Underwriter**—Dobbs & Co., New York City, will act as agents.

● **Herold Radio & Electronics Corp.**
June 28 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For working capital. **Office** — Mount Vernon, N. Y. **Underwriters** — Weill, Blauner & Co., Inc., New York, N. Y., and Hallowell, Sulzberger & Co., Philadelphia, Pa. **Offering**—Expected today (July 14).

Home-Stake Production Co., Tulsa, Okla.
May 12 filed 60,000 shares of capital stock (par $5) and 1,000 debentures (par $100) to be offered for sale in units of 60 shares of stock and one $100 debenture, or multiples thereof. **Price**—$400 per unit. **Proceeds**—For working capital. **Underwriter**—None. O. Strother Simpson, of Tulsa, Okla., is President.

Horseshoe Bend Uranium, Inc.
March 16 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For exploration and development expenses. **Office**—10 West 2nd South, Salt Lake City, Utah. **Underwriters**—James Anthony Securities Corp., New York; Lawrence A. Hays Co., Rochester, N. Y., and Ned J. Bowman Co., Salt Lake City, Utah.

Horton Aircraft Corp., Las Vegas, Nev.
April 26 filed 500,000 shares of common stock (no par), of which 400,000 shares are to be offered for account of company and 100,000 shares for account of William E. Horton, President. **Price**—$1 per share. **Proceeds**—For construction of model of "Horton Wingless Aircraft" and expenses incident thereto. **Underwriter**—None.

Humble Sulphur Co., Houston, Texas
April 25 filed 500,000 shares of common stock (par 1¢). **Price**—$1.20 per share. **Proceeds**—For exploration for sulphur and related activities. **Underwriter**—Garrett & Co., Dallas, Texas.

Inca Uranium Corp., Salt Lake City, Utah
April 25 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office** — 1946 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., Salt Lake City, and Moab, Utah.

Industrial Hardware Mfg. Co. (7/25-29)
May 12 (amendment) $1,500,000 of 5% debentures due 1975 and 300,000 shares of common stock (par 50 cents), of which 85,000 shares are to be sold to Seymour and Bernard Offerman at $5 per share. **Price**—To be supplied by amendment. **Proceeds**—To purchase Hugh H. Eby Co. and Wirt Co. **Underwriters**—Hallowell, Sulzberger & Co., Philadelphia; and Baruch Brothers & Co., Inc., New York.

★ **Insurance Investors Syndicate, Inc., Atlanta, Ga.**
July 6 filed 40,000 class "A" investment shrs. and 12,500 class "B" common stock shares. **Price**—$40 and $10 per share, respectively. **Proceeds**—For investment.

International Fidelity Insurance Co., Dallas, Tex.
March 30 filed 110,000 shares of common stock (no par). **Price**—$5.75 per share. **Proceeds**—To 12 selling stockholders. **Underwriter**—Franklin Securities Co., Dallas, Texas.

Interstate Adjusteze Corp., Anaheim, Calif.
June 23 filed 345,534 shares of common stock (par $1) to be offered for subscription by common stockholders of Interstate Engineering Corp. on a share-for-share basis. **Price**—$2 per share. **Proceeds** — For machinery and equipment; and for working capital. **Underwriters**—Dempsey-Tegeler & Co., St. Louis, Mo.; Cruttenden & Co., Chicago, Ill.; and Fairman & Co., Los Angeles, Calif.

★ **Interstate Securities Co., Kansas City, Mo. (7/27)**
July 7 filed 333,848 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business**—Automobile sales financing, direct lending to consumers on automobiles and other personal property and the writing of credit life and accident and health insurance in connection with its financing activities. **Underwriters**—Harriman Ripley & Co. Inc., New York; and Stern Brothers & Co., Kansas City, Mo.

Israel Pecan Plantations, Ltd.
Feb. 28 filed 24,900 shares of ordinary common stock (par one Israeli pound). Price—$10 per share. Proceeds—For capital expenditures. Underwriter—None. Offices—Natanya, Israel, and New York, N. Y.

Kachina Uranium Corp., Reno, Nev.
May 12 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—Whitney, Cranmer & Schulder, Inc., Denver, Colo.

Kentucky Harness Racing Association, Inc.
June 20 (letter of notification) $280,000 of 6% 10-year cumulative income debentures and 28,000 shares of common stork (par one cent) to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—$1,001 per unit. **Proceeds**—For purchase of land, construction of proposed harness racing plant, and working capital. **Office**—Versailles, Ky. **Underwriter**—None.

Kerr-McGee Oil Industries, Inc.
June 6 filed 450,000 shares of 4½% prior convertible preferred stock (par $25), which were offered June 27 in exchange for 150,000 shares of Deep Rock Oil Corp. common stock on a three-for-one basis; the offer to expire on July 15. These preferred shares are part of a block of 674,880 shares owned by Deep Rock which were acquired by them on April 27, 1955. **Agents**—Gregory & Sons, and Sutro Bros. & Co., New York City, have agreed to solicit tenders.

★ **Kirby Oil & Gas Co., Houston, Texas (7/28)**
July 8 filed 200,000 shares of common stock (par $1), of which 100,000 shares are for the account of the company and 100,000 shares for the account of the Murchison-Richardson financial interests of Texas. **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding bank loans and for exploration of oil and gas leases. **Underwriters**—Allen & Co., New York; and Rauscher, Pierce & Co., Dallas, Texas.

Knapp Uranium & Development Co.
April 21 (letter of notification) 20,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—2174 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., same city.

★ **Krauss (John), Inc., Jamaica, N. Y. (7/19)**
June 30 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For improvements. **Business**—Meat products. **Office**—144-27 94th Ave., Jamaica, L. I., N. Y. **Underwriter**—None.

Kroehler Mfg. Co., Naperville, Ill. (7/20)
June 28 filed 216,828 shares of common stock (par $5), of which 160,328 shares are for account of company and 56,500 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion and repayment of bank loan of Canadian subsidiary. **Underwriter**—White, Weld & Co., New York.

LeBlanc Medicine Co., Inc., Lafayette, La.
April 6 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of land, plant, warehouse, office building and equipment; and additional working capital. **Business**—Processing, packaging and merchandising of new proprietory medicine, KARY-ON. **Underwriter**—None.

Leborn Oil & Uranium Co.
June 8 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office** — 124½ South Main St., Newcastle, Wyo. **Underwriter** — Mid-American Securities, Inc. of Utah, Salt Lake City, Utah.

★ **Lemon Bay Groves, Inc., Ocala, Fla.**
June 29 (letter of notification) contracts covering 250 acres. **Underwriter** — Alton C. Miller, 1122-19th St., N. W., Washington, D. C.

Life and Accident Insurance Co. of Alabama
June 2 filed 750,000 shares of class B (non-voting) common stock (par $1). **Price**—$3 per share. **Proceeds**—To increase capital and surplus. **Office**—Gadsden, Ala. **Underwriter** — None, sales to be handled by Burius Randolph Winstead, Secretary and Treasurer of the company.

Little Star Uranium Co., Inc., Casper, Wyo.
May 25 filed 5,000,000 shares of common stock (par 10 cents). **Price**—15 cents per share. **Proceeds**—To purchase machinery and equipment; for drilling and reconnaissance surveys; for acquisition of additional properties; and for working capital and other purposes. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Livingston Oil Co., Tulsa, Okla. (7/18-21)
June 16 filed 742,000 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—For purchase of properties and working capital. **Underwriter** — Van Alstyne, Noel & Co., New York.

Lone Star Uranium & Drilling Co., Inc.
April 7 (letter of notification) 570,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—1100 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter** — Christopulos-Nichols Co., Las Vegas, Nev.

Long Island Lighting Co.
June 10 filed 657,713 shares of common stock (par $10), of which 624,170 shares are being offered for subscription by common stockholders of record July 1 on the basis of one new share for each 10 shares held; rights to expire on July 18. The remaining 33,543 shares are being offered to employees by company. **Price**—$20.50 per share. **Proceeds** — For construction program. **Underwriters**—W. C. Langley & Co.; Blyth & Co., Inc.; and The First Boston Corp.; all of New York.

Lutah Uranium & Oil, Inc.
May 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—Suite 1003, Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—Havenor-Cayias. Inc., same city.

Magna Theatre Corp., New York
May 23 filed 122,300 shares of common stock (par five cents), 6,000 outstanding warrants for the purchase of 439,800 shares of common stock (as well as the common stock), and 6,000 outstanding units of "Oklahoma" participation certificates (each certificate entitling the holder to receive 1/6,000th of 5/12ths of Magna's percentage of profits due from the distribution of "Oklahoma." **Proceeds**—To present holders, including Kuhn, Loeb & Co.; United California Theatres, Inc.; Harris, Upham & Co.; Prudential Theatres, Inc.; Carl M. Loeb, Rhoades & Co.; Brown Brothers Harriman & Co.; and United Artists Theatre Circuit, Inc.

Maremont Automotive Products, Inc. (7/22)
June 30 filed $1,000,000 of convertible sinking fund convertible subordinated debentures due July 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Office**—Chicago, Ill. **Underwriters**—Hallgarten & Co., New York; and McCormick & Co. and Straus, Blosser & McDowell, both of Chicago, Ill.

● **Marine Midland Corp., Buffalo, N. Y.**
June 20 filed 96,000 shares of common stock (par $1) being offered in exchange for all the issued and outstanding capital stock of Auburn Trust Co., Auburn, N. Y., at rate of four shares of Marine Midland stock for each share of Auburn stock held of record July 1, 1955. The offer, which will expire on July 15, is subject to acceptance by the holders of not less than 80% (19,200 shares) of the stock of Auburn. **Underwriter** — None, Statement effective June 28.

● **McLean Securities Corp. (7/15)**
June 8 filed 148,000 units, each to consist of one share of $3 cumulative preferred and between one-half and one share of common stock. **Price** — To be supplied by amendment. **Proceeds**—To pay off bank loan which the company recently secured in connection with its purchase of approximately 99.5% of the outstanding capital stock of the Waterman Steamship Corp. **Underwriter**—White, Weld & Co., New York.

Mechling (A. L.) Barge Lines, Inc., Joliet, Ill.
March 31 filed $837,252 of instalment note certificates being offered in exchange for the 3,578 shares of authorized and issued common stock of Marine Transit Co. at rate of $234 per share. The balance of $1 of a total purchase offer price of $235 per share is to be paid in cash. The exchange will be contingent upon acceptance of the offer by holders of not less than 81% of the Marine Transit shares. Statement effective May 11.

Medical Abstracts, Inc., Philadelphia, Pa.
June 15 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Office**—825 Western Savings Fund Bldg., Philadelphia, Pa. **Underwriter** — Carl J. Bliedung, Washington, D. C.

Mehadrin Plantations, Inc., New York
April 28 filed 70,000 shares of common stock (par $10). **Price**—$10.75 per share. **Proceeds**—For acquisition of additional groves and working capital and other general corporate purposes. **Business**—Production and sale of citrus fruits in State of Israel; also plans to grow subtropical fruits. **Underwriter**—None.

Merritt-Chapman & Scott Corp., New York
June 28 filed 314,718 shares of common stock (par $12.50) to be offered in exchange as follows: 102,250 shares to class A stockholders of Devoe & Raynolds & Co., Inc. on basis of 1⅔ shares for each Devoe share; 6,621 shares to class B common stockholders of Devoe on 1⅓-for-1 basis; 127,623 shares to common stockholders of New York Shipbuilding Corp. on a share-for-share basis; 53,324 shares to common stockholders of Ten-

nessee Products & Chemical Corp. on a 1¼-for-1 basis; 13,453 shares to common stockholders of Newport Steel Corp. on a 1-for-2.1 basis; 10,899 shares to common stockholders of Marion Power Shovel Co. on a 1½-for-1 basis; and 548 shares of class B common stockholders of The Osgood Co. on a 1-for-1½ basis. **Underwriter**—None.

★ Mid-Hudson Natural Gas Corp.
July 1 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds** — For exploration and development costs, etc. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Midwestern United Life Insurance Co.
May 25 filed 75,000 shares of common stock to be offered for subscription by stockholders of record June 1 on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For capital and surplus. **Office**—229 West Berry St., Fort Wayne, Ind. **Underwriter**—None. **Offering**—Temporarily delayed.

Millsap Oil & Gas Co., Siloam Springs, Ark.
March 17 (letter of notification) 599,200 shares of common stock (par 10 cents). **Price** — 50 cents per share **Proceeds**—For oil and gas activities. **Office**—518 Main St., Siloam Springs, Ark. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

Mitchell Mining Co., Inc., Mount Vernon, Wash.
May 13 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 301, Mount Vernon, Wash. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Moab King, Inc.
April 4 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—210 Zions Savings Bank Building, Salt Lake City, Utah. **Underwriter** — Potter Investment Co., same city.

Moab Valley Uranium Co.
May 16 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining costs. **Office**—716 Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Moab Brokerage Co., same city.

Monte Carlo Uranium Mines, Inc.
June 6 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office** — 706 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Mid-Continent Securities, Inc., same city.

Morning Sun Uranium, Inc., Spokane, Wash.
June 14 (letter of notification) 700,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Office** — 415 Paulsen Bldg., Spokane, Wash. **Underwriter**—Pennaluna & Co., same city.

Morrell (John) & Co., Ottumwa, Iowa
March 31 (letter of notification) 16,000 shares of capital stock (no par) to be offered in exchange for a like number of shares of John J. Felin Co., Inc., plus a cash payment. **Underwriter**—None.

Mortgage Associates, Inc., Philadelphia, Pa.
June 7 (letter of notification) 20,000 shares of 60-cent convertible preferred stock (par $5) and 20,000 shares of common stock (par 10 cents). **Price**—For preferred, $10 per share; and for common, $2.50 per share. **Proceeds**—For construction loans and acquisitions. **Underwriters**—Rambo, Close & Kerner Inc., Philadelphia, Pa.; and J. S. Hope & Co., Scranton, Pa.

Mountain Fuel Supply Co.
June 8 filed 193,990 shares of capital stock (par $10) being offered for subscription by stockholders of record as of June 23 on the basis of one new share for each 10 shares held; rights to expire on July 18. **Price**—$25.50 per share. **Proceeds** — To finance expansion program. **Underwriter**—The First Boston Corp., New York.

Multi-Minerals Corp., Salt Lake City, Utah
May 5 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For payment on uranium claims and for exploration and other costs. **Underwriter**—M. Raymond & Co., Inc., New York.

National Credit Corp., Phoenix, Ariz.
May 6 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital. **Underwriter**—None.

New Haven Water Co.
May 17 filed 40,000 shares of capital stock (par $50) being offered for subscription by stockholders of record June 15, 1955 on basis of two new shares for each seven shares held; rights to expire on July 15. **Price**—$51 per share. **Proceeds**—To repay bank loans and for new construction. **Office**—New Haven, Conn. **Underwriter**—None.

Northport Water Works Co.
June 23 (letter of notification) 4,438 shares of common stock (no par) to be offered for subscription by stockholders on the basis of one share for each 3½ shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and accounts payable and for new construction. **Office**—50 Church St., New York, N. Y. **Underwriter**—None.

Oasis Uranium & Oil Corp., Fort Worth, Texas
June 8 (letter of notification) 265,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For uranium and oil exploration. **Office**—Fortune Arms Bldg., Fort Worth, Tex. **Underwriter**—Standard Securities, Inc., Salt Lake City, Utah.

● Ocean Drilling & Exploration Co.
June 23 filed 225,666 shares of common stock (par $1) being offered for subscription by common stockholders of record July 13 on the basis of two new share for each nine shares held; rights to expire on July 28. Murphy Corp., which owns 530,450 shares (52%) of the 1,015,500 common shares outstanding, intends to exercise rights to purchase at least 104,230 of the 117,877 shares to which it is entitled. **Price**—$8 per share. **Proceeds**—For equipment, to acquire oil and gas interests, exploration and possibly drilling costs; and to pay all or a portion of a $705,000 mortgage note. **Office**—New Orleans, La. **Underwriters** — Morgan Stanley & Co. (New York) and Reinholdt & Gardner (St. Louis, Mo.) on a best-efforts basis.

● Old Republic Insurance Co.
June 10 filed 100,000 shares of common stock (par $5) being offered for subscription by stockholders of record June 30 on the basis of one new share for each share held; rights to expire on Aug. 8. **Price**—$21 per share. **Proceeds**—To diversify and increase its premium volume. **Office**—Greensburg, Pa. **Underwriter**—The First Boston Corp., New York.

★ Pacific Far East Line, Inc. (8/2)
July 12 filed 80,000 shares of cumulative convertible preferred stock (par $25) and 160,000 shares of common stock (par $5). Of the latter, 100,000 share are to be sold for account of the company and 60,000 shares for account of the Chicago Corp. **Price**—To be supplied by amendment. **Proceeds**—To retire a small issue of junior preferred stock and for fleet replacement program. **Office**—San Francisco, Calif. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

Pacific Finance Corp. (7/20)
June 28 filed $20,000,000 of 3½% debentures due 1985. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans. **Office**—Los Angeles, Calif. **Underwriters** — Blyth & Co., Inc. and Hornblower & Weeks.

Pacific Uranium & Oil Corp.
June 6 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 811 Boston Bldg., Denver, Colo. **Underwriter**—Amos C. Sudler & Co., same city.

Palestine Economic Corp., New York
July 1 filed 50,000 shares of common stock (par $25) and $2,000,000 of five-year 5% notes, series 1955. **Price**—Of stock, $28 per share; and of notes, at 100% of principal amount. **Proceeds** — For further development of Israel industry; development of urban and suburban areas; extension of credit; financing of exports to Israel; and working capital and general corporate purposes. **Underwriter**—None, sales to be handled through company officials and employees.

Panama Minerals, Inc., S. A. (Republic of Panama)
June 30 filed 400,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office**—Denver, Colo. **Underwriter**—None.

● Peabody Coal Co., Chicago, Ill.
June 6 filed 6,492,164 shares of common stock (par $5) being offered in exchange as folows: 578,739 shares for stock of Sentry Royalty Co. on a 147-for-1 basis; 216,000 shares of stock of Power Coal Co. on an 18-for-1 basis; 3,565,000 shares for stock of Homestead Coal Co. on a 713-for-1 basis; 794,200 shares for stock of Sinclair Coal Co. on a 44-for-1 basis; 611,064 shares for stock of Key Coal co. on a 54-for-1 basis; 546,000 shares for stock of Broken Aro Coal Co. on a 60-for-1 basis; 100,000 shares for stock of Alston Coal Co. on a 10-for-1 basis; and 81,161 shares for all of the properties of Sinclair Mines, Inc. (other than shares of any of the above seven companies owned by the Sinclair firm. The exchange offer is conditioned upon the acceptance of the offer by at least 80% of the total number of shares of each company to be acquired. Offer will expire on July 15. **Underwriter**—None.

Pelican Uranium Corp., Salt Lake City, Utah
May 25 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 688 East 21st South, Salt Lake City, Utah. **Underwriter** — Trans-Western Brokerage Co., New Orleans, La., and Salt Lake City, Utah.

Permian Basin Uranium Corp.
June 2 (letter of notification) 640,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining costs. **Office**—613 Simms Building, Albuquerque, N. Mex. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

● Petrolane Gas Service, Inc. (7/18)
June 24 filed 61,302 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Office**—Signal Hill, Calif. **Underwriters**—Bateman, Eichler & Co., First California Co., Inc. and William R. Staats & Co., all of Los Angeles, Calif.

Pictograph Mining & Uranium Co., Inc. (8/8)
June 15 filed 2,400,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For exploration and mining operations and for purchase of equipment and additional claims or leases when justified. **Office**—Edgemont, S. D. **Underwriters**—Shaiman & Co., Denver, Colo.; and J. H. Lederer Co. and McGrath Securities Corp., both of New York City.

Pioneer Mortgage & Development Corp.
April 27 filed 300,000 shares of common stock (par $1) with warrants attached entitling the holder to purchase one additional share at prices ranging from $13 to $20 depending upon the exercise date. **Price**—$10 per share "as a speculation." **Proceeds**—For working capital and general corporate purposes. **Office**—Houston, Tex. **Underwriter**—None.

Powder River Pipeline, Inc., Billings, Mont.
May 31 (letter of notification) $300,000 of 5½% 10-year debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For expenses incident to oil and gas activities. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Office**—Fratt Bldg., Billings, Mont.

Primary Minerals Corp.
May 24 filed 1,400,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition of mining equipment and other mining expenses. **Office** — San Francisco, Calif. **Underwriter** — General Investing Corp., New York. Statement to be amended.

★ Prudential Industries, Inc., Philadelphia, Pa.
June 29 (letter of notification) 31,500 shares of class A common stock (par $1). **Price**—$9.50 per share. **Proceeds**—For working capital. **Office**—Castor and Kensington Avenues, Philadelphia, Pa. **Underwriters** — Auchincloss, Parker & Redpath and Boenning & Co., both of Philadelphia, Pa.

Pyramid Electric Co.
May 3 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — S. D. Fuller & Co., New York.

● Rand McNally & Co., Skokie, Ill.
June 9 (letter of notification) 2,599 shares of common stock (par $10) being offered for subscription by stockholders of record June 1 on a 1 for 95 basis; rights to expire on July 15. **Price**—$17.50 per share. **Proceeds**—For general corporate purposes. **Office** — 8255 Central Park Ave., Skokie, Ill. **Underwriter**—None.

Rebel Oil & Uranium Co., Denver, Colo.
May 27 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—636 South Broadway, Denver, Colo. **Underwriter**—Lester Gould & Co., Inc., same city.

Revere Realty, Inc., Cincinnati, Ohio
March 8 filed $1,000,000 of 5½% cumulative convertible debentures due Jan. 1, 1980 and 25,000 shares of common stock (no par). Price—Par for debentures and $100 per share for stock. Proceeds — To purchase real estate or interest therein. Underwriter—Stanley Cooper Co., Inc., Cincinnati, O.

Royal Uranium Corp.
May 26 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—At market (total not to exceed $150,000). **Proceeds**—For working capital. **Office**—Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Whitney & Co., same city. No general offer planned.

Saint Anne's Oil Production Co.
May 9 (letter of notification) 20,000 shares of common stock (par $1) to be first offered to stockholders. **Price**—$6.25 per share. **Proceeds** — For oil and mineral and related activities. **Office**—Northwood, Iowa. **Underwriter**—None.

St. Regis Paper Co., New York
June 28 filed 329,327 shares of common stock (par $5) to be offered in exchange for common stock of General Container Corp. on basis of 2⅜ shares of St. Regis for one General share. Offer is conditioned upon St. Regis obtaining 80% of outstanding General stock. **Underwriter**—None.

San Juan Uranium Corp.
June 23 (letter of notification) 89,850 shares of common stock (par one cent), represented by options issued to underwriters. **Price**—50 cents per share. **Proceeds**—To selling stockholder. **Office** — Fidelity Bldg., Oklahoma City, Okla. **Underwriter** — E. W. Whitney, Wewoka, Okla.; and through company.

★ Sanitary Products Corp., Chicago, Ill.
June 27 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (estimated at $1.62½ to $2 per share). **Proceeds**—To selling stockholder. **Office**—10 So. LaSalle St., Chicago, Ill. **Underwriter**—Cruttenden & Co., Chicago, Ill.

Santa Fe Uranium & Oil Co., Inc.
May 26 (letter of notification) 2,959,500 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining operations. **Office**—416 Independence Bldg., Colorado Springs, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

● Saxon Uranium Mines Ltd., Toronto, Canada
April 29 filed 1,500,000 shares of common stock (par $1). **Price**—40 cents per share. **Proceeds**—For exploration and working capital; also to repay advances and other liabilities. **Underwriter** — Degaetano Securities Corp., New York. Statement effective July 6.

Shoni Uranium Corp., Riverton, Wyo.
April 21 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds** — For mining expenses. **Address** — Box 489, Riverton, Wyo. **Underwriter** — Melvin F. Schroeder, Denver, Colo.

Shumway Uranium, Inc., Moab, Utah
June 20 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office** — 6 Kirby St., Moab, Utah. **Underwriter**—Skyline Securities Inc., Denver, Colo.

Siboney Development & Exploration Co., Tulsa, Okla.
June 27 filed 2,000,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For geological and geophysical surveys and for drilling

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of exploratory wells. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

Silvaire Aircraft & Uranium Co.
June 17 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share). **Proceeds**—For mining operations. **Office**—Fort Collins, Colo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

Sonoma Quicksilver Mines, Inc.
April 27 filed 800,000 shares of capital stock (par 10 cents), of which 80,000 shares are to be initially offered to public. **Price**—To be fixed on the basis of the market value at the time of their first sale or $1 per share, which ever is lower. **Purpose** — To increase facilities and invest in other quicksilver properties; and for working capital. **Office**—San Francisco, Calif. **Underwriter**—Norman R. Whittall, Ltd., Vancouver, B. C., Canada.

Southern Colorado Power Co. (7/27)
June 27 filed 20,000 shares of 4.72% cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—For payment of bank loans. **Underwriter**—Stone & Webster Securities Corp., Paine, Webber, Jackson & Curtis, and six other firms.

● **Southland Racing Corp. (7/18)**
June 10 filed 1,250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction and related purposes, and for operating capital and reserve for future expansion. **Office**—West Memphis, Ark. **Underwriter**—General Investing Corp., New York.

Stancan Uranium Corp., Toronto, Canada
April 18 filed 200,000 shares of cumulative convertible preferred stock, series A (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York.

Strevell-Paterson Finance Co.
June 16 (letter of notification) 352,000 shares of common stock (par 50 cents) to be offered for subscription by stockholders at 70 cents per share; unsubscribed shares to be publicly offered at $85 per 100 shares. **Proceeds**—For working capital. **Office**—76 West Sixth South St., Salt Lake City, Utah. **Underwriter**—Harrison S. Brothers & Co., same city.

● **Sun Hotel, Inc., Las Vegas, Nev.**
Feb. 16 filed (as amended) 3,750,000 shares of common stock (par one cent). **Price**—$2.50 per share. **Proceeds**—To construct hotel and for working capital. **Underwriters**—Golden-Dersch & Co., Inc., New York; and Coombs & Co. of Las Vegas, Inc., Las Vegas, Nev.

● **Sunshine Park Racing Association, Inc. (7/18)**
Nov. 18 filed (as amended) 766,666 shares of common stock (par five cents) of which 500,000 shares are to be offered to public and 266,666 shares to be offered in exchange for 80,000 shares of preferred stock. **Price**—$1.50 per share. **Proceeds**—To repay bank loans, for new construction and for working capital. **Underwriters**—Hunter Securities Corp. and Gearhart & Otis Inc., both of New York.

Super-Seal Piston Ring Corp., Brownwood, Tex.
June 3 (letter of notification) 575,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For machinery and working capital. **Office**—1812 Belle Plain Ave., Brownwood, Texas. **Underwriter**—Great Southwest Securities Co.

Tasha Oil & Uranium Co., Denver, Colo.
May 11 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—1890 S. Pearl St., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

TelAutograph Corp., Los Angeles, Calif. (7/27)
July 1 filed $2,396,500 of convertible subordinated debentures due July 15, 1965, to be offered for subscription by common stockholders of record July 27, 1955 on the basis of $500 of debentures for each 50 shares of stock held; rights to expire on Aug. 15. **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding loans from Commercial Credit Corp.; to purchase additional stock of Nuclear Consultants, Inc.; for expansion of present merchandising activities; and for general corporate purposes. **Underwriter**—None.

Tel-Instrument Electronics Corp.
June 20 (letter of notification) 199,999 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For acquisitions and working capital. **Office**—728 Garden St., Carlstadt, N. J. **Underwriter**—Batkin & Co., New York, N. Y.

Tennessee Life & Service Insurance Society
June 20 (letter of notification) 9,200 shares of common stock (par $5) to be offered for subscription by stockholders. **Price**—$30 per share. **Proceeds**—To increase working capital for agency expansion. **Office** — 1409 Magnolia Ave., Knoxville, Tenn. **Underwriter**—None.

Texas Western Oil & Uranium Co., Denver, Colo.
June 15 (letter of notification) 5,960,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office** — 407 Denver National Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., same address.

● **Texboard, Inc., Dallas, Texas**
Jan. 17 filed $1,500,000 of 6% series A debentures due serially from Feb. 1, 1957 to Aug. 1, 1961, and $1,000,000 of 6% series B convertible debentures due serially from Feb. 1, 1962 to Aug. 1, 1966. **Price**—To be supplied by amendment. **Proceeds**—To construct and operate a manufacturing plant near Orange, Tex., for the purpose of manufacturing insulation building products. **Underwriter**—None. C. F. McDougal of Dallas, Tex., is President.

★ **Texokan Oil & Mining Co.**
July 1 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For oil and mining activities. **Office** — Liberty Bank Bldg., Oklahoma City, Okla. **Underwriter**—M. A. Collier & Co., Inc., same city.

★ **Thomas Industries, Inc., Fort Atkinson, Wis.**
July 11 filed 140,000 shares of class A common stock (par $1), of which 75,000 shares are to be offered for account of the company and up to 65,000 shares for account of 24 seling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and general corporate purposes. **Underwriter**—None.

Thorofare Markets, Inc.
June 22 filed $2,000,000 of sinking fund subordinated debentures, series A (convertible on or before June 30, 1962), due July 1, 1975. **Price** — To be supplied by amendment. **Proceeds**—To retire note, and for expansion and working capital. **Office**—Murrysville, Pa. **Underwriter**—Hulme, Applegate & Humphrey, Inc., Pittsburgh, Pa.

Thunderbird Uranium Corp., Albuquerque, New Mexico
June 9 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—915 Simms Bldg., Albuquerque, N. M. **Underwriter**—Hicks, Newton & Co., Inc., Denver, Colo.

★ **Tower Finance Corp., Chicago, Ill.**
June 29 (letter of notification) 4,000 shares of 6% cumulative preferred stock, second series. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—1737 Howard St., Chicago 26, Ill. **Underwriter**—None.

Trans-National Uranium & Oil Corp., Dallas, Tex.
July 1 filed 2,000,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment. **Proceeds**—To acquire part of properties presently subject to option in favor of company, and for expenses incident to mining and oil activities. **Underwriter**—Garrett Brothers, Inc., Dallas, Tex.

Triangle Mines, Inc., Salt Lake City, Utah
May 3 (letter of notification) 100,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For mining operations. **Office** — 506 Judge Bldg., Salt Lake City, Utah. **Underwriter** — Lewellen-Bybee Co., Washington, D. C.

Tungsten Mountain Mining Co., Fallon, Nev.
June 8 (letter of notification) 149,800 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For mining operations. **Address** — P. O. Box 456, Fallon, Churchill County, Nev. **Underwriter**—H. P. Pratt & Co., Seattle, Wash.

Turner Uranium Corp.
April 1 (letter of notification) 2,000,000 shares of common stock (par 2½ cents). **Price**—10 cents per share. **Proceeds** — For mining operations. **Office** — 130 Social Hall Avenue, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same city.

Two Jay Uranium Co., Salt Lake City, Utah
May 16 (letter of notification) 3,000,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—32 Exchange Place, Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

Ucon Uranium Corp., Salt Lake City, Utah
June 2 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining costs. **Office**—406 Judge Building, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

U-Kan Uranium & Oil Co., Salt Lake City, Utah
May 5 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — Judge Bldg., Salt Lake City, Utah. **Underwriter** — Northern Securities, Inc., Seattle, Wash.

Union Club, Inc., Hollywood, Calif.
March 1 filed 30,000 shares of preferred stock (par $50) and 100,000 shares of common stock (par $10) to be offered in units of three preferred and 10 common shares. Price—$400 per unit. Proceeds—For purchase of property, construction of hotel, athletic and health facilities, and working capital. Underwriter—None, but sales will be made through agents.

★ **Universal Service Corp., Inc., Houston, Texas**
July 8 filed 500,000 shares of common stock (par two mills). **Price**—$2.50 per share. **Proceeds**—For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter**—None.

Uranium Prince Mining Co., Wallace, Ida.
April 18 (letter of notification) 1,750,000 shares of common stock. **Price** — 10 cents per share. **Proceeds**—For mining operations. **Address** — Box 709, Wallace, Ida. **Underwriter**—Wallace Brokerage Co., same city.

Uranium Properties, Ltd., Virginia City, Nev.
June 13 filed $600,000 of Grubstake Loans to be offered in amounts of $25 or multiple thereof. **Proceeds**—75% to be invested in U. S. Savings bonds and the balance for equipment and exploration and development expenses. **Underwriter**—None.

★ **Uranium Technicians Corp., Salt Lake City, Utah**
June 30 (letter of notification) 30,000,000 shares of common stock (no par). **Price**—One cent per share. **Proceeds** — For mining activities. **Office** — 1101 South State St., Salt Lake City, Utah. **Underwriter**—Anderson-Hackett Investment Co., same city.

USeven Corp., Stockton, N. J.
June 28 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds** — For equipment, drilling costs, and working capital. **Business**—To explore, develop and operate uranium mining properties. **Address**—P. O. Box 99, Stockton, N. J. **Underwriter**—None.

Utah Southern Uranium Co., Las Vegas, Nev.
June 6 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—210 N. Third St., Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, same city.

Vactron Corp.
May 13 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To manufacture, process, rebulid and market television pictures tubes, etc. **Underwriter** — Zone Investments Co., Fort Worth, Texas.

Vanura Uranium, Inc., Salt Lake City, Utah
June 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For mining expenses. **Underwriter** — I. J. Schenin & Co., New York. **Name Change**—The company was formerly known as San Miguel Uranium, Inc.

Vas Uranium & Drilling Co., Monticello, Utah
June 20 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Underwriter**—Skyline Securities Inc., Denver, Colo.

Wabash Uranium Corp., Moab, Utah
June 10 (letter of notification) 10,000,000 shares of capital stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Underwriter**—Moab Brokerage Co. and National Securities, Inc., 368 South State St., Salt Lake City, Utah.

Warwick Hotel Associates, New York
June 22 filed $4,250,000 of participations in partnership interest in Associates in minimum amount of $10,000. **Proceeds** — To pay part of purchase price of Warwick Hotel, Philadelphia, Pa., and related expenses. **Underwriter**—None.

Washington Natural Gas Co.
May 24 (letter of notification) 238,632 shares of common stock (par one cent), of which 192,011 shares are for account of company and 46,621 shares for account of selling stockholder. **Price**—$1.25 per share. **Proceeds**—To retire indebtedness and for working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Washington Plywood Co., Inc., Lowell, Wash.
June 13 filed 296 shares of common stock (par $5,000). **Proceeds**—To purchase plywood mill of Walton Plywood Co., Inc., etc. **Underwriter**—Albert Walter Braedt.

★ **Welch Industries, Inc., Houston, Texas**
June 23, letter of notification)) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For erection of plant, machinery and working capital. **Office**—427 Lovett Blvd., Houston, Tex. **Underwriter**—Warren Clark & Co., same city.

★ **West Bend Aluminum Co., West Bend, Wis.**
July 1 (letter of notification) 4,000 shares of class B stock to be offered to members of sales force. **Price**—$11.39 per share. **Proceeds**—For new construction. **Office**—92 Island Ave., West Bend, Wis. **Underwriter**—None.

● **West Coast Telephone Co. (7/20-21)**
June 27 filed 150,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds** — For construction program and to repay bank loans. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Western Hills Inn, Fort Worth, Texas
Jan. 31 filed 200,000 shares of capital stock (no par). Price—$5 per share. Proceeds—Together with other funds, to construct, furnish and equip hotel to be built between Dallas and Fort Worth, Texas. Underwriter—Schwanz & Co., Inc., Aurora, Ill.

Western Nebraska Oil & Uranium Co., Inc. (7/25-29)
April 4 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development costs and working capital. **Office**—924 Broadway, Denver, Colo. **Underwriter**—Israel & Co., New York.

★ **Western Tool & Stamping Co. (7/28)**
July 8 filed 75,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Des Moines, Iowa. **Underwriter**—Blunt Ellis & Simmons, Chicago, Ill.

Western Union Telegraph Co. (7/25)
June 30 filed 1,041,393 shares of common stock (par $2.50) to be offered for subscription by stockholders of record July 22 on the basis of one new share for each five shares held; rights to expire on Aug. 8, 1955. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Kuhn, Loeb & Co.; Lehman Brothers; Clark, Dodge & Co.; and Salomon Bros. & Hutzler, all of New York City.

★ **Wet Mountain Mining, Inc.**
June 29 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For mining activities. **Office** — 105½ East Pikes Peak, Colorado Springs, Colo. **Underwriter** — Hicks, Newton & Co., Inc., Denver, Colo.

★ **White Castle Uranium Co., Boise, Ida.**
June 24 (letter of notification) 22,500,000 shares of capital stock. **Price**—A par (one cent per share). **Proceeds**—For mining operations. **Office**—6515 Fairview Ave., Boise, Idaho. **Underwriter**—None.

White Horse Uranium, Inc., Salt Lake City, Utah
June 9 (letter of notification) 2,900,000 shares of capital stock (par 2½ cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1030 South Sixth West St., Salt Lake City, Utah. **Underwriter**—J. W. Hicks & Co., Inc., Denver, Colo.

Wicker-Baldwin Uranium Mining Co.
May 26 (letter of notification) 900,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Office**—616 Sixth St., Rapid City, S. D. **Underwriter**—Driscoll-Hanson, Inc., same city.

Wyco Uranium, Inc., Salt Lake City, Utah
April 7 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—429 Ness Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain

Wyoming Uranium Corp., Salt Lake City, Utah
April 22 (letter of notification) 833,333 shares of common stock (par one cent). **Price**—3½ cents per share. **Proceeds**—For mining expenses. **Office**—522 Felt Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed & Co., Salt Lake City, Utah; and Coombs & Co., of Washington, D. C.

• York County Gas Co., York, Pa.
June 3 (letter of notification) 5,571 shares of common stock (par $20) being offered for subscription by stockholders of record June 21 on the basis of one new share for each 14 shares held (with an oversubscription privilege); rights to expire on July 18. **Price**—$45 per share. **Proceeds**—To pay off bank loans. **Office**—127 West Market St., York, Pa. **Underwriter**—None.

York Oil & Uranium Co.
June 3 (letter of notification) 10,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining and oil activities. **Address**—P. O. Box 348, Newcastle, Wyo. **Underwriter**—Empire Securities Corp., Salt Lake City, Utah.

Prospective Offerings

American Telephone & Telegraph Co.
April 20 stockholders approved a new issue of not to exceed $650,000,000 convertible debentures. When issued, each stockholder would receive rights to purchase the debentures in proportion to his holdings of stock (probably on the basis of $100 of debentures for each eight share of stock held). **Underwriter**—None. **Offering**—Probably in September or October.

• Arkansas Power & Light Co. (10/25)
May 27 it was reported company plans to issue and sell about 80,000 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: Lehman Brothers; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); White, Weld & Co. **Bids**—Expected to be received on Oct. 25.

Blackhawk Fire & Casualty Insurance Co.
April 5 it was reported company plans to issue and sell 200,000 shares of common stock. **Price**—Expected at $5 per share. **Proceeds**—To acquire Blackhawk Mutual Insurance Co., Rockford, Ill. **Underwriter** — Arthur M. Krensky & Co., Inc., Chicago, Ill.

Bliss (E. W.) Co.
April 26 stockholders increased the authorized common stock (par $1) from 1,000,000 shares to 1,500,000 shares. **Underwriter**—Previous financing was handled by Allen & Co., New York.

• California Electric Power Co. (8/30)
July 7 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Proceeds**—For reduction of bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated; White, Weld & Co.; Blyth & Co., Inc. **Bids**—Scheduled to be received on Aug. 30.

• California Electric Power Co. (8/23)
July 7 company announced it plans to issue and sell 230,000 shares of common stock (par $1). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Scheduled to be received on Aug. 23.

Camden Trust Co., Camden, N. J.
June 29 it was announced Bank plans to offer to its stockholders the right to subscribe for 72,500 additional shares of capital stock (par $5), with a 13-day standby. **Underwriter**—Price & Co., Inc., Camden, N. J. **Meeting**—Stockholders on July 29 will vote on approving financing and merger with Bank of Oaklyn National Bank.

Cavendish Uranium Mines Corp.
April 19 it was announced company plans issue and sale of a debenture issue of several million dollars. **Proceeds**—For a concentrating mill, mining equipment and for underground development. **Underwriter**—James Anthony Securities Corp., New York.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, stated that company plans to issue and sell some additional common stock, par $10 (probably to stockholders) in the latter part of 1955. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Meeting**—Stockholders on May 11 voted to increase the authorized common stock from 3,250,000 to 3,500,000 shares. **Offering**—Probably in September.

Chesapeake & Ohio Ry. (7/19)
Bids are expected to be received up to noon (EDT) on July 19 for the purchase from the company of $3,600,000 equipment trust certificates to mature annually Aug. 1, 1956-1970 inclusive. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Chicago, Milwaukee, St. Paul & Pacific RR.
July 13 stockholders approved the creation of an issue of $60,00,000 5% income debentures, series A, to be offered in exchange for outstanding preferred stock, series A, about Aug. 1 on a par for par basis; offer to commence early in September.

Commonwealth Edison Co.
Jan. 24, Willis Gale, Chairman, announced it should be Fall before the company undertakes its next financing. **Proceeds**—For new construction, which, it is estimated, will cost about $125,000,0000 in 1955. **Underwriters**—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

Consolidated Edison Co. of New York, Inc.
June 14 it was announced company expects to sell from $40,000,000 to $50,000,000 bonds some time during the current year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Uranium Mines, Inc.
July 23, 1954, stockholders authorized 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. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Continental Aviation & Engineering Co.
June 13 it was reported company plans sale in near future of $2,000,000 convertible debentures. **Underwriter**—Van Alstyne, Noel & Co., New York.

Continental Can Co., Inc.
April 18, preferred stockholders approved creation of not to exceed an additional $25,000,000 of debentures or other indebtedness maturing later than one year after the date thereof. The company has no present plans for making any additional borrowings. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York.

Daitch Crystal Dairies, Inc.
April 28 stockholders approved a proposal to increase the authorized common stock (par $1) from 500,000 shares to 1,000,000 shares to provide for future financing and expansion. **Underwriter**—Hirsch & Co., New York.

Denver National Bank, Denver, Colo.
June 30 it was announced that company plans to offer to its stockholders the right to subscribe for 50,000 additional shares of capital stock (par $10) on the basis of one new share for each four shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Meeting**—Stockholders to vote July 28 on approving financing and 25% stock dividend.

Detroit Edison Co.
May 2 stockholders approved a proposal authorizing about $60,000,000 of convertible debentures. Previous offer of convertible debentures was made to stockholders without underwriting.

Doman Helicopters, Inc.
Feb. 17 Donald S. B. Waters, President, announced stockholders voted to increase authorized capital stock from 1,000,000 shares to 3,000,000 shares in anticipation of expansion of the company's activities. **Underwriter**—Previous financing handled by Greene & Co., New York.

★ First National Bank of Arizona
July 1 stockholders of record June 29 were offered the right to subscribe on or before July 29 for 160,000 shares of capital stock (par $10) at the rate of one new share for each three shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp. **Offering**—Expected late in 1955 or early 1956.

Ford Motor Co., Detroit, Mich.
March 15 it was reported that following a probable 10-for-1 stock split, an offering of approximately 4,000,000 new shares will be made to the public. **Price**—Expected to be around $60 per share. **Proceeds** — To the Ford Foundation. **Offering**—Probably not until "latter part of 1955, if then."

• Foremost Dairies, Inc.
July 11 the directors authorized an issue of $20,000,000 4½% subordinated debentures to be first offered in exchange for outstanding $4.50 preferred stock and 4½% cumulative preferred stock of Foremost, along with $4.50 preferred stock of Philadelphia Dairy Products Co., Inc., a subsidiary, this offer to be made prior to Sept. 1, 1955. Underwriters—Allen & Co. and Salomon Bros. & Hutzler, both of New York.

General Minerals Corp.
June 20 it was reported that company plans early registration of 1,200,000 shares of its common stock. **Underwriters**—Sanders & Newsom and Rauscher, Pierce & Co., both of Dallas, Tex.; and Laird & Co., Wilmington, Del.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **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. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

Hammermill Paper Co.
May 10 stockholders approved a proposal on increasing the debt authority to $20,000,000. **Underwriter**—A. G. Becker & Co. (Inc.), Chicago, Ill.

Housatonic Public Service Corp. (9/5)
June 20 it was reported company plans to issue and sell 14,817 additional shares of common stock (par $15) to common stockholders of record Sept. 5 on the basis of one new share for each 25 shares held; rights to expire on Sept. 26. **Price**—$22 per share. **Proceeds**—For construction program. **Underwriter**—None. Unsubscribed shares to be sold to highest bidder.

Hupp Corp.
May 13 stockholders approved a proposal increasing the authorized capital stock from 3,000,000 to 4,200,000 shares (200,000 of such increased shares shall be (new) serial preferred stock, $50 par value and 1,000,000 shares shall be common stock, $1 par value); also waiving of preemptive rights to such increased shares.

International Bank, Washington, D. C.
April 25 it was announced company, in addition to placing privately an issue of $500,000 convertible debentures, will offer additional convertible debentures to shareholders, the latter probably sometime in the Autumn of this year. **Office** — 726 Jackson Place, N. W., Washington, D. C. **Business**—Industrial merchant bankers.

International Oil & Metals Corp., Seattle, Wash.
May 23 it was reported company may do some financing some time in the future. William D. Bost of Whitcomb & Co., New York, is Chairman of the Board.

Isthmus Sulphur Co. (Texas)
March 30 it was reported early registration is planned of an undetermined number of common shares. **Underwriters**—L. D. Sherman & Co., New York, and Garrett & Co., Dallas, Tex.; and others.

★ Kaiser Aluminum & Chemical Corp.
July 11 it was reported that company is understood to be contemplating the sale to the public of 700,000 shares of sinking fund preferred stock this Fall and private debt financing of about $40,000,000. Stockholders will vote Aug. 12 on approving an increase in the authorized preferred stock from 700,000 to 1,500,000 shares. **Proceeds**—For expansion program and working capital. **Underwriters**—The First Boston Corp., New York; and Dean Witter & Co., San Francisco, Calif.

Keystone Wholesale Hardware Co., Atlanta, Ga.
Jan. 27 it was stated that the company plans at a later date to offer additional shares for sale nationally. An offering of 16,666 shares of common stock was recently made to residents of Georgia only at $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga.

Lithium Developments, Inc., Cleveland, Ohio
June 9 it was announced that company plans soon to file a registration statement with the SEC covering a proposed issue of 600,000 shares of common stock. **Proceeds**—For general corporate purposes. **Underwriter**—George A. Searight, New York, will head group.

Long Island Lighting Co.
April 23 it was announced company plans to sell an issue of $15,000,000 first mortgage bonds, series H, due 1985. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co.; Baxter, Williams & Co. **Offering**—Expected late in 1955.

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Lucky Stores, Inc.
April 20 stockholders approved a proposal to increase the authorized common stock (par $1.25) from 1,000,000 shares to 2,000,000 shares (there are 804,063 shares outstanding). It was reported previously that the company proposed to raise approximately $1,500,000 through the sale of 150,000 shares. However, no immediate financing is planned. **Underwriter**—Probably Blair & Co. Incorporated, New York.

Maine Central RR.
Feb. 14, E. Spencer Miller, President, said company has not given up the idea of refunding the $17,000,000 5⅛% first mortgage and collateral trust bonds due 1978. Probable bidders for new bonds may include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co.

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.

Mountain States Telephone & Telegraph Co.
May 21 it was announced that company plans to issue and sell to its stockholders additional common stock next Fall, the amount and ratio to be determined later. American Telephone & Telegraph Co. owns about 86.7% of the presently outstanding common stock. **Underwriter**—None.

Murphy (G. C.) Co., McKeesport, Pa.
April 12 stockholders approved a proposal to increase the authorized limit of indebtedness from $3,000,000 to $20,000,000. **Proceeds**—For expansion program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York, handled preferred stock financing in 1942.

New Haven Clock & Watch Co.
June 7 it was announced that in connection with its proposed plan of recapitalization to be voted upon July 26, the company plans to raise not less than $300,000 of new capital. **Underwriter**—Probably Reynolds & Co., New York.

New Orleans Public Service Inc.
Feb. 4 it was announced that company plans this year to issue some first mortgage bonds due 1985. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blair & Co. Incorporated; The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); and Lehman Brothers.

★ **New York State Electric & Gas Corp. (10/19)**
July 8 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Hariman Ripley & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); **Bids**—Expected to be received on Oct. 19.

New York Telephone Co.
Jan. 17, Keith S. McHugh, President, announced that the company will have to raise more than $100,000,000 of new capital money to aid in carrying out its expansion and improvement program which will cost approximately $200,000,000. **Underwriter**—For and bonds, to be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

Northern Illinois Gas Co.
June 14, Marvin Chandler, President, announced that the company plans to spend $60,000,000 on new construction through 1958, and that about $25,000,000 would be raised through the sale of bonds in the period. **Underwriters**—The First Boston Corp., Halsey, Stuart & Co. Inc. and Glore, Forgan & Co.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

Northwest Nitro-Chemicals, Ltd., Alberta, Can.
March 4 company plans to issue and sell publicly debentures and common stock to finance its proposed chemical project. **Underwriter**—Eastman, Dillon & Co., New York.

Nuclear-Electronics Corp.
June 28, it was announced that it is planned, following proposed merger into company of Olympic Radio & Television, Inc., and Victoreen Instrument Co., to issue and sell $2,500,000 of debentures. **Underwriters**—Van Alstyne, Noel & Co. and Barrett Herrick & Co., Inc., both of New York. **Meeting** — Stockholders to vote on merger in August, 1955.

Ohio Power Co. (9/20)
June 20 it was reported company plans to issue and sell 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Registration**—Planned for Aug. 17. **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 20.

Ohio Power Co. (9/20)
June 20 it was reported company plans to issue and sell $22,000,000 of first mortgage bonds due 1985. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); Kuhn, Loeb & Co.; Blyth & Co., Inc.; Union Securities Corp. and Salomon Bros & Hutzler (jointly); The First Boston Corp. **Registration**—Planned for Aug. 17. **Bids**—Expected to be received up to 11 a.m. (EDT, on Sept. 20.

Ohio Water Service Co.
March 28 it was reported company plans to issue and sell $1,000,000 of first mortgage bonds and $300,000 of additional common stock (the latter to stockholders) in near future. **Proceeds**—To retire bank loans and reimburse the company's treasury for construction expenditures.

★ **Pacific Power & Light Co. (9/27)**
July 6 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1985. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Union Securities Corp. and Kidder, Peabody & Co., (jointly); Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc and White, Weld & Co. (jointly). **Bids**—Tentatively planned to be received up to noon (EDT) on Sept. 27. **Registration**—Expected on or about Aug. 24.

★ **Pacific Power & Light Co. (10/5)**
July 5 it was reported company plans to issue and sell 30,000 shares of cumulative preferred stock (par $100). **Underwriter**—Expected to be local dealers. **Registration**—Expected on Aug. 24.

Pacific Telephone & Telegraph Co.
June 21 it was announced company plans to offer to its preferred and common stockholders later this year 1,339,196 additional shares of common stock on a 1-for-6 basis. (American Telephone & Telegraph Co., the parent, owns a majority of the common and preferred stocks presently outstanding.) **Price**—At par ($100 per share). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

Pacific Telephone & Telegraph Co. (8/16)
June 21 it was announced company plans to issue and sell $67,000,000 of 36-year debentures due 1991. **Proceeds**—For construction program. **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). **Registration**—Planned for the latter part of July. **Bids**—Expected to be opened Aug. 16.

Pennsylvania Electric Co.
Feb. 15 it was reported company plans to issue and sell later this year $9,300,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Pennsylvania Electric Co.
Feb. 21 it was reported company proposes issuance and sale of $7,500,000 of preferred stock later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Pennsylvania Power & Light Co.
April 19, Charles E. Oakes, President, announced that company plans this year to issue and sell $15,000,000 of first mortgage bonds and use the proceeds for its construction program. Previous bond financing was arranged privately through Drexel & Co. and The First Boston Corp.

Peoples National Bank of Washington, Seattle, Wash.
June 30 it was announced Bank plans to issue 25,000 shares of capital stock (par $20) as a stock dividend, and a like number of shares will be offered for subscription by stockholders.

★ **Public Service Electric & Gas Co. (10/4)**
July 11 it was reported company plans to issue and sell $35,000,000 of debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly), Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Oct. 4.

★ **Public Service Electric & Gas Co.**
July 11 it was stated that company may issue and sell late in September 250,000 shares of cumulative preferred stock (par $100). **Underwriters**—May be Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co.

Puget Sound Power & Light Co.
April 5, Frank McLaughlin, President, said that "it will be necessary in 1955 to obtain funds for construction purposes from outside sources—at least to the extent of several million dollars." The company has scheduled a large-scale expansion program, involving $75,000,000 in order to keep abreast of estimated load growth over the next five years. **Underwriters**—Probably Stone & Webster Securities Corp.. The First Boston Corp. and Smith, Barney & Co. Halsey, Stuart & Co. Inc., is reported to head a group to bid approximately $25,000,000 of bonds.

Pure Oil Co.
April 9 stockholders approved the possible issuance of a convertible debenture issue. This would not exceed $50,000,000 and would be issued at the discretion of the directors any time within the next 12 months. **Underwriter**—Probably Smith, Barney & Co., New York.

Radio Receptor Co., Inc.
Feb. 28 it was reported that a public offering is soon expected of about 250,000 shares of common stock, of which 100,000 shares will be sold for account of company and 150,000 shares for selling stockholders. **Underwriter**—Bache & Co., New York.

Reading Co.
June 7 stockholders approved a proposal increasing the authorized indebtedness of the company to $125,000,000. Funded debt at Dec. 31, 1954 totaled $84,077,350. If, in the future, the directors should deem it in the best interests of the company to issue bonds, the board will determine the amount of the issue and the terms and conditions of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

● **St. Louis-San Francisco Ry (8/22)**
May 10 stockholders approved an additional issue of up to $25,000,000 of first mortgage bonds, of which it is planned to sell initially $19,500,000 principal amount to mature in 40-years. **Proceeds** — For property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly).

San Diego Gas & Electric Co.
E. D. Sherwin, President, recently reported that the company will need a minimum of $11,000,000 new capital to help finance its current $20,000,000 construction program. The financing will probably take the form of a bond issue or preferred stock. **Underwriters**—(1) For preferred stock, Blyth & Co., Inc., San Francisco, Calif. (2) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly). **Offering**—Expected in September.

Southern California Gas Co.
Feb. 28 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds. Application has been filed with California P. U. Commission for exemption from competitive bidding. Bids received on last sale of bonds were from Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Union Securities Corp. (jointly); Lehman Brothers.

Southern Co. (11/9)
Dec. 30 it was announced company plans to issue and sell to the public 500,000 additional shares of common stock (par $5). **Proceeds**—To repay bank loans and for investment in additional stock of subsidiary companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Ladenburg, Thalman & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Blyth & Co., Inc., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively scheduled for Nov. 9. **Registration**—Not expected until Oct. 12.

Southland Frozen Foods, Inc.
April 18 it was reported company plans to offer $600,000 of 6% debentures and 60,000 shares of common stock. **Office**—160 Broadway, New York City. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. **Offering**—Expected in July.

Sterling Precision Instrument Corp.
June 6 the stockholders voted to approve an authorized issue of 500,000 shares of first preferred stock (par $10), of which 300,000 shares (to be convertible into common) are to be publicly offered. **Proceeds**—For working capital. **Office**—Buffalo, N. Y.

Texas Gas Transmission Co.
March 15 it was reported company plans to sell additional first mortgage bonds later to finance cost of new construction, which is estimated at about $17,500,000. **Underwriter**—Dillon, Read & Co. Inc., New York.

● **Texas National Bank, Houston, Texas**
June 30 it was announced Bank is offering its stockholders of record June 15 the right to subscribe on or before July 20 for 50,000 additional shares of capital stock (par $20) on the basis of one new share for each five shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

Unexcelled Chemical Corp.
May 25 stockholders approved creation of 100,000 shares of 5% non-voting preferred stock (par $25) and increased authorized common stock from 500,000 shares to 1,000,000 shares.

★ **Union Bank & Trust Co., Los Angeles, Calif.**
July 9 it was announced stockholders of record July 22 1955, are to be given the right to subscribe on or before Aug. 15 for 95,000 additional shares of capital stock (par $10) on the basis of one new share for each five shares held. **Price**—$33 per share. **Proceeds**—For capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

• Union Electric Co. of Missouri
Jan. 24 it was reported company expects to sell about $30,000,000 30-year first mortgage bonds late in 1955. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids** — Expected to be received in October or November 1955.

United Aircraft Corp.
April 26 stockholders approved a new issue of 500,000 shares of preference stock (par $100). **Proceeds**—To redeem present 5% cumulative preferred stock (233,500 shares outstanding), and for working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York.

United Gas Corp.
Feb. 24, N. C. McGowen, President, announced that corporation plans to raise $35,000,000 to $40,000,000 in the first half of 1955 through the sale of additional common stock to stockholders. **Proceeds**—For construction program of company and of United Gas Pipe Line Co., a subsidiary. **Underwriter**—None.

United Gas Corp.
Feb. 24, N. C. McGowen, President, stated that company might be doing some debt financing, with this year's total financing program reaching about $50,000,000 (including about $35,000,000 to $40,000,000 of common stock). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; White, Weld & Co. and Equitable Securities Corp (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly).

Utah Power & Light Co. (9/13)
March 28 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1985. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids** — To be received Sept. 13.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans public sale of 177,500 shares of common stock. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Union Securities Corp. and Smith, Barney & Co (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received on Sept. 13.

Warren Brothers Co., Cambridge, Mass.
June 21 it was announced stockholders on July 19 will vote upon a plan to refinance the outstanding 40,665 shares of $2.50 cumulative preferred stock (par $50). It is proposed to issue not more than $2,500,000 of notes, bonds or debentures which may be in whole or in part convertible into common stock at not less than $50 per share. **Proceeds**—To retire preferred stock, to pay off a $225,000 loan and for working capital.

Westcoast Transmission Co., Ltd.
April 25 it was reported company now plans to issue and sell publicly about $20,000,000 of securities, probably in units of notes and stock. Bonds are expected to be placed privately. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Expected in July.

Westpan Hydrocarbon Co.
March 2 it was announced Sinclair Oil Corp. has agreed with the SEC to divest itself of its investment of 384,380 shares of Westpan stock (52.8%). **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

Worcester County Electric Co. (10/18)
The company proposes to file a registration statement with the SEC early in September with respect to sale of $8,500,000 first mortgage bonds, series D, due 1985. **Proceeds**—For payment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Stroud & Co., Inc. (jointly); Coffin & Burr, Inc.; Kidder, Peabody & Co., Blyth & Co., Inc. and White, Weld & Co. (jointly); Blair & Co. Incorporated and Baxter, Williams & Co. (jointly); The First Boston Corp. **Bids**—Tentatively scheduled to be received on Oct. 18 at company's office, 441 Stuart St., Boston 16, Mass.

★ York County Gas Co., York, Pa.
June 29 it was announced company contemplates the issuance and sale later this year of a new series of its first mortgage bonds, in an aggregate amount not yet determined. **Proceeds**—To pay for new construction and probably to refund an issue of $560,000 4¾% first mortgage bonds due 1978. **Underwriter**—May be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). It is also possible that issue may be placed privately.

Our Reporter's Report

Things were a bit beclouded in the new issue market this week though basically the situation had not changed materially. Seasonal influences appeared as much to blame as any thing else.

The secondary market had slowed almost to a walk what with vacations and a dearth of new offerings. The corporate field had only one really substantial new bond issue to contend with, Illinois Bell Telephone's $30,000,000 of 40-year paper.

It remained for New York State's rejection of the single bid submitted for the Thruway Authority's $125 million of bonds, to put the damper on things at least temporarily. Having been forewarned, however, by municipal market observers, the effect of this development had been pretty much discounted.

The latter had pointed out that inventories in that end of the capital market are rather substantial, and that unless priced right the Thruway issue could have swelled the total materially, it was argued.

The Comptroller turned down a nation-wide group's bid, citing the change in market conditions since the issue was first projected. Feeling in market circles is that if the Comptroller should consider halving the total sought and shortening up on the maturities, he might be able to attract more than a single bid on a subsequent offering.

But the consensus was that the group bid, about eight points under that made for a shorter average maturity loan in 1953, was in keeping with the changed situation in the tax-exempt market.

Illinois Bell's Financing

Illinois Bell Telephone Co.'s offering brought out a total of four bids by banking groups, the winning one being 101.16 for a 3¾% coupon rate. The runners-up bid 100.95 for the same coupon rate, for an indicated spread of about $2.10 a bond. But the lowest bid, 100.08 for the same coupon, left an indicated spread of some $10.80 a bond from the top bid.

Doubtless this proved a bit of a stumbling block for the moment, probably influencing some institutional buyers to sit back and see how the reoffering would go at a price of 101.75 for a 3.17% yield.

Consolidated Cigar Ready

Consolidated Cigar Corp.'s issue of 20-year debentures, which has been simmering on the back burner for several weeks, has been shaped up and readied for public offering today.

Carrying a liberal sinking fund, and what amounts to an intermediate maturity, considering the terms of most other debt issues of recent date, dealers reported a fair inquiry developing in advance of opening of the books.

Originally planned as a $17,500,000 offering, the amount was cut to $15,000,000 with a 4¼% coupon rate. Slated for offering at 100, the indicate yield of 4.25% is something of an attraction.

Holding Their Own

Although a number of sponsoring groups have found it the better part of wisdom to wind up syndicate agreements covering a handful of recent offerings, it appears that the bulk of this new paper has been holding its own in the open market.

Out of a selection of well over a dozen such issues, a survey reveals that only three such offerings are ruling below their original offering prices and even here the differences are small.

Preferred stocks, with a few exceptions, likewise have been doing very well, helped of course, by the robust equity market.

Hard Put to It!

"There have been some curious developments over the last few weeks with regard to business advice to Government that prompt me to be curious about the B. A. C. and about the subject of businessmen serving here as consultants to Government.

* * *

"I want to know how much influence the Business Advisory Council has had. It will be interesting to know just how much weight the advice they have given Government on economic matters over the years has had in framing controversial policies adopted by Government."
—Representative Emanuel Celler.


Emanuel Celler

The gentleman must be in dire need of political ammunition!

Offering Made by El Morocco Enterprises

El Morocco Enterprises, Inc., 39 Broadway, New York, is offering to the public an issue of $6,000,000 of 8% 10-year sinking fund debenture bonds due July 1, 1967, in multiples of $500, at 100%. Each purchaser of the debenture bonds will have the right to purchase common stock of the company at 10 cents per share, with a total of 1,950,000 shares of common stock to be sold.

Proceeds from the financing will be applied by the company toward the purchase of a 31-acre plot in Las Vegas, Nevada, where it proposes to build a reinforced concrete, fully air-conditioned, 1,000 room resort hotel. The structure will also include a convention hall accommodating 2,500 persons; a ballroom with accommodations for 1,000 persons; a cocktail lounge seating 400; a theatre seating 750; a spacious night club with room for 1,200 people, and a casino. An Olympic-size swimming pool will be built in the very center of the project.

The proceeds from the sale of all the securities being offered will be held by the Bank of America National Trust & Savings Association, trustee, in a trust account and in the event that the necessary amounts are not received by Dec. 31, 1955, the proceeds will be returned by the bank to the purchasers in full without any deductions, and all expenses incident to the registration and offering will be assumed by the company. Each purchaser will be obligated to accept the returned funds in full satisfaction and deliver to the company any securities it may have issued.

El Morocco Enterprises, Inc. was incorporated Oct. 22, 1954. Thus far, the company's only business has been to acquire from Richard M. Edelman an agreement to purchase all of the capital stock and indebtedness of Las Vegas Hotel, Inc., owner of the property site on which the new hotel is to be built; to lease to El Morocco Hotel, Inc., a hotel it plans to erect on a portion of the site, with an option to purchase the hotel; and to contract to sell the remainder of the property site to Mr. Edelman. Mr. Edelman is President, a director aind promoter of El Morocco Enterprises, Inc.

Joins Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James J. Pellerite is now with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Banks S. Worsham is now with Lee Higginson Corporation, 50 Federal St.

DIVIDEND NOTICES

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—When it comes to conjuring up tricks to get their hands on somebody else's dough to spend for great welfare purposes without showing it in the budget, these Eisenhower boys aren't any slouches.

And as shown by the latest manifestation of the Eisenhower Administration art of financial prestidigitation, their interest in magic is not confined just to the big money, like a $25 billion extra-marital highway financing program.

Under the latest trick demonstrated on the table of the Senate Committee on Agriculture, two forms of magic have been achieved:

(1) What is by definition and admission an inferior piece of paper will be magically elevated to the status and dignity of government paper.

(2) A way has been discovered to put some money out and yet show a reduction in expenditures upon the Treasury books.

This revelation, of course, is violating all the mores of Washington exposures. One should never tell about just a gyp on the taxpayer or the investor in an insurance policy or the depositor in a bank. If some two-barred gent in uniform gets a $5,000 kick-back on Army buttons or if some private enterpriser stands to make a legitimate profit on an above-board contract of a type opposed by the dominant "liberals" of this town, then that and only that should be news. Even if the extra study required to figure it out might net a Newspaper Guild member time and one-half for writing it up, if one ever did.

New Pot of Gold For Farm Mortgages

What this new pot of gold is for, is for making mortgage loans through the Farmers Home Administration (nee Farm Security, nee Rex Tugwell's Resettlement Administration).

Under the Eisenhower new deal, officially cleared through the budget and sponsored by Agriculture Secretary Benson, Farmers Home will operate as follows:

A farmer wants a mortgage loan. He goes to the nearest Farmers Home office. They check the thing all the way through. They appraise, set the whole deal up, take the mortgage, and even write up the note. (And collect it after it is made as well.) The farmer signs, and then Farmers Home writes to some bank or other lender previously contacted, and says, "Please send some money."

Money is delivered from people's private savings, turned over to the farmer to buy a farm, and the bank gets a government-guaranteed farmer's note, which will have all the dignity of a Treasury obligation. It will also evade statutory limits on bank loans on real estate lendings.

In this connection, it is noted that a farmers' home customer is ineligible unless he can not on his own steam, collateral and credit rating get the loan from the bank or insurance company in the first place, or from the Farm Credit Administration. The FCA is a governmental system capitalized in considerable part with Treasury money, enjoying the free benefit thereof, and no FCA institution or borrower pays any Federal income taxes.

So this admittedly inferior paper is elevated to this dignity.

Provides Government Take-Out

This scheme had been explained heretofore in this column, but something really new has been added.

The bill, also with the blessing of the Eisenhower Administration, has been needled up with some special dope. It specifically permits some $200 millions of outstanding Farmers Home "direct" or Treasury money loans, to be refinanced through this wonderful procedure, provided only the rate of interest is attractive enough to seduce private lenders and not too high to make the borrowers reluctant to convert.

In other words, this beautiful scheme, already approved by the Senate Committee on Agriculture, and most likely to go through the Senate with hardly a whisper, will result in some untold millions of "repayments" to the Treasury of previously outstanding direct loans, by some figure short of the $200 million of outstandings of such loans.

So by using a contingent liability, taking it around the Treasury, pretending it isn't a liability, and making more and more generous loans, Uncle Sam will be "enriched" and the Eisenhower Administration ever so little will be able to report "reduced expenditures" thereby.

Part-Time Loans Doubtful

Curiously enough, the agriculture committees are not cozening to Eisenhower's plan for loans to "part time and low income farmers," as part of the program advanced by the President "to conserve human resources." Why? Members of the committees on agriculture are afraid these easy loans will be used to finance mechanics, bricklayers, maybe even non-union white-collared persons, to move out of the city and set themselves up into farming at governmental expense. This would put more people into growing things, and in competition with the present farmers.

Study Year-End Statement

Almost any day, now, the Treasury will issue preliminary year-end figures on fiscal 1955. Of one thing there is a certainty. The lingo of the official release will talk about the great work of the Eisenhower Administration in continuing to reduce Federal expenditures.

It is not impossible the figures may very slightly bear this out, but probably not. The thing to do is to take a ruler and last January's budget message and do some comparisons one's self. They will show very little reduction — if any — in Federal spending, a rising trend in such spending, and a perhaps smaller deficit because of the effect of the current boom in boosting revenues.

Long, Short-Range Outlooks

For the short-range outlook, governmental policy as such will not be particularly inflationary. And it will not be deflationary, even though Commerce Secretary Week's great survey showing the ever-rising boom is an accurate consensus of Administration estimates of the situation.

For the official estimate is universally that the country is in a boom, and there is not a visible dark cloud anywhere on the horizon. Nevertheless, the Federal Reserve will take no restrictive action, it is reported. The "Fed" will continue its policy of "moderate restraint," or of keeping a tight rein on free reserves whilst making sufficient bank reserves available to accommodate the current seasonal upswing in loan demand plus an additional increment for the factor of growth in the economy.

As for the long-range, the bets are inflationary. Probably the forthcoming year-end statement will be the last in which the Eisenhower Administration can talk gustily about its objective of continuing to cut Federal expenditures. The figures will catch up with this party line pretty soon.

Despite the almost monotonous month-after-month new top in construction expenditures, the Congress and the Administration are not going to dampen down the construction boom. In fact, a new housing bill is bound to pass eventually liberalizing broadly mortgage credit and housing subsidies, although the daily press will mention only the political aspects of this legislation, or public housing and the independence of the Home Loan Bank Board.

And some kind of a roads bill probably will pass, pushing the construction volume to new and astronomic heights. Then, too, the Eisenhower New Deal and welfare program, despite the method of only a token dribble of funds at first, will take hold inexorably, so eventually. Government policy is going, long-range, to be inflationary, even if this means loans and grants about 1957 to rehabilitate the economy of the by then, nice Reds.

Humphrey Backs Anti-Bank Merger Legislation

George Humphrey, the Secretary of the Treasury, has capitulated to the hounds who are looking for political red meat in the bank merger trend, and has committed the Eisenhower Administration behind this project, which first had as its only chief backer, Rep. Emanuel Celler (D., N. Y.), the Chairman of the House Judiciary Committee. It has since picked up Stanley N. Barnes, chief of the Department of Justice's anti-trust division and Chairman William McChesney Martin of the Federal Reserve Board.

Ray M. Gidney, Comptroller of the Currency, and H. E. Cook, Chairman of the FDIC, contended no special legislation was necessary, that despite mergers banks overall were more competitive, more effectively competitive, than before.

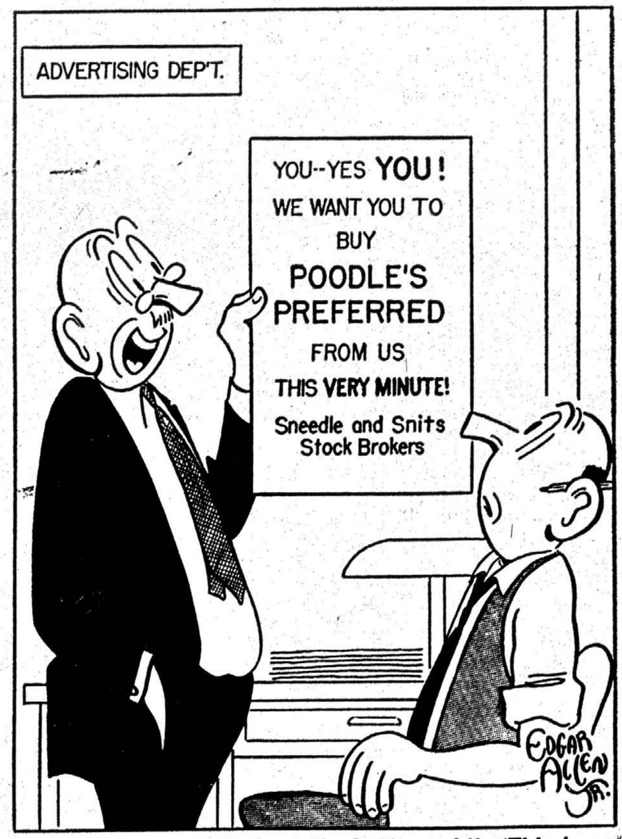
Humphrey ran out on the Comptroller of the Currency and the FDIC. He took the position only that mergers "tending substantially to lessen competition" should be passed upon by the bank supervisory agencies. Then the Comptroller and the FDIC caved in, fell into line.

However, once such a key figure in the Eisenhower Administration has admitted there is meat for the demagogues, he he has lost the battle. In other words, the lefties in Congress will not be satisfied to let the bank supervisory agencies make the determination on bank mergers. It will in fact go to the Department of Justice, the most snarling cockpit of politics always in any Administration at any time.

However, it is probable that it is just too late to get everybody together this year on anti-bank merger legislation. That will be inescapable in the election year, 1956.

(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



"Fine!—Now put down at the bottom of it: 'This is not an offer to sell'!"