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EDITORIAL

As We See It

Recent activities of the Republican party organization and the recent advice of the President suggest two observations. One is that the President is eternally right in warning that no political party can build for the long-term future on the personal popularity or reputation of a single individual or properly serve the country by appealing to the voter on the basis of mere hero worship, and the other is that nothing in the uncertain realm of politics is more certain than that is just what the Republican party plans to do in 1956. The President again and again and again pled with his party in 1953 and 1954 to lay a basis in action for a successful appeal to the public on the basis of a record of achievement. The professionals, or many of them, were rather cool to the whole idea, preferring to rely on an appeal to the public on what they believed to be a popular issue of the former Administration's "softness" on communism; they wound up with frantic appeals to the President to throw his personal charm into the fray.

It is now rather late, unfortunately, for the party to take the President's advice in such a way as to be effective in 1956. Says the President to his party: "If you will forgive me, instead of jumping into farm problems and Geneva problems, and things of that kind which are discussed interminably, I am going to talk just a little bit of philosophy this morning — political philosophy. That is because of a very deep and abiding belief that if a political party is not held together by a common faith, a common conviction, in certain fundamentals, then it is not a true political party, but it is merely a conspiracy to gain power.

"If we are not held together by a cause, then

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Tempering the Boom Through Credit Restraint

By ROY L. REIERSON

Vice-President, Bankers Trust Company, N. Y. City

Dr. Reierson reviews recent economic and business trends and the measures taken by the Federal Reserve to temper the boom. Lists the recent consecutive economic restraints and discusses their implications for commercial banking. Notes rising trend in all categories of interest rates and concludes demands for bank loans in months ahead are likely to be strong and upward pressures upon interest rates are likely to persist. Looks for increase in amount of required member bank reserves.

The Federal Reserve is now following a moderately restrictive credit policy, and interest rates have advanced further in recent weeks, especially in the short-term field. Early in August, the discount rate was raised from 1¾ to 2% in all Federal Reserve districts except Cleveland, where the increase was to 2¼%. Toward the end of the month, the movement toward a 2¼% rate began to spread to other Federal Reserve banks as well. In addition, the Federal Reserve and various government agencies have taken steps to tighten the reins upon installment buying, home financing and business investment spending. The generally rising trend of interest rates, under way since the start of the business recovery in 1954, gives no evidence of reversing for the time being.

Roy L. Reierson

Tempering the Boom

Underlying this tightening of credit is the current upsurge in the economy, which has carried business activity beyond all previous peaks. Demands for bank loans and for installment credit are soaring, and requirements for investment capital seem to be running ahead of current savings. In this environment, some restraint upon credit expansion appears sound and proper in order to temper the boom.

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Trends in Housing Finance

By J. HOWARD EDGERTON*

President, United States Savings and Loan League

Savings and loan head describes background and impact of current housing boom, and lists the important changes that have taken place in the methods of home mortgage financing. Calls attention to factors which should be considered in computing the burden of mortgage debt, and contends, "when considered in relationship to today's income, interest rates, types of mortgage contracts, and asset values," the rate of increase in mortgage indebtedness is no cause for alarm. Says, by 1970, two million new homes will be needed annually.

I propose to discuss today what we can honestly refer to as a revolution in housing finance and relate the changes that have been made to the general economy and the future of our system. As everyone knows, we have had in the past 10 years a tremendous housing boom. In the past decade, the American home builders have built some 10 million new houses, representing a total expenditure of $92 billion. In addition, some 35 million houses have been repaired and modernized, representing an expenditure of another approximate $10 billion.

J. Howard Edgerton

In the great part we have had a housing boom the past decade because we inherited in 1945 a tremendous shortage of adequate housing at the conclusion of World War II. Another significant contribution to the boom has been the great rise of the American middle-class and in the incomes of American families generally. From 1945 until the present time some 9½ million non-farm families moved from an under-$6,000 annual income status to the bracket over-$5,000 and thus became able to pay for adequate housing—even luxury housing by 1952 standards (this is annual income after taxes and in terms of constant dollars).

In terms of constant dollars 58% of American families

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*An address by Mr. Edgerton at the Stanford Business Conference, Stanford, Cal.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Saftey Car Heating & Lighting Co., Inc.—Fred N. Ogden, New Orleans, La. (Page 2).

Dominguez Oil Fields Co. — Joseph L. Ryons, Partner, Lester, Ryons & Co., Los Angeles, Calif. (Page 2).

FRED N. OGDEN

New Orleans, La.
Member, New Orleans Stock Exchange

The Safety Car Heating & Lighting Company, Inc.

This is a very old company, having been established in 1887, for the purpose of developing better and safer means to heat and light railway passenger cars. It is a very young company in the sense that the management group is a cohesive, competent group with an average age of 46, and a keen desire to build a stronger and more profitable company.

Fred N. Ogden

It is a constant dividend-paying company, dividends having been initiated in 1896, and paid continuously since, with the one exception of the year 1932.

Had this company merely grown and developed with railroad transportation, I would not be writing this article. During the past two years, important changes have been made in the company's management group, and in its objectives. The Safety Car Heating and Lighting Company is now in a very favorable position to expand its operations while continuing to improve present business.

The management and Board of Directors therefore have inaugurated a program of diversification and expansion. The basic objectives of this program are: (1) to put excess resources to work, (2) to expand operations, (3) to increase profits, and (4) to continue giving better products and service to their customers.

This company has a reputation well established as a fine manufacturer of quality products. Its financial resources are more than ample to enable the company to carry out a broad expansion program. With practically no debt, and no preferred stock, the small authorized issue of common constitutes sole ownership of this company.

Their plants are of the finest, equipped with good tools for electrical and mechanical work. The engineering is handled by a capable department with broad experience, and with personnel and facilities for expanded programs. The electrical and mechanical "know-how" in management, sales, engineering, and production has been gained over a long period of years.

While Safety Car Heating and Lighting Company, Inc. still makes excellent lighting fixtures, and heating and cooling controls for railway cars, many important steps have been taken in their diversification for the future.

A large contribution to the company's industrial business comes from the Entoleter Division, which makes high speed mixers, impact machines, and dust collectors for the milling, feed, and chemical industries.

In August of 1954, the Safety Company acquired all the outstanding stock of Liquefied Gas Utilities, Ltd. of Montreal, Quebec. This company is engaged in the sale and distribution of liquefied petroleum gas and appliances for domestic, commercial, and industrial users in Canada.

In January of 1955, Safety Car entered into a contract for the acquisition of not less than 95% of the outstanding stock of Automatic Temperature Control Company, Inc. of Philedelphia. Automatic Temperature Control Company, Inc. has been one of the pioneers in the electrical control field, since its formation in 1920. It manufactures high quality equipment for the automatic control of industrial operations and processes and as such is one of the companies in the fast growing field of automation.

With adequate, efficient plant and equipment, and with superior "know-how" and engineering skill, the future is indeed bright for Safety Car Heating and Lighting Company, Inc. In the past two years, since the installation of the new present management, gross profits have been nearly doubled and net profits after taxes have increased over 40%.

The stock, selling at this writing in the Over-the-Counter Market under $28 per share, and paying an apparently safe dividend of $1.25 per annum, is indeed, in my opinion, a worth-while growth situation. The capitalization is small, being but 800,000 shares of authorized common, all of which is not yet issued. This is a baby blue chip—the stock I like best.

JOSEPH L. RYONS

Partner, Lester, Ryons & Co.,
Los Angeles, Calif.
Members, New York Stock Exchange

Dominguez Oil Fields Co.

Trying to write on "The Security I Like Best" is a rather difficult assignment. When you specify one security you like best you have to take a lot of things into account and select the security that has the highest aggregate score.

Joseph L. Ryons

The security I like best is Dominguez Oil Fields Company. Its income, potential growth, marketability, strong financial position, excellent operating conditions and several other factors cause me to say "this is the security I like best."

The company was organized under the laws of Delaware in November, 1925. It has undivided interests ranging from 1/8 to 1/2 in approximately 2,100 acres of productive leases in the Dominguez Field in the Los Angeles Basin.

The oil, natural gasoline and dry gas produced is sold to the Union Oil Company of California and development and production operations are conducted by the Union Oil Co. and Shell Oil Co. Under terms of certain of the leases, which were modified Dec. 7, 1950, drilling rights are unrestricted to 1973; thereafter for 10 years the company has producing and limited drilling rights. There is a unique feature in that the charter of the company prevents them from carrying on activity in any other field without consent of over 95% of the shareholders. For practical purposes this means that their activities are centered in this one field. As a result, the company's business has been that of exploiting assets of a wasting nature. In the last few years this situation has changed, due to a secondary recovery program which is under way. While it is impossible to predict the exact degree of success the water flooding program will have, quoting from a recognized statistical source: "As a rule of thumb, only 25% to 30% of oil in place in the average field is recoverable under primary production methods. Under best conditions secondary recovery operations might at least double this percentage." In other words, it would look as though as much oil could be produced by secondary recovery methods as has been produced by the conventional method.

The company has earned money and paid dividends every year since its incorporation in 1925. Over the 30-year period through Dec. 31, 1954, net income has aggregated $40,382,420. Due to the fact that Union is the principal operator Dominguez does not have a large organization and is able to pay the majority of its earnings out in dividends and the directors have done this over the years as a matter of policy. Over the same 30-year period dividends have aggregated $36,820,000 or $92.05 per share on the 400,000 shares of stock outstanding. This 400,000 shares represents the sole capitalization of the company and the average over the 30 years paid in dividends has been $3.07 per share. The last three years the dividend rate has been $3.00 and if one looks in the manuals he will see an impressive dividend record which ranges from a low of $1.67½ paid in 1932 to a high of $5.55 paid in 1926. Another unique feature is that this dividend is paid 25 cents per month, so for a person needing income who has 100 shares, he receives $25.00 each month.

Over the last 30 years the average price received for the oil sold by the company has been $1.4833 per barrel. For 1954 and currently, the price received has been $3.00 and, in addition, in 1954 the equivalent of 44 cents a barrel was received from the sale of gas and gasoline, which brought the total to $3.44. This higher price for oil would give considerable impetus to the earnings should the number of barrels produced in the future be an amount equal to that produced in the past. Oil in the ground is regarded as a good inflation hedge.

The stock is traded in the unlisted trading division of the San Francisco Stock Exchange and at times has an over-the-counter market. It is currently trading at 53½, which gives a 5.6% yield.

The balance sheet of the company, which is available in the manuals, shows total current assets of $3,796,000 of which over $3,300,000 is cash and U. S. Treasury Notes against which there are current liabilities of $383,700 in accrued Federal taxes and accounts payable of $233,300. The only other two liabilities are capital stock and surplus. I believe that this is really a strong balance sheet.

I have tried to demonstrate that this stock has an excellent past record, a future much enhanced by the indicated success of the water flood operations and the potential to come from the expansion of it, good yield, fair marketability, strong financial condition, good management and good partners in the Union Oil Co. and the Shell Oil Co. For these reasons I am willing to say that this is "The Security I Like Best."

The Broad Field of Municipal Bonds

By JOHN S. LINEN*
Vice-President, The Chase Manhattan Bank
New York City

Mr. Linen, after noting the growth of municipal obligations and the broadening of the field of public borrowing, describes the market for these issues. Notes the value of tax exemption of municipals, and stresses the importance of an acceptable legal opinion as to validity of separate obligations. Discusses leading considerations that form the background of municipal credit as well as the financial questions involved in judging the market value of municipal bonds.

The general subject of "municipal bonds"—is a term that is used to refer to a much larger group than what technically qualify as municipal securities. Generally speaking, this includes not only the obligations of municipalities but the obligations of states, territories, insular possessions and any political subdivisions of those agencies. It also, of course, would include Revenue issues and latterly it has also included, because they are tax exempt, Public Housing Authority bonds, that is the issue put out by the Local Housing Authorities. They are tax exempt by act of Congress and, in order that they may enjoy tax exemption they are issued by the local authorities rather than the larger Federal supervising agency, the Public Housing Administration. I will not attempt to get into the subject of Public Housing bonds or Revenue bonds because Revenue bonds will be discussed by a subsequent speaker.

John S. Linen

The Growth of Municipal Obligations

However, in referring to figures, I will encompass the whole field and I thought that we ought to just take a moment to consider how big this field is in municipal securities. It has grown tremendously in recent years. Back in 1945 the total amount of outstanding municipal obligations, or tax-exempts, was about $16,300,000,000. In 1950 that had grown to $23,700,000,000 and at the end of June 30, 1954, the figure was up to $37,300,000,000. You have a 60% increase there in the last four years, which is certainly a very marked change in the picture Partially responsible for that increase, of course, are the Local Housing Authorities which have been issuing between $400 million and $500 million bonds a year in the last two or three years.

The amount of bonds sold per year has also built up. Last year the tax-exempt bonds sold totaled approximately $7 billion. That, compared with corporate issues, was very close. The amount of corporate issues was just short of $6½ billion. There has been a slight change during the first six months of this year as compared with 1954. The amount of tax-exempts is off about 25% and corporate issues are up about 10%, so that actually corporates are in the lead in general volume as far as the present year is concerned.

With such volume involved it is a proper question to ask who buys these bonds and why. These bonds, as you know, are tax exempt. I have a feeling that this question and the general term "tax exempt" is one that is batted around a good deal and little understood by a good many people. I am going to take a little time to comment on that later, but let me add here that it is a difficult question to say where all of these bonds are sold. When we contemplate the purchase of an issue as underwriters, we don't know ourselves where we are going to sell them all. We know where some are likely to be sold, but in the field of municipal underwriting I think it is fair to say that the commitment made by a municipal dealer, or those that are underwriting municipal issues, is much more of a commitment as a rule than is true of corporate issues.

Generally speaking, the underwriters of corporate issues have a much better idead as to where they are going to place their bonds because the big investment organizations, the big money investors, such as the insurance companies, the savings banks, the pension funds, are known buyers of such bonds, if they are in the proper classification, and they are pretty well sounded out before the commitment is made. We can do relatively little of that in municipals so when we make commitments on most of these municipal issues it is a real risk commitment.

We don't have any good breakdown of where tax-exempt bonds are held because, of course, the income on such bonds is not reported as it must be on corporate bonds. We do known, however, according to the latest figures, that commercial banks held about $12,400,000,000 and insurance companies about $2,000,000. The big mutual life insurance companies are not today big buyers of municipals due to the fact that the tax exemption isn't worth a great deal to them and the yield that municipal bonds provide is not sufficient to be attractive to them. There have been times when the yield has been such that they buy municipals because they yield enough, irrespective of the tax advantage to other buyers, to

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*An address by Mr. Linen at the 5th Annual Forum on Finance conducted by New York University, New York City, Sept. 1, 1955.

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Houdry Process Corporation

By IRA U. COBLEIGH
Enterprise Economist

Some notes about the demand for high octane fuels, and an interesting patent laden company, pioneering new methods for upgrading crude oil.

In recent years motorists have been hearing a great deal about high octane gas and high compression motors (not to mention their interest in high trade-in prices). Yet the average owner has but a dim idea of what this is all about. Why, then, the pitch for more compression, and higher octanes? Well, it's mainly a matter of motor efficiency. An octane number is the automotive engineering measure of the knocking characteristics of an engine. The higher the octane, the less knock; and the higher the compression, the greater the efficiency in converting fuel traction power. So, since we all hate knocks and love power, the day is only a few years away when we'll be urged to buy the new Chrylincollac Super Satellite 8, using 105 octane gas in a motor with a 12 to 1 compression ratio, and generating, no doubt, a paltry 400 H. P.

Ira U. Cobleigh

But enough of the prophetic fantasy—how do you make this high octane gas? How do you convert gooey black crude oil into the fluid they sluice out to you from the premium pump? By cracking—breaking up lowar level petroleums into more volatile fractions. First, in the 1920's came thermal cracking, a technique for converting heavy oils into gasoline. Re-forming was next introduced to convert low octane gas to the higher variety by rearranging the component molecules under pressure and heat.

The most recent stage is catalytic cracking introducing an outside material — the catalyst — to perform the conversion. And that's what we want to talk about today —cat cracking. There are a variety of cat processes today, and a number of elements such as platinum and alumina used as catalysts; but we're going to talk about Houdry Process Corp., owner of a number of patents relating to catalytic cracking and now working in close association with Minerals and Chemicals Corp. (stock listed NYSE) in the use of its Kaolin clay as catalytic agent. The large French chemical company SECA, a large French glycerine company, and other large enterprises in Italy and England have either signed contracts or are working out agreements looking toward the use of Kaolin clay applications under Houdry Process patents. The first European Iso-Plus Houdriforming unit is to be built at Ravenna, Italy, by Houdry Process Corp. This plant will turn out 100 octane clear gasoline, from crude oil drilled in Iraq.

Tidewater Associated Oil is building, 15 miles south of Wilmington, Del., a large cat cracking plant with a capacity of 102,000 bbls. a day. The plant will be completed in 1956. It will use, under license, the Houdry Process catalytic patents. The Sun Oil Company plant at Marcus Hook, Pa. and Toledo, Ohio are Houdry Process Catalytic Cracking Units. As a matter of fact, licensees of Houdry read like a Who's Who of the oil business and include Ashland Oil & Refining Co., Inc., Canadian Petrofina, Ltd., Continental Oil Company, Gulf Oil Corporation, The Pure Oil Company, Richfield Oil Corp., Standard Oil Co. of California, Standard Oil Co. of Ohio and Union Oil Company of California.

Newest patented processes of Houdry include Houdresid Catalytic Cracking Process for converting residual oils into valuable distillates; Iso-Plus Houdriforming, gleaning 100 clear octane from heavy naphthas. Houdry has further developed a method for making Butadiene and Butylene, having a $3 million contract with Phillips Petroleum Corp. on these products. Houdry patents are also important in synthetic rubber and a $10 million contract with Firestone has been under negotiation.

Further, the Catalytic Construction Company, a wholly owned subsidiary, contributed $54 million in gross revenue in 1954 and the annual net from this division increased 135% over 1953. This branch delivers, under contract, Houdriflow and Houdriformer units, ammonia and titanium plants, and works on atomic energy projects. Persons closely familiar with this enterprise, however, believe that the biggest future for Houdry lies in its research, its processes, and its patent royalties, rather than actual construction of units.

You simply can't talk about a scientific development company without reference to management. The executive and research echelons at Houdry have developed into a highly effective production and research team, especially since the induction on Jan. 3, 1952, of Mr. Chalmer C. Kirckbride as President and Chairman of the Board. Mr. Kirckbride is reported to have set, among other goals, a book value for Houdry common of $150 per share by January 1962. It was $15 a share when he took the helm.

Now let's talk about the common stock. The total issue is but 300,000 shares ($10 par) trading over-the-counter around 41½. Those who view this equity solely from the standpoint of current earnings and dividends will not be particularly impressed. The per share net for 1954 was only $1.20 after write offs of about $4 a share and no dividend was paid, the management preferring to strengthen the company's financial position by full retention of earnings. There must be something pretty attractive about the future of Houdry shares, however, because of the recent interest taken in them by perceptive investors, and the fact that Atomic Development Mutual Fund Inc. held 8,600 shares on June 30, 1955; and Science and Nuclear Fund recently reported additions to its Houdry holdings.

The romance here actually lies in three things: (1) the possibility of broad application of the Houdry catalytic patents in the chemical, petroleum, food processing, rubber industries, and in nuclear energy development; (2) the formation, on May 21, 1955, of a new chemical subsidiary to manufacture and sell catalysts useful in food processing; and (3) the king size law suit Houdry Process Corp. has instituted against Socony-Mobil Oil Co. for alleged patent infringement. This suit is not for peanuts. On June 16, 1955, Houdry Process Corp. asked leave in the Federal District Court in Philadelphia, to increase to $52,773,464 (from $21.7 million) the amount of damages claimed against Socony Mobil. (The suit is 2¼ years old.) Houdry is also seeking treble damages on an unspecified amount, alleging that infringement was "wilful and deliberate." Houdry contends that too Sonocy "air lift" process of cat cracking (licensed since 1949 by Socony), is substantially the same as the Houdriflow process. This is a complicated suit and the lawyers will surely have a field day. If Houdry should win it, you can figure for yourself the impact a favorable decision might have on Houdry common.

Because of the vast and apparently unlimited demand for high octane fuels, this Houdry process, especially as adapted to Kaolin, as a catalyst, seems to be in wide demand on grounds of superior efficiency and lower cost. Houdry's patents can also be used in hydrogenation, by which refiners can upgrade lubes, waxes and naphtha.

This Houdry common is of a sort that defies the standard type of equity analysis. Balance sheet position is satisfactory, but there is no history of high earnings nor lush dividends; and estimates of future earnings are not easy to work out. On the other hand, viewed by the criteria of growth stocks, Houdry has something to talk about; fine management, top-flight customers, patents with exciting potentials, retention of earnings, wide possible use of its products in many industries all over the world; and finally an out-size law suit that, if won, might deliver mink-lined dividend checks to Houdry shareholders. Stockholders who have staked their hopes on law suits have had a pretty low batting average historically. But there's a lot more to Houdry than a law suit parlay. Houdry relies on its process rather than "due process"!

R. A. Jamison With Mead, Miller & Co.

BALTIMORE, Md.—Richard A. Jamison has become associated with Mead, Miller & Co., Charles and Chase Streets, members of the New York Stock Exchange.

Mr. Jamison is a graduate of Brown University and was connected with the Equitable Trust Company of Baltimore from 1935-1948. He was in the Army from 1941-1945 and came out at Lt. Colonel. From 1948 to August, 1955, he was Chairman of the Maryland State Aviation Commission.

Hornblower Weeks Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Arnold G. Miller is now with Hornblower & Weeks, Penobscot Building.

The British Alternative—"Dear Money" or "Scarce Money"

By PAUL EINZIG

Dr. Einzig comments on the controversy in England regarding the correct way of employing monetary devices against the prevailing inflated consumer demand. Notes policy adopted by British Treasury against further increase in Bank of England rate, and, instead, having the banks reduce the amount of their advances. Sees adverse political effect of disinflationary measures which would reduce production and unemployment.

LONDON, Eng.—A lively controversy is proceeding in the British financial press as to whether the correct way of employing monetary devices against the prevailing inflated consumer demand is to raise the bank rate or to induce the banks to curtail credits. Such a controversy could not have arisen in the old days when "dear money" was practically synonymous with "scarce money." Any increase of the bank rate usually achieved the desired end of credit cuts because it induced debtors to repay their loans and potential borrowers to abstain from borrowing.

Paul Einzig

In existing conditions, however, the increase of the bank rate to 4½% has utterly failed to cause a contraction of credit, or even to check its rapid expansion. This is the reason why Mr. Butler, when deciding upon further disinflationary measures in July, disregarded the advice of those who urged him to raise the bank rate to 6%. Instead, he requested the banks to reduce the amount of their advances by 10% by the end of this year. There was evidence of some immediate response, even though it may take some months before the measure could produce its full effect.

Mr. Butler's preference for such direct intervention gave rise to a certain amount of criticism on the part of those who believe in the pure unadulterated automatic system. Their argument is that the reason why the 4½% bank rate failed to check the credit expansion was that, high as it may appear in the light of the cheap money experience of the last 24 years, it was not nearly high enough. It was pointed out that, since the price level has been rising at a rate of something like 5% per annum, anybody borrowing at 5% has for all practical purposes the use of his creditor's money free of charge, because the real value of the amount borrowed plus 5% at the end of the period is the same as that of the original amount was at the beginning of the period.

Of course in practice things are not so simple. Debtors cannot be certain that prices will continue to rise. Moreover, money is borrowed not for the purpose of financing the production and sale of the late Irving Fisher's proverbial "goods basket" which contains a little bit of all kinds of goods making up the average price level, but for financing operations in particular kinds of goods. The price of such goods may or may not rise to the same extent as the average price level. And even if it does, their producer may or may not be able to derive the full benefit of the increase. No borrower is in a position to take it for granted that his interest charges would be wiped out by a corresponding rise in the value of his goods. Nevertheless, the contention that during a period of rising prices most borrowers are willing and eager to borrow at high interest rates on the assumption that there is certain market for their goods and that their profits amply cover the additional interest charge, is broadly correct.

For this reason it seems doubtful whether in existing circumstances even a 6% bank rate would perform the task assigned to it. Needless to say if the Chancellor were prepared to go much higher and raise the bank rate to, say, 12%, he is bound to cause a sharp contraction of credit and a relapse in prices. No responsible statesman today would be prepared, however, to risk the consequences of such a measure which more likely than not would result in a disastrous slump. For this reason the argument of the bank rate school that a very high rate is preferable because it would only have to be applied for a very brief period is not likely to convince Mr. Butler.

Beyond doubt, even a 6% bank rate coupled with the other disinflationary measures is liable to discourage borrowing to some degree. But it would have to be maintained for a fairly long period and this would entail considerable additional burden to the Treasury, the balance of payments and the national economy in general. In addition to having to pay high rates on Treasury Bills and other short-term liabilities, maturing debts would have to be refinanced on expensive terms. It is largely a matter of argument whether the Treasury would derive any compensation from a reduction of national expenditure resulting from the lower price level. The chances are that, amidst conditions existing in Britain today, the effect would be more immediate and more pronounced on revenue than on expenditure.

Owing to the large overseas holdings of sterling claims the balance of payments would have to bear the burden of additional interest paid to overseas creditors. This item is by no means negligible on the basis of a 4½% bank rate and would become very appreciable on the basis of a 6% bank rate.

Producers, too, would have to pay more for the financing of their operations. And this would tend to increase their cost of production at a time when, owing to the cessation of the rise in prices they would not be in a position to pass on to the buyers of their goods the additional charges. Indeed, the only condition in which high interest rates would tend to produce the desired result is precisely that producers should feel discouraged from increasing or maintaining their output.

All these disadvantages could be avoided if, instead of raising the level of interest rates, the authorities succeeded in inducing the banks to curtail the volume of credit. Even though the Government has no legal power to that end it can reckon on far reaching cooperation on the part of the British banks. The number of commercial banks on whom the success or failure of the policy depends is very small and it is a very disciplined community with well established traditions for loyal cooperation with the authorities. In his evidence before a Congressional Committee the former Secretary of the United States Treasury, Mr. Snyder, grew almost lyrical in his praise of the British banking system from this point of view.

The chances are that even in the absence of prohibitive interest rates, Mr. Butler will be able to enforce a high degree of credit restrictions by his direct approach to the banking system. The question is will the Government have the political courage to persevere in this course when the disinflationary measures begin to hurt. They can only produce their effects by reducing production and employment which is bound to be unpopular. Should the Government be prepared to face this unpopularity it would be well in a position to carry through the required degree of disinflation without having to raise the bank rate to a prohibitive level for a short period or to a relatively moderately high level for a prolonged period. It seems unlikely that Mr. Butler will allow himself to be persuaded to choose the riskier or more expensive course of dear money out of sheer ideological dogmatism biased in favor of the 100% automatic system.

R. L. Scheinman Partner

On Sept. 15 Frederick O. Isaacson will be admitted to partnership in R. L. Scheinman & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Isaacson has been with the firm for some time as controller.

Observations . . .

By A. WILFRED MAY

WHAT "MARKET"?

The strong cross-currents marking the price movements of individual stocks, the net change in whose aggregate is referred to as "the market's movement," continue unabated.

A. Wilfred May

The following record of the past week's daily rises and declines of the individual common stock issues listed on the New York Stock Exchange, is characteristic:

	No Issues Rose	No. Issues Declined	Movement of D-J 65 Stocks Composite Average
Sept. 6 --	561	353	+ .74%
" 7 --	497	444	+ .13
" 8 --	534	495	+ .22
" 9 --	479	436	+ .03
" 12 --	505	459	+ .17
*Total --	2,576	2,187	+1.29%

*During the 5 days.

Among the listed common stocks registering sizable advances to new highs during this period of "the market's" recorded inaction were General Railway Signal (up 4% net); Inspiration Copper (up 7%); Superior Steel (up 10%); Wesson Oil (up 10%); Transamerica (up 6½%); Barker Bros. (up 7%); American Viscose (up 5%); etc.

Contrariwise: here are some of the issues which concurrently declined — American Machine and Foundry (by 4%); Continental Insurance (by 10%); Bendix (by 3½%); Chance Vought (by 6%); Bath (by 3%); International Paper (by 2½%); Seaboard Oil (by 2½%), etc.

Most of these declines occurred at levels far below the year's highs.

While the Industrial Average was reaching a new high on Tuesday of this week, more issues declined than advanced: 498 against 431.

The August Picture

During the month of August, while the market-as-a-whole, as measured by the Dow Jones Composite Average of 65 stocks—was "trendless," the market's component issues were far from stagnant, manifesting the opportunity for achieving investor comfort or discomfort.

A breakdown compilation by H. Hentz & Co., members of the New York Stock Exchange, reveals that a total of 300 NYSE common stock issues advanced up to 6%; and 110 stocks advanced by more than 6%.

Contrastingly again—468 stocks fell by percentages up to 6%; 106 stocks declined from 6 to 10%; 17 issues declined by 10% or more. Among the latter group were: RKO by 10%; Yale & Towne by 11%; Reeves by 11.7%; White Sewing by 16%; Libby McNeill by 13%; Delaware Lackawanna by 14%; and Phillips Jones by 18%.

These stock movements occurred midst the following net changes in the D. J. Averages for the month: 30 industrials, up 50%; 20 railroads, down 66; 15 utilities, down 74.

Divergence Between Groups

Divergence in group movements is illustrated in the following concurrent record of industrials, railroads, and utilities during the past week.

	D-J 30 Industrials	15 Utilities	20 Railroads
Sept. 6 --	+.78%	+.19%	+ .96%
" 7 --	—.22	—.10	+ .94
" 8 --	—.03	+.21	+ .71
" 9 --	—.10	—.22	+ .43
" 12 --	+.40	—.33	— .01
*Total -	+.93%	—.65%	+3.03%

*Net change over period.

The State of Trade and Industry

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

The trend of industrial production in the period ended on Wednesday of last week continued to point upward, remaining comfortably above the level of a year ago. Materials, with the possible exception of a somewhat diminished copper supply, were plentiful.

With respect to the nation's labor situation, reports show a noticeable decline in total claims for unemployment insurance below the comparable 1954 period.

For the month of August the government reported a record employment total of 65,500,000, about 500,000 more than the previous high reached in July, with a drop in unemployment of 250,000 to 2,200,000, the lowest since November, 1953.

The Federal statistics are based on the week of Aug. 7 through 13. In August last year, employment totaled 62,300,000, while unemployment was just over 3,200,000.

The decline in unemployment between July and August "was not especially large for this time of year" and was smaller than in some other postwar years, the joint monthly report of the Commerce and Labor Departments stated.

The record employment total and the July to August drop in joblessness brought unemployment to 3.3% of the total labor force, the survey noted. This percentage figure was also the lowest since November, 1953.

The longer factory work week in August brought weekly earnings of the average factory worker up to $77.11, a new high for any month and 75 cents more than in July, according to the

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Some Problems Confronting the SEC

By CLARENCE H. ADAMS*
Commissioner, Securities and Exchange Commission

In pointing out that the most difficult problem of security administration is how best to protect investors in new and speculative business ventures without unduly hampering the raising of necessary funds for such ventures, Commissioner Adams calls attention to the speculative enthusiasm for certain new ventures, such as uranium companies. Describes principal features of Regulation A, and the grounds for the proposed revisions. Comments on the Fulbright Bill and the SEC's recommendations for its amendment.

Securities Administrators are always confronted with the problem of how best to protect those who invest in new and speculative business ventures without unduly hampering the raising of the necessary funds for such ventures. The rise of the United States to industrial greatness was due in large measure to the ability of new business enterprises to obtain funds from venturesome investors willing to speculate on the development of the country's abundant natural resources. Today it is apparent that, while the old geographical frontier has disappeared, we stand on the threshold of new scientific frontiers the breadth or depth of which no one can foresee. Many of the developments in these new areas will continue to be made from small beginnings which will need to be nurtured along with limited amounts of capital raised from public investors. The Securities and Exchange Commission is most concerned that such capital shall be forthcoming, but, at the same time, that those who are asked to furnish it shall be given an adequate description of the risks involved so as to provide the means for reaching an informed judgment as to the probabilities of reward for taking such risks, and that those who do invest shall do so in issues where they will get a fair run for their money.

Clarence H. Adams

The Commission's function in the raising of capital is essentially one of preventing frauds in the sale of securities and of seeing to it that full and fair disclosure is made to prospective investors. Once such disclosure is made the investor must evaluate the facts and make his own investment decision. The Commission has no authority to pass upon the merits of proposed financing and therefore possesses no veto power over proposed offerings.

In general, a public offering of securities cannot be made by use of the mails or of interstate and foreign commerce unless they are registered with the Commission under the Securities Act of 1933 or are exempt from registration. The Commission is empowered under Section 3(b) of the 1933 Act to adopt regulations exempting from registration offerings not in excess of $300,000 on such terms and conditions as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. Pursuant to this authority, the Commission has adopted several regulations, including Regulation A for securities of domestic commercial and industrial companies and Regulation D for Canadian securities. Most small scale public financing is done under these regulations.

The Commission has been particularly concerned for some time with the problem arising out of the willingness of some to take unfair advantages of the speculative enthusiasm evident with respect to new securities issues offered to the public by new business ventures of all types. The stock of newly organized uranium companies has especially caught and held the public imagination. Many of these offerings have been made under Regulation A and a few under Regulation D.

We have not been alone in this concern. The May 26, 1955 majority report "Stock Market Study" of the Senate Committee on Banking and Currency stated:

"During the hearings, evidence was offered of considerable speculative fever in small issues. This was particularly evident in the sales of uranium stocks, which today comprise approximately 50% of all offerings of $300,000 or less. The abuses uncovered ranged from

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*An address by Commissioner Adams before the National Association of Securities Administrators, Vancouver, British Columbia, Aug. 30, 1955.

Railroad Traffic in 1965

By JAMES M. SYMES*
President, The Pennsylvania Railroad Company

Leading rail executive predicts that railroad ton-mileages will increase in a decade more than 50%, and to supply equipment and other facilities for this will require new investment of $20 billion by the railroad companies. Says there is a growing appreciation of the fact that rail transportation is economical, low cost transportation, and the public interest demands that railroads be permitted to exercise greater freedom to compete on an equal basis for business. Lists five constructive railroad developments now in progress.


James M. Symes

The greatest single contribution to the economic and efficient operation of our railroads during my 40 years' association with the industry has been the development of the Diesel locomotive — and we all know the important part General Motors has played in that development — with their 23 million horsepower operating on our railroads in more than 16,000 Diesel units — some of which have made between 2½ and 3½ million miles and are still on the road performing quite satisfactorily. I would guess that this development alone on the part of General Motors is saving the railroads a minimum of $500 million a year—even though the savings have been taken away from us by the "squeeze" of inflation—with the initial investment being paid off in three to four years.

How the "Train of Tomorrow," conceived by Cy Osborn, made its first public appearance in 1947 with many innovations in passenger train equipment—and from that development came the "dome" car of many descriptions which is so popular with the passengers, particularly on the scenic roads in the West. There are now in service or on order some 300 passenger carrying cars with some features of the "dome" conceived by General Motors—embodied therein.

The part they are playing in the development of roller bearings for railroad freight cars—where the cost today is entirely too high to economically justify the investment on a large scale—but where eventually research and development will solve that economic problem.

How they spearheaded and put some "push" behind what is commonly termed "piggy-back service" — moving trucks on railroad flat cars — and which is growing in leaps and bounds all over the country—and promises to be a very attractive and profitable piece of business for the rail carriers, as well as the truck operators themselves — those who are taking advantage of it.

Their development over the period of years of the mechanical refrigerated freight car now fastly coming into being, and which will eventually displace the old ice box cars — just as the ice boxes have been replaced in your own homes.

Their contribution to the lightweight passenger train development, as evidenced by the new train on display at the Powerama show and to which I will refer later.

Yes—General Motors have contributed substantially to technological progress in the railroad industry — and I am sure, with their "know-how" and with all the resources at their command, they will be contributing even bigger and better things to the railroad industry in the future.

Freight Business in the Next Decade

Now, getting back to forecasting and the part the railroads should play in the transportation picture of our country 10 years from now. The principal question to answer is — how much freight business will they be handling—and how they propose doing it? As to the first part of that question there are, of course, many unknown factors involved, but I believe the experiences of the past can be used as a rather accurate guide for the future. If we take the year 1954 we find that our country, with its 162 million people with a Gross National Product of $357 billion, required a little over a trillion ton miles of inter-city freight traffic by all transport agencies to meet its needs. (Remember—a trillion is one thousand billion.) Without burdening you with calculations and staggering figures, suffice to say over the period of years there has been a continuous and substantial increase in the number of ton miles of inter-city freight traffic required per capita. But during the same period there has also been a marked decrease in ton miles per dollar of Gross National Product. It is also well to point out that the charges for transportation service have not increased nearly as rapidly as over-all costs during the inflationary period of the last 15 years.

But if the experts are correct—in estimating that our population will be increased from 162 million to 190 million by 1965, and the Gross National Product from $357 billion to $535 billion during the same period—and using the experiences of past trends, then we can reasonably assume that the total inter-city freight traffic in this country should approximate one trillion 550 billion ton miles, or 43% more than it was last year. On first blush these figures might seem on the high side—but with automobile registrations expected to increase 20 million, and trucks and buses 3 million during this period — think what that alone means! Based upon today's averages the automobiles in service would have 35 million more tons of steel in them than they do today—2 million more tons of rubber — three-fourths of a million more tons of aluminum—and one million more tons of glass. Couple this to the $100 billion proposed road highway program involving heavy usage of cement and steel —and the 150 million tons production predicted by steel—plus the optimism of the coal people— and family income, after taxes, expected to rise from $5,300 now to $6,000 in 1965, with its accompanying consumer goods spending. Frankly, I don't think the figures I have used are unduly high.

Now, to what extent can the railroads reasonably expect to participate in the transportation requirements of our country. In 1954 they participated in 51% of the total inter-city freight ton miles—or 557 billion ton miles. If the downward trend in rail participation of the past 10 years continued unabated during the next 10 years, then by 1965 the railroad would be called upon to handle 650 billion ton miles of inter-city freight—17% more than last year. If the distribution leveled off and the railroads maintained their 1954 participation, they would be called upon to handle 790 billion ton miles—42% more than last year. If the railroads were called upon to handle 55% of the total tonnage, that would mean 852 billion ton miles — 53% more than last year — and 14% more than they ever handled in their history—which was the war year of 1944.

Why Railroads Can Maintain Their Share of Transportation

Now, I, for one, am optimistic enough to believe that 55% participation by the railroad industry should be the minimum by 1965— and I say that for these reasons:

First — It is finally becoming recognized that the railroads are the truly low-cost transport agency in this country, and that it is in the public interest that they receive greater freedom to compete for business and something nearer equality in the way they are governed, regulated and taxed in contrast to their competitors. I think today, more than at any time in many years, the thinking people of this Nation are aware of the fact that a strong and progressive railroad industry is one of the greatest assets to our peacetime economy—and is absolutely essential to our national defense. The recent report of the Cabinet Committee to President Eisenhower clearly states these facts—and proposed changes in the national transportation policy to meet the needs of the Nation. I am hopeful that we well soon see legislation enacted that will carry out the recommendations of that distinguished Committee.

Second — We all recognize the need for a more adequate highway system to allow the owners of our increasing automobile population greater mobility. I expect this highway system to be built in the coming 10 years regardless of where the money is coming from. Also, eventually, and in consideration of that program I expect that it will come to be recognized that the better the service the railroads are equipped to render, the better the service the users of that highway system will receive from their expenditures for both highway and vehicles.

Third — The railroads are more aggressive than ever before in attempting to meet the competitive transport situation in this country —both as to pricing and service— and with additional freedom that should soon be forthcoming by appropriate legislation, should be able to improve their present position.

Fourth — The establishment of "piggy-back" service will grow rapidly—because it is truly in the public interest to take the big trucks off the congested highways and move them on the rail highways—where there is plenty of capacity to accommodate them. It is also in the interest of safety that this be done.

Fifth—The beneficial effects of automation are peculiarly adapted to mass production — and mass transportation is the biggest asset the railroads have in meeting the future heavy demands of transportation in this country—and it simply must be reckoned with.

Now, I don't want to be misunderstood in my prediction of traffic volume 10 years from now —and in the share the railroads should handle. It is based on 10 years of peace in this country. If there be an all-out war the figures would change substantially and quickly—with an accelerated volume, and the railroads called upon to handle a much larger share of the total volume—just as was necessary during World War II. Quite frankly, as I have said on many occasions, transport in this country under war-time conditions could very well be the bottle-neck of production during a war-time emergency—and its importance in that respect is being overlooked in too many quarters.

Rail Facilities Must Be Improved

What will the railroads be required to do if they are to participate in the nation's available freight traffic as I have indicated? Well, everyone knows they are going to have to take full advantage of the technological improvements that will be available to them — now being commonly called automation—and to do this is going to cost a lot of money. The railroads will need considerable new rolling stock—cars and locomotives — and much beyond the necessities of worn out replacements and requirements for additional traffic. Obsolescene is the biggest factor we will have to contend with—so that we can furnish our customers with the type of equipment and service they will use—and not what wishful thinking might like to see them use. Depreciation rates should be adjusted to take care of the obsolescence factor in railroad equipment rather than too much dependence in its potential service life.

Railroads will have to be rebuilt and rearranged — removing excess facilities not required, of which there are entirely too many, and adding other facilities where they will be required. By that statement I mean there will no doubt continue to be a redistribution of rail traffic—diminishing on many of the branch lines and increasing on many of the main lines.

I would conservatively estimate that if the railroads are to meet the nation's transportation needs of the next 10 years, and they are recognized in our economy as they should be, they will be called upon to spend $20 billion for capital improvements — facilities and equipment — and that is about twice the amount that has been spent in the last 10 years.

Freight cars are going to have to be kept on the move to a greater extent than they are today. The economics of the initial investment dictates that they will have to earn more revenue than they now do. With freight cars actually on the move only about two and one-third hours out of the 24, there is plenty of opportunity to bring about this needed improvement. Most of it will come from the technological improvements I speak of—from mechanized terminals—improved signals — rebuilt plant designed to meet tomorrow's requirements and performance—and perhaps a new set of rules and regulations governing the handling of freight cars that will discourage rather than encourage their use for storage purposes. An $8,000 to $10,000 freight car is too much money (regardless of whose it is) to be economically used for such a limited amount of storage space.

The Passenger Business

Thus far I have been referring only to the railroads' potential freight traffic of the next 10 years — their possible participation therein—and some of the things necessary if the job is to be done right. The passenger business is such an important part of the railroad industry, particularly on many railroads, that I would like to discuss that situation briefly. It is particularly important because of the tremendous losses that are occurring from its operation—some $670 million last year according to the full-cost formula of the Interstate Commerce Commission.

What has caused this tremendous loss from passenger operation — when, for example, on the Pennsylvania Railroad back in the twenties it was operating at a substantial profit—and last year resulted in a $44 million loss? The answer is simple enough—but the cure a challenge to all.

Here is what has happened. Back in the twenties we could acquire a new passenger coach for approximately $28,000—and a locomotive to haul a 10-car passenger train for around $60,000. So, for a 10-car train with a seating capacity of around 800 passengers, the total investment including motive power was then about $350,000. The service offered by such trains then was acceptable to the public and at fares that produced a profit. With the new competition coming into being from buses, airlines, and private automobiles, the service offered by that equipment was not acceptable to the public and it began leaving the railroads quite rapidly. In their attempt to stop this rapid erosion of passenger travel and to hold the travel to the rails required improved service—in the way of air conditioned equipment and so-called luxury refinements and travel comforts that added substantially to the cost of the equipment and reduced its carrying capacity. It was also necessary that a new type of motive power be used to haul these more modern trains—in the interest of speed and comfort. By reason of these changed conditions, plus of course inflation, the cost of these coaches has risen from $28,000 in the twenties to around $150,000 today—and with less seating capacity. The motive power hauling the trains has risen to around $300,000. Then after spending these much larger sums for better equipment to meet competition, it was impossible to raise fares anywhere nearly commensurate with the increased costs because of this very same competition—and that is the principal reason for the heavy losses now being sustained by the railroads in their passenger train operations.

So—what is to be done about these very serious passenger losses that are occurring? Well, to me, the lightweight passenger train developed by General Motors and which you will see at the Powerama show is going to be a serious challenge to that problem —because it is going to get us back more nearly to conditions that obtained years ago when the passenger business was profitable — when the capital investment per seat could justify a charge acceptable to the users of the service and provide a profit.

Now, for one, I don't hold out much promise for the long-haul rail passenger business—and by that I mean distances of over 1,000 miles. Realistically, the time element is too much of a factor in favor of air service. But I do believe that the potential mass travel available to the railroads between metropolitan areas for shorter distances, with comfortable "sit-up" trains such as the one now on display here in Chicago, with a much lower capital investment per seat, plus the lower maintenance cost, will enable the railroads to operate such trains at fares that will tap that enormous potential travel market and produce a profit. On behalf of the railroad industry, I congratulate General Motors for their forward looking approach in attacking this very serious railroad problem.

In summation, let me say to you that if the railroads are going to keep pace with the growing needs of our Nation within the next 10 years—and I think all recognize the absolute necessity for their doing so under our present econ-

*An address by Mr. Symes at the General Motors Powerama, Chicago, Ill., Sept. 7, 1955.

omy—then they are going to have to be relieved from some of their present "shackles" of regulation as brought out in the Cabinet Committee Report—they are going to have to be able to take full advantage of available technological improvements which will involve large capital expenditures but at the same time reduce costs —they are going to have to be rebuilt in many instances to meet the additional and changeable flow of traffic that will take place —and they are going to have to provide new and better types of equipment that will be required by the users of the service.

If the highways are going to require $100 billion of somebody's money during the next 10 years for expansion and improvement, don't you think it makes a lot of sense that the railroads be given an opportunity of spending, say one-fifth of that amount of private capital, so that they can also keep pace with the growing needs of our country—which, admittedly by all, is so essential in both a peace and war-time economy?

Charles Tatham With Bache Research Dept.

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange and other leading Exchanges, announced that Charles Tatham has joined the firm's Research Department and will be in charge of the Public Utilities Division.

Charles Tatham

Mr. Tatham, formerly Vice-President of Institutional Utility Service, Inc., has been a specialist in the public utilities field for 23 years.

He is a member of the American Finance Association and the New York Society of Security Analysts, and in 1944-45 was President of the latter organization. He is also a past Vice-President of the National Federation of Financial Analysts Societies.

Gallagher Joins Reynolds in Chicago

CHICAGO, Ill.—James P. Gallagher has joined Reynolds & Co. as manager of the municipal bond department of the firm's Chicago office, 39 South La Salle Street. Mr. Gallagher was previously associated with McDougal & Condon.

Chicago Analysts Meetings

CHICAGO, Ill. — The Investment Analysts Society of Chicago has announced the following program of meetings beginning Sept. 22, 1955:

Sept. 22 Cleveland Cliffs Iron Company
Oct. 13 Kennecott Copper Corporation
Oct. 20 Republic Steel Corporation (Field Trip and Management Conference)
Oct. 27. Whirlpool-Seeger Corporation
Nov. 3. Fruehauf Trailer Company (Invitational Luncheon)
Nov. 10. Westinghouse Electric Corporation
Nov. 17. Spiegel, Incorporated (Invitation Luncheon)

Joins Davidson Staff

(Special to The Financial Chronicle)

MODESTO, Calif. — John D. Garrett is now with Davidson & Co., Hotel Covell Lobby.

"Brain Factories"

By ROGER W. BABSON

Commenting on the change to simple architecture in school buildings, Mr. Babson points out that within the next two years students will hear much talk about automation and electronics. Sees a great opportunity facing teachers, preachers, and parents of impressing upon young people that they possess the most wonderful "automatic factory," far more marvelous than any other in existence, i. e., brain power.

I have just again spent Labor Day Week at my birthplace. As I was writing this, I was looking down at a marvelous new school built by my cousin, the distinguished late Major Elmer Babson.

Roger W. Babson

Fifty years age schoolhouses were built as architectural additions to a city, — with columns, facades, and fancy stone trimmings. My cousin had the courage to make a radical change and built only to provide the most efficient teaching conditions possible. The result was a building which the local taxpayers dubbed the "New Factory."

These critics were more truthful than intelligent. The time is coming when every schoolhouse will be built as an efficient factory, with teachers working and being paid as efficient managers, experts, and foremen deserve. The sooner local School Committees and taxpayers adopt this "factory" idea, the better off those cities and towns will be. The hope of every community is its children, provided they are properly taught the right things. I have little use for some of the silly subjects being taught today.

Automation and Electronics

During the next few years students will hear much talk about AUTOMATION. This is a fancy word for "automatic factories." These are the factories where the raw materials are fed into one end and the finished products come out the other end. Such factories are very expensive to build; but they will turn out the same amount of shoes, clothing, candy, and cloth with 50 people that is now produced by 500 people.

AUTOMATION has become possible only with the development of Electronics (which I hope every High School is teaching). As a result the American electronics industry has grown from a business of only a few dollars to one of over a billion dollars. Electronics accomplishes two things—(1) It enables a very faint electric current to be turned into a strong current, as illustrated by the loud-speakers of radios. (2) It enables an electric current to be turned on or off by a change of light or sound, or by temperature instead of by hand. This is illustrated by the "electric eye," which opens and closes doors for you.

Tubes to Become Obsolete

One reason for the coming great increase in AUTOMATION is that tubes such as are used in your radio and TV sets will soon become obsolete. These tubes are being replaced by tiny "transistors." These transistors are so small that hearing aids are now being made with them, being built into the frames of eyeglasses so that no one will have a hint that the person is deaf and uses a hearing aid.

Now, let me come to the real important point of this column. I refer to the great opoprtunity facing teachers, preachers, and parents of impresing upon young people that they already possess the most wonderful "automatic factory," far more marvelous than any other in existence. With a good working knowledge of "reading, writing, and arithmetic" and a full recognition that they own and control such an efficient factory, every student should become healthy, prosperous, and happy.

Your Automatic Factory!

For raw materials, you feed in water, air, and certain foods. These pass through pipes and cookers in a process not unlike that used by the most modern electronics factory. These raw materials are automatically changed into muscle, brains, and cultural "gifts." But this is not all. In addition, students can turn an "electric knob" and determine whether his or her automatic factory will produce **physical force,** used by common labor, or **brain power,** used by executives, or a **cultural product,** such as music, painting, poetry, etc.

But—wake up! Automation—as illustrated by television—is fast catching up with you. I noticed an advertisement of a prominent TV manufacturer whereby with a flash of light a person sitting in any chair in a room (with no wires, no cords) can turn a TV set on, off, or change the channel while remaining in his easy chair. It even enables one to shut off annoying "commercials" without changing the picture. This power of remote control students have had since babyhood; but how many are using it? To teach students to use it should be an important work of the Public Schools.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy Review—New booklet—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Reactor Diagram in four colors with portfolio information on Atomic Fund as of June 30, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

How to Make a Killing in Wall Street and Keep It—Revised edition of book presenting a formula for market gains—$1.50 per copy—Dept. 1, McKay, 55 Fifth Avenue, New York 3, N. Y.

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

Japanese Synthetic Fiber Industry—Analysis in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Japanese-U. S. Taxation Conventions—Analysis—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue "Nomura's Investors Beacon" are discussions of **Bank Rates**, and analysis of **Business Results and Outlook**, and analyses of **Mitsui Chemical Industry Co., Ltd.**, **Sumitomo Chemical Co., Ltd.**, **Tokyo Gas Co., Ltd.**, and **Tokyo Electric Power Co., Ltd.**

Municipal Bonds Totally Tax Free in New York State vs. Municipal Bonds Partially Tax Free in New York State—Pamphlet—Tucker, Anthony & Co., 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.

Rails—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Reports on Canadian Mines—Three months' trial subscription to fortnightly bulletin—$11.25—Babson's Canadian Reports Limited, Dept. CFC, 601 Harbour Commission Building, Toronto 1, Ont., Canada.

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Alabama Highway Authority Bonds—Discussion—Park Ryan, Inc., 70 Pine Street, New York 5, N. Y.

American Hospital Supply Corporation—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

American Metal Company Limited—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a discussion of Atomic Power and the American economy and a memorandum on **Penick & Ford, Ltd.**

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

Burmah Oil Company, Ltd. — Discussion in "Highlights" — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. In the same bulletin are also discussions of **Royal Dutch Petroleum Company**, **Unilever, N. V.** and **British Motor Corporation Ltd.**

Coca Cola Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Chicago Corporation.**

Colgate Palmolive — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Commonwealth Life Insurance Co. — Memorandum — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Corn Products Refining Co. — Memorandum — Talmage & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Columbian Carbon Co.**

Delhi Taylor Oil Corp.—Memorandum—Wagenseller & Durst, Inc., 626 South Spring Street, Los Angeles 14, Calif. Also available is a memorandum on **Kerr McGee Oil Industries, Inc.**

Delta Air Lines, Inc.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Republic National Bank of Dallas.**

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

Hall Scott Motors Company—Bulletin—The Hughes Organization, 376 Sutter Street, San Francisco 8, Calif.

International Minerals & Chemical Corporation — 1955 annual report—International Minerals & Chemical Corporation, 20 North Wacker Drive, Chicago 6, Ill., or 61 Broadway, New York 6, N. Y.

International Shoe Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of the convertible bonds of **General Dynamics Corp.**, **Canadian Pacific Railway**, **W. R. Grace & Co.**, **Lockheed Aircraft Corp.** and **Mueller Brass Co.**

Lerner Stores Corporation — Analysis — Abraham & Co., 120 Broadway, New York 5, N. Y.

Lindsay Chemical Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Marchant Calculators, Inc.**

Old Hickory Copper Co.—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

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

Philip Carey Manufacturing Company — Analysis — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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

Roseville, Mich.—Economic survey—John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill., and 40 Wall Street, New York 5, N. Y. Also available is a bulletin on **Cleveland Transit Revenue Bonds** and on **West Virginia Turnpike.**

Union Bag & Paper — Bulletin — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The annual meeting and election of officers and Governors of the Investment Traders Association of Philadelphia will be held on Thursday, Sept. 29, 1955 in the Ballroom of the Warwick Hotel.

Wallace H. Runyan

Samuel M. Kennedy

James G. Mundy

Rubin Hardy

John Carothers

The nominees for office for the year 1955-56 are:

President—Wallace H. Runyan, Hemphill, Noyes & Co.

1st Vice-President—Samuel M. Kennedy, Yarnall, Biddle & Co.

2nd Vice- President—James G. Mundy, Stroud & Company, Incorporated.

Secretary —Rubin Hardy, The First Boston Corporation.

Treasurer—John C. Carothers, H. M. Byllesby & Company, Incorporated.

COMING EVENTS

In Investment Field

Sept. 15, 1955 (Chicago, Ill.)
Municipal Bond Club of Chicago pre-outing breakfast at Welty's Restaurant.

Sept. 16, 1955 (Chicago, Ill.)
Municipal Bond Club of Chicago 19th annual field day at the Medina Country Club (preceded by cocktails and dinner Sept. 15 at the Union League Club of Chicago).

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. 19, 1955 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia dinner meeting at the Barclay.

Sept. 20, 1955 (San Antonio, Tex.)
Investment Women of San Antonio dinner meeting and installation of officers in the Tapestry Room, St. Anthony Hotel.

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

Sept. 22, 1955 (Omaha, Neb.)
Nebraska Investment Bankers annual field day at the Omaha Country Club—to be preceded by a cocktail party Sept. 21.

Sept. 23, 1955 (New York City)
Charles Hayden Memorial Trophy Golf Tournament at Baltusrol Golf Club, Springfield, N. J.

Sept. 29, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia, annual meeting and election of officers at the Warwick Hotel.

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

Nov. 19, 1955 (New York City)
Security Traders Association of New York cocktail party and dinner dance at the Hotel Commodore.

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

R. B. M. Smith V.-P. Of Plough, Inc.

MEMPHIS, Tenn.—R. B. Macon Smith has been elected a Vice-President of Plough, Inc. with primary responsibility in finance and particularly with respect to the company's plans to expand through the acquisition of other businesses.

Mr. Smith served as a Lieutenant Commander in the Navy during World War II and was subsequently associated with the Bank of America in San Francisco. More recently he was Manager of the San Francisco office of A. G. Becker & Company, investment bankers.

With Renyx Field

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo.—Johannes P. Augustin has joined the staff of Renyx, Field & Company, Inc. Mr. Augustin was formerly with Ferrell & Ferrell.

Joins Skyline Secs.

(Special to The Financial Chronicle)

DENVER, Colo. — Clara B. Gilliam has joined the staff of Skyline Securities, Inc., 1719 Walton Street.

Dispelling Doubts About Sterling

By W. T. C. KING

Editor of "The Banker," London, England

Mr. King asserts future of Britain's exchange policy and the checking of domestic inflation present two crucial issues as a case-study in task of applying orthodox policies to a "brimfull" employment economy. Emphasizes government's intention to concentrate on hard work and consolidation, before making any move on the exchange front; coupled with determination permanently to maintain present sterling parity.

LONDON, Eng. — Two issues have come to a head in Britain, deserving careful scrutiny not only by those to whom the future of sterling and of Britain's economy is important in itself, but also by the many who are watching present trends in Britain as a case-study in the task of applying orthodox policies to an economy of "brimfull" employment. These two issues are the future of Britain's exchange policy and the closely-interrelated problem of checking domestic inflation.

W. T. C. King, Esq.

Although Britain came through the transport strikes with much less immediate dislocation than had been expected, the holdup at the ports left a deep mark upon the trade returns for June, imports having been cleared at the expense of exports, so that a large deficit was shown. Some of these held-up exports should fortify the visible balance in later months, but there is no means yet of guessing how much permanent damage has been done.

Additional Burden

The impression before the strikes was that the external current account as a whole (including invisibles) was probably not far out of balance, and certainly much less so than had been feared early in the year. But the first half-year is normally much stronger than the second half; and the summer months will this time be additionally burdened not only by any secondary dislocations arising from the strikes but by the undoubted fact that domestic demand is pressing hard against available resources. There is no general statistical measure yet available to prove whether the degree of domestic tension is any greater than it was a few months ago, but it is certainly excessive, giving rise to fears of further demands for imports and of undue increases in export costs and lengthening of delivery dates.

The doubts about sterling that were building up overseas towards the end of June probably sprang originally from such tendencies as these. Soon afterwards they were sharply accentuated by the rumors that had started on the Continent after the discussion at the OEEC ministerial council about the renewal of the European Payments Union. The possibility that sterling, if and when it becomes fully convertible, might be permitted a wider range of fluctuation than the present narrow scope was then coupled with rumors that convertibility itself might be arranged in the early future.

The effect was to turn the familiar "leads and lags" in international payments strongly against sterling, putting sharp additional strain on the gold and dollar reserves during July and forcing the forward discount on sterling in terms of the U. S. dollar well beyond the point at which it balanced the wide disparity between money rates in London and New York.

Downward Trend

At the same time, domestic monetary trends still seemed to be following the pattern established soon after the increase in Bank rate to 4½% last February. That is to say, the volume of money as measured by the "net" deposits of the clearing banks was tending notably downwards under the pressure of the squeeze induced upon the supply of liquid assets, but bank advances were still rising, and the disparity between these two movements was being bridged by the reduction in investment portfolios.

Bank deposits rose in June, but less than seasonally, while advances rose by no less than £83 million and investment portfolios dropped by £42 million.* This last movement was attributable partly to writing-down, despite the fact that four of the big banks elected to value investments, as in the gilt-edged slump of 1952, "at or under cost and below redemption price"—but above current market value as disclosed in marginal notes on the accounts. (The differences thus revealed ranged from under 1% to 3¾%.)

Over the half-year covered by the end-June balance sheets, aggregate net deposits fell by £386 million (to £6,173 million) compared with a fall of £136 million in the first half of 1954, yet advances showed the record rise of £289 million (to £2,186 million) in contrast with £130 million last year. Liquid assets declined by £420 million (compared with a fall of £304 million), bringing their ratio to gross deposits down from 34.3 to 30.1%, while investment portfolios (all in dated stocks, the majority maturing within 10 years) declined by £254 million to £2,099 million.

Government Moves

Confronted with this disquieting conjuncture of influences — the uncertainties of the balance of payments, the speculative and other pressures on sterling and on the reserves, the excessive level of domestic demand, and its doubt whether the monetary squeeze was yet exerting any decided check—the Government in July embarked upon a whole series of new measures. The first was a move to establish a more realistic price for coal, which the nationalized coal industry had been selling at a loss to domestic consumers, a loss that rising costs had threatened to widen to major proportions. The price increase averaging around 18% is being followed by consequential rises in closely associated industries—notably the also nationalized gas and electricity industries and the steel industry (now in process of resale to the public).

These price increases will act as a disinflationary force upon domestic demand unless and until spending power catches up; and the Government presumably hopes to resist that secondary process by its other measures. Rates of interest charged by the Government agency for new loans to local authorities (especially for finance of municipal housing) have been raised to take account — though not quite full account—of the rise in gilt-edged market yields since the last increase in official rates (the charge now for loans of over five years is 4¼%). In addition, the Government has announced its intention of also curtailing the demands of public bodies directly —and not only those of the local authorities but also of the nationalized industries. The object will be to slow down or hold back capital programs, where practicable, unless they are regarded as of the "greatest national urgency." And the Chancellor has affirmed that the central Government, while restricting its own expenditure "to the minimum," will "pay special attention to its overseas expenditure."

*£1=$2.80.

Generally Welcomed

These plans for restraint in the public sector have been generally welcomed — even though public opinion has learnt from long experience that it is generally extremely difficult to achieve substantial results—or any quick results on actual outlays—from efforts of this kind. Upon the private sector the only specific new restraint is an increase in the minimum down-payment on hire-purchase of many durable consumer goods from 15% to 33⅓%. Otherwise, the Chancellor has been content to rely here upon a number of appeals to consumers and to businesses to keep their expenditures to a minimum.

The implication evidently is that he is satisfied that the credit policy will exert a sufficient brake upon demand. Certainly it was already reaching the point at which a much more perceptible effect was likely to be exerted than hitherto, because of the discomforts for the banks of any longer selling investments as the means of avoiding putting strong pressure on advances. This pressure has probably been growing for some weeks past — but was concealed in June by the special demands for finance caused by the hold-up of goods through the strikes.

The authorities have not, however, felt able to put their whole trust in the automatic development of this process. The Chancellor has underlined the importance of it by a bluntly-worded exhortation to the banks in which he refers to their "duty" to reduce advances and looks for "a positive and significant reduction" over the next few months.

Will Be Increasingly Felt

A notable restraint is, indeed, now likely to be increasingly felt. But in advance of clearly visible effects, it was not to be expected that even this whole array of measures could have had any quickly salutary effect on sterling—given the extent to which the pressure had stemmed from the rumors about exchange policy. Very wisely, therefore, the Chancellor departed from the usual practice of not attempting specific denials, and in a series of statements became increasingly explicit. He has reiterated the familiar "pre-requisites" of any move to formal convertibility—most notably including, in the present context, the condition that the domestic economy should be strong and not, as at present, under pressure of excessive demand.

"The British Government," said Mr. Butler on July 25, "regards the period in front of us as being one of hard work and consolidation to strengthen the home front before we make any further forward move on the exchange front." And he later gave a categorical reaffirmation of determination to maintain the present sterling parity (of $2.80 to the £), both in present conditions and as and when sterling becomes convertible.

This last statement, in particular, has made a deep impression upon the exchange market, and seems to have effectively dispelled the rumors. Within two days, the sterling-dollar rate has recovered to beyond $2.79 and forward discounts had sharply narrowed.

A. P. Martini V.-P. Of Lawrence Snell

Lawrence W. Snell Co., Inc., 70 Pine Street, New York City, announces that Arthur P. Martini has joined the firm as a Vice-President. A graduate of Harvard Business School, for the last six years Mr. Martini had been operating his own consulting firm in estate and tax planning. Prior to that time he had been with Massachusetts Bay Co. Inc. as Assistant to the President for two years.

Arthur P. Martini

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles C. McGonegal, Donald D. Robertson and Colin MacKenzie have become affiliated with King Merritt & Co., Inc., 1151 South Broadway.

Joins Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William C. Quealy, Jr. has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

2 With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William B. Rex and Joseph R. Kraus have become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Kraus was previously with First California Company.

Connecticut Brevities

The Yale & Towne Manufacturing Company is offering its stockholders of record Sept. 9 rights to purchase one share of additional stock for each six shares held. Rights will expire on Sept. 26. Of the net proceeds $1 million will be used to repay the presently outstanding bank loans and the remaining will be added to available working capital. During the five years ended June 30, 1955, expenditures for plant and equipment have amounted to about $12.7 million or about $5.3 million in excess of available depreciation.

* * *

Stockholders of **The Plastic Wire & Cable Corporation** are being offered rights to purchase one new share at $9 for each 10 shares or part thereof owned of record Aug. 5. The rights will expire on Sept. 21. Proceeds of the issue will be added to working capital and used to finance current plant expenditures. Figures in the "Offering Circular" show that the net income of $228,000 for the nine months ended July 2, 1955 was approximately equal to the net income of $242,000 for the previous fiscal year.

* * *

Stockholders of **Aetna Casualty & Surety Company** and of **Automobile Insurance Company**, both subsidiaries of **Aetna Life Insurance Company**, will meet on Sept. 22 to vote on a proposal to merge the two subsidiaries. Stockholders of record Oct. 14 of Aetna Casualty would receive a 50% stock dividend, payable Nov. 15 and then at the merger date on Dec. 31, holders of Automobile would receive stock of Aetna Casualty on a share for share basis.

* * *

On Aug. 29 stockholders of **Credit Life Insurance Company of Connecticut** voted at a special meeting to change the name of the company to **Insurance City Life Company** and also to increase the authorized capitalization to 50,000 shares of $10 par common stock. There are presently outstanding 15,805 shares of common and no plans have been announced to issue any of the additional stock. The change in name is expected to become effective about the middle of September after first being approved by the Connecticut Superior Court.

* * *

Earlier this year **Yale & Towne Manufacturing Company** sold its Stamford plant, including more than a million square feet of floor space in 25 buildings to **The Old Colony Company** of Danbury. At the time, Yale & Towne leased back about 460,000 square feet of floor area, and since that time, three other companies have also leased space. These companies are **Pitney-Bowes, Inc., Contemporary Classics, Inc.** and **Gar Precision Parts, Inc.**

* * *

Barnes Engineering Company is the new name adopted by **Olympic Development Company**, formerly a division of Olympic Radio & Television Co. Olympic Development was formed to continue development and production of infra-red instruments for remote temperature measurement and control and also chemical and mechanical controls used in industrial processing. Olympic Radio distributed its entire holdings of Olympic Development to its stockholders on a one-for-ten basis in January of 1955. Shortly thereafter Olympic Development offered to its stockholders rights to purchase at $1 a share two new shares fo reach share held. Subsequently the company acquired Clarksburg TV Cable Corporation which operates a community television antenna system in West Virginia in exchange for 170,000 shares of Olympic Development. The main plant and offices of Barnes Engineering is located in Stamford.

Banking Group Offers C.I.T. Debentures

Public offering of $100,000,000 C.I.T. Financial Corporation 3⅞% debentures, due Sept. 1, 1970 is being made today (Sept. 15) by a nationwide investment banking group headed by Dillon, Read & Co. Inc., Kuhn, Loeb & Co., and Lehman Brothers. The debentures are priced at 98.575% and accrued interest to yield 3.75% to maturity.

Proceeds from the sale will be used to furnish additional working funds to the corporation's subsidiaries for the purchase of receivables and for other corporate purposes. The major portion of the funds will be made available to C.I.T.'s automobile financing subsidiaries.

The new debentures are subject to redemption at prices scaled from 102½% if redeemed during the 12 months ending Aug. 31, 1956 to the principal amount on and after Sept. 1, 1956.

C.I.T. Financial Corporation has numerous wholly-owned subsidiaries engaged principally in specialized forms of installment financing, including certain related insurance and other activities, and in factoring. Together, the subsidiaries form one of the largest installment sales financing organizations in the United States and Canada. Total receivables purchased by the financing and factoring subsidiaries in the year 1954 were $3,957,923,000 and for the six months ended June 30, 1955, amounted to $2,664,088,000. Total receivables held by these subsidiaries amounted to $1,351,821,000 and $1,686,003,000, at Dec. 31, 1954 and June 30, 1955, respectively.

Consolidated net income of the corporation and its subsidiaries for the year 1954 amounted to $35,590,000 before a non-recurring profit of $5,033,000, and for the six months ended June 30, 1955 amounted to $18,383,000.

Mutual Fund Assoc. Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Glenn H. Amsbury, Max Baum, Austin W. Bond, Lyle A. Hoppman, Charles M. Otter, Lowell V. Raty and Alan A. Shepard have been added to the staff of Mutual Fund Associates, 444 Montgomery St.

New Investment Course Gets Underway Shortly

10-week discussion of "Your Investment Problems," by Barnes and May, will begin at New School October 6.

A 10 weeks' course, "Your Investment Problems," beginning Oct. 6th at 5:30 p.m. is announced

Dr. Leo Barnes A. Wilfred May

by the New School for Social Research. The course will be given by A. Wilfred May of the "Commercial and Financial Chronicle," formerly of the Securities and Exchange Commission and the Treasury Department; and Leo Barnes, chief economist and financial editor of Prentice Hall, Inc., and author of the current best seller, "Your Investments."

The series, subtitled "Selecting and Managing Your Securities in the Current Active and Historically High Markets," offers practical investment guidance to all concerned in the handling of money. A realistic appraisal of investment objectives and opportunities, as well as the avoidance of psychological foibles and prevalent pitfalls, receive close attention.

Among the topics to be stressed are market forecasting and timing; how to select securities; growth companies of tomorrow; how to pick a mutual fund or investment company; the investor's tax problems; family financial problems, including estate planning.

The instructors offer personal guidance to course members on their special problems throughout the series. Admittance is available either through registration for the entire series or individual lectures.

Phila. Inv. Women Dinner Meeting

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its first dinner meeting of the 1955-56 year on Monday evening, Sept. 19, 1955, at The Barclay. The speaker of the meeting will be William H. Turner, florist.

With A. G. Edwards

Sol Charles Antoky has joined the New York office of A. G. Edwards & Sons, 501 Lexington Avenue, as a registered representative.

A. G. Edwards & Sons are members of the New York Stock Exchange and other leading stock and commodity exchanges.

Now Sellers, Doe, Bonham

MONTGOMERY, Ala. — The firm name of Sellers, Doe & Company, Commerce Building, has been changed to Sellers, Doe & Bonham.

New Logan Branch

HOLLYWOOD, Calif.—J. Logan & Co. has opened a branch office at 7221 East Sunset Boulevard under the management of Francis L. L. Niles.

Public Utility Securities

By OWEN ELY

General Telephone Corp. — Theodore Gary & Co.

General Telephone Corp. is the largest of the 5,000-odd independent telephone companies, with recent annual revenues of nearly $181 million—of which $149 million reflect telephone operations and $32 million manufacturing, sales and directory operations. During the past two years the company has gained recognition as a rapid-growth utility with an aggressive management. This is reflected in the advance of the common stock from a low of 23 this year (after adjustment for a 50% stock dividend) to 45⅝, from which it has declined to around 41. The company's growth record is reflected in the following figures:

		‡Common Stock Record		
Years	Revenues	†Earned	Paid	Approx. Range
*1955	$181,000,000	$2.16	$1.13	45 - 23
1954	142,000,000	1.84	1.07	25 - 20
1953	128,000,000	1.77	0.98	20 - 16
1952	102,000,000	1.45	0.89	16 - 13
1951	85,000,000	1.17	0.89	14 - 12
1950	70,000,000	1.17	0.89	13 - 11
1949	59,000,000	0.97	0.89	14 - 10
1948	53,000,000	1.06	0.89	13 - 11
1947	44,000,000	0.95	0.89	16 - 12
1946	38,000,000	1.37	0.71	22 - 14
1945	32,000,000	1.01	0.71	20 - 11

*Twelve months ended June 30. (Price range to date.) †Consolidated. ‡Adjusted for 50% stock dividends in May, 1954 and June, 1955.

Some of the market interest indicated this year was doubtless due to the anticipated acquisition of a controlling interest in Theodore Gary & Company, consummation of which was finally announced in August. Gary controls the next largest independent system, with 1954 revenues of about $42 million or about 28% of General's. The Gary System is a survival of the 1920 era of holding companies, and has presumably escaped SEC streamlining because the Public Utility Holding Company Act did not apply to telephone companies. The System setup appears to be roughly as follows (omitting a number of smaller companies):

*Almera Corp. (majority of stock held by Adams family)
*Clearance Corporation
*General and Telephone Investments
*11 Voting Trustees (including Messrs. Adams and Spring)
Theodore Gary & Company
Associated Tel. & Tel. Company (78% controlled)
3 Foreign and Domestic Subsidiaries
Automatic Electric Company
Anglo-Canadian Telephone
British Columbia Telephone and others
4 other Foreign Subsidiaries
Continental Telephone, formerly Telephone Bond & Share (51% controlled)
18 Domestic Operating Companies

*As reported by Dow Jones.

For a more complete and accurate chart of the Gary Subsidiaries, the reader is referred to page 11 of General Telephone's 46-page proxy statement issued for its stockholders' meeting of Sept. 29, called to vote on the merger.

Recently A. F. Adams, 74-year-old Honorary Chairman and former President of the Gary Company, challenged the validity of a voting trust that controls 91% of Gary common stock and asked for a preliminary injunction to prevent this stock from being voted in favor of the merger. In his suit Mr. Adams stated (as reported by Dow Jones) that he was ill at the time the trust was set up, and has no present recollection of signing documents in that connection. Chairman F. S. Spring of Gary has declined to comment on the suit, while President Power of General has expressed confidence that the merger will be consummated.

It is obvious that General's new acquisition (when consummated) will require considerable streamlining and integrating. Both systems have substantial manufacturing interests which can doubtless be combined profitably. In fact Automatic Electric Co. appears to be the most important segment of the Gary System, not only because of its own operations, but because it controls the rapidly-growing Canadian telephone subsidiary. In 1954 the net income (applicable to parent companies) of subsidiaries in the two systems were derived as follows:

	General		Gary	
	Amount	% of Total	Amount	% of Total
Telephone Operations	$15,802,000	94%	$1,533,000	19%
Manufacturing & Sales	1,077,000	6	6,633,000	81
Total	$16,879,000	100%	$8,166,000	100%

Under the merger terms the Gary common and participating common will receive 1½ shares of General for each share of Gary, assuming that stockholders approve, etc. The merged company will have an equity ratio of 32.56%. General's proxy statement (which should be studied for further details) indicates that pro forma merged share earnings in 1954 would have been $2.08 a share compared with General's actual earnings of $1.84. This would seem to indicate that the exchange ratio is favorable to General, but consideration should also be given to the differences in the book values of the two companies and other factors. As of April 30, 1955, the pro forma book value of General was $17.31 while that of Gary was $15.37 (the number of shares of Gary having been increased 50% to make their share equity comparable with General's).

Giving effect to the merger and other factors, it is estimated that pro forma earnings of General for the calendar year 1955 will be substantially above the $2.16 reported for the 12 months ended June 30. While General common at the recent price around 41 yields only 3.1% (based on the present dividend rate of $1.28) and is selling at some 19 times past earnings, due allowance must be made for the anticipated increase in earnings, as well as future economies from the integration of the two systems and potential benefits from other mergers which may develop in future.

Electronics Means a Revolution in Materials

By DR. ELMER W. ENGSTROM*
Executive Vice-President, Engineering and Research
Radio Corporation of America

Calling attention to the never-ending vista in electronics, Dr. Engstrom points out changes in the use of materials in the electronics industry. Says revolution in materials is far more than the mere process of discovering more efficient substitutes for materials and techniques used in the past; it is the creation of new systems and techniques to perform entirely new tasks. Describes the transistor, photo-conductor and electroluminescence, and concludes, with increasing flow of new materials and persistent research, electronic science is penetrating all areas of technology.

The theme for this conference is "Horizons in Electronics." In electronics we do indeed have a never-ending vista before us. But it is to a particular segment of this horizon that I shall direct my remarks today. This is to the horizon of materials—the newer materials which are just now coming into use and which soon will dominate the electronics scene. For it is here that we are already in the midst of a revolution which is shaking the very foundation stones of our industry.


Dr. E. W. Engstrom

We might well ask, "Doesn't this spell obsolescence to the methods and to the means which have been building blocks for our products and our services?"

The answer is obviously, "Yes." But, this is the kind of obsolescence which is the basis and the purpose of scientific research. Continued turnover and obsolescence of ideas by better and newer ones have been the very roots which have supported the phenomenal growth of the electronics industry. Now we are again at a threshold beyond which we shall move forward to even greater accomplishments.

Radio equipment of the early days made use of essentially the same materials as its older brother, the electrical industry. These were the conductors—materials permitting the ready movement of electrons when under the proper influence; insulators—materials where the electrons are bound; and magnetic materials. From almost the beginning, however, a new class of materials entered the radio scene. These were neither conductors nor insulators in the usual sense, and they did not always obey Ohm's law. I refer to the loosely packed particles of the coherer and the crystal with its point contacts. These were the detectors of radio waves. While the performance of such units could be measured, the basis of the performance was little understood. Except for such specialty applications, these semiconductors were the discards of the electric and radio arts. They served well during the early radio days but were all but forgotten when the electron tube emerged.

The electron tube became the lever-arm of radio and electronics. It is the keystone of all apparatus and techniques upon which the ever-expanding industry has depended.

Electron Tubes

While we have progressed far, and while we are still expanding the versatility and usefulness of electron tubes, attention again has been directed to the discard materials, the semiconductors. This time the approach has not been through empirical experimentation, but by painstaking research with understanding of each step. Also, it has not been a single approach, but one which has taken many routes with many evidences of current and potential results.

The first broad uses of these materials came from their nonlinear and unilateral properties which were those of importance for radio-frequency detectors of the early days. Then we moved into small power applications as well. As understanding grew, we learned that conductivity could be influenced by radiant energy (photoconductivity), by electron bombardment (bombardment-induced conductivity), and by applied voltage (transistors), just as in the case of the electron tube. Here, however, we are working with the controlled action of electrons in solid materials.

Today we have learned how to exercise this control with ever greater precision over the three basic types of electron action to perform the conducting, insulating, and magnetic functions essential to all electronic circuits. At the same time, we have found both challenge and promise in the achievement of hitherto unfamiliar effects.

Although we have used the semiconductor to illustrate our growing family of new materials, it is appropriate to refer to them more generally as electronically-active solids. It is evident that we are concerned today with far more than conductivity in semiconductors.

New Magnetic Materials

Just as our understanding of conductivity has grown through solid-state research, we have become more familiar with magnetic effects. For many years, the iron supplied to us by nature appeared the ideal material for creating magnetic fields in our electrical and electronic systems. Yet iron happens also to have high conductivity, a property somewhat incompatible with its effective use in many magnetic applications.

Consequently, we came to rely until recently upon metal alloys whose resistivity was higher than that of pure iron, but whose magnetic properties were undiminished. Today, solid-state research has enabled us to develop a whole new family of ferromagnetic materials. These are ceramics, rather than metals, providing even higher resistivity and better magnetic properties than their metallic predecessors. From them, we are today fashioning permanent and non-permanent magnets of higher efficiency and lighter weight.

At the same time, we are discovering that the functions performed by magnetic effect may be achieved as well in certain new materials by applying voltages rather than setting up magnetic fields. These so-called ferroelectric materials behave somewhat like their ferromagnetic cousins. Our research in this field is still at an early stage. However, it appears that the ferroelectric materials may offer the advantage of simplicity in many electronic storage and switching functions.

New Systems and Techniques Created

The revolution in materials is far more, however, than a process of discovering more efficient substitutes for the materials and techniques we have used in the past. Our sights are fixed not so much on the improvement of existing systems — although this is an inevitable result — but rather upon the creation of new systems and techniques to perform entirely new tasks.

Here a promising development relates to materials capable of interchanging light and electrical energy. In this area we have for some time worked with photoconductors. Here the conductivity is influenced by light. With cathodoluminescence we have worked with materials which emit visible light under electron bombardment. As we have improved these materials, our research has penetrated more deeply into the nature and potential use of the newer, more challenging phenomenon known as electroluminescence.

Electroluminescent materials, placed directly between two electrodes, emit visible light under the influence of an electric current. Materials with this property do not exist in nature: they have been created entirely within research laboratories through the greater understanding brought about by earlier discoveries in the solid-state field. In some respects, we may consider them as symbolic of the advances which we may anticipate from today's research in materials.

Electroluminescent materials are created by the extremely precise blending of certain substances to produce a crystal, containing a specified proportion of atoms, which function as luminescent centers. Upon application of a voltage across the crystal, electrons strike these centers to release photons of light. The quantity of light that is emitted may be varied by changing the voltage.

This process is nothing less than the combination within a single, small crystal of two distinct and important electronic functions. These are functions performed today by the electron gun at the rear of a television picture tube, and by the phosphor layer at the tube face. It is this prospect of combining sophisticated phenomena within single materials that provides both the challenge and the promise I have mentioned.

A full listing of today's electronically-active solids and the uses to which they have been or may be put would be a bewilding exercise. This is because nature has supplied us with 100 different atoms. These may, in turn, be united to form an infinite variety of materials. Many of these have been known and available to us for a long time. However, our increased understanding of solid-state phenomena is permitting us, today, to take greater advantage of their properties. Among these are the thermoelectric materials with which we may achieve electronic cooling and heating; thermionic emitters, which emit electrons under the influence of heat, and secondary emitters through which a single electron produces many free electrons. With our improvement of the old and our discovery of the new electronically-active solids, we have come far from the early days. In those days we relied upon the conductors, insulators, and magnetic materials available to use in their natural state.

The Transistor

These are the ingredients of our materials revolution. What of their performance and their promise?

Our ability to influence conductivity by an applied voltage has given us the transitor, one of the generally known and immediately useful products of solid-state research. In the transitor, employing germanium or silicon, we may with precision, influence and control one current by applying another, weaker current to the material through a third electrode. The result is a novel and significant means of achieving control over a wide range of important electronic functions in devices that are tiny, rugged, and simple. They perform many of the basic tasks of the electron tube, and yet demand a small fraction of the power required for tube operation.

Initially, transitors have found application in devices where the burden has been carried by the electron tube. At the same time, the introduction of transitors, with their compactness and their far smaller requirements, has called for the redesigning of circuits and the miniaturization of other components. Here the results are evident in high-quality portable radio receivers, small enough to carry in a breast pocket, in efficient miniature hearing aids, in compact telephone exchange equipment, in electronic computers, and in military apparatus.

The trend here, spurred largely by transistor development, is toward the creation of miniature electronic devices. Such devices are more economical of power, materials, and space than their counterparts of the past and present. This trend has been aided by the parallel development of the ferromagnetic materials which furnish small and efficient coupling transformers and antennas, and of new dielectric materials for tiny condensers that may be used in transistorized circuits. Today's prototype of the pocket portable radio, incorporating these devices, heralds an era of personal and mass radio communications.

Photo Conductors

Sharing in the development and improvement of the semi-conductors, and closely related to the materials used in our transistors, are the photoconductors. In these we may influence conductivity by radiant energy. Photoconductive materials find wide application today in our television camera

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*An address by Dr. Engstrom at the All-Industry Luncheon at Wescon, San Francisco, Calif., Aug. 26, 1955.

Business and Government: Are They Natural Enemies?

By JOHN S. COLEMAN*
President, Burroughs Corporation

Holding business and government are not natural enemies, but are counterparts of the organization of society, Mr. Coleman urges businessmen to become active in the affairs of the community and of the nation. Stresses the importance of management in both business and social organization, and points out private interests can best be served in our democracy by reconciling them with the community and national welfare.

The title of my remarks, "Business and Government: Are They Natural Enemies?" is not really intended to raise a serious question in anyone's mind. Indeed, to remove all suspense I will say right now that my answer is, "No, they are not natural enemies." There are those on both sides of the fence, who seem to act as if they consider the ordinary attitude of business and government to be one of gladiators with daggers drawn. I doubt, however, whether most of us are so gloomy. Yet, whatever our prejudice, we cannot ignore the issue. It is one of the most significant in current history.

John S. Coleman

All of us, of course, recognize the need for government; it is not an artificial contrivance forced on people. It is a natural organization, called for by the very nature of man. Just as it is natural for a man to take unto himself a wife and start a family, so it is a need of his nature to form a government. As we all know, in any but the smallest society, the only alternative to established government is anarchy—or, at the best, the tenuous and dubious order imposed by vigilantes. Certain things the individual cannot do for himself. Paved and lighted streets, schools, libraries, parks—all these facilities are beyond his unaided power to establish. The protection of his rights to life, liberty and property—if it depended on his strength alone—would fall before a stronger man or occupy an unreasonable amount of his time. He would have to go around with his guard up all the time; today he might even have to carry an atomic bomb in his hip pocket.

However, what a man cannot do for himself, he can do if he cooperates with other men. Together they form a government to which they assign certain authority and certain duties. They give it a determined form and the means of continuing itself in permanent existence. They even establish laws which they hold themselves bound to observe. In return, they expect the government to do those things which they are unable to do as individuals . . . things like keeping order and providing a moral, physical and economic atmosphere in which man can grow and prosper. Given his nature as an intelligent and social being, it is the most reasonable course in the world that man should form a government.

Of course, its very essence and purpose as a natural organization places some limits on government. Every power that government possesses is ceded to it by its citizens. Since its whole reason for being is to augment the reach, so to speak, of the individual citizen, it should not assume to itself, functions which he can very well perform himself. As a well-known author remarked some years ago, "There are certain things which a man should do for himself, like writing his own love letters or blowing his own nose."

What has given us cause for concern is the growth of big government, and to the point where individuals or groups find it harder and harder to make themselves heard. Government, it is said, represents the public, but with increasing size, the line of communication to the citizen becomes weaker and weaker. With business particularly, the connection became, in the pre-war years, especially bad. And in past decades we have had to struggle continuously for a proper representation of our interests.

Admittedly right and wrong are never wholly on one side or another. And indeed, much of the legislation that business strongly protested is now accepted both by business and by the community as a whole. At the same time, some of this legislation reflected an attitude which went beyond what was necessary to correct abuses. It was a deep-seated hostility which disturbed confidence and inhibited the enterprise and growth of the economy. I do not intend here, however, to go into past history and indulge in the rather futile task of apportioning historic blame and praise. The important thing is the present and what we should do here and now.

Business Climate Improved

The fact is that the climate in which business now operates has greatly improved. We have had 10 years of unparalleled prosperity. Many of our friends and colleagues are in Washington bearing heavy responsibilities in government. There is no longer a divorce between government and those who manage our industrial and commercial enterprises. Generally it is true to say that after somewhat anxious decades, the bonds of confidence between all parts of the American community are being renewed. This calmer atmosphere is, I suggest, a good time to consider how we may consolidate these gains.

It is some times said that we now live in a period where there are no issues. And though political debate always has a certain degree of heat, I think most of us will agree that we have in the last two years enjoyed a period of rather unusual moderation. In short, the American people have a breathing space. We are a prosperous, and for the most part, a contented people. After an era of change, we are living in a period of conservatism. It is very easy at such times to sit back and enjoy our rest. To do so now, however, would certainly be rash. For one thing is certain. The passage of time will inevitably sharpen again the issues in American politics.

I am no prophet and I would not hazard a guess as to when that time will come. But I am sure that we will be ready for it only if we have used this relatively peaceful period to develop and to practice a realistic philosophy of business and politics. What I mean by this, I hope will become clear as I proceed. But let me say here, I am suggesting first that businessmen must concern themselves not only with business, but with every important aspect of American life. Not least, they must concern themselves with politics. I do not mean necessarily actual service in Washington. Certainly it is important that we should always be ready to enter the public service. At the same time, it is clear that only a very small number of us will ever have the opportunity to do so. There remains, however, a special obligation directly to interest ourselves in political affairs. And if we do not feel inclined to do so as citizens, we have, as businessmen, a direct and immediate obligation to do so.

As someone said the other day, the larger setting of business is politics. War, defense programs, recession, inflation, monetary policy, taxation, tariffs, racial discrimination, collective bargaining. There is not one of these subjects that does not closely affect our companies. Yet they are all to a large extent political questions. Indeed, we are coming to realize that the large corporation is, in fact, a political entity, a power-wielding organism raising the immemorial political issues of freedom, order and justice. Let no one tell you, then, that businessmen must stick to their desks and keep out of politics. We are already in politics, as deeply and probably more deeply than any single group in this country.

Management in American Society

A recent writer has described management as the most important function in American society. I think this was a fair statement; it is important, therefore, that we do not fail to draw the right conclusions from it. In a democratic society, the voter will inevitably place those who exercise such an important function under severe scrutiny. The decisions management makes are crucial to society as a whole. For example, decisions on the purchase of plant and equipment are determining the level of employment. Wage and dividend policies are affecting the distribution of income. Decisions to close or build a plant are changing the faces of communities all over the country. Our contributions policies are affecting the future of education. Our advertising practices are unquestionably influencing cultural standards. The flow of new products from our research centers have, and will continue to change the customs and habits of Americans. Abroad, the manufacture and distribution of our products is having an important impact on international relationships. We must, then, recognize the managerial function for what it is. We must see it as the strategic role in our economic system.

In these circumstances it is not surprising that society should insist that this responsibility is in a real sense a public one. Where so much depends on the full and efficient use of our economic resoures, the most private management takes on a social character and a family-owned business may well be a significant national enterprise. If, in fact, the corporation is affected with a public interest, we must then, accept a public responsibility. I am not suggesting that we pay less attention to the private interests to which the corporation owes its origins and its continuing life. On the contrary, I am arguing that these private interests can best be served in our democracy by reconciling them with the community and national welfare. And, in my judgment, the best means of attaining this harmony between the public and private interest is for us to make a full contribution to the process of political decision.

Certainly no one group has a monopoly of wisdom. Yet each has a right to be heard in the area in which its proficiency lies. And in that area it is likely that its advice should be given a primary weight. The successful management of our industrial and commercial organizations, depends on certain conditions of which the public are not always aware. If much is demanded of management, therefore, much, too, must be given. If they are charged with a function, they must be allowed the means to carry it out. At the same time, we cannot expect to sit back and wait for those in public office to come to us. If we are to be realistic we must accept the fact that in a democracy, ideas and policies must win their way in the political arena.

Only a program or policy that can win popular consent is practical in a democracy. If business is to attain the influence which we feel it deserves, we must, in the same way as other groups, read the signs of the times, determine what is the general sense of the community, and give leadership and direction in terms of those implacable political facts. Does our literature ignore this necessity? Are our speeches addressed chiefly to ourselves? Is much of what we have to say somewhat frantic, with the tone of protest rather than persuasion? Are we directing our efforts toward the all-important independent voter? These are questions to which we may have different answers. But certainly, each is relevant to the winning of consent.

No group in our society can expect to have its point of view heard unless it states it continually and persuasively—before the public, before the Congress, in the administration, in the press, within each of the political parties and in every place where policies are determined and decisions made. Note that I say "unless it states its case **persuasively.**" This is a most important qualification. It is often said, probably unjustly, that generals are always fighting the last war. Whether or not it is true of generals, I suspect the charge may well be true of some businessmen. At times I feel we may have been more interested in protesting against the passing of a world that will never come back, than in guiding and leading the world as it is.

Businessmen and Public Office

What then, does all this mean for us? It means the acceptance of public office. It means the willingness to serve on government committees and commissions. It means the active participation in the councils of both parties—and though I suspect most of us tend to be Republicans, it is equally important, if not more so, that enlightened business opinion be heard in the Democratic party. It means a positive and helpful attitude to civil servants and the men who, with meager rewards and much abuse, shoulder great responsibilities. It means keeping ourselves informed on the issues of the day so that we can in public and private discussion, give the kind of leadership which will deserve to be followed.

Another condition must also be fulfilled if businessmen are to make their full contribution to the formation of public policy. That condition is the support and encouragement of their business colleagues. Perhaps it may seem strange to you that I should mention this condition. Indeed, let me add, I not only mention it, I place great emphasis upon it. Inevitably as we participate more and more in political debate we will be putting our necks out on controversial issues. Perhaps many of us will be in the position of saying things to which some of our colleagues, our stockholders, our customers will take exception. Perhaps we may prefer the safer course of silence. But every businessmen has not only the right, he has the obligation to speak out. On some issues we will agree; on some we will disagree—but let us preserve above all, the American spirit of debate. The important thing is that all sides be heard and that an issue be thoroughly debated before it is determined—debated not only by Congressmen, by editors, by news and radio commentators, by labor leaders, but by individual businessmen all over the country.

To my mind, management is the most important function in American society. If, however, what I have said is true, then the present incumbents of that function must proportionately participate in the affairs of the community and the nation. Society is all of a piece. The economic and industrial process is not something separate. We are not worker ants who must not raise our eyes from our daily tasks. On the contrary. Our economic system is society regarded from one point of view. It cannot be lifted out of context from the total community. By the fact that management occupies a strategic position in the making of economic decisions, it makes them, too, in various degrees in other spheres — cultural, political and social. And in the same way, the impact of legislation, the influence of government, even if kept to a minimum, will always be felt in every area of our life. The fact that the question of enmity between government and business is sometimes raised, is evidence that much remains to be done to find that basis of cooperation between them that is necessary for the achievement of our urgent social purposes. In that task, society has the right to expect leadership from the business community. It is a legitimate expectation. We should respond to it with vigor and good will.

*An address by Mr. Coleman before the Annual Meeting of the Manufacturers Association of Connecticut, Hartford, Conn., Sept. 8, 1955.

Now With Keizer

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Florence S. Mummey has become associated with Keizer & Co., Inc., 19 Congress Street. Miss Mummey was formerly cashier for John G. Sessler & Co.

Business Man's Bookshelf

Consumer Behavior Vol. II (Life Cycle and Consumer Behavior) —Lincoln Clark, Editor—New York University Press, Washington Square, New York 3, N. Y. (board covers) $5.

Free Films for Men's Clubs — Booklet of selected free loan 16 mm sound films with basic appeal to men — Association Films, Inc., 347 Madison Avenue, New York 17, N. Y.

How to Make a Killing in Wall Street and Keep It! — Revised edition of book presenting a formula for market gains—McKay, Dept. 1, 55 Fifth Avenue, New York 3, N. Y.—$1.50.

Modern Merchandising and Municipal Finance—Mabel Walker — Tax Institute Incorporated, 457 Nassau Street, Princeton, N. J. (paper) 75c.

Reports on Canadian Mines — Three months' trial subscription to fortnightly bulletin—$11.25—Babson's Canadian Reports Limited, Dept. CFC, 601 Harbour Commission Building, Toronto 1, Ont., Canada.

New Frontiers in Banking

By C. A. SIENKIEWICZ*
President, Pennsylvania Bankers Association
President, Central-Penn National Bank, Philadelphia, Pa.

Prominent Philadelphia banker, in commenting on an action program for Pennsylvania bankers, warns of inflationary developments and their adverse effects in the banking field. Says possession of large liquid assets by individuals may lead to over-confidence and speculation, and calls for prudent private and public policies. Holds we have many economic frontiers that can insure prosperity without inflation, and cites as new industrial frontiers, use of atomic power, new fibers and plastics, and petro-chemicals. Warns of growth in the private debt.

The purpose of my remarks will be: first, to indicate the impact of current changes in our economic frontiers upon banking and credit; second, to point out the effects of evolution from so-called class banking to mass banking, or from wholesale to retail banking, and the shift in the pattern of bank earning assets; and, finally, to suggest areas and problems for study by our committees.

C. A. Sienkiewicz

I want to make this point clear. It is not my intention to try to tell each committee what it is expected to do nor what subjects it is to explore. All of you are knowledgeable, resourceful and practical bankers. Your function is to select and define problems within the lines of your committee responsibility, to study them in the light of all available information, and then to present your findings and suggestions for the benefit of all our membership.

Significance of New Frontiers

Many of the problems confronting us are directly related to the new industrial and social frontiers that are changing the economic scene.

Truly amazing things have happened to our economy during the last three decades. We have seen new technological horizons emerge, bringing a spectacular array of new products and new methods. We have witnessed a vast evolution of managerial skill and productivity.

Our chemical industry, for example, has grown to be a giant, producing synthetic fibres, plastics, petro-chemicals and a myriad of other products unknown a generation ago. The new field of electronics has appeared, with its miracle-like surprises and its numberless new industrial units knocking at the banker's door. The discovery and application of atomic power in the fields of industry, agriculture, medicine, aviation and peaceful ocean navigation promise great and imminent changes.

And who can tell but that the recently announced plan for launching a man-made, earth-encircling satellite in outer space may open up new opportunities for branch banking on a celestial scale, free from terrestrial competition and anxiety.

We should take note of another new frontier that is related to banking and credit because it involves the integrity of dollar values. It consists of new political-economic concepts which have become part of our American society. One of them is Social Security, which is a system of vast tax collections to provide some current income to the unemployed and protection to our aging population. The collections for old age pensions last fiscal year amounted to $9.5 billion and the total fund invested in so-called special issues last April reached $41.7 billion, or about 15% of the Federal debt.

Similarly, a huge system of private pensions has been established. The growth of this new source is at the rate of almost $3 billion a year, with an accumulation of some $23 billion. This enormous volume of funds flows through banking channels and most of it enters investment markets.

Another new concept developed during this period is that fiscal and credit policies should be used as public instruments to stabilize business and income. The Employment Act of 1946 provides that the Federal Government and its agencies shall use every means to maintain employment, production and income at maximum levels. It implies, and some construe it to mean, that if necessary, even inflationary measures shall be used to attain this objective.

With governmental budgets, Federal and local, approaching $100 billion, it is obvious that great power resides within governments. The expenditure of much of this sum for defense and welfare has its own definite impact on the economy. At the same time, an unbalanced Federal budget tends to increase money supply, an inflationary force if the deficit is financed through the banking system.

In the Shadow of the Income Tax

The progressive effect of our graduated income tax has been profound. Certainly it has facilitated a broad redistribution of income. Combined with rapidly rising wages and full employment, it has well-nigh wiped out the once-styled low income group and correspondingly increased the middle income population which has money to buy goods, to put in banks and to invest. It has reduced upper incomes, driving people of wealth to tax-exempt municipals and "blue chip" securities instead of putting their money in risk ventures.

It has affected the processes of capital formation. Many corporations have found it cheaper, taxwise, to finance expansion by borrowing money instead of the traditional method of selling equity securities. Institutional investors have put large funds into these debt obligations. They have also bid up the price of stocks of prominently successful companies to a point of extremely low yield.

Smaller and new business enterprises, in the meantime, have difficulties in raising necessary capital for growth and improvement. Yet these smaller units predominantly are our customers; many of them are well run and could prosper if able to obtain more proprietary or risk capital. Here then is a problem, largely engendered by our tax system, for us as lenders to consider.

The meaning of these developments is that the resources of the economy are not only larger in terms of dollars, with inflation over the past 15 years, but also they now flow through different hands and different groups of people control their spending. The consumer and governments now play a much greater role in the economy.

Changing Banking and Credit Structure

Probably few of us realize that the first great change in commercial banking occurred some 40 years ago. In the first place, since the creation of the Federal Reserve System, we have experienced a great expansion in time deposits—from $1.5 billion in 1915 to almost $48 billion at present. Whatever the reasons back of this growth, it has meant that commercial banks have assumed some functions of savings institutions which have supplied long-term capital rather than short-term funds primarily for seasonal requirements of business.

The second development has been a rapid growth of investment in securities—from $2.2 billion in 1914 to about $82 billion at present. This means that the commercial banks have assumed also the functions of investment trusts rather than carrying out their original purposes of receiving deposits and making short-term loans.

The effect of these changes has been gradual but none the less pervasive. Much of our trouble in the 1930's could be attributed to new standards and practices arising from these changes.

What has happened to the earning assets of banking?

Whereas in 1920 loans made up about 60% and investments 18% of total assets, in May this year loans were 37% and investments 41% of assets. To express it another way—whereas loans in 1920 were 78% and investments 23% of total deposits, today they are respectively 40 and 45% of deposits.

Deposits are the most important liability of the bank. They are ordinary debt, but they constitute by far the largest part of our money supply. Banks can and do create deposits: first, passibely by accepting funds and, second, actively by lending funds to customers and by buying securities. And creation of deposits increases the money supply, especially through checking accounts.

The significance of these changes is twofold: first, the broad shifts in the character of earning assets have resulted in the enlarged functions of all commercial banks, and, second, the role of the banks in credit expansion or contraction has been greatly enhanced through their power to create credit and thus alter money supply within the framework of the Federal Reserve System. Commercial banks, therefore, hold a strategic frontier in our complex economy which depends on an efficient banking mechanism and on adequate credit facilities. An analysis of the specific changes in bank assets will make this meaning clear.

Commercial Loans

Let us first consider commercial loans. As you know, the old idea of commercial banking, patterned after the British system, was to maintain a certain proportion of funds in cash and a much larger proportion in short-term loans for productive purposes. Back of this idea was the belief that short-term loans were self-liquidating. As such they protected deposits because they automatically provided funds to meet the withdrawals.

But the whole theory was badly maimed, if not completely upset, by several developments. In the first place, corporations learned how to obtain funds through the sale of securities in the market, through depreciation allowances, and through the substantial retention of earnings from current operations so that their dependence on bank credit was lessened. Second, many of the supposedly self-liquidating loans were not repaid when due but were renewed over and over again. Third, it was learned that in times of trouble, loans were difficult to collect without aggravating business conditions. Finally, the growth of time deposits was accompanied by investment in securities on the theory that securities could always be sold at a price. The difficulty with this belief was painfully realized during the banking trouble in the 1930's when neither loans could be readily collected nor securities sold, chiefly because there were no buyers of goods or of securities but only sellers of both. In consequence, panicky liquidation and destruction of values followed.

The lesson of the 1930's was that the banking system was not a prime mover and that it could never be independent of the general business situation nor of governmental action.

Our Federal Reserve System was designed to be the lender of last resort, but its powers were restricted by law, based on the unrealistic theory of self-liquidating credit. Instead of supplying funds to stem the tide, Federal Reserve Banks themselves were pressing for repayment of their loans to banks. A change in the law had to be made and it was made under the stress of devastating events. As a result, our Federal Reserve System today is truly a lender of last resort. It is now empowered to lend to its members on any sound assets instead of only against meticulously defined commercial paper.

This broadening of Federal Reserve lending powers was a belated recognition of the trend that was discernible shortly after the passage of the Federal Reserve Act. For example, an earlier study of the Federal Reserve showed that in 1920 the so-called commercial loans made up 26% of total earning assets. In 1929, they dropped to 12% and in 1932 they were only 8% of total earning assets.

Unfortunately, we do not know what this proportion is today. The experience of our own bank shows that the proportion of the loans that are wholly or partly liquidated during the season in which they are made is less than one-third of earning assets. About one-fifth represent direct consumer credit and contracts purchased. The balance seems to be a mixture of capital and semi-capital credit such as term loans, revolving loans and chattel mortgages. They require time and earnings to liquidate.

Truly commercial loans obviously are repaid out of the proceeds realized from the conversion and marketing of goods. But loans of capital and semi-capital character, to be fluid and current, require amortization. A definite schedule of repayment is essential

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*Statement by Mr. Sienkiewicz to the Assembled Committees of the Pennsylvania Bankers Association, Harrisburg, Pa., Aug. 17, 1955.

Federal Reserve Policy—Flexibility Is the Word!

By R. L. WEISSMAN

W. E. Hutton & Co., Members New York Stock Exchange

Mr. Weissman describes the instruments of Federal Reserve policy and discusses the significance of the credit restriction policy during last two years. Points out, because central banking is an art, central banking authorities are hard put as to what determines their policy, and they must always look several months ahead to discount trends and formulate decisions.

Introduction

The way of the central banker, like the way of the transgressor, is hard. With few exceptions, policy has always been condemned by the Monday morning quarterbacks for being tardy or premature, too severe or not vigorous enough. For long periods, the Federal Reserve System seems quiescent and the general public is barely aware of the functioning of the Federal Reserve Board and the Federal Reserve banks.

When, however, the Federal Reserve authorities "lean against the breeze," in the words of Chairman Martin, central bank policy becomes of widespread interest.

Instruments of Federal Reserve Policy

The three instruments for carrying out Federal Reserve policy are (1) open-market operations, (2) discount policy, and (3) changes in member bank reserve requirements.

(1) Open-market operations consist of the purchase and sale of United States Government securities by the Federal Reserve banks, mainly United States Treasury bills. Purchases supply reserves to member banks, whereas sales absorb or extinguish reserves. These operations can be used too ofset losses or gains in reserves resulting from changes in such factors as currency in circulation or gold stock, or to expand or reduce the volume of bank reserves. Open-market operations are carried out at the initiative of the Federal Reserve System.

(2) Discount policy relates to borrowing from the Federal Reserve banks by member banks to obtain reserves. The discount rates at which the Federal Reserve banks lend are established by the Federal Reserve banks from time to time, subject to review and determination by the Board of Governors. On the other hand, the initiative in using the discount window is taken by individual member banks.

(3) The initiative with regard to changes in member bank reserve requirements may be taken only by the Federal Reserve banks, which by raising or lowering reserve requirements diminish or enlarge the volume of funds which member banks have available for lending. Changes in reserve requirements affect at the same time all member banks within each reserve class subject to the action.

"Moral suasion" refers to appeals or warnings made by the banking and monetary authorities to all or special groups of lenders with the intent of influencing their policies. Recently, there were meetings with representatives of major finance companies and the American Bankers Association. While the Federal Reserve Board could not reimpose direct controls, the fact that it was regarded as advisable to hold meetings showed that the Board was uneasy about the situation.

Direct or qualitative controls are limited to the establishment of margin requirements on security loans. Other controls relating to Veterans Administration and Federal Housing Authority mortgage guarantee and insurance terms affect credit, but are not directly wtihin the purview of the Federal Reserve Board.

Whatever instruments are chosen, the impact is on interest rates. If economic stability is the end in mind, destabilizing interest rates is the only way by which the goal can be reached.

Restraint and Its Significance

After the policy of restriction beginning with the summer of 1952 and continuing into the spring of 1953, the Federal Reserve began its expansive policies. This took the form of large purchases of United States Government securities, reductions in the discount rate and in reserve requirements. Thus, all the instruments of policy were invoked.

The change from restraint to ease and later to "active" ease was altered to mild restraint earlier this year by reductions in Federal Reserve security holdings and a lifting of the discount rate last spring, moving on to a policy of just plain restraint as evidenced by a second rise in the discount rate and no attempt to soften the effect of the need of member banks to borrow.

An explanation of unusual clarity of the consequences of restraint was set forth by the Federal Reserve Board in a study of "Influence of Credit and Monetary Measures on Economic Stability."

A general tightening of credit has its most direct effect in restricting the amount of spending with borrowed funds and also curbs the expansion of money, and so limits increases in the amount of cash balances held by individuals, businesses, and other spending groups.

Credit restraint, moreover, has important deterrent effects on spending out of existing cash balances and from funds obtained by the sale of assets, where no credit granting and no money creation are involved. These are indirect ways which come about by several means. There may be a dampening of too optimistic expectations of business and consumers. A rise in interest rates produced by credit tightening will tend to reduce the value of capital assets, a development that will in turn discourage some new investment in construction and in producers' equipment. Consumers and business may decide to save more, either because they are less sure that credit will be available for possible emergencies or to ensure fulfillment of future plans, or because the interest return on savings has become more attractive.

The key fact is that with a tightening in the credit situation, banks cannot count with as much certainty on the ready availability of additional reserve funds and will, therefore, tend to be more restrictive in their lending practices and standards. This restraint both reflects and is a part of the process of credit tightening. As the credit and monetary climate thus changes, bankers will modify their expectations about the general outlook for business and commodity prices. Applications for loans, particularly inventory loans, will be more carefully screened. Businesses which obtain credit to accumulate inventories will be under pressure from their bankers to keep inventories more closely in line with actual requirements. Bankers will also bring pressure for repayments on many borrowers with outstanding obligations. In general, they will be alert to find reasons for refusing credit requests or not meeting them fully and for accelerating repayment of outstanding loans, rather than eager to extend credit.

In other words, the significance of credit restraint is not to be measured only by the **level** of interest rates, but by their **direction**. When the money market has adjusted itself to a 2% rate, then a shift upward of one quarter of 1% will signal a change just as much as if the pivotal rate all along had been 3% and Federal Reserve policy in the direction of higher rates began at that point.

Factors Determining Federal Reserve Policy

Central banking is an art, not a science. Because it is an art, central bankers are hard put to translate into words just what determines policy, except in general economic and financial terms. The text books, to be sure, specify the various economic indices to be considered — production wholesale commodity prices, the cost of living, employment, inventories, the security markets, bank loans, interest rates, velocity of money, money supply, and in recent years, consumer credit, etc.

Now, after all is said and done, the indices register facts after they have taken place and for some statistical data the lag is still substantial. Actually, the credit authorities are guided not only by the indices as they exist but by what they think they will look like several months ahead. The composition of thee Board of Governors of the Federal Reserve System and of the boards of directors of the Federal Reserve banks who represent a good cross section of the business community, supported by economic research staffs of probably unequalled ability anywhere in the world, is fortunate.

When testifying last December before the subcommittee on Economic Stabilization of the Joint Committee on the Economic Report, Secretary of the Treasury Humphrey, although not a member of the Federal Reserve Board, was asked to justify the hard money policies of 1953 so far as the Treasury was concerned. It was pointed out that commodity prices had not risen and there were still some sore labor market areas. As to economic indices, like commodity prices and inventories, Secretary Humphrey remarked: "These curves, Mr. Senator, as you know, begin to show up long afterwards. If you don't live way ahead of the curves, you are going to be in a lot of trouble."

That means, although it may not be spelled out in so many words, that every step toward tighter or easier credit involves a forecast of what conditions will be in the months ahead. Like it or not, central bankers have to be forecasters and their forecasts affect not merely a single business enterprise or industry, but the whole economy. No wonder, then, that central bankers traditionally act too late rather than too soon, and err on the side of caution rather than recklessness. And the more so when, as in the United States Congress, some appear to be eager to put the Federal Reserve authorities on the carpet. Criticism is much more likely to develop when restrictive policies are adopted than when easier credit is the objective.

It is hard to condemn the Federal Reserve authorities this time. Their timing seems to have been as good as can be expected. They waited until, with production at a new peak, the flow of goods to

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The I. T. & T. Demonstrates "TACAN"

A new air navigation radio aid which is destined to play a major role in the airway of the future.

Henri Busignies, Executive Vice-President of Federal Telecommunication Laboratories division of the International Telephone & Telegraph Co. described TACAN at a press demonstration as one of the most significant advances in air navigation since the advent of the automatic radio compass and instrument landing system.

"The new aid," he said, "gives the pilot his exact position during every minute of flight, despite unfavorable weather. By means of a single airborne unit the size of an ordinary shoe box, he can establish his distance and bearing relative to a fixed ground station instantly and automatically—and with never-before-attained accuracy."

"TACAN's greater accuracy," he said, "will also result in wider and more efficient use of air space, since it will permit the establishment of multiple close-spaced airways. It will mean that parallel air lanes can be marked off only a few miles apart, instead of 20 or 25 miles as presently required. As a result, multiple routes can be established in heavily traveled areas where only one route was previously possible."

"Availability of the system," he said, "gives new impact to the age-old dream of automatic, all-weather air navigation and should help speed the day when commercial flying, both locally and internationally, can reach the goals sought by the airlines. Its adoption by the Military Forces of the United States and its Allies foreshadows a chain of TACAN ground stations that will eventually blanket the free world."

The TACAN system, product of 10 years of intensive research by IT&T in collaboration with the U. S. Navy and Air Force, was unveiled last Thursday for the first time at a press demonstration aboard FTL's Flying Laboratory. The flight also included the first public showing of IT&T's new "private flyer" TACAN—a compact, light, and relatively inexpensive unit tailored to the needs of the private aircraft owner.

From the time the DC-3 took off to fly over the metropolitan area until it was ready to land, there was constant, automatic indication of its exact position with the Federal Tel Laboratories at Nutley, N. J.

TACAN can be used with other aviation aids developed by IT&T —notably, Navarho, a long-distance radio aid with a range of 1,800 nautical miles, and a new low-approach instrument landing system (ILS-3) — to provide instant, accurate, and automatic guidance during every phase of flight.

To the busy executive who must operate on a tight schedule., TACAN can be an important time and money saver. Unlike the airline pilot who flies well-marked air lanes, the private flyer must frequently travel off course in unfamiliar areas. Assuming that it cost $155 per hour to operate a modern twin-engine executive plane, a reduction in flying time of only 10 minutes a day, through more accurate navigation, would result in a saving of more than $6,500 in a single year for one aircraft.

The developers of TACAN have had a long history in the field of radio aids to navigation. Companies of the IT&T System pioneered the first instantaneous direction finder in 1935 and introduced the first successful Instrument Landing System (ILS), now standard equipment throughout the world. Other more recent "firsts" 'include a long-range navigation system (Navarho-Navaglobe), now being sponsored by the U. S. Government for international standardization and capable of providing aircraft guidance on a global scale.

San Antonio Inv. Women Elect Officers

SAN ANTONIO, Tex.—Mrs. Isa Garrett, of the firm of Lentz, Newton & Company, San Antonio, will be installed as the new President of Investment Women of San Antonio at the club's fifth annual dinner meeting to be held Tuesday, Sept. 20, 1955, as 5:30 p.m., in The Tapestry Room of the St. Anthony Hotel. Special guest speaker for the occasion will be Steve Matthews, City Manager of San Antonio.

Mrs. Isa Garrett

Principals and other interested persons in San Antonio investment firms have been extended invitations to attend the meeting.

Besides Mrs. Garrett, other new officers of the club to be introduced are: Mrs. Hursuline Crumley, First of Texas Corporation, First Vice-President and Chairman of Educational Programs; Miss Eithel Evans, The Columbian Securities Corporation, Second Vice-President and Social Chairman; Mrs. Alice Davis of Texas National Corporation, Third Vice-President and Membership Chairman; Mrs. Lois Mann, Russ & Company, Fourth Vice-President and Publicity Chairman; Miss Loraine Hislop, Dittmar & Company, Secretary; Mrs. Ethel Shapiro, Lentz, Newton & Company, Treasurer; and Mrs. Estelle Hardy, as Past President, to be the representative at large for the group.

Mrs. Hardy of Dittmar & Company has headed the club for the past year and will preside at the meeting. The firm of Dittmar & Company will honor Mrs. Hardy and Mrs. Garrett with a cocktail hour for the group preceding dinner.

Program for the evening will consist of Mr. Matthews' speech concerning the municipal affairs of the City of San Antonio, and a short report from Mrs. Hardy, as outgoing President, outlining the past year's accomplishments of the club in presenting educational programs and in its welfare program; Miss Frances Curts of Merrill Lynch, Pierce, Fenner & Beane, will introduce the guest speaker and new officers of the club.

W. G. Nielsen Adds

(Special to The Financial Chronicle)

BURBANK, Calif. — Catherine Meeks has been added to the staff of W. G. Nielsen Co., 3607 West Magnolia Boulevard.

C. A. Botzum Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John M. David has been added to the staff of C. A. Botzum Co., 210 West Seventh Street.

Form Minerals Devel.

WASHINGTON, D. C.—Minerals Development Securities Co. has been formed with offices at 1341 G Street, N. W., to engage in a securities business. Officers are M. Belmont Ver Standig, President and Treasurer; Eugene L. Goodridge, Secretary.

Economic Aspects of the Robinson-Patman Act

By JESSE W. MARKHAM*
Associate Professor of Economics, Princeton University

Though agreeing with the purposes of the Robinson-Patman Act, Prof. Markham finds, instead of preventing price discrimination, it actually prescribes and encourages it. Says it increases the costs of distribution, and, in addition, it has discriminatory features. Urges amendments to the act, repealing the quantity limits proviso, permitting pricing according to costs, and allowing pricing to undersell as well as to meet the price of a competitor.

At the outset I wish to make it clear that my statements are concerned with the *economic* aspects of the Robinson-Patman Act. Whether the Act is a good or bad law is a matter law makers, and ultimately the public, must decide. I am not a lawyer, and therefore not fully informed on the legal problems associated with the Act.

Jesse W. Markham

The Robinson-Patman Act has the ostensible purpose of preventing price discrimination that injures competition. Section 2(a) of the Clayton Act, up to the first proviso, paraphrased, reads as follows: " . . . it shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities of like grade and quality, . . . where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly."

With this purpose I am in full agreement. Price discrimination is at once evidence of monopoly power and a means toward the creation of greater monopoly power. I, therefore, favor the retention and vigorous administration of the Robinson-Patman Act. This morning I propose to suggest for this Commitee's consideration some changes in the wording of the Act.

In economics the expressions "price discrimination" and "lessening of competition through pricing," taken together, have fairly precise meanings. Price discrimination is the charging of different prices to different buyers that are not directly related to the costs involved. This means that different prices to different buyers are discriminatory only when the price difference exceeds or falls short of the difference in cost. It also means that identical prices to all buyers is discriminatory unless the costs involved are also identical. Since the essential feature of competitive pricing is that prices reflect costs, competition is lessened when any of the following conditions exist:

(1) The differences in prices charged various buyers are *greater* than the corresponding costs involved.

(2) The differences in prices charged various buyers are *less* than the corresponding costs involved.

(3) Identical prices are charged various buyers when corresponding costs vary among buyers.

The Robinson-Patman Anti-Discrimination Act, contrary to the purpose implied in its title, actually prescribes and encourages much price discrimination. It does this in several ways, no one of which may be extremely injurious to competitive pricing, but when taken together they have the clear and discernable effect of distorting cost-price relationships.

First, a proviso in Section 2(a) empowers the Federal Trade Commission to "fix and establish quantity limits . . . when it finds that available purchasers in greater quantities are so few as to render differentials on account thereof unjustly discriminatory . . . ." The Commission has invoked this power only once, in 1951 in the sale of rubber tires and tubes for motor vehicles. (Quantity Limit Rule 203-1, 17 Fed. Reg. 113.) But the particular conditions under which it was invoked is sufficient evidence that this power could be used to prevent many price differences that reflect cost differences. In this rubber tire and tube case it was invoked because "only" 63 buyers accounting for 29% of the market purchased in carload quantities. This interpretation of "so few" is broad enough to be applied to virtually the entire economy.

(2) Section 2(c) of the Act—the so-called brokerage clause—discriminates against buyers who act as their own brokers. The language of this section would surely appear to be reasonable enough. It simply states that "it shalll be unlawful for any person . . . to pay or grant, or to receive or accept, anything of value as a commission, brokerage, or other compensation, or any allowance or discount in lieu thereof, *except for services rendered in connection with the sale or purchase of goods . . .*" (italics supplied). It is presumed that this section of the Act was designed to prohibit the payment of unjustified and *fictitious* brokerage fees and allowances. For all practical purposes, however, the courts have read the term "except for services rendered" out of the Act. In *Webb-Crawford Co. v. Federal Trade Commission* (109 F. 2d 268, 5th cir. 1940), the court declared all payments of brokerage to anyone connected with the buyer illegal, whether or not such payments were made for services rendered. Other decisions have interpreted the term "except for services rendered" to read "except for services rendered by a broker completely independent of the buyer."

These interpretations have the effect of forcing integrated buyers who furnish brokerage and other services to *pay* fictitious brokerage fees, a practice the Act ostensibly purported to prevent. By making payments for such bona fide services, or price adjustments to compensate for the rendering of such services, per se illegal, the Act fosters traditional and often high cost methods of distribution. It even prevents an examination of the facts underlying various distributive channels. More importantly, it fosters price discrimination in that it forces low-cost distributors and integrated distributors to pay higher prices relative to the costs involved than do high-cost and unintegrated distributors. Hence, aside from its discriminatory features, 2(c) increases the costs of distribution, an area where government agencies and most private citizens and organizations have concluded that costs are already too high.

(3) Section 2(a) states that nothing contained in that section, except the quantity limits provision, "shall prevent differentials which make only due allowance for differences in cost of manufacture, sale or delivery . . . ." This wording and the procedures it involves foster discriminatory pricing. The wording makes it permissible for a seller to charge a relatively higher price to a low-cost than to a high-cost buyer than the difference in cost would justify. This is well illustrated by the *Standard Brands* (29 FTC 121, 1939), *Kraft-Phenix Cheese Corp.* (25 FTC 537, 1937) and *Minneapolis-Honeywell* (*FTC* v. *Minneapolis Honeywell Regulator Co.*, 344 U. S. 206, 1952) cases. In *Standard Brands* the Commission rejected the cost differences offered by respondent to justify price differences to different customers on the grounds that they were not *fully* sustained by the facts. But in doing so the Commission rejected the cost justification in toto, thereby disallowing that portion of the price difference that *was* cost justified. In *Kraft-Phenix* the Commission permitted a cost difference of $3.62 to justify a price difference of only $2.50. In *Minneapolis-Honeywell* price differences were judged to be justified on evidence contained in a costly study made by certified public accountants that the cost differences were three times as large.

Professor Morris Adelman of Massachusetts Institute of Technology has argued convincingly ("The Consistency of the Robinson-Patman Act," *Stanford Law Review*, vol. 6, 1953) that price discrimination such as the above is a necessary consequence of the Act for the following reasons: (1) The cost of assembling data to justify price differences is so great that sellers act as though no cost differential existed; (2) since the burden of proof is on the seller, and since the introduction of some uncertain cost element is likely to prejudice his entire defense he must treat some or all cost differentials as though they did not exist for purposes of pricing; and (3) arbitrary classifications of sellers lead to uniform pricing, and therefore discriminatory pricing, when buyers in fact perform different marketing functions; in the *Standard Oil of Indiana case*, for example, jobbers, who also sold at retail, were classified along with retailers who did no jobbing.

These are the noncompetitive and discriminatory effects of the Robinson-Patman Act. But the Act serves a useful purpose—it enables antitrust agencies to proceed quickly against certain flagrant price discriminations and the awarding of fictitious bonuses, discounts, and fees to large buyers simply because they are large. The Act therefore fosters some discriminations as it prevents other discriminations. Simultaneously, it results in more rigid, more uniform, and higher prices to the consumer than would prevail in the absence of the Act. Indeed, many critics of the Act have labelled it a companion to the Miller-Tydings Act, and have said that together the two acts comprise an extension of NRA. This may be what Congress intended it to be, and do. If so, the Act should not be repealed or amended.

However, if Congress intended that the Act promote pricing practices consistent with both the remaining body of antitrust law and the precepts of competition the Act clearly needs amending along the following lines:

(1) The quantity limits proviso should ultimately be repealed. However, this should await the Supreme Court's ruling on the case now before it.

(2) Pricing in accordance with costs should be made the rule rather than a defense for the exception. Sec. (a) of the Act can easily be amended so as to replace the first proviso with this definition of price discrimination: "Price discrimination is herein construed as the act of charging different prices to different buyers that do not correspond to their respective cost differences. The discrimination consists of that portion of the price difference that does not correspond to the cost difference."

(3) The "good faith" meeting of competition defense should be revised so as to read "to meet *or undersell* a competitor's price" rather than "to meet an equally low price of a competitor" as the Act now reads. In its present form the Act encourages price uniformity, which under certain circumstances gives rise to price fixing cases under Section 1 of the Sherman Act and is therefore inconsistent with it. The substitute phrase would encourage price competition and would therefore benefit the consumer, that broad group in which we all hold membership but who seem to have been overlooked in all the antitrust, price support, fair trade, and labor legislation enacted over the past several decades.

(4) For the same reasons presented in (3) above, that part of the final proviso of Section 2(a) "That nothing herein contained shall prevent price changes from time to time where in response to changing conditions affecting the market for or the marketability of the goods concerned, such as but not limited to actual or imminent deterioration of perishable goods, obsolescence of seasonal goods, distress sales under court process, or sales in good faith in discontinuance of business in the good concerned" should be reworded so that it does not establish the presumption that prices *should* only change from time to time, and under the direst of circumstances. In lieu thereof a phrase such as the following should be substituted: "And provided further, that nothing herein contained shall prevent price changes at any time the seller wishes to do so, either as a stimulant to competition or in response to forces of competition and changing market conditions, potential or extant."

In conclusion, it should be pointed out that the only justification for a special statute against price discrimination arises out of the way the rest of the antitrust statutes have been administered. The kind of price discrimination that injures competition involves sufficient power of sellers to divide and exploit their various classes of customers, or sufficient power of buyers to extract differential prices from sellers. This form of price discrimination is usually systematic and continuous. It is systematic in that it singles out for preferential treatment buyers falling in a particular size group, class of business, or possibly a particular location, at the exclusion of buyers that do not fall in such groups, classes or locations, and cannot readily shift into them. It is continuous in that it reflects the sellers price policy, and is not a temporary improvision to meet or undercut a competitor's price in a particular trade channel or region. Unsystematic and sporadic price discrimination intensifies competition. Systematic and continuous price discrimination reflects existing monopoly power and may very well increase that power. I would therefore urge that the antitrust laws be used to diminish monopoly power so that the Robinson-Patman Act would seldom need to be invoked. This would get at the roots of the problem rather than its superficial manifestations.

*A statement by Prof. Markham before the Subcommittee on Anti-trust and Monopoly of the Senate Commmittee on the Judiciary, Aug. 23, 1955.

THE MARKET . . . AND YOU

By WALLACE STREETE

Selected stocks put on some wild shows this week, mostly on stock split news or hopes of it. But overall it was a rather pinpointed performance with the rails stubbornly refusing to "confirm" the industrials' emergence into new all-time high ground, and a disposition apparent to take profits rather willingly on strength.

Split Excitement

Reynolds Metals started off the sprinting spree late last week and again this week. Before it ran out of steam the price of the stock had appreciated from around 250 to 300 in little more than a week's actual trading. It all reflected much more demand than the 5-for-1 split currently underway would normally inspire.

* * *

When Reynolds subsided, U. S. Gypsum also proposed a 5-for-1 split which started fireworks in that issue, including a one-day runup of as much as $29.50 a share at the peak. It nudged its high another $10 along before it, in turn, settled down for a rest after posting a price of $335 for a stock that sold earlier this year at $214 and could have been bought last year at $114.

* * *

The comparison is even more marked in Reynolds Metals. This issue sold this year at less than $110 and had only crossed the century mark last year after selling as low as $51.67 in 1954. Five years ago the stock sold at only a shade over $20. The when-issued stock made the most-active list as something of a regular item and even managed to land in the top slot on only its second day of trading.

* * *

There were some other solid gains achieved elsewhere. The achievements were somewhat pale when measured against the high-flying issues but would be considered excellent at any other period. Among the issues that might be grouped in this category were General Motors, Magma Copper, Sears Roebuck, Aluminium, Ltd., American Potash, Standard Oil of New Jersey, Owens Corning Fiberglas and low-priced Eversharp.

* * *

That there were still some blue chips among the issues able to climb easily was of some comfort to the bullish sentiment, but the technical situation wasn't overly auspicious. The dour note was the divergence of the rails again after they had climbed to within less than a point of the previous high mark reached in June. There was no clear-cut tests of the old highs, however, as demand failed to develop. Afterward the average retreated from any challenge even while the industrials were forging to a level 100 points over the peak of 1929, the 381.17 figure that stood as a "fabulous" high until last year.

* * *

Another fact that blunted somewhat the significance of the new high for the senior index was that it was pinpoint strength of a few pivotals that did the trick and outside the charmed circle little was accomplished. In fact, when the previous high was posted late last July, it was on a day when more issues declined than advanced. The same was true again this week which is hardly the pattern for a raging bull market. It is more the pattern of a tired bull market with the important exception up to here that reactions don't generate selling and the market subsequently nudges ahead grimly.

* * *

One comparison that reduces the story of the industrial average a bit is the comparable average price of stocks listed both at the end of July and at the end of August. Peaks were recorded at the end of the month or close to it on both occasions yet the later comparison showed the very minor decrease of 0.4% in the overall market value. Here, again, it is hardly a tale of an unbridled bull market. Whether the market had come to a time of calmer action on its own, or whether the cumulative effect so far this year of the stock market "study" by Congress, higher margin rates and, lately, tighter money has finally slowed it down psychologically is a moot question.

A Well Acting Issue

One issue that has been able on occasion to put on good independent action despite the general market is American Bosch which has also been somewhat more active than usual. There has been little in the market letters to account for it. It seems to be due to the fact that plans in the auto capital indicate the troublesome and delicate carburetor is on its way out and forward planning favors fuel injection systems such as are standard on Diesel engines. Bosch is rated as one of the two companies in the country that have developed injection systems for gasoline motors. As with other automotive developments, the system probably will be introduced on the highest price lines at first, which postpones the money-making potential until at least 1957 or later.

Short-Covering in GM?

The strength and activity in some of the blue chips seems to be a bit more technical. General Motors, for instance, is getting close to the time when the stock split will be effective. And the issue has had one of the larger short interests for many months, leading to more than a suspicion that its new-found strength probably is due in large measure to short-covering.

* * *

For a merger move, the better acting candidate for a deal with some larger company has been Diamond Match which found enough support to put some successive new highs together. One of the odder firms mentioned as the likely party of the second part is Allied Chemical in this case. Eversharp is also featured in merger rumors and while it, too, has been able to post some repeated new highs, nevertheless there seems to be enough skepticism so that rapid advances are clipped back rather abruptly. This has happened repeatedly.

Stores Favored

Despite the overall market action the group most favored by the majority of market analysts is the store division. With the blue chips at a low-yield level and many of them apparently bumping the ceiling, the interest has turned to the secondary group in which most of the stores are rated. They have been lagging behind the market for half a dozen years with McCrory Stores, for instance, widely expected to restore the $1.10 dividend before the year is out. This would put it in the 7% yield bracket which is downright handsome against some of the other yields that range from a fraction of a per cent in Rohm & Haas to less than 2% among some of the chemicals, the normal low yielding group for around a quarter of a century now.

* * *

Some of the food stores have been faring somewhat better profitwise with a bit of emphasis occasionally centering on Safeway Stores and on Grand Union. Among issues that have had poor profit results recently which are believed to have turned the corner are Lerner Stores, Colgate Palmolive and Detroit Steel, with the latter helped by an expectation that resumption of dividends will also occur before the year ends.

[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.]

The Working of Anti-Trust Laws

By RICHARD B. HEFLEBOWER*
Professor of Economics, Northwestern University

Professor Heflebower reviews various phases and segments of the anti-trust laws. States, from a public policy viewpoint, emphasis should be placed in the law on the organization of industries rather than the conduct of firms. Holds the danger lies in the anti-trust laws dealing too little with the organization of industries. Upholds Attorney General Brownell's National Committee on the anti-trust laws, and urges laws have in view bringing prices and costs down to a level adjusted to efficiency.

My testimony will cover three major topics. First, I will outline my general viewpoint with respect to the relationship between the organization of industries and their conduct viewed both as a problem in economic analysis and as one of public policy. Second, while I realize that the hearings directed primarily to mergers were held earlier, I will make a few observations on that subject. Third, I will deal with some parts of public policy which is designed to affect the way companies, particularly the large ones, compete.


R. B. Heflebower

Both in economic analysis and public policy, primarily emphasis should be placed on the organization of industries, for the way firms compete stems, in large part, from the place they occupy in the market in which they sell. By this observation, I mean not merely that the relative size of companies will affect their conduct, but also that their degree of vertical integration, the extent to which they also engage in other types of business, the degree of success they achieved as sellers, the variety of channels in which they sell, and the degree to which they are low or high price sellers, will influence market results. In my judgment, once one fully understands the organization of industry, he will find that most of the conduct is a logical consequence of that organization.

This applies even to most of what individual firms do. While I realize that a relatively large firm can take discretionary actions without self-injury, most acts which appear to be discretionary are logical consequences of the place which the firm occupies in the industry.

In an economy the size of ours, and with its dynamic character, we have relatively little to fear from changes in the organization of industries which emerge from the different degrees of success which companies achieve in market rivalry. In this market struggle, even where the tactics are not entirely fair, each company has to prove by actual performance that its capital investment and other decisions have been wise. It will make its decisions with respect to expansion with the full understanding that these outlays will prove to be successful from the company's standpoint only if they aid the company as a buyer and a seller.

From the public policy viewpoint, emphasis on the organization of industries rather than the conduct of firms has the outstanding merit of minimizing the degree to which government agencies find it necessary to regulate the conduct of companies. The danger we face is that we will enforce the Sherman Act and those parts of the Clayton Law that deal with the organization of industries too little and fall back, because of that failure, on the remaining provisions of the Clayton Law, and its amendment by the Robinson-Patman Act. The government is not a particularly effective regulatory agency nor are companies likely to compete vigorously when hanging over their heads from day to day are detailed governmental controls of their actions.

Having said this, I must, nevertheless, go on to add that the organization we have now in many industries, and that which I am certain we are going to have, is such that individual companies have the power to injure competition by discrimination and by excluding rivals. Hence, it is necessary to have on the books, and to have enforced actively, restraints on the conduct of firms which have this degree of power in the market.

Because our primary reliance should be on public policy affecting the organization of industries, the need for strong restraints on mergers which so reshape industries that competiiton is injured is self-evident. Such legislation is in line with my observation that we have relatively little to fear that the organization of industries will become clearly non-competitive as the result of some companies rising to dominance through market rivalry.

Indeed, it is unfortunate that almost a quarter of a century elapsed between the 1926 court decision which made the old section seven of the Clayton Law inoperative and the enactment of the new provision. But that is history. The present issues are whether the new provision is in fact adequate to deal with all of the problems and whether that law is being enforced vigorously.

As I read the new section seven and its legislative history, it does not provide exact guides whereby the enforcement agencies can judge whether a proposed merger would substantially lessen competition. In that I think the Congress was wise. Perhaps the experience under the new provision will demonstrate that certain types of mergers should be made illegal *per se*. As of now, it seems to me that such rules would not really help because the only mergers for which I could with a clear conscience provide *per se* rules are obviously illegal under the present legislation. It does not help the administrative agency to have the easy cases settled for it. What it needs is guides for the marginal cases which are on the border of damaging competition.

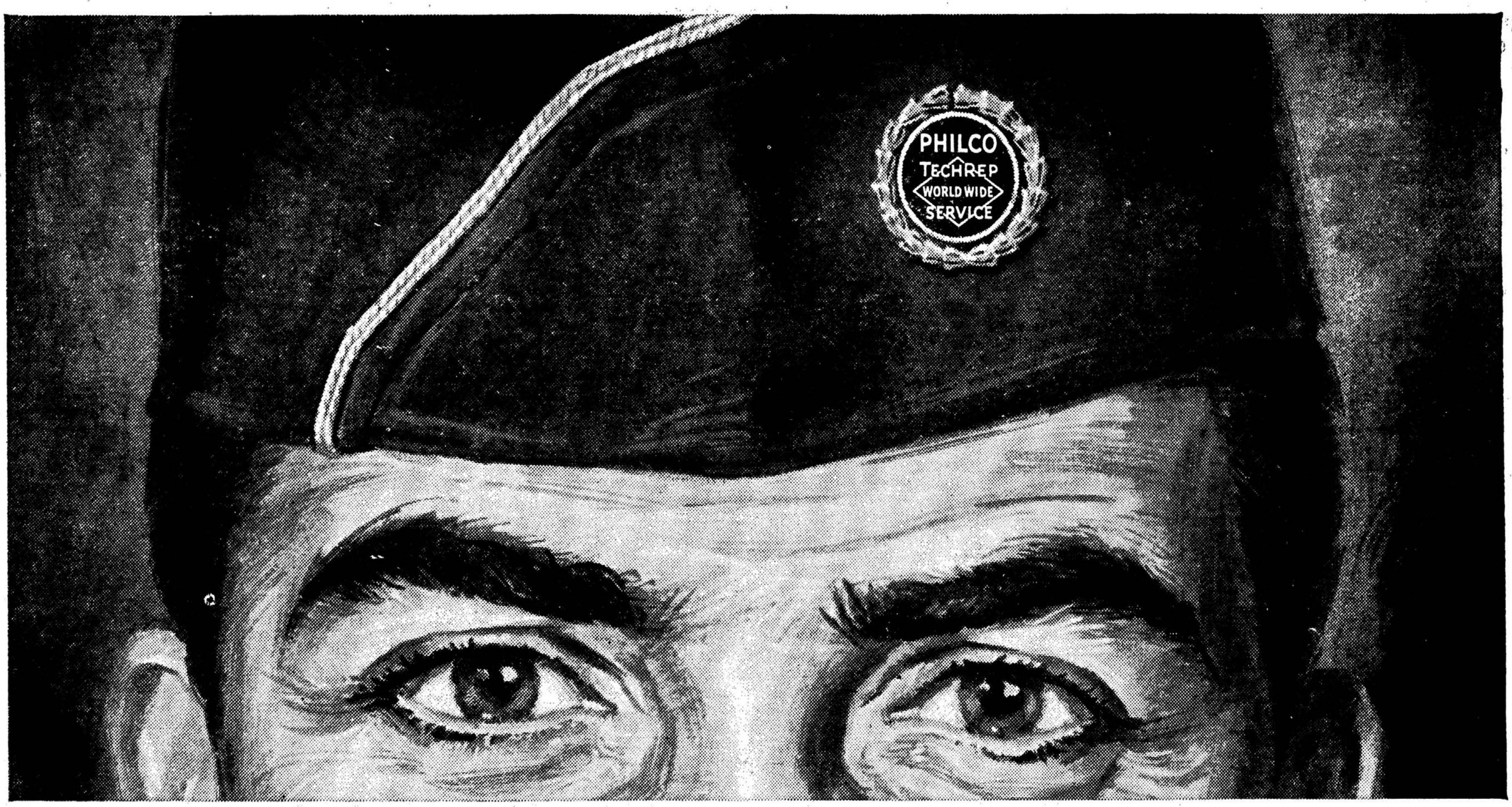
The present legislation calls for appraising the marginal cases on the basis of a quite full understanding of the organization of the market and of the acquiring firm's role in it. Such an appraisal cannot be made by junior clerks on the basis of a few bits of evidence about the firm and the industry. (This is not a complaint on the present personnel of the Federal Trade Commission, but on its budget for this phase of its work.)

Such an enforcement procedure would lead either to failure to act on important cases or to issuance of orders by the Commission in cases which it could not sustain in a court action.

I am referring to the provision which the Congress makes for the

Continued on page 31

*A statement by Prof. Heflebower before the Senate Subcommittee on Anti-Trust and Monopoly of the Senate Judiciary Committee, Aug. 22, 1955.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Trends in Housing Finance

currently have incomes after taxes of over-$5,000 a year—compared with 40% in 1945. Furthermore, there has been an increase in the spending and savings ability of the over-$5,000 income bracket families of almost 100% since 1941 (again this is in terms of constant dollars).

Changed Methods of Home Financing

Thirdly, and far from last, and contributing equally with the housing shortage and the increase in family incomes to the housing boom, have been the changes that have come slowly and almost unnoticed in our methods of financing.

Some of the changes may be enumerated as follows:

(A) The monthly amortized mortgage which is followed now by all lending institutions but which before the depression of the '30s was used almost exclusively by savings and loan associations. Some of you may recall the old style form of financing where the home owner would borrow $10,000 for a period of three or five years and at the end of that time would have to go in and pay something down on the debt and then renegotiate a loan for the remaining balance. This form of home financing did not stand the test of time.

(B) Low downpayment financing which has resulted from

(1) government guaranty and insurance—FHA and VA

(2) more careful and intelligent valuation of property

(3) more careful analysis of the borrower's credit characteristics

(4) home mortgage lending becoming a full-time business and the concern of thousands of educated, experienced businessmen.

(C) Longer term mortgages carefully related to family incomes with monthly payments covering a period of time sufficiently long to make monthly mortgage payments somewhat comparable to rent. We have come to realize that it is important to relate financing plans to the economic life of the type of property being financed. For example, automobile financing typically is limited to a period of from 18 to 24 months. While the automobile will last longer than this, it begins to deteriorate after this period of time. By contrast a semi-trailer truck may be financed over a four or five year period, a box car over a 10 year period, and a steam turbine over a still longer period. In each case, the type of financing, to be sufficient, must bear a relationship to the economic life of the type of property involved. No longer does the intelligent mortgage lender merely try to sell the borrower on the smallest amount of money for the shortest period to time.

Danger of Longer Term Loans

There is the danger, of course, that the trend toward longer term loans, particularly those directly or indirectly subsidized by the Federal taxpayers, will ultimately result in the disservice to the borrowing home owner. There are those of us who believe, for example, that 30 year loans are beyond the term that is practical, sound, and reasonable from the standpoint of the total cost of home ownership. On a 30 year loan of $10,000, at 4½% interest, the total interest cost is $8,241. Of equal importance is the fact that after five years of regular monthly payments the principal balance of the loan has been reduced only 11%, and the borrower has not established an equity that will entitle him to leniency if leniency is required. In other words, the creation of an $1,100 equity in a $10,000 home over a period of five years will hardly keep pace with normal wear and tear and depreciation, let alone periodic drops in the general real estate market.

(D) Another important innovation in mortgage financing is the use of so-called "open-end mortgage" which permits a borrower to obtain additional funds upon the security of his home without rewriting the trust deed or mortgage and with a minimum of time, red tape, and expense. By this method a home owner can use the equity in his house for making additional home improvements, purchasing appliances, or other family needs. A family's investment in a house is no longer frozen.

(E) Mortgage financing arrangements including refrigerators, stoves, air conditioning units, automatic dishwashers, and other appliances. The potential effect of this type of widespread use of financing upon the total market for appliances is fantastic.

(F) The creation of a so-called secondary mortgage market primarily through the FHA and VA program, whereby the pool of investment capital in the East is funneled into other sections of the country, such as California, which have traditionally suffered from a shortage of capital.

The result of these innovations in mortgage financing has been the creation of an entirely new market for home ownership and a greatly expanded market for all those who manufacture and sell things to home owners and for all whose business is dependent one way or another on an active home building industry and on a sound and active market for residential real estate. Among other things we have created an entirely new generation of home owners.

Prior to the depression of the '30s home ownership was usually considered within the reach of only mature families or children of well-to-do families. Today as a result of changed attitudes regarding home ownership and improved home financing young families in their 20's confidently expect to take on the responsibilities of home ownership. Those engaged in manufacturing and industry realize full well the implications to our sales market and our over-all economy of this new generation of home buyers.

First we build the house, and then come the streets and the bridges and sewers and storm drains and water works and flood control, and then the schools and churches and hospitals and other commercial ventures, and before we get through, the little family who embarked on a home ownership program have started quite a chain of economic events. Generally speaking, commercial construction follows residential building by 18 months to two years and the time lag for industrial construction and public works is often considerably greater. With the high volume of residential construction in recent years and another record being created in 1955, it is difficult to anticipate any great reduction in commercial and utility construction for some time to come.

In 1940 in the United States we had 11⅓ million families owning their own homes and this figure has been increased to 25 million in 1955, or an increase in the home ownership ratio in this country from 41% in 1940 to 57% in 1955. As I have heretofore mentioned, the increase in family incomes has been an important factor but improvement in home financing techniques has had an equally important role in the reduction of the average age of home owners. "Time" magazine recently quoted statistics to the effect that the average age of home owners has been reduced from 48 to 31 years over the past generation. The Federal Housing Administration quotes statistics to the effect that the average age of families buying a new house is now 34 years, and the Veterans Administration tells us that last year 37% of all veterans buying a house were under 30 years of age.

At the other end of the pendulum it is very obvious that retirement and pension programs, coupled with our modern methods of amortizing, will broaden home ownership for older families. I think unquestionably that home ownership will be more widespread among all age and income groups in the future.

Another important result of modern improvements in home financing is increased stability and salability of residential property. At one time home ownership was considered undesirable because it tended to the people closely to a given locality and prevented them from pursuing economic opportunities in other communities. With active and favorable housing markets, together with standard type amortized loans, this has not been the case in the postwar period. The typical family today will own more than one home during its lifetime. A home purchased when the head of the household is in the late 20's or 30's is usually sold or traded in on a larger home as family requirements expand. Typically the first home is not completely paid for but the equity in it is, in effect, "traded."

This broadened market for home ownership has greatly increased the need for savings which can be used to finance the purchase, construction, repair, and modernization of homes. As a result of this expansion in housing, building, and home ownership, the total amount of private debt has increased. You have, no doubt, heard or read many expressions of alarm concerning the tremendous growth in personal debt in recent years. There has been some talk in Washington about the danger that a too rapid growth in debt may be setting the stage for another serious depression. This merits careful study.

I have not wanted to bother you with too many statistics in the course of my presentation but have had several charts printed and available for distribution if you care to take them with you for reference. As indicated on Chart C, the total individual and non-corporate debt has trebled during the postwar years from 54.6 billion at the end of 1945 to an estimated 162 billion at the end of 1954. One of the largest components has been the non-farm mortgage debt, largely residential mortgage debt, which increased from 27 billion in 1945 to 94 billion in 1954. Non-farm, non-mortgage debt, over half of which is consumer credit has increased 2½ times from 20 billion to 50 billion.

Some Points to Be Noted

Before we jump to conclusions, however, about the rapid rise of this debt, there are several points to be noted. The real burden of any given volume of debt is not measured by absolute dollar figures but by the relationship which that volume of debt bears to income. Moreover, even at a given level of income our ability to carry a given volume of debt is influenced by the interest cost of that debt and by the character of the debt contract. I have a chart that shows these same debt figures plotted as a percentage of disposable personal income—that is, income remaining after taxes. You will note that total individual debt is a lesser percentage of disposable personal income than it was in any year of those shown on the chart prior to 1941. In other words, measured by proportion to income, the debt burden is not yet out of line with prewar years. I recognize the fact, however, that the precentage has been rising rather sharply in the last several years, and a continuation of this rate of increase in the ratio of debt to income might begin to have serious consequences before too long.

The cost of the debt is also relative to this problem. Today interest rates on various kinds of personal debt are roughly one-half to two-thirds of what they were a generation ago. Interest is now much lower than it was in the prewar years, although it has risen in recent years. How many of you gentlemen dealing in products other than money are charging one-half to two-thirds as much for your product as you were a generation ago? Among other significant developments in mortgage finance has been the maintenance of such a low cost of money. This is admittedly due to some extent to the competition of our Federal Government. When Uncle Sam competes with you it is a little more difficult for the cost factor of your product to react to the normal laws of supply and demand than is otherwise the case.

Another factor that must be remembered in considering our present debt structure is the nature of our mortgage contract that I have already referred to. A typical mortgage loan of 25 years ago was of short maturity and not amortized. Second and, in some cases, even third mortgages were common. Today practically all mortgage loans are amortized and second mortgages relatively scarce. I should probably also add that today some 42% of our outstanding mortgage debt on residential properties is underwritten by government insurance and guaranty programs. This is a trend that is not entirely healthy but will tend to prevent any wild dumping of real estate on the market such as characterized 1929-1933. I might also mention the fact that financial institutions engaged in the mortgage lending business are in a much stronger position than they were a generation ago and enjoy a higher measure of public confidence.

I do not want to leave you with the impression that I am minimizing the significance in the increase of personal debt in recent years and especially the increase in home mortgage debt. Obviously the rate of increase of the last few years cannot continue indefinitely, but I do not believe that the size of individual debt, when considered in relationship to today's incomes, interest rates, types of mortgage contracts, and asset values, generally has yet reached a point where we need to be alarmed about it.

Neither do I believe, as we sometimes hear, that our problem is one of "over-saving." Economic changes which appear to lie ahead suggest, in fact, the need for greatly increased savings to finance expanded investments in capital goods which produces consumer goods and vastly increase our housing inventory. For short-term periods, a reduction in spending on the part of consumers and business firms, as a result of increased savings, may bring about reductions in the volume of business activity. In the long run, however, I don't see how we can seriously "over-save" because savings are essential to finance the purchases of capital goods by which we provide increases in the American standard of living.

As long as technological development and capital expansion continue at their present pace, the present volume of saving is not too high. Indeed, if we are to increase our output to the levels which I have projected for 1970, we will need an even higher rate of saving. Over-saving is a problem only during a period of stagnation. The problem in the next two decades is likely to be under-saving rather than over-saving.

Actually, as a recent "Fortune" article pointed out, the current rate of saving is not significantly higher than it was in prewar years for persons *in the same real income brackets*. The over-all saving rate is higher today, chiefly because real incomes are higher, and it has always been true that persons in higher income brackets can afford and do, in fact, save a higher percentage of their income than do persons in lower income brackets.

It is a good thing that we do save a higher percentage of our incomes, because further increases in our standard of living are more capital demanding than would be the same relative increases in low standard of living countries. The underdeveloped country, with low average incomes, can improve its standard of living appreciably by throwing rocks on a mud road and making an all-weather road out of it. This does not require much capital and therefore not much saving. But to get the same relatively increase in our standard of living, we would have to convert an ordinary paved road to a four lane divided highway, and this requires a lot of capital and therefore a lot of saving.

You are all familiar with the increased investment need in each of your lines of business to finance the much greater output of goods and services which you will be called upon to produce in the next 10 or 15 years. You may, however, not be familiar with the tremendous savings which will be needed in the housing field and, on the part of savings institutions to finance America's future demand for good housing. The rise of family formation beginning gently in the early 1960's but surging to record heights in the late '60s and early '70s will require by 1970 over two million new houses per year just to keep up with the net family formation not to mention demolitions, losses by fire, or abandonments of substandard structures. Allowing for the fact that higher per capita incomes will also permit better houses to be built, the annual volume of expenditures for non-farm residential construction in 1970 should be close to and probably exceed $25 billion compared with $11.9 billion in 1953 and $13.3 billion in 1954. This will require a corresponding increase in the flow of savings if financing is not to be the limiting factor on this expansion in expenditures for housing.

Fortunately, it appears that the savings of American families can be large enough to finance the necessary increase of productive capacity and our investment in owner occupied housing. By referring to Chart F you can see that if we assume that the savings rate, that is, net personal savings, as a percentage of personal disposable income will stay relatively high like it has been the past few years, then we should have $33 billion of net personal savings in 1970 to finance our important home building program.

Any discussion of future prospects for savings would be incomplete, I believe, if we did not for a moment explore the possible impact of the growing use of the so-called "built-in stabilizers" upon savings. The stabilizing programs which have probably the most direct bearing are social security, unemployment compensation, health insurance, and various pension and retirement plans.

To these programs must be added still another, which was recently given birth: the guaranteed annual wage.

Each of these programs is symptomatic of the craving for some financial security which enveloped this country in the early days of the depression, and which led to the various forms of the New Deal—some of which were good and some of which were ill-advised. It should be emphasized that in some quarters, this continuing quest for greater security is regarded as dangerous. According to these views, the American people might foresake the building up of great pools of private savings which are essential for the period of expansion that lies ahead.

The introduction of the guaranteed annual wage program into the automobile industry makes the exploration of this question particularly timely and significant. For, no sooner had the GAW plan been signed than some of our economic writers and analysts began to say that this program would have a depressing effect upon the eagerness of people to save for a "rainy day."

While there are some shortcomings of the guaranteed annual wage—the most apparent being its inflationary character — it is my personal belief that this program is *not* likely to have an adverse effect upon the desire of the American people to save. The Federal Government's social security program, while originally an extremely controversial proposal, did not—as some financial executives believed — destroy efforts of families to provide for their old age. It probably had, in fact, just the opposite effect because the inadequacies of social security benefits dramatized the need for more substantial retirement and pension plans under private sponsorship.

Unemployment compensation, again a controversial proposal, has not had any appreciable adverse reaction on savings, so far as it can be determined.

The basic question involved in this whole proposition, it seems to me, is whether fear or security is a greater incentive to saving. On the basis of the past 20 years, certainly a case can be made that the so-called "built-in stabilizers" have meant a greater ability and a greater inclination on the part of the American people to save.

Just as in the case of other economic experiments, time will tell whether the guaranteed annual wage is a valid and worthwhile new "fringe benefit." Certainly it is a milestone in American labor-management relations *at an industrial level.* Note that I emphasize the words "at an industrial level"—for, of course, in the case of the vast majority of American financial institutions and businesses, year-around remuneration has long been accepted and practiced.

In the great flood of publicity which accompanied the signing of the guaranteed wage agreement, very little attention was given to the fact that unlike social security and unemployment compensation, there is not the slightest tinge of socialism involved in the program. It is heartening to me personally that this agreement was negotiated over the bargaining table by labor and management—free of government intervention or control.

That, I maintain, is something to be thankful for!

Butcher & Sherrerd Add

PHILADELPHIA, Pa. — Henry P. Glendinning, Jr., William D. Sherrerd, III, and J. Houston Young are now associated with Butcher & Sherrerd, 1500 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, as registered representatives, the brokerage firm announced.

Yale & Towne Stock Offer Underwritten

The Yale & Towne Manufacturing Co. is issuing to the holders of its capital stock rights to subscribe at $56 per share for 106,931 additional shares at the rate of one share for each six shares held of record on Sept. 9, 1955. The subscription offer will expire at 3:30 p.m. (EDT), on Sept. 26, 1955. The offering is being underwritten by Morgan Stanley & Co. and a group of investment firms who will purchase from the company any unsubscribed shares.

The company will apply $1,000,000 of the proceeds from the sale of the additional capital stock toward reduction of outstanding bank loans. The balance of proceeds will provide increased working capital required for the company's enlarged volume of business and for general corporate purposes. During the five years ended June 30, 1955, approximately $12,700,000 was spent for property, plant and equipment. During this period, the company completed the relocation of a major portion of its lock and hardware business from Stamford, Conn., to two new plants in Tennessee and to its plant in Salem, Va. In addition, it substantially increased its facilities for manufacture and sale of materials handling equipment through the acquisition of a large amount of modern machinery and through the expansion of its regional sales and factory service branches.

The company manufactures and sells materials handling equipment, locks, builders' hardware, and powdered metal products. In 1954, sales of materials handling equipment accounted for approximately 65% of total net sales. Products of this division include a wide variety of electric, gasoline, diesel and propane powered industrial lift trucks, hand trucks, and hand-operated and electric-powered hoists. The standard industrial trucks are often equipped with special attachments, for transporting, loading, lifting, stacking and storing raw materials, semi-finished and finished products, machinery and foodstuffs which, because of their size or shape, can not be handled in standard unit loads. The company is one of the largest manufacturers of this type of equipment.

Export sales from the United States accounted for 8% of total 1954 net sales, and the company's plants in Canada, England, and Western Germany contributed approximately 15% of total net sales. The expanding economy of Western Europe has led to a significant increase in the activities of the British and German divisions of the company.

For the six months ended June 30, 1955, net sales amounted to $51,122,000 compared with $45,028,000 in the like period of 1954. Net income for the first half of this year was $2,190,000, equal to $3.44 per outstanding share compared with $760,000 or $1.21 per outstanding share for the first six months and $1,821,000 or $2.88 per outstanding share for the full year 1954. The company has paid cash dividends in every year since 1899. In 1955 to date, dividends of 50 cents per share were paid on Jan 3. and on April 1, and 75 cents per share on July 1. A dividend of 75 cents per share payable Oct. 1 to stockholders of record Sept. 9 will not be payable on the additional shares now being offered.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

Higher Interest Rates Spur to Increased Bank Earnings

"Brakes on Credit Slated to Tighten" and "Credit Brakes Tightened Further" are headlines on articles recently on bank credit. Says the "Wall Street Journal," "Interest rates on funds advanced to savings and loan associations have been raised ¼ to ½ percentage point by several of the 11 Federal Home Loan Banks . . . ." And, on Sept. 2, "Loans to business by leading New York City banks rose $44 million in the week ended Wednesday" [Aug. 31]—the sixth straight increase. We read further that the total accommodation by these banks is at $8.399 billion, and that it is about $1.2 billion above the corresponding 1954 date.

Then the discount rate was made uniform at the higher level of 2¼% in all of the Federal Reserve Districts. And finally, there is the new issue of 91-day Treasury bills at a rate higher tnan any in the past two years, 2.134%, a truly high rate on a three montns' paper.

But the real surge of business activity comes, usually, after Labor Day. This year activity has been at a rising pace, so that if the normal upswing in the fall months develops we are likely to experience a real money, or credit, stringency. It will be recalled that the Federal Reserve Board reported that instalment debt by consumers rose in July for the sixth consecutive month to a new high; that automobile instalment buying was at a new peak. It is thus easy to understand that the monetary authorities want to apply the brakes.

But this is going to be difficult to do. First, although the authorities appear now to be more concerned over the possibility of renewed inflation, what with the current edition of wage hikes, than they are over the prospects of any material deflation, they are faced with the delicate problem of keeping matters from breaking out strongly in either direction. There is also the political aspect. Next year is a major election year, and it will not do for the "ins" to have the brakes applied too strongly. They hope to have the economy remain in high gear. The credit restrictions taken to date have not accomplished much; and possibly this fits in with the desires of the "ins."

The Federal Reserve reports that a substantial portion of all personal income, 17%, is being channeled into instalment payments and interest on these accounts; and this figure rises to 22% if mortgage servicing is included. This is a high proportion of income to be mortgaged; and, of course, everything else being equal, the greater this figure becomes, the harder will rates be.

Of the several methods available to the money authorities to check this growth in debt, increasing reserve requirements, upping the Reserve discount rate applicable to bank borrowings at the Federal Reserve banks, or the open market operations, it does not matter which is adopted; they will all have a braking effect of greater or less intensity on all demands for credit.

In other words, things cannot be so ordered that the activities of the speculator will be curtailed, while "legitimate" borrowers will have ready access to the credit reservoir. We are all familiar with the fact that a speculator who considers the 70% margin too stiff, can resort to his bank. Indeed, borrowing at the banks to carry the new Telephone converts is going forward at this time, the margins being far below that required at a brokerage house on new security purchases.

All this inures to the benefit of the banks. They can reduce holdings of government and other bonds to increase funds for additions to their loan portfolios, and at rates that have been firming. If the normal demand for loan accommodation develops at this season, it is a distinct possibility that the prime name rate will go from 3¼% to 3½%. And if this takes place rates for lesser borrowers will be moved up correspondingly. The ¼ of a percentage point does not bulk large, except to the lending bank that may have outstanding loans into a billion or two that will need renewal. And such a rate is not high. In most European countries 3½% would probably come under the heading of easy money.

So the banks will be certain beneficiaries of these developments, to the betterment of earnings, with dividend increases to follow. Indeed, that is the net effect of Chemical Corn Exchange Bank's 10% stock dividend, the news of which was followed by a rise in First National City's annual rate to $2.60. It is not at all a rash prediction to expect other increases by the year-end.

CORRECTION—The article in the issue of Sept. 1 (page 17) concerned the growth in book value, etc., for the ten years 1944-1954 of the stocks of various New York City banks and banks outside New York City. Regrettably, the data in the case of the United States Trust Co., New York City, were incorrect. Accordingly, the 10-year dividend total for the bank should have appeared as $147.50 (not $53.33), while the gain to the shareholder in equity and dividends on Dec. 31, 1954, as against Dec. 31, 1944 was 54%, not 23%.

Continued from page 3

The Broad Field of Municipal Bonds

be attractive to them. Today such bonds are more apt to be in the revenue issues.

Most of the other bonds are held either by public funds, personal trusts or individuals. The tax exempt value to individuals is a very distinct one. Of course, corporations are taxable at the rate of 52% but individuals are taxable at a very high rate in the case of high incomes. I should just make passing comment about public funds. We don't know just how many tax-exempts are held by municipalities, or public funds, state funds, etc. We know in the case of New York City, for instance, that their total debt is something over $3½ billion and that just about half of that amount is invested in New York City bonds. This means that about $1¾ billion of such bonds are held by those funds—that is their retirement funds and their sinking funds.

The Value of Tax Exemption

Now, let us take just a minute to look at the value of tax exemption translated to real figures in the case of individuals. All you have to do is look at your income tax report form to know what those rates are. When you get up in the higher brackets, take for instance a person with a $50,000 taxable income, the tax rate is 68%. If the bracket is at the level of $90,000, the tax rate is 80%. That means, in effect, that an individual in the $50,000 bracket will have to get an 8.60 taxable income from corporate bonds or stocks and one in the $90,000 bracket will have to get 13¾% taxable income in order to equal a tax-free income such as might be realized from tax-exempt securities or 2¾%. Clearly, you can't hope to get 8.60 or 13¾% without, as a rule, a rather substantial risk of capital. On the other hand, you can get a very high-grade tax-exempt security today at a 2¾% rate, so that people who have excess investment funds and are in any such bracket as that, and even, in fact, at lower brackets, can well afford seriously to consider tax-exempt securities. They may very wisely purchase some such bonds as a balancing and security feature in their general portfolio.

Municipal Borrowing Must Be According to Law

The authority to borrow is a very important factor in connection with public issues. State and municipal securities are in quite a different category from corpoate issues because most corporations under the law have the authority to borrow. The states and municipalities must borrow strictly in accordance with the provisions of law—it may be state constitution, it may be state legislation or it may be their own local charters—and it they do not do so, the bonds are not vaild, they are not enforceable, and can be declared null and void in the event of a taxpayer's suit. That is the reason, if you have occasion to deal in municipal securities at all, you will realibe that it is very important to get an acceptable legal opinion. There are attorneys who specialize in that field and only their opinions are acceptable in the trade—those attorneys or legal firms that are recognized as authorities in this field. Frequently we have to deal with the subject of local communities wanting to use a local attorney for whom they, very properly, may have the highest respect and regard. That attorney may be a very well-qualified man in ordinary law, but this is a very specialized field and his opinion is not acceptable until he has established the fact that he has had a fairly broad background and experience in this particular field. Willingness on the part of the larger dealers and banks to accept that opinion is the determining factor as to whether it will be marketable opinion.

The broadening purposes of borrowing today are quite interesting. In the old days municipal bonds were limited to relatively few purposes but we have an ever expanding field of purposes of issue today. The ordinary form of bond is a general obligation and this form is common, not only in state and municipal issues, but in various district issues as well. The most common district obligation, probably, is the school district and that has been a relatively popular form of district, but there has been a prejudice from time to time on certain other types of districts. There is a great variety of them and some are obligations that we have to check rather carefully. Many of these districts are overlapping in respect to other municipalities or municipal units. You have some rather amusing names, or titles. I remember one or two—the Mosquito Abatement District and the Garbage and Rubbish Collection District.

I am not going to get into the field of Revenue bonds but I think we may properly expect a continued growth in the field of district or authority obligations. One field that I think is quite certain to expand is the field dealing with our metropolitan area problems. There are many questions in connection with municipal finance that are interesting that I won't have time to go into here, but one is the subject of home rule. A great many of our municipalities very properly are jealous of their own authority and it has been a great mistake, on occasion, where states have attempted to step in and assert too much authority over the control of some of their municipal units. We find that in Illinois, and we find it in New York State. New York City has to go to Albany many times to get authority to do things that they ought to be able to decide on their own. In Illinois they have the same problem. The City of Chicago has felt very greatly abused because the farm group and southern part of the state has asserted itself in the leg'slature and has not been sympathetic to the needs of the city.

More and more we are coming to realize in connection with these metropolitan areas that there are urban problems that can be handled on a broader basis than on a purely municipal basis. That is particularly true in connection with transportation, sewage disposal and water supply and things of that kind and I would guess that we will see a growing tendency in that direction.

Considerations in Connection With Municipal Bonds

I am not going to take time to say a great deal on the question of the character of municipal securities because that subject is so big I don't know how we could begin to cover it in any appropriate way. I am just going to speak very quickly about some of the things that we look at.

We, of course, consider the economic and social factors and the trend of those factors. What is the type of the community? What is the type of population? What percentage—for instance? In some of the southern towns, what is the percentage of white, what is the percentage of colored? What is the type of industry? Is it dependent pretty much on one type of industry or are the business activities pretty well diversified? What is the debt record and what is the general position toward debt and toward paying debt in times of stress and difficulty? What is the taxpaying ability and what is the record on tax collections?

You know, until the 1930s we never gave much attention to the payment of taxes. It was generally acecpted that two things were certain, one was death and the other taxes. But in the '30s we found that there were tax strikes and there was a disposition on the part of some individuals, because they knew that the penalties were not too severe for nonpayment of taxes, and they couldn't borrow from their local banks, to borrow indirectly from the municipalities by not paying their taxes. We had a pretty acute and real problem in the case of some municipal situations. I remember very well the problem that Westchester County faced, for example. We had Yonkers and White Plains and some others that were up against it from the standpoint of meeting all of their current obligations including pay rolls. These municipalities are the tax-collecting agents and the county has the first claim on their tax collections for its share of the taxes. These cities decided, however, to withhold taxes due the county as a result of which we received a call at the bank from the county officials. They had some obligations coming along to be met and they wanted to do some short-term borowing. We said, "What assurance have you that you are going to have this money in tome to pay the loan"? Actually the assurance wasn't very satisfactory from the standpoint of any reasonable bank approach and we had to work out an arrangement which involved special studies and special legislation. Finally we got acceptable assurance that we would ultimately be paid and that proper pressure would be placed on the municipalities to collect taxes and pay over to the county.

That was a new experience for Westchester County as never before had the county worried about the question of whether taxes were going to be collected on a basis of 90% or 80% or whatever it might be. They were generally paid and nobody thought much about it, but those things change when we have a serious change in the economy.

The Financial Questions

Now, the financial questions—I am hurrying over these very speedily—there is the question of debt, of course, in relation to taxable values and when we say debt we think not only of the direct debt of the municipality but the overlapping debt as well. There is a great variance as we review different municipalities. In the case of New York City you have practically no overlapping general debt except state debt. In the case of Chicago, on the other hand, you have a lot of overlapping debt. You have the City of Chicago, you have the Board of Education, you have the Sanitary District and the Forest Pressure District of Cook County, you have the Chicago Park District—I think there are six altogether and unless you add them up and don't get a fair picture of the true debt burden because all of those units of government have the right to levy taxes and to collect taxes in that particular area. The total debt of all these units is the real debt burden that is placed on the area.

Now, it can be a very difficult thing to attempt to collect all of those figures and put them together in order to get an accurate picture. Usually bond circulars will give some indication — they will frequently say that "This does not include overlapping debt" or sometimes will indicate what the overlapping debt is. In the old days we had to go to a great deal of trouble to try and line up that type of debt information. Sometimes these other units from whom information is sought, that have no particular interest in the financing in contemplation, will pay very little attention to a mail request. Today, fortunately, Dun & Bradstreet have a municipal service that pretty well supplies that type of information. They do an excellent job in collecting and presenting most of the vital data in connection with municipal credit and it has made the business, from the standpoint of analysis, very much easier for the trade as a whole.

We are interested also in debt retirement programs. How is the debt retirement schedule? Is it on a reasonable basis over a period of years or are there maturity peaks that, in the event of bad markets when the refunding might be difficult, might be hard to deal with?

We are interested in the debt service in relation to total income. What is that general relationship in percentage?

Then, also, there is the question of operating experience. Has it been customary to balance their budget or are they frequently running deficits?

Enforceability of Municipal Obligations

I have already spoken about the enforceability of obligations. We are interested in the power to tax because that is the source from which money is received or collected for the payment of obligations and operating costs. Going back 10 or 20 years, the real estate tax was a very important source of revenue. It was not infrequent that it was responsible for at least 90% of the revenues received by municipal units and, of course, in connection with many units, especially districts it still is. Many districts have little access to other sources of income unless it may be through state grants. The power to tax real property is still an important factor and one that we watch carefully. It is not as important as it used to be because municipalities generally have expanded their income sources. It is not particularly important in connection with state obligations because they have a much wider avenue of taxation and it is very much easier for them to get additional taxing authority, frequently, than is the case with local units of government, which may be dependent upon state legislation or other changes. Therefore you should hear something about tax limits.

Now, there are tax limits that apply to operating costs and tax limits that apply to over-all costs, including debt service. Where such limits apply to debt service it is customary in municipal circulars to so indicate by language, usually under the debt statement, "There bonds are payable from taxes within the limitations prescribed by law." That is notice that you ought to explore as to what the significance of that statement is. In some cases there is an ample margin, in other cases there is a relatively small margin and that needs to be studied and considered. I have already mentioned legal opinions and we depend upon those legal opinions for assurance that we have valid and enforceable obligations.

The question of ratings ought to be, I think, very briefly commented upon. Prior to the '30s there was a great lack of accuracy in ratings and they were subject to very serious criticisms. I think it is only fair to say that they learned a good deal and I think a good many of the rest of us did as to what can happen in connection with municipal credits and it is my feeling today that they are doing a very commendable and very difficult job in a helpful manner. There was quite a while when the trade didn't particularly smile upon the ratings if they didn't agree with their conclusions and we didn't take them too seriously, but we must recognize that it is a very convenient form of checking by people who know very little about municipal credits. It is used even by the bank examiners and while we are not bound by the ratings that some agencies may provide, we have got to be aware of them. I have already referred to Dun & Bradstreet. They provide a very much more detailed study which those of us who are interested in knowing more of the facts find extremely valuable and helpful. Not only do the dealers subscribe to that service very broadly, but th larger investment institutions also use it and find it extremely helpful.

Whitney Co. Inc.

WASHINGTON, D. C.—Whitney & Company, Inc. is engaging in a securities business from offices at 806 15th street, N. W. Francis H. Mitchell is a principal of the firm.

McConnell to Edit New ASE Magazine

Frank H. McConnell, veteran newspaper and magazine writer and editor, whose publishing career began as a 25-cent a column typesetter 35 years ago, and rose to his present post as associate editor of "Financial World Magazine" and author of its column "Business Background," has been named editor of the American Stock Exchange's forthcoming financial magazine, according to an announcement today by Edward T. McCormick, Exchange President. Mr. McConnell will join the Trinity Place Market on Oct. 1.

Born in Denver, Colo., Mr. McConnell, who served the United States Department of State, War Department and Reconstruction Finance Corporation, was a reporter for the New York "Times" and New York "Evening World," Sports Editor of the Salt Lake "Herald Republican," feature writer for the Los Angeles "Herald" and correspondent for the San Francisco "Chronicle." He by-lined business and market columns for the Associated Press, "Wall Street Journal" and New York "Sun," directed the Public Relations - Publicity Department for Doremus & Co., and was vice-president of Albert Frank-Guenther Law.

He is a member of the Society of The Silurians, a newspaper men's organization.

Federated Secs. Add

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La.—John L. Barrilleaux, C. J. Chaddick, George B. Muller and Cleo C. Yarbrough have joined the staff of Federated Securities Corporation, Louisiana National Bank Building.

Blair Williams to Admit

On Oct. 1 Herbert J. McCooey, member of the New York Stock Exchange, will be admitted to partnership in Blair S. Williams & Co., 15 Broad Street, New York City, members of the New York Stock Exchange. Mr. McCooey has been active as an individual floor broker.

Continued from first page

As We See It

we are not making ourselves an agency to help the United States of America. It is merely another form of gaining distinction for ourselves, to get ourselves a pat on the back, and to appear important." Then continuing, the President had this to offer to his party:

"Now, what did he (Lincoln) mean by 'for the people'?

"It seems to me here is one of the tall riddles of free government.

"'For the people': We have seen the phrase tortured by demogogic types to mean that an overwise and overbusy governmental bureaucracy takes over all the functions of living. They say 'now go on, boys, do just what you are told and we will take care of the 165,000,000 people.' And they tortured the general welfare clause of the Constitution.

"I don't believe that is what Lincoln meant at all. If we are for the people, which means for the individual as such, we go first to the 10 first amendments of the Constitution, the Bill of Rights. . . . That Bill of Rights does not guarantee to each of us a profitable living. It guarantees to each of us an equal opportunity with all others to earn our living for ourselves and for our families, and to protect our future.

"We could discuss further what we mean by 'for the people.' But I refer to another quotation of Lincoln's which was generally to this effect: the function of government is to do for the people what the individual cannot do at all, or do so well for himself, and in all those things which the individual can do for himself, the government ought not to interfere.

"Now, I think today that is as good a presentation of the Republican case as I know how to make. It puts it in terms and words that all of us not only understand, but which we can make others understand."

And having labeled Republican plans and programs with this admirable generality which, unfortunately, means many things to many people, the President turns to the state chairmen who waited upon him recently in Denver with these words:

"Unless you can take the fervor that you have, and carry it back to your state, and conduct the same effective campaign schools there—make sure that the spirit and know-how is going right on down through—it is all in vain. . . . So the object in the organization of a political party comes down to: How can I get to the last man living in my block, my apartment house? How can I get to him? Well, if you can get to him with your conviction, with your belief, with your fervor, with the leadership that you have exhibited by getting where you are today in the organization you can win any election in the country."

The Trouble Is . . .

The trouble—or one of them—is that these Republican workers have no monopoly on such fine words. Their opponents may prefer to quote Jefferson rather than Lincoln, but they can come up with about the same sentiment. And they can point to a record which about as fully, or as inadequately, exemplifies these principles as can the President's lieutenants. The fact is that the Democratic counterparts of these people to whom the President is addressing these fine phrases are said to be chiefly concerned by the fact that the Republican policies and programs of the past few years have been so nearly the same as theirs in former years that they are more or less estopped from criticism of it. One may well ask what the results would be if both Democratic and Republican party workers display the same fervor for the same things.

Of course neither Lincoln nor Jefferson would ever look with approval upon a great many things that the New Deal introduced into our public policies and our lives, and which the Eisenhower Administration has sedulously continued in effect. How could a political worker with a straight face, never mind whether Republican or Democratic, say that his party and his President would never think of doing for a citizen what he can much better do for himself when one of the vote catching programs of both parties is a gigantic social security program which undertakes to provide out of public funds for the old age of individuals? How could they seriously contend that their party and their President would never interfere with any man in making his own ligitimate living, when the securities acts are on the statute books of the nation?

Can Not Be Reconciled

What would be the party worker's answer to a query from a voter about farm policy and its reconciliation with the general statement about not doing for the citizen what the citizen can and should do for himself? How would he reconcile the so-called full employment act with the fine words of the President? What about the protectionism of both parties at this time? And what about the extremely discriminatory income tax laws which have become one of the cardinal planks in both political parties? And what answers could the Republican party workers give which would not be equally available to the Democratic party workers? These are questions which are not only difficult to answer, but impossible to answer in a way to be of real service to either of the political parties of this day and time.

If only the President's fine words could somehow find a realistic counterpart in the everyday facts of political life in this country!

Continued from page 14

Federal Reserve Policy— Flexibility Is the Word!

the consumer was not sufficient to prevent a sizable gain in inventories. According to the latest available data, the rate of annual change in business inventories has been as follows:

	Billions
1954	
First Quarter	—$3.2
Second Quarter	— 2.7
Third Quarter	— 4.9
Fourth Quarter	— .6
1955	
First Quarter	+ 1.5
Second Quarter	+ 4.3

Without doubt, there was reason to believe the material gain in inventories will continue — and this despite a rise in consumer credit, mainly in automobiles, of $2.5 billion since the beginning of 1955 and of $3.8 billion in the 12 months ended June 30, 1955.

Notice of the Federal Reserve System's concern over credit expansion had been served on business by a comprehensive examination of credit and money in the July Federal Reserve "Bulletin." Bank loans in the first six months of 1955 expanded a record amount for the January-June period, and the expansion has continued. Mortgage lending and State and local government security issues continued at a high level. Corporation issues for new capital were showing a tendency to rise. Gross National Product was reaching a $385 billion annual level against $358 billion in the second quarter of 1954. Construction had reached a $42 billion annual rate. Although disposable income was also at a record level, personal savings had fallen to a rate of less than $17 billion annually, compared with $21 billion as recently as the first quarter of 1954.

Free reserves, that is, excess reserves minus borrowings from Federal Reserve banks—declined sharply from the $625 million 1954 average although this was due in part to the steps that had already been taken to retard the expansion of credit. In recent weeks borrowings have exceeded excess reserves (see table).

New wage agreements in important industries endangered price stability. All of this spelled strain. Encouraged by their success in 1953-54 in first putting on the brakes and then feeding gas to the economic motor, the Federal Reserve authorities have braved criticism by a policy of "active" restraint.

For a While Continued Restraint —The "Fed" Means Business

In his address last April on "Monetary Policy in Periods of Transition," Mr. Allan Sproul, President of the Federal Reserve Bank of New York, stated "There are no specific criteria which can guide the policies of the Federal Reserve System at all times. There are no clear and definite trigger points which will tell you exactly when to shoot and when to hold fire."

Among the trends that give a lead to credit policy in a recovery period, Mr. Sproul noted . . . "There is appearance or non-appearance of speculative tendencies in business plans, in consumer buying, and in public or mass reactions to the sweet music of recovery. How are prices behaving; are there sharp advances in basic commodity prices which seem to be out of line with increases in production and consumption? Is there evidence of inventory accumulation beyond the needs of a prompt delivery economy? . . . Does the consumer seem to be showing signs of going on a credit spree, stimulated by increasing injections of instalment credit? Is the construction industry wearing out the effects of very liberal mortgage terms, originally abetted by a monetary policy dedicated to easy money? Is the stock market getting into the taxicab, the elevator, the barber shop and the front pages of the newspaper, instead of staying where it belongs as a necessary adjunct of our financial and investment machinery?"

Excluding the stock market, which in recent months has not fitted Mr. Sproul's description, and allowing for a measure of rhetorical phraseology, there are many features in which the current economic situation resembles Mr. Sproul's catalogue.

The Federal Reserve System views the 1953-1954 episode with great satisfaction. It is fresh in the minds of the credit authorities and has restored faith in the use of traditional measures of flexible central bank policy after years of disuse or the prevalence of a policy frozen in the direction of easy money. Because of the momentum of the boom, we would not expect the lifting of the discount rate early this month to 2% (2¼% in the Cleveland Federal Reserve District) to mark the end of the moves toward credit restraint.

The discount rate can be either a mirror of money market conditions or it may be restored to its earlier position as a weapon of policy, with changes being intended as a signal to the entire business community that either caution or a "go ahead" spirit is justified by credit conditions. Open-market policy in the near future would support the policy of restraint by not adding to the government portfolio during the period of seasonal expansion sufficiently to reduce the need of the member banks to borrow. While open-market policy has the merit of being initiated by the Federal Reserve banks, it lacks the dramatic quality of changes in the discount rate, which the public comprehends more readily. Changes in reserve requirements are more sweeping overall measures and should not be used too frequently. It appears that the credit authorities are now more ready to use frequent changes in the discount rate.

We believe the chances favor a lifting of the discount rate to 2¼% generally, the current rate at several Reserve banks. This may be regarded as an indication that the 2% rate is not by any means a ceiling. The Federal Reserve authorities, genuinely believing in the efficacy of a flexible policy, will adopt it, continuing a policy of restraint, in our opinion, until business expansion shows signs of slowing down. This could take us into the winter before leading to relinquishment of tight credit policies.

One way of looking at the problem that the Federal Reserve System faces is this: Allowing the boom to continue into 1956 will mean a more violent readjustment or recession later on; a slowing down now will help to maintain a balanced economy and if the policy works, as we believe it will, new heights in production and Gross National Product will be scaled later on in a healthier environment.

For those who are politically-minded, the second policy certainly would be more in keeping with the Administration's wishes, as a national election approaches. For many years, the financial world was concerned over the consistently inflationary trends in both Federal Reserve and Treasury circles. A two way policy, if it means anything, involves letdowns as well as expansion, in the long run leading to a sounder basis for whole economy. Nobody is thinking in terms of deflation.

As was stated in our June "Economic Interpretations," the longer term implications are favorable: "The pattern would seem to be for the credit authorities to permit additional credit expansion at either consumer or business levels beyond seasonal requirements to effect a further advance in interest rates. The money market could tighten gradually so as not to disturb Treasury financing. This would have the dual consequence of modifying a boom atmosphere and also place the policy makers in a position to turn around definitely and supply funds if waning tendencies in production develop later on, if need be by another cut in reserve requirements."

1955	Excess Reserves	Borrowings from Federal Reserve Banks	Free Reserves
	(Millions)		
January	$682	$313	$369
February	625	354	271
March	585	464	121
April	590	495	95
May	590	335	255
June	501	436	65
July (est.)	600	490	110

Joins Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass. — William E. DeWolfe is now with Palmer Pollacchi & Co., 84 State Street.

Barrett Herrick Adds

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—Edward J. Schell is now affiliated with Barrett Herrick & Co., Inc., Third National Bank Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John P. Billhardt, First Vice-President and Comptroller of the

John P. Billhardt

Excelsior Savings Bank, of New York at 221 West 57th Street, has been elected a trustee of the bank, it was announced by Francis S. Bancroft, President.

* * *

G. Seaver Jones, since 1939 a member of the municipal bond sales staff at **Bankers Trust Company, of New York** has been elected an Assistant Vice-President and has been transferred to the Far West Group of the Bank's Out-of-Town Division, it was announced on Sept. 12 by S. Sloan Colt, President. Mr. Jones began his business career with Standard Oil Company of New Jersey. In his new assignment with the Banking Department at Bankers Trust, he will deal with business orginating in Arizona, California, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming, as well as in Alaska and Hawaii.

* * *

The First National City Bank of New York announced on Sept. 8 that Sidney A. Da Costa, Philemon N. Hoadley and Robertson Page have been appointed Assistant Department Heads of the Public Relations Department. Mr. Da Costa will be in charge of magazine and newspaper advertising, the Bank's house magazine, special displays and related media, including promotion of Travelers Checks. Mr. Hoadley will supervise the Bank's television activities, special projects, etc.; Mr. Page will be in charge of publicity, press releases and creative writing. They will work under the supervision of Granville S. Carrel, Vice-President, and J. J. Lawlor, Assistant Cashier. O. F. Hevener will continue as Assistant Department Head in charge of operations and special assignments. Media schedules and production of printed material will be supervised by F. Pepper Birchard.

* * *

James C. Olson, a partner in the management consulting firm of Boos, Allen & Hamilton, has been elected to the Board of Directors of **the Colonial Trust Company of New York**, Arthur S. Kleeman, President of the banking house, announced on Aug. 17. Mr. Olson is also a Director of Bancroft Rackett Co. and Walters Drilling Co.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company of New York** on Sept. 13, Adrian M. Massie, Chairman of the Board, announced the following promotion and appointment: William R. Monroe, Assistant Auditor, was promoted to Auditor. Carl Zeterberg was appointed Assistant Auditor.

* * *

Henry C. Brunie, President of Empire Trust Company of New York announced on Sept. 13 the election of John D. Britton to the Board of the bank. Mr. Britton is Managing Partner of Conning & Co. of Hartford, Conn., Director of Columbia & Renssalaer Telephone Co. and Treasurer of Wadsworth Athenaeum.

* * *

The Union Dime Savings Bank of New York has closed two seperate leases which it is announced will insure uninterrupted main-office banking operations at its 50-year-old location on Sixth Avenue, between 40th and 41st Streets, it was announced on Sept. 13 by J. Wilbur Lewis, President of the bank. In one transaction, the bank has taken for a short term, the basement, ground floor, mezzanine, and second floor in the 12-story building at the southwest corner of Sixth Avenue and 41st Street, next door to its present location at the northwest corner of Sixth Avenue and 40th Street. This space will serve as temporary quarters while new permanent headquarters on its present site are being readied in the 30-story office building to be erected. The new building will bear the address 111 West 40th Street. According to Mr. Lewis, the bank will move into its temporary quarters in the late fall. In Union Dime's second lease the bank has taken 74,000 square feet of space at 111 West 40th Street for its permanent establishment.

* * *

Plans for an increase in the capital of the **Bank of Babylon, at Babylon, Suffolk County, N. Y.**, were approved by the State Banking Department on Sept. 7. The proposal calls for the enlargement of the capital from $325,000, consisting of 6,500 shares of common stock, par $50 per share, to $425,000 in shares of 8,500, $50 par.

* * *

The Franklin National Bank of Frankln Square, N. Y. held "Open House" in its newly completed Uniondale Office at 410 Uniondale Avenue, on Sept. 10, according to an announcement by Arthur T. Roth, President. On the same day the new Plainedge Office was opened in temporary quarters at 4060 Hempstead Turnpike.

* * *

According to the Newark, N. J. "News" of Sept. 6, the **Howard Savings Institution** and the **National Newark & Essex Banking Co.**, both of **Newark, N. J.**, have announced that they have contracted to take over the **South Orange Trust Co. of South Orange, N. J.** From the paper indicated, "The Newark News," we quote:

"The Howard is purchasing the bank itself and will set up a branch office there, its first outside of Newark. Howard is also buying all assets which are eligible for mutual savings banks, including mortgage holdings of some $3,250,000 and will take over all the savings deposits, currently totaling 4½ million dollars.

"The National Newark for its part is purchasing all assets of a commercial type and will take over checking accounts totaling $3,700,000. This section of the business will be transferred to the National Newark's South Orange branch, which is located across the street.

"The Howard has received approval from State Banking and Insurance Commissioner Charles R. Howell, permitting it to operate the South Orange branch office. Tentative date for the change-over is Monday, Oct. 3.

"The National Newark has tentative approval from the Comptroller of the Currency's office for its part in the purchase.

"Shareholders of the South Orange Trust will meet shortly to approve the sale. Their seven-man board of directors will act as a liquidating committee for disposing of liabilities, reserves and taxes not assumed by Howard or National Newark."

* * *

The Mainland National Bank of Pleasantville, N. J., with common capital stock of $100,000, was placed in liquidation on Aug. 26, its business having been taken over as of that date by the **Boardwalk National Bank of Atlantic City, N. J.**

* * *

The Merchants National Bank of Allentown, Pa. announces the official opening on Friday, Aug. 26 at 7 to 9 p.m. and Saturday, Aug. 27 from 10 a.m. to 3 p.m. of its new **Jordan Park, Pa. Branch** The business hours of the new branch are from Monday to Thursday from 9:30 a.m. to 3 p.m. while the hours on Friday are from 9:30 a.m. to 3 p.m. and from 6:30 to 8 p.m. at night. The new branch, of which George Reinert is Manager, offers every banking service. Mr. Reinert started with the Merchants in 1917, as a bank messenger, and advanced through various posts to the trust department.

* * *

The National Bank of Washington, the oldest bank in **Washington, D. C.**, is offering its stockholders the right to subscribe for 205,000 additional shares of capital stock at $30 per share, on the basis of one new share for each two shares held as of record Sept. 12. Subscription rights will be evidenced by transferable warrants which will expire on Oct. 7. Johnston, Lemon & Co. has agreed to purchase the unsubscribed portion of the additional shares being offered. Of the total net proceeds from the sale of the extra shares, the bank plans to allocate $2,050,000 to capital and $4,100,000 to surplus. An item relative to the changes in capital accounts proposed by the directors of the bank appeared in our issue of Sept. 1, page 887.

* * *

Some 2,600 stockholders of **The Bank of Virginia, at Richmond, Va.**, will receive $90,000 in dividends on Oct. 1, by action of the bank's Board of Directors meeting in Richmond on Sept. 9. The board has declared a third quarter dividend of 25 cents per share on 360,000 shares of bank stock, payable on Oct. 1 to stockholders of record of Sept. 19, Total dividends in 1955 through the third quarter will it is said amount to $270,000.

* * *

The National Bank of Lorain, Ohio, reported its capital as increased to $250,000, from $200,000 on Aug. 31, the enlarged figure having been brought about by the sale of $50,000 of new stock.

* * *

An increase of $100,000 in the capital of the **Franklin National Bank of Franklin, Ohio**, brought about by a stock dividend of that amount, enlarged the capital to $200,000, from $100,000, effective Aug. 31.

* * *

The First Bloomington Lake National Bank of Mineapolis, Minn., increased its capital effective Aug. 25, from $100,000 to $300,000 as a result of a stock dividend of $200,000.

* * *

The sale of new stock to the amount of $50,000 has effected an increase in the capital of the **Kingsport National Bank of Kingsport, Tenn.**, from $150,000 to $200,000, the enlarged capital having become operative as of Aug. 25.

* * *

As of Aug. 31, the capital of the **Citizens National Bank in Abilene, Texas**, was increased from $625,000 to $1,000,000. Part of the increase, $225,000, resulted from a stock dividend, while an additional $150,000 was yielded from the sale of new stock.

* * *

As of Aug. 29 the **Citizens Independent Bank of Longview, State of Washington**, was absorbed by the **Seattle-First National Bank of Seattle, Washington.** As a result the absorbed bank has become a branch of the Seattle-First National Bank.

* * *

A charter for the **Alaska National Bank of Fairbanks, Territory of Alaska**, was issued on Sept. 1 by the Comptroller of the Currency at Washington(D. C. According to the Treasury Department's Bulletin of Sept. 6 the National Bank represents a conversion of the **Bank of Fairbanks, at Fairbanks, Alaska.** As converted to the National system the bank has a capital of $350,000 and surplus of $482,355. The President is Leslie Nerland, while William M. Cartwright is Cashier.

E. H. Mitchell Joins F. B. Ashplant & Co.

F. B. Ashplant & Co., 2 Wall Street, New York City, dealers in external-internal Canadian securities, announce that Ernest Hugh Mitchell, former senior agent of The Canadian Bank of Commerce in New York, has become associated with the firm. In his new position Mr. Mitchell, who retired from the bank in 1954 after a banking career of nearly 43 years, will be a financial adviser and investment counselor to the company, specializing in Canadian securities.

Joins Coombs & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Allen B. Hunsicker has joined the staff of Coombs and Company, 602 West Sixth Street.

Continued from page 5

Some Problems Confronting the SEC

misleading and irresponsible advertising to instances in which the promoters appropriated for themselves most of the money paid to finance the venture, and left for the public practically worthless securities.

"Prompt and vigorous action should be taken by the SEC to curb these abuses."

The growth of speculative activity in uranium stocks is illustrated by the increase in the number of brokers and dealers who do business in such stocks. In June 1953, there were registered with the Commission 147 brokers and dealers located in the seven principal western mining states, the area serviced by our Denver Regional Office. By June 1955, the number had increased to 258. Many of the newly registered brokers and dealers were persons who had no previous experience in the securities business and apparently were induced to enter it because of the existing speculative fever. This development, coupled with an increase of approximately 300% since 1952 in the number of filings under Regulation A experienced by that office, has impelled the Commission to intensify its efforts to protect public investors. As a part of its investigation and enforcement program, the Commission has sent a team of broker-dealer inspectors and attorneys to the Denver Office for a few months to conduct an intensive inspection program primarily directed to broker-dealer's registered with the Commission who have not been inspected recently or who have just registered.

From the beginning of April 1953, when the presently existing Regulation A became effective, to the end of October 1954, letters of notification were filed under the regulation by 355 mining companies covering proposed offerings of 358 issues of securities aggregating $64,400,000. Of this latter number 224 were for companies engaged in the mining of uranium ore and represented $46,500,000 of proposed gross proceeds. The average for the uranium issues was $208,000 each while other mining issues averaged $133,000. It is apparent that financing under the Commission's exemptive regulations, considered in the aggregate, is substantial and important. It is also quite clear that careful consideration should be given to investor protection afforded by the regulation. It was with this thought in mind that the Commission in the Fall of 1954 initiated an over-all study of filings made under the existing regulations since their adoption in the spring of 1953.

Since the passage of the 1953 Act the Commission has adopted a variety of types of regulations under Section 3(b). For example, some have required varying degrees of disclosure to prospective investors, others have required the escrowing of promoters' securities, and still others have required compliance with state statutes as a condition for the availability of the exemption.

Regulation A

The principal features of the presently existing Regulation A are as follows: A notification must be filed with the appropriate regional office of the Commission. An offering circular containing certain specified information is required to be used, except in the case of offerings not exceeding $50,000. The Regulation also provides administrative machinery whereby the exemption can be denied or suspended if the Commission finds that the exemption is not available to the company in question, that the terms of the exemption have not been complied with, or that fraud is being practiced in connection with the offering. Regulation D in the main contains the same requirements.

These regulations represent a great improvement over those in effect prior to 1953 in terms of investor protection. However, the recent Commission study of the operation of these regulations has revealed certain glaring inequities in connection with offerings made thereunder, particularly by newly organized uranium and other mining ventures. Issues have been sold to the public on a capitalization basis that reflects a promotional participation heavily weighted against the public investor who furnishes the initial cash capital. Others are sold under terms which grant promoters and underwriters options and warrants which, even if the venture is successful, provide the insiders and underwriters with riskless and potential profits at the expense of the public stockholders by diluting their investment and share of profits. The great majority of the offerings are on a "best efforts" basis and there is no assurance that enough money will be raised to explore or drill; moreover, there has been no undertaking to return the investors' funds even though an amount sufficient to carry out the company's exploration or development program is not obtained. Offerings have been commenced where underwriters would receive a commission plus advances for legal and selling expenses which in the aggregate would amount to almost one-third of the total gross proceeds from the offering. Moreover, if the offering was not well received, it might be abandoned with the result that underwriting commissions and expense allowances would absorb virtually all the funds received, leaving little or no funds available for the company's development.

Proposed Revisions of Regulation A

With a view to preventing practices of this sort as well as others which I shall not enumerate, the Commission on July 18, 1955 published for comment a proposed revision and consolidation of Regulation A and D. The proposal contemplates that Regulation A would be available to domestic and Canadian companies on identical terms and conditions. Since the inequities which I have mentioned existed in the main in respect of new ventures, a distinction would be made between promotional and other companies. A "promotional company" would be defined as one which was organized within one year prior to the date on which it filed a letter of notification under Regulation A and which had not had a net income from operations or, if organized more than one year prior to such date of filing, had not had a net income from operations for at least one of its last two fiscal years. The following special requirements would apply to such companies:

(1) The securities to be offered would have to be qualified and concurrently offered for sale in the state or province where the company has its principal business operations.

(2) No securities could be offered except for the account of the company; secondary offerings, "bail outs," and offerings of underwriters' shares or options would not be permitted under the exemption.

(3) Provision would have to be made, by escrow or otherwise, to assure the return to stockholders of the money paid in by them unless at least 85% of the total offering is sold and paid for within six months after the commencement of the offering.

(4) In computing the amount of securities which could be offered under the new regulation, there would have to be included the amount of all securities issued or proposed to be issued, for assets or services, or to directors, officers, promoters, underwriters, dealers or security salesmen, except to the extent that such securities are escrowed or otherwise effectively held off the market for one year after the commencement of the offering.

(5) No sales literature, other than the prescribed offering circular and limited advertisements specifically permitted by the rules, could be used in connection with the offering of securities of promotional companies.

The proposed amendment represent important improvements in the regulations, based upon the experience of the Commission in their administration since the last revision in April 1953. They should asist and protect the public investor but should not retard the raising of capital for legitimate promotional ventures. In fact, they should provide greater assurance that the bulk of the money sought to be raised for exploration, development, and similar purposes will actually be available for those purposes.

We feel this is one of the most important matters now before the Commission. We will receive public comments on the proposal until Sept. 15, and it was the subject of fruitful discussion yesterday afternoon. The definitive form of the new regulation will not be determined until we have had an opportunity to consider the comments received, including the helpful suggestions made by the State and Provincial Administrators.

One other solution to this problem has been suggested. On April 21 of this year, Congressman Bennett of Michigan introduced in the House of Representatives a bill which would repeal Section 3(b) of the Act which is the statutory basis for these regulations. Public hearings on the bill were held in Washington commencing July 20, 1955. The Committee will hold additional hearings commencing on Sept. 8 in Denver and Sept. 14 in Salt Lake City.

The Commission opposed the Bennett bill before a Subcommittee of the Interstate and Foreign Commerce Committee of the House which is considering it. We pointed out that in the course of the 1953-1954 amendment program relating to the statutes administered by the Commission, the Senate passed an amendment to Section 3(b) which would have raised the permissible limit to $500,000. This amendment was supported by the Commission. However, it was rejected by the House of Representatives and was dropped in conference.

The exemptions provided for in Section 3(b) reflect a long-standing judgment as to legislative and economic policy. Basically, that judgment involves a weighing of the interest of the particular purchaser of securities as against the public interest in providing fairly quick and easy access to the public capital markets for limited amounts of capital by small ventures or unseasoned enterprises. We think the public interest would be better served by promulgation of a more stringent exemptive regulation, which has been proposed by the Commission, than by repeal of the statutory provision which makes the regulation possible.

The Fulbright Bill

I should like to mention briefly the so-called Fulbright bill which, if enacted, would greatly enlarge the Commission's jurisdiction in certain respects.

The Securities Exchange Act requires companies whose securities are listed on national securities exchanges to register those securities with the Commission, to file periodic reports, and to comply with the Commission's proxy rules in the event proxies are solicited from the owners of such securities. In addition, the officers, directors and 10% stockholders of those campanies are subject to the "insider" trading provisions which require reports of their holdings and transactions and permit the company to recover profits made by those persons on short-swing transactions. These provisions do not generally apply to over-the-counter securities.

In its report "Stock Market Study," the majority of the Senate Committee on Banking and Currency stated:

"Several of the witnesses questioned the 'double standard' that exists in the regulation of securities on the exchanges and over the counter. An issuer of securities registered on a national securities exchange is subject to one set of regulations, whereas another issuer in the same industry, of the same size, with the same number of security-holders, and with the same degree of public interest whose securities are traded in the over-the-counter market is subject to entirely different regulations . . .

* * *

"The committee is of the view that as a general policy, it is in the public interest that companies whose stocks are traded over the counter be required to comply with the same statutory provisions and the same rules and regulations as companies whose stocks are listed on national securities exchanges. There appears to be little valid grounds for exempting companies from filing periodic financial statements with the Securities and Exchange Commission or from conforming to statutory provisions, rules, and regulations governing proxies, and insider trading merely because their securities are not listed for trading on a stock exchange."

On May 24, 1955, Senator Fulbright introduced a bill which would eliminate the so-called "double standard" between listed and unlisted securities and would provide investors in over-the-counter securities with the protections and benefits now afforded investors in listed securities. The bill follows substantialy the pattern of legislation recommended by the Commission in 1946 and 1950, and of bills introduced in the House of Representatives in 1946 and in the Senate in 1949, all of which failed of passage.

SEC Views on the Fulbright Bill

The Commission was asked to comment on Senator Fulbright's proposal and expressed the view that the "broad principles and objectives underlying [the bill] are sound and the Commission supports them." Further, "The fact that there has been no means by which the principles and standards of fair, accurate and adequate financial reporting and disclosures of the Exchange Act could be brought to bear for the benefit of investors in our important over-the-counter markets is of concern to this Commission as it has been to our predecessors."

Since the Commission had not had sufficient time to reach definitive conclusions on certain aspects of the bill in the short elapsed time between its introduction and the Commission's initial appearance before the Subcommittee to which the bill was referred, the Commission was requested to suggest amendments at a later late. A report containing these suggestions was transmitted on July 19, 1955.

As introduced, the bill would require the registration of all securities of any company having 500 or more securityholders and $5 million or more in assets with certain specified exemptions.

In its report, the Commission recommended that the bill be revised to require registration of any class of equity securities the record holders of which numbered more than 750 and that the asset test be abandoned since it would not be a satisfactory measure of a company's significance in terms of earning power and public interest, and would be equally unsatisfactory from the standpoint of administration and enforcement. The Commission feels that the selection of 750 record holders represents a reasonable test of public interest in a trading market in a security and that it would be appropriate to use this test to the exclusion of any other for purposes of requiring registration of an equity issue.

In order to provide against the uncertainties which might arise from the fact that the number of holders of an equity security might vary somewhat above and below 750, the Commission proposed that the bill be amended to provide for automatic termination of registration 90 days after the filing with the Commission of a statement that the number of record holders has been reduced to less than 500.

Record ownership is not ordinarily available with respect to debt securities and, in any event, may not be as suitable a test of public interest as the principal amount of the outstanding class. The Commission proposed, therefore, that any outstanding debt issue exceeding $1 million which has been publicly offered under the Securities Act of 1933 and any issue of debt securities thereafter registered for offering under the Securities Act exceeding $1 million in principal amount also be subject to the bill. It also proposed that the registration of any debt issue terminate automatically if the principal amount outstanding is reduced to less than $1 million.

Other changes recommended by the Commission include provision for termination of registration by Commission order upon a determination by the Commission, either on its own motion or upon application, that certain statutory standards in the bill have been met; provision for authority in the Commission comparable to that which it has in respect of listed issues to suspend trading for cause; and provision that it shall be unlawful for any broker-dealer to effect transactions in a security as to which a suspension order is in effect.

According to estimates, approximately 1,500 companies would be required to register one or more classes of publicly held equity securities. The Commisison advised the Subcommittee of its belief that if the bill were amended to reflect the suggested changes and enacted into law, the protection and benefits for the public investor which it provided—all of which are consistent with the principles and provisions of the bill—would not affect adversely companies subject to the statute, the processes of capital formation, the markets in which securities are traded, or small business.

The public hearing on the Fulbright bill developed strong support for its enactment. There was also opposition to its enactment from various industry groups on the basis that there was no public need for such legislation.

On July 26, 1955, the Fulbright bill, revised substantially in accordance with the suggestions made by the Commission, was reported upon favorably by the Subcommittee. However, the Subcommittee did not eliminate entirely the total asset provision in the case of equity securities and those companies having 750 or more record holders and $2 million or more in assets would be subject to its provisions. Any security issued by a bank or any isuer which is an insurance corporation subject to state supervision is specifically exempted.

On Aug. 2, 1955, Congressman Klein of New York introduced a companion bill, H.R. 7845, in the House of Representatives. I think you will hear much more about these proposals during the next session of the Congress.

The "Canadian Problem"

There has recently been considerable comment in the press concerning what is oftentimes called the Canadian Problem. Let me say at the outset, however, that the phrase "Canadian Problem" which has come to be applied to this situation does not adequately or fairly describe the activities with which we have been concerned.

From the standpoint of the Commission, the primary problem is to prevent frauds upon our citizens. The problem is created by the efforts of unscrupulous persons, many of them from the United States, who take advantage of the international boundary and the differing regulatory and legal systems of the two countries in order to exploit investors in the United States from bases in Canada. At one time, the activities of this fringe element were centered in Toronto and later shifted to the Province of Quebec when the Ontario Securities Commission effectively cleaned up the Toronto situation. The ease of communication by mail, telegraph or telephone across the border makes it possible to conduct high pressure selling campaigns as readily from Canada as from within the United States. The basic difficulty of the Commission and other Federal and state agencies in dealing with such activities is that we cannot directly reach violators in Canada since they are beyond our jurisdiction. Moreover, these persons may not clearly violate any Canadian law where they restrict their offerings to the United States.

Many different methods have been employed over the years in an effort to cope with the problem, including proceedings under Canadian and provincial laws and extradition. One of the difficulties in connection with proceedings under provincial laws has been the feeling on the part of some provincial officials that American securities laws and procedures are unduly complex by Canadian standards and difficult for legitimate Canadian mining and exploration ventures to comply with. Regulation D was adopted by the Commission to provide a simplified procedure by which small Canadian offerings could be made in compliance with our statutes, in the hope that provincial authorities would then require compliance with our laws. This hope has not been realized, owing, among other things, to the limited powers of provincial administrators, differences in the philosophy of securities regulation between the United States and the Canadian provinces, and administrative difficulties which were aggravated by the inexperience of Canadian issuers and underwriters with SEC statutes and procedures. Moreover, issuers and underwriters offering from Canada object to complying with the multiple requirements of the laws of almost all the States, in addition to SEC requirements.

After years of negotiation, the United States and Canada in 1952 concluded a Supplementary Convention for the extradition of fugitive criminals which was specificaly designed "to comprehend any and all frauds which are punishable criminally by the laws of both contracting states, particularly those which occur in connection with transactions in securities." We did not conceive this treaty amendment to be a panacea. We had hoped, however, that it would be a significant step toward the eventual elimination of fraudulent securities traffic across the border. This hope has not fully materialized. In the first case brought pursuant to its provisions, extradition was denied. The 1952 treaty amendment was interpreted in a manner which limits its effectiveness, primarily because of the complexity of international extradition law when applied to statutory offenses of this kind as between countries both of which have a Federal system, but a differing division of authority between Federal and state or provincial governments. The court held that enumeration 11A of the Convention does not reach violations of the fraud provisions of the Securities Act of 1933 because Canada has no sufficiently corresponding statute, and hence the "double criminality" requirement of extradition laws as interpreted in the British Commonwealth is not met. In any event, extradition would be more effective as a weapon in reserve than as a routine instrument of law enforcement.

Although we have not reached the goal of understanding and achievement which all of us would desire, significant cooperative advances have been made. And it is to the credit of this Association that the first steps toward clarification of this subject came about, in large measure, as a consequence of the 1949 Convention in Richmond, Va. Prior to that time the problem was surrounded by so many emotional blocks, there was so little understanding of the other fellow's point of view, and there was such an unfortunate lack of personal contact between Canadian and American regulators, that no truly cooperative steps were taken to work out a solution. At that meeting someone—I do not know whether he was a Canadian or American representative — in effect held out his hand and said: "Let's stop the shouting and direct our efforts towards working things out." The persons involved got to know one another, to recognize their respective virtues and faults, and rolled up their sleeves and went to work.

The Dominion and Provincial governments of Canada and the Federal and State governments of the United States have a strong mutual interest in stopping the activities of unscrupulous international operators on both sides of the border. Responsible securities dealers both in Canada and in the United States are equally concerned, for it is essential to the maintenance of the confidence of investors and to the channeling of their savings into legitimate enterprise that abusive practices of the fringe element be eradicated. The scope of the areas of agreement and cooperations is great; and where there may be disagreement, it is with respect to methods and mechanics rather than fundamental differences on objective. We of the Commission pledge ourselves to a renewed effort to find a solution to our common problems which will be both effective and merit the wholehearted support of all concerned.

The public has benefited greatly from what has been accomplished to date. The problem is complicated and of many facets, and there may have been temporary misunderstandings and setbacks. But I have been deeply impressed with the great strides forward which have been made. I am confident that we will reach our ultimate mutual goal before too long and that we will do so in a manner that reflects, with credit to all, the common national character and standards of morality of our two great nations.

Barclay Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Dora Cohen has been added to the staff of Barclay Investment Co., 39 South La Salle Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The monetary authorities continue to harden interest rates in their effort to slow down the making of loans by the various lending institutions by pushing up the cost at which the member banks of the system borrow money from the Central Banks. This resulted in the rediscount rate being again raised from 2% to 2¼% by the rest of the Federal Reserve Banks. Bankers acceptance rates were also increased again last week.

With the drive for higher interest rates still going very strong the Government market appears to have held its own rather well. Short-term Governments, that is the yield on Treasury bills, seems to be settling around current levels. As for the intermediate and longer-term Governments, they have been fluctuating within the recently established trading areas, with the market for these issues still thin and on the professional side. With the Government's new money financing in the offing, it is not expected that the interest raising pressure will be applied quite as sharply during the time of this operation as it has been or might be in the future.

Rediscount Rates at 20-Year High

The upward pressure on interest rates became increasingly evident when eight Federal Reserve Banks, namely New York, Richmond, Chicago, Kansas City, Dallas, San Francisco, Minneapolis and Boston raised the rediscount rate from 2% to 2¼%. This is the second increase in the lending rate of the Central Banks in a little more than a month, and is a continuation of the monetary authorities' policy of making the creation of debt more costly. The upping of the rediscount rate from 2% to 2¼% by the various Federal Reserve Banks brought the rate which they charge member banks on loans to the highest level in 20 years.

The recent action of the Central Banks in making member borrowings cost more is an attempt by the powers that be to slow down the forces that not only create inflationary pressures but also an inflationary psychology, and the two of them together have gone a long way in bringing about the maladjustments which currently exist in the economy. The higher rediscount rate is intended to discourage member banks from borrowing from the Federal Reserve Banks in order to obtain funds for their own lending operations. The member banks in turn are expected to discourage customers from borrowing by charging higher rates. In come cases marginal credit is refused when interest rates are moving up.

However, with business conditions as favorable as they have ever been, and taxes at near record levels, it is not surprising to find borrowers that can profitably use the money, not being deterred very much as far by the higher level of interest rates.

Impact of Credit Policy Still to Be Felt

The hardening process for interest rates will in time have a very marked influence upon borrowings. However, this might mean very drastic revisions upward in rates for loans not only from member banks but also from the Central Banks. This, naturally brings up the question as to whether or not the monetary authorities are going to go that far in their interest raising operations. It seems as though the belief now in the financial district is that, while interest rates will tend to harden somewhat more, there will not be that severe type of action by the powers that be which will be necessary in order to bring about a rapid and telling influence upon the lending policies of the member banks of the Federal Reserve System.

With a uniform rediscount rate of 2¼% the question comes up as what will happen to the "prime bank rate" which was raised not so long ago to 3¼% from 3%. Some money market specialists are of the opinion that there will be an upping of the "prime bank rate" in the very near future. On the other hand, there are those who hold to the belief that the "prime bank rate" will not be raised until more is known about the duration (that is as far as the time factor is concerned) of the interest rate raising policy of the monetary authorities.

Higher Reserve Requirements Possible

Some followers of the money market are now of the opinion that the rediscount rate will be upped to 2½% by some of the Central Banks in the not too distant future. At the same time, there are rumors about that reserve requirement of the member banks will also be increased as part of the operation of the powers that be. The raising of reserve requirements of the member banks of the Federal Reserve System would have a much more positive credit limiting action on these institutions, than will higher interest rates.

Federal Land Banks Sell 2⅞% Bonds

The 12 Federal land banks on Sept. 13 offered publicly $130,000,000 of 11½ month 2⅞% consolidated Federal farm loan bonds to be dated and delivered Oct. 3, 1955. The bonds are being offered at 99⅞%. The offering is being made through John T. Knox, the banks' Fiscal Agent, with the assistance of a nation-wide group of security dealers. The proceeds will be used to repay commercial bank borrowings and to finance current lending operations.

The 12 Federal land banks through 1,100 local national farm loan associations make loans to farmers on farm mortgage security. In the year ended June 30, 1955, farmers obtained 57,000 loans for $403,000,000. At June 30, last, they had 350,888 loans for $1.4 billion outstanding. Farmer-borrowers own all the $85,000,000 of capital stock in the system.

Howard Millet Vice-Pres. Of Nathan C. Fay & Co.

PORTLAND, Maine—Nathan C. Fay & Co., 208 Middle Street, announces that Howard Millet, who has been representing the firm in central Maine for the past year with offices at Augusta, has been elected Vice-President of the company. Before joining Nathan C. Fay & Co. a year ago, Mr. Millet represented the Boston firm of H. C. Wainwright & Co., members New York Stock Exchange, in the same territory. Prior thereto he was principal of the Augusta securities firm, Ingraham-Millet & Co.

Keith Funston Receives Shareholders' Award

Keith Funston, President of the New York Stock Exchange, was presented with the "Blue Ribbon Award" of the United Shareholders of America, Inc. by Benjamin A. Javits, President.

Keith Funston

The award, Mr. Javits said, was based on Mr. Funston's work in "Educating and stimulating the interest of Americans in shareownership of publicly-owned corporations, so essential for strengthening the pillars of our government and upgrading our American way of life.

"For his efforts to expand and improve corporate citizenship," Mr. Javits added, "Mr. Funston has displayed high qualities of leadership in the public interest."

In accepting the award, Mr. Funston said: "Mr. Javits, this recognition by the United Shareholders of the Stock Exchange's educational program to tell people everywhere about the risks and advantages of share ownership is most encouraging. I know of your own work in this field and I believe we are working toward a common goal—responsible public ownership of this country's productive resources."

Malcolm Smith Chman. Of New Chemical Co.

Malcolm Smith, limited partner in Dean Witter & Co., and formerly a partner in J. H. Whitney & Co. and Glore Forgan & Co. is Chairman of the Board of Southern Nitrogen Company, Inc., recently organized to establish a modern petrochemical plant at Savannah, Ga.

With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James M. Peticolas has become associated with Francis I. du Pont & Co., 141 West Jackson Boulevard. Mr. Peticolas has been in the securities business in Chicago for many years.

Railroad Securities

Western Maryland—Baltimore & Ohio

Western Maryland has sent out proxies in connection with the special meeting of stockholders called for Oct. 10 to authorize the necessary steps to be taken in connection with the proposal to pay of the substantial dividend accumulations on the 7% first preferred stock. Originally it had been the company's aim to liquidate these arrears through a voluntary stock readjustment plan under the Mahaffie Act. While this plan was approved by a majority of each class of the company's stock there were objections on the part of minority holders of the first preferred who claimed they were not accorded full value for their claim. In the resultant court action, it was judged that the Mahaffie Act did not apply in this instance and the plan was turned down. Rather than appeal the case, the Western Maryland then decided to take steps to pay off the arrears in cash.

The arrears on the first prefererd through the end of the current year will amount to $108.50 a share, or a total of $19,250,070 on the 177,420 shares of stock outstanding. In its proxy statement the company estimates that its cash holdings as of Dec. 31, 1955 will come to at least $14,336,000. To raise additional funds it is proposed to offer each class of the present stock subscription rights to additional common in the ratio of one share for each six shares held. The subscription price of the new common will not be set until the time of the actual offering but obviously it will be below the then prevailing market price. With this sale the management estimates that by Dec. 31 it will have cash somewhat above the dividend accumulations but that the payment would leave it short of working cash. Thus, it is proposed also to obtain a short-term bank loan of not in excess of $6 million. This unsecured loan would mature in three semi-annual instalments of $1 million each with the balance, not to exceed $3 million, payable at the end of two years.

Benefits to Baltimore & Ohio

From the point of view of immediate results consummation of this plan would be of particular benefit to **Baltimore & Ohio,** holder of the majority of the first prefererd stock. Baltimore & Ohio would receive $18,133,279 in cash from payment of the accrued dividends on the stock it holds. Fundamentally the liquidation of these dividend arrears would redound to the substantial benefit of all concerned. As it is now, holders of the two junior stocks, the second preferred and common, can obviously not hope to participate directly in the road's earnings no matter how prosperous the property may be. Liquidation of the arrears would put the junior stocks in position to receive dividends, subject only to the level of earnings and the needs of the property. Students of the situation are inclined to think that dividends would be instituted almost immediately on the second preferred but that a distribution on the common would probably have to be delayed until the bank loan was paid off.

From the point of view of operations and earnings the road is in a strong position. It has traditionally been among the most efficient railroads in the country with a transportation ratio considerably lower and a profit margin substantially higher than for the Class I carriers as a whole. Further improvement in this respect has been noted in the current year which, with a steady increase in trafifc volume and revenues, resulted in a gain of just about a third in net income for the first seven months this year compared with a year ago. With this start, it is estimated that for the full year 1955 common share earnings may approximate $12.00 on the present capitalization. This would be higher than in the boom year 1953 and would compare with $10.77 realized last year. Even with the increase in the amount of stock from 532,868 shares to 661,464 as contemplated under the plan the estimated earnings this year would come to approximately $9.60 a share. The dilution will be far more than outweighed by the improvement there would be in the fundamental position of the shares if the proposal is accepted and consummated.

Halsey, Stuart Group Offers Equipments

Halsey, Stuart & Co. Inc. and associates on Sept. 9 offered $7,500,000 of New York Central RR. 3⅝% equipment trust certificates, maturing annually Sept. 15, 1956 to 1970, inclusive.

The certificates were priced to yield from 3.30% to 3.70% according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost $9,601,637: 45 Diesel road switching locomotives and 16 Diesel switching locomotives.

Associated in the offering are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Gregory & Sons; Ira Haupe & Co.; Wm. E. Pollock & Co., Inc.; First of Michigan Corp.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; F. S. Yantis & Co. Inc.

27th Hayden Golf Tourney Announced

Plans were announced today for the 27th annual Charles Hayden Memorial Trophy Golf Tournament which is to be held on Sept. 23 at the Baltusrol Golf Club, Springfield, N. J. Four-man teams, representing many of New York's securities firms, will compete for the trophy, which is kept in perpetual play as a memorial to Mr. Hayden, founder of Hayden, Stone & Co. Two-man teams will be eligible to vie for a variety of other prizes.

Allen C. DuBois of Wertheim & Co.; Henry Parish II of Carl M. Loeb, Rhoades & Co.; James A. Edgar of Baker, Weeks & Co. and Wickliffe Shreve of Hayden, Stone & Co., compose the committee on arrangements for this year's tournament.

A team representing Wertheim & Co. was the winner of the tournament last year.

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Norman Feeney and Gordon F. Stewart are now connected with Samuel B. Franklin & Company, 215 West Seventh Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Adolph C. Wigren is now connected with King Merritt & Co. Inc. He was formerly with Foster & Marshall.

Continued from page 13

New Frontiers in Banking

whether it is in the case of a mortgage or a business loan.

Swift Growth of Consumer Credit

Next to the changes in the nature of business loans is the spectacular growth of consumer credit. The entrance of commercial banks into this field has wrought truly revolutionary changes in bank lending. Advances to consumers for the purchase of automobiles, household appliances, and other items of so-called luxury character were long considered unwise and too risky because such loans were not self-liquidating. It was also thought that buying on instalment would break down "traditional habits of thrift," was "an economic sin" and almost "immoral."

The truth of it was that commercial banks were short-sighted and unprepared to provide the type of financing needed by the rapid growth of population, of consumers' incomes, and a mass production, particularly of automobiles.

Sales finance companies, on the other hand, were more objective. Where bankers hesitated, they ventured as pioneers. They quickly developed services to provide wholesale financing to automobile dealers and retail financing to car buyers through instalment purchase payments. Their experience during the depression of the 1930's proved to be so satisfactory, certainly better than that of commercial banks with business loans, that bankers revised their views about consumer credit and entered the field with vigor, particularly since the end of World War II.

The record since the war shows that total consumer credit has expanded six times to about $32 billion, a phenomenal rise, even allowing for higher prices. About $25 billion, or over 75% of this total was in instalment credit. Commercial banks held $9.2 billion of consumer loans which made up 12.6% of all their loans.

It is important for those who already are in this field and for those who are entering it to realize that the initiation and servicing of instalment credit must be skilled and prudent. Its terms must be sensible as to down payment and maturity. The borrower must not overload himself with long-term debt; nor should he obtain goods such as automobiles and household appliances without substantial equities in the articles purchased. The longer the maturity and the smaller the down payment, the greater is the exposure.

Undesirable practices, such as packing, discounting and inflating selling prices through over-allowances on trade-in, always increase the risk of the lenders. Small wonder that the Comptroller of the Currency and the Federal Reserve Board are getting ready to make special iquiries into consumer loans by the banks they examine. We are assured that this inquiry is not intended to imply a criticism of this form of credit nor to suggest a tightening of credit which would prevent sound transactions. Nevertheless, it is a warning against over-liberal terms. Overextension of bank credit in any type of lending contributes to the instability of the economy.

The key to the whole problem of banking and credit, of course, is stability of incomes. In the second quarter of this year, we reached an all-time high in personal income of $300 billion. After taxes, consumers had about $267 billion of spendable funds, and spending has been running at an annual rate of almost $250 billion, with savings of about 7% of disposable income. These are fantastic figures and they are not leveling off as predicted earlier. But who can tell that the spendable incomes will continue to grow or even stay at the present level? Any sharp downturn would create a real anxiety to all of us.

Mortgage Debt

Closely related to consumer credit is mortgage indebtedness.

The grand total of mortgages on all properties in the United States increased from about $42 billion in 1946 to over $117 billion by March of this year, a rise of about 180%, which was due in part to higher prices. The highest rate of expansion occurred in residential mortgages, particularly on one- to four-family properties. This vast expansion reflects catching up in the building of homes delayed by the war, the rapid growth of population and families, the unusual increase in home-ownership with higher incomes and modern methods of financing. This represent a great social change, and the direction of this change continues.

How have the commercial banks shared in this mortgage expansion? Their total mortgage holdings in 1946 were over $7.2 billion and in March, 1955, about $19.2 billion, a growth of 170%. Holdings of residential mortgages increased from $5.1 billion to $14.6 billion, or 186%.

Total mortgage holdings of mutual savings banks have expanded even at a greater rate—by about 250% since the war. Savings and loan associations and life insurance companies showed about a four-fold increase in their mortgage holdings.

The overall expansion of home mortgage debt and consumer credit combined has been much more rapid than the rise in the national total of personal income, after taxes, since the war. The total debt of these two items was about 32% of disposable income in 1939 and it rose steadily to 42% early in 1955.

Let us test the consumers' ability to carry this debt by using consumers' liquid assets. These assets, consisting of currency, total deposits, savings and loan shares, and United States Government securities, increased from $50 billion in 1939 to $208 billion early in 1955. The proportion of consumer credit and home mortgage debt rose from 44% in 1939 to about 51% of liquid assets early this year. The ratio of this debt to accumulated savings thus has been rising fast since the war. Even so, we must not lose our perspective.

In its analysis of this problem, the July "Bulletin" of the First National City Bank reaches the following two conclusions:

(1) "Towering as the present consumer debt and combined total of consumer plus mortgage debt appear when looked at alone, they are considerably less formidable when measured against the growth of personal disposable income (what's left after taxes) and readily disposable liquid assets or savings.

(2) "Most of the rise to date in consumer debt and home mortgage debt has appeared merely as 'catching up' with the rise of disposable income and savings, after a lag due to World War II controls over credit and materials for consumer goods and housing."

The overall relationship of personal debt to income and liquid assets does not seem to be alarming but neither is the present evidence conclusive. We have only an aggregate statistical picture but we do not have a significant account of individual borrowers by type and region, nor do we have a satisfactory indication of the quality of the obligations. What we really need for our guidance is a good sampling of indebtedness in relation to family incomes.

The study of the First National City Bank cautions us that in analyzing this problem we must be careful of using old yardsticks because of the great changes in consumer income status, methods of home operation, and buying habits.

The character of household operations certainly has changed. There is less dependence, for example, on domestic help and a greater dependence on electrical appliances, such as dishwashing machines, refrigerators, and other forms of mechanical devices. Even in housing, the growth of home ownership has for many people substituted mortgage payments for rent. Moreover, the built-in stabilizers, such as the growth of private and public pension funds, hospital and medical insurance, unemployment compensation, and the like, have given greater assurance to people who borrow and reypay in order to satismy their wants.

Probably the most important factor, particularly in the case of home mortgages, is the principle of amortization. The consumer constantly is increasing his quity and the lender is lessening his exposure. This is a great improvement in mortgage repayment over the old method of short-term mortgage maturities, which were almost meaningless in times of trouble. If strictly adhered to, this amortization system should give stability to the construction industry and the economy in general.

It seems to me that here we have a real problem of credit education. Banks and business borrowers generally know the nature and limitations of borrowing. Both appreciate the meaning of overextension or debt overloading. But, I suspect, this is not entirely true of a great many consumers. Under high-pressure salesmanship, they allow themselves to go into debt to several lending agencies so that the total indebtedness often exceeds their current ability to service the debt. The result is a severe strain on family income and dissatisfaction with all lenders. We have done little or nothing to forestall such unhappy developments. Probably a series of "Don't Overdo It" messages to the consumer would be a desirable undertaking for us to consider.

Competitive Relationships

Competition, of course, is a great force in private enterprise. Banking is a prime example and in no phase of it is there keener competition than in the contest for savings accounts.

There are four kinds of institutions that compete directly for these accounts—savings and loan associations, mutual savings banks, commercial banks and postal savings. We can eliminate postal savings because they have been declining and at $2 billion they are only about 62% of what they were in 1946. The other three are real competitors and we should follow what is happening.

At the end of the war, savings accounts in these three classes of institutions totaled $52.6 billion. Commercial banks held in time deposits almost 57%, mutual savings banks 29%, and savings and loan associations about 14%. By April this year, these accounts had more than doubled, reaching about $103 billion. But the proportion held by commercial banks declined from 57 to 47% and holdings of mutual savings banks from 29 to 26%, whereas those of savings and loan associations increased from 14 to 27½% of the total.

What are the reasons for this difference in growth? Why do people take their savings to other places instead of commercial banks that traditionally have been promoters of thrift and recipients of savings?

One reason stands out. Savings and loan associations and mutual savings banks pay higher rates of interest on savings accounts than the commercial banks. They can do this because they are not subject to income taxes to the same degree that commercial banks are; they are not under the pressure of earnings and dividends on invested capital; and they do not operate under the same legal or self-imposed restrictions as to reserve and liquidity as commercial banks.

Commercial banks generally have resisted raising their rates from 1% on savings accounts, although some of them in Pennsylvania, as elsewhere, have gone to 2%. Most of the other institutions are paying from 2½% to 3% on savings as, apparently, they are having considerable competition among themselves.

Several questions naturally arise: should commercial banks adjust their rates on savings deposits to 2% or even 2½% in order to compete? What is the proper rate for commercial banks to pay on savings accounts without unduly raising costs? What is the rate of turnover? Of the ratio of withdrawals which affect profitability? As merchants primarily of short-term credit, can we employ these savings at a rate that would contribute to our net income? Answers to these and other questions require a careful analysis before individual decisions can be reached.

Another reason for the rapid growth of savings and loan associations probably lies in aggressive advertising, which often makes extravagant claims. Perhaps we should fight fire with fire and be more aggressive ourselves in putting our advantages before the public. Our Educational Foundation is already preparing a leaflet to that effect. The committees on lending and operations can assist the legislative committees in suggesting appropriate means for equalizing competitive advantages whenever unfair competition develops. But we must always remember that it is the people themselves who choose the institutions to which they entrust their savings. It is our problem to present our case to the people in a fair, dignified and vigorous manner.

We believe in competition among ourselves and other agencies. But the standards of competition must be sound and fair, and the competitive opportunity maintained on a high level.

Within Our Walls

Despite competition and changes in methods of business financing, commercial banks have done well since World War II. Their net profits during the past five years averaged about 8% of capital accounts. This ratio is somewhat lower for the banks in Pennsylvania, largely because their capital funds are relatively larger than for the banks in the rest of the country. Measured in terms of total assets, however, net profits of Pennsylvania banks were better than those for the country as a whole.

Earnings on loans naturally constitute the largest proportion of our total income which recently has been increasing. Income from securities also has shown a tendency to rise, owing partly to increased investment in tax-exempt securities.

One item on the income side that deserves our attention is that of service charges. For 1954, these charges at all member banks of the Federal Reserve System accounted for about 6% of total earnings. This proportion was generally higher at smaller banks—abut 7%— than the 4.4% at larger banks. The proportion at member banks in the Philadelphia Federal Reserve District at 3.6% was the lowest of all districts. Most deposit accounts undoubtedly are profitable, but there are many of those whose activities are costly and entail losses. Every account should at least pay it own way. A fresh inquiry into this subject should be helpful.

On the expense side, obviously salaries and wages make up the largest item. The trend of compensation is upward. The enactment of the law providing for a minimum wage of $1 an hour will accelerate upward adjustments in several pay brackets.

Interest on time deposits or savings accounts also is becoming an expense item of increasing size. It has an unusual meaning for us. The average interest paid on time deposits in the Philadelphia Federal Reserve District in 1954 was one of the lowest among the reserve districts, with Cleveland and Chicago districts being the lowest. This is a live issue and we must consider it.

Confronted with rapidly rising costs, we must constantly watch all our sources of income and avenues of expense. At the same time, we cannot fail to maintain efficient services, largely because good performance makes for good public relations and acceptance of banking. In this age of automation, one way to meet new demands is to mechanize our operations to the greatest extent possible, especially in view of the shortages of competent help. This is a real challenge for our committee on operations.

Bank Management and Personnel

The secret of a successful bank, as of any industry, lies in its management. Good management is the heart of sound banking and credit. The quality of the management determines the quality of operations, assets, public relations and growth of business.

A good management sets proper goals, organizes jobs and selects workers for them, makes an efficient team out of its personnel, measures jobs and performance, and, above all else, develops people, brings out the best in them. The work of the manager, therefore, is a complex human task. It requires human understanding, experience, skill and general knowledge of human relations within and without the bank. We must have good managers and good personnel in banks.

The problem is how to attract, select and develop them. Recently, I received a letter from a well-known firm of consultants in the field of management. The first paragraph states: "It is a known fact that the banking business no longer attracts the high caliber men interested in a challenging career, which it once did—at least, not in proportion to the growth of banks." I challenge the accuracy of this statement.

We are attracting a high caliber of men and women and we are offering them opportunities for advancement. It is true that for a period during the war and for sometime afterward industries competed with us for promising man power. But I think this situation is changing. For one thing, our compensation has been catching up with that offered by industries. Another reason is that the atmosphere in many banks has been changing for the better. In addition to job security, we are offering many other benefits, such as pensions, hospitalization, group insurance, bonuses, profit-sharing plans, vacations, and an abundance of holidays.

The whole field of banking as a career is improving, and it is up to us to continue this improvement. We have a good committee of top executives to probe into this subject. We msut develop an objective program for selection, training and development of our people.

In Conclusion

We have new conditions to meet; we must study them. We have greater resources in our care; what we do with them depends upon the quality and skill of our management. We are serving more people and we must always remember that we are dealing not only with their money but with their human wants and needs.

Within the province of your committees come many banking and credit matters of common interest to all the 866 banks in Pennsylvania. Among these are:

Building of sound earnings assets.

Efficient and courteous service to the people and to business.

Development of competent bank management and personnel.

Earnings sufficient to produce a fair return on capital employed for dividends and for growth.

Control of costs through improved operations and administration.

Maintenance of strong capital structures.

Fair and vigorous competition.

Cultivation of good public relations.

You can render great service to our membership by your study and suggestions in each of these areas. Each committee is a task force and its goal is important to progressive banking and to the development of our communities.

The new frontiers before us are broad and exciting. The present picture, of course, is mixed. Like all new situations, there is never just black and white but always many hues in between. Right now there is some indication of inflationary developments. There is a danger that our costs may rise faster than our productivity; that over-optimism may lead to over-expansion of credit; that in our drive toward "full" employment, unbalanced fiscal policy may be used under pressure; and that the possession of large liquid assets by individuals might lead to speculative plunges under the spurt of over-confidence.

But these developments need not occur at all if our private and public policies and plans are prudent. We have many economic frontiers that can insure prosperity without inflation. Population growth, improving management skills, intensified research and technology, sound public policy designed to create a favorable climate—these are among the powerflu forces for sustained activity and a continued high standard of living. It is toward the balanced growth and development of our economy that banking and credit can make a fruitful contribution. Viewed in this light, our own job becomes hopeful and full of zest.

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Electronics Means a Revolution in Materials

tubes, in an array of light-sensitive control devices, and in new techniques of electrostatic printing.

Certain materials in this same general class are capable of converting both light and atomic energy directly into small amounts of electrical energy. From these materials, we have devised experimental solar and atomic batteries, producing electric current from the light of the sun and from radioactive bombardment by atomic waste materials. The importance of these devices lies in their potential as reliable, long life, and compact sources of power for our transistorized devices.

New ferromagnetic materials have enabled us to achieve high performance in miniature components essential in transistorized circuits. They also have played a significant role in development of improved television picture tubes. The use of ferromagnetic cores in the deflection magnets which guide the scanning beam in our television receivers has made possible the enlargement of the picture screen without lengthening the tube itself.

Even greater promise lies, however, in the ability of certain ferromagnetic materials to store information over an indefinite period and to relinquish this information instantly whenever it is required. These properties have enabled us to develop compact and efficient electronic memory units. These units, equipped with thousands of tiny ferromagnetic cores, represent a major advance over previous storage systems in their ability to "recall" any item of stored information within millionths of a second. Performance of this order is essential for the rapid solution of complex problems handled by electronic computers. It is essential also for the swift compilation of data in tomorrow's electronic business machines.

Through the phenomenon of electroluminescence, we are today exploiting the relationship of electrical and light energy in novel developments of major significance for the future. By combining photoconductive and electroluminescent materials in a single, compact device, we have achieved the electronic light amplifier. Here, an image of extremely dim visible light or of invisible ultraviolet light may be intensified through two thin layers of these materials to attain visible brightness and high resolution. Light amplifiers of this nature may soon permit us to gain increased utility from our radar, our X-ray fluoroscopes, and other devices which today produce dim images for our viewing.

Electroluminescence with its combination of electronic phenomena within a small crystal, points the way also to radical changes in our television receivers. It appears now that our bulky picture tube, in which electron gun and phosphor screen are segregated at either end, will give way, in the future to a thin layer of electroluminescent material within which the same functions are performed. This development, together with the miniaturization of other elements in our receiving circuits, will give us mural television. Its form will be that of a thin screen decorating a wall, and controlled remotely from a small box beside the viewer elsewhere in the room.

Use of Electronically Active Solids

Many illustrations have been given of the revolution caused by the increased utility of electronically active solids. What will the impact of all this be on the electronic industry? The influences caused by this new revolution in solids is much greater than just that of a new device because it means a brand new outlook on what is possible. For instance, the transistor makes a hundred-fold decrease in standby power easily obtainable in many equipments. The ferromagnetic or ferroelectric circuit goes one step further. It requires, in itself, no standby power and uses power only when change is made. Effects which previously required complicated equipment for their application may now be combined in one simple material or sandwich, as has been done in the light amplifier. This gives us a simplicity that was previously inconceivable.

Small use of power combined with developments in automation, which are presently under way, means compactness. We have before us the possibility of manifold increases in the number of functions possible with electronic equipment, within the space and economic boundaries set for us, limited only by a new frontier for invention and ingenuity. In other words, an increase in functional complication, seen previously only as a vision, now becomes an economic reality. This all leads to two major results: increased markets for present types of equipment because of decreased size and complexity and new markets for newly conceived apparatus which were never before economicaly feasible.

Conclusion

Thus, beneath the glamor which surrounds many of these developing electronic systems, this revolution in materials is having a fundamental effect upon our electronic science. While obsolescence is overtaking the methods and the means upon which we have built our products and services in the past, our horizon is being expanded beyond any limits we may discern today. With an ever-increasing flow of new materials and a wealth of research and engineering skills, the electronic science that was confined, in the past, largely to the field of communications is, today, penetrating into all areas of our technology.

The results of this invasion already are becoming evident in the changes wrought by electronics in—the factory, the office, and the home. But these changes, radical as they may appear, give only a faint indication of the astonishing developments now brought within our reach by recent and continuing scientific discovery in the area of new materials. Tomorrow's systems, based on achievements in the laboratory today, promise to reshape many of our industrial processes and business methods. They promise to carry our national economy to even higher levels. These trends, together with the perfection of many new electronic systems for the home, promise above all to increase our enjoyment and well-being as individuals.

So far, we have responded with enthusiasm to the challenge. In the areas of communications theory and systems engineering we have been taking full advantage of the opportunities offered by new materials. The pace has been swift, but there is every indication that its swiftness will increase, and that our progress today will breed further progress tomorrow. Clearly the organization which makes the best and the fullest use of these newer materials will be in the forefront of progress. To an industry and to a research fraternity with a tradition of pioneering, this is a challenge we face with confidence regarding the achievements which will be ours.

New Reynolds Branch

STOCKTON, Calif. — Reynolds & Co. will open a branch office at 301 East Weber Avenue, effective Sept. 20, under the supervision of Edwin A. Robertson.

With Cosmopolitan Inv.

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La. — T. S. Bareclona has been added to the staff of Cosmopolitan National Investment Corporation, 2907 Laurel Street.

First Calif. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo D. Bartelme Jr. has joined the staff of First California Company, 647 South Spring Street.

Continued from first page

Tempering the Boom Through Credit Restraint

Growing Pressures Upon Capacity—Economic activity has been rising rapidly for many months, and there are signs that industry is once again approaching capacity operations. Gross National output has risen by 8% since the latter part of 1954 and is currently some 4 to 5% higher even than in the peak quarter of 1953, the previous record year. Industrial production, as measured by the Federal Reserve index, is currently at 140 (1947-49=100), or three points above the best month in 1953, and there are indications that the index may be understating the rise in output in recent months. Employment has expanded to record levels; the work week in manufacturing is again above the 40-hour mark; key industries are operating at or close to capacity; and the immediate supply of some industrial raw materials is below current demands. Business is building inventories at an accelerating pace and accumulation is expected to spread in the months ahead.

It is therefore not surprising that upward pressures upon prices are becoming stronger. Wage rates are advancing sharply, probably faster than the growth in industrial productivity, and production and distribution costs are mounting. Prices of industrial commodities are on the rise, and even the sluggish cost of living index has shown increases in recent months. Very importantly, current economic expansion is being accompanied by an unusually vigorous increase in private credit. As the economy approches effective capacity operations, there is a real possibility that a continued rapid expansion of credit will do more to bid up prices than to increase physical output.

Rising Demands for Funds—The present business recovery has been most robust in areas that are large users of credit, notably residential building and automobile sales. The combined volume of new corporate, state and local security issues has been running somewhat below the 1954 level, but with demands for investment funds running ahead of the rate of savings, the commercial banking system is financing an increasing volume of instalment buying, building activity and business expansion. Loans of commercial banks jumped by $4 billion in the first six months of 1955, a record for the first half of any year, and loans have continued their rapid climb in recent weeks. In the first six months of 1953, when business was also rising to record levels, total loans of commerical banks increased by less than $1.0 billion.

The bulk of the increase in bank loans is due to the larger requirements of commerce and industry. Although some of the increased borrowings in the early part of 1955 reflected the greater concentration of corporate tax payments in the first half of the year, the major loan demands have come from light and heavy industry and from sales finance companies. Public utility companies have also been heavy borrowers recently, largely in order to provide interim financing of new construction.

Another area of rapidly mounting debt is in home mortgages, which are rising at a rate indicating an increase of more than $12 billion this year, against a $9½ billion advance in 1954. Although the great bulk of mortgage money is still being supplied by savings institutions, demands for mortgage financing are outstripping the funds made available by these institutions; of the increase in home mortgage debt during the past 12 months, some 20% has been financed by the commercial banks, and the banking statistics indicate that the growth of real estate loans has accelerated in recent months. Although comprehensive statistics are not available, it is evident that part of the rise reflects a rapid growth in the "warehousing" of home mortgages by the banks on behalf of institutional investors who agree to repurchase them at a future date, presumably when building activity may be lower.

Soaring consumer credit finally, is also adding to the pressure upon the banking system. In the first six months of 1955, instalment credit climbed by almost $2½ billion, mainly because of the upsurge in automobile paper. Some of these demands are reflected in the sharp increases already noted in bank loans to sales finance companies. Direct bank loans to consumers are also expanding considerably, although somewhat less so far in 1955 than in the corresponding months of the boom year 1953.

The present levels of mortgage and instalment debt by themselves are probably not beyond the ability of the public to carry under current conditions of full employment and rising incomes, even though such debt is at record heights not only in dollar amounts, but also relative to total personal income. The rate at which personal indebtedness is expanding, however, seems clearly in excess of what can be sustained over a protracted period. Furthermore, the sharp growth of private debt has certainly been accompanied by an extension of maturities and probably by some relaxation in lending standards. Finally, when the economy is surging upward, there is always some risk that optimism may stimulate an over-extension of credit.

Restraints Upon Expansion—Under these conditions, the desirability of imposing restraint upon the rapidly rising trend of economic activity appears to be receiving increasing recognition. And since financing needs are being reflected in growing pressures on the banking system and, to a lesser degree, upon the credit markets, credit policy patently can make a contribution to this end. By reducing the availability and increasing the cost of credit, it is hoped to limit current economic expansion to a rate that can be sustained over a protracted period, thereby avoiding those temporary spurts in demand which in the past have contributed to economic instability. The goal of credit restraint at this time is not to bring about a decline in business activity and employment, but rather to reduce the chances of "boom and bust."

Consequently, the credit authorities have been moving toward a more restrictive policy almost since the recovery of business began to take hold in the latter part of 1954. In the closing months of last year, the authorities shifted away from their policies of "active ease." Open-market operations were conducted with a view to "taking the slack out of the money market," although reserves were initially supplied whenever required to prevent tightness in the money market. Gradually, however, reserves were furnished less and less freely. In April 1955, the discount rate was increased from 1½ to 1¾%, and a further round of increases was undertaken in August. Furthermore, the authorities this summer refrained from reducing member banks' reserve requirements, contrary to their actions in each of the past two years, when such a step helped the banks meet the anticipated large credit demands of the Treasury and of seasonal borrowers.

In all, the shift toward a more restrictive general credit policy has been quite unmistakable but it has also been gradual and moderate, as may be observed from the accompanying chart. It is evident from the chart that with reserve requirements unchanged, member banks have had to increase their borrowings from the Federal Reserve banks substantially in order to obtain necessary reserves. Perhaps the most significant indicator of the gradual tightening of credit is the behavior of "free" reserves, i.e., the excess reserves less member bank borrowings. These "free" reserves declined from a level of $700-$800 million in mid-1954 to negative figures in recent weeks, indicating that borrowings are larger than excess reserves. The downtrend has been gentle and, so far at least, has not been carried to the extremes of 1953. However, as the chart clearly illustrates, Federal Reserve policy has become more restrictive in recent weeks. Thus, it may be said that within the past year credit policy has moved from "active ease" to "ease" and eventually to restraint.

Recent Economic Restraints

Dec. 7, 1954: Federal Reserve Open Market Committee formally approved shift in open market policy from "active ease" to "ease."

Jan. 4, 1955: Federal Reserve increased margin requirements from 50 to 60%.

Feb. 1, 1955: Treasury offered 3% bonds due 1955 in exchange for maturing obligations ($1.9 million issued).

April 14, 1955: Federal Reserve began increasing discount rate from 1½ to 1¾%.

April 25, 1955: Federal Reserve increased margin requirements from 60 to 70%.

April 28, 1955: Veterans' Administration prohibited inclusion of closing costs in guaranteed or insured mortgages.

July 11, 1955: Treasury offered 3s of 1995 for cash subscription ($822 million issued).

Aug. 1, 1955: Federal Housing Administration & Veterans' Administration raised minimum down payments on mortgages by two percentage points and shortened maximum maturities from 30 to 25 years.

Aug. 4, 1955: Federal Reserve began increasing discount rate from 1¾ to 2% (2¼% in Cleveland district).

Early Aug. 1955: Federal Reserve held conferences on consumer credit.

Aug. 11, 1955: Director of Defense Mobilization sharply curtailed issuance of certificates of necessity for accelerated depreciation.

Late Aug., 1955: Federal Reserve discount rate increase to 2¼% began spreading to other districts.

At the same time, the Federal Reserve has taken various additional steps to curb credit expansion, and several branches of the Federal Government have acted to temper the rapid rise in economic activity. The foregoing catalogue of the various restraint measures undertaken since the closing months of last year shows that the imposition of economic restraint has proceeded quite moderately and cautiously, especially in the early stages of the business recovery, but that restrictive action has been intensified and accelerated in recent weeks.

Intensification of Credit Restraint

As late as the spring of this year, there was considerable uncertainty whether the Federal Reserve authorities would continue their mildly restrictive policies or whether, in view of large borrowing needs on the part of private borrowers and the Treasury during the balance of 1955, they would take steps around midyear to ease the money market. The recent actions of the Federal Reserve and other agencies suggest, however, that credit restraint is to be continued, at least for the time being. The various steps taken in August to curb credit, while individually modest, are likely to have some cumulative effects upon the three types of credit which are contributing importantly to the boom—bank loans, home mortgages and instalment financing.

Increased Discount Rate—The discount rate, which as a tool of credit policy had been relegated to the background for many years, has staged a comeback in recent years. When, as now, the authorities provide fewer reserves through open-market purchases, member bank borrowings become larger, more frequent and more widespread, so that an increase in the discount rate effectively raises the cost of credit to the banking system and frequently to the ultimate borrower.

The recent round of increases in the discount rate was initiated by an announcement by several Reserve banks on Aug. 3 that they were raising the rate to 2% effective the following day. An exception was the Federal Reserve Bank of Cleveland, which increased its rate to 2¼%. The larger increase in the Cleveland district presumably reflected the remarkable strength of business and credit expansion in that area, which includes a large concentration of steel companies, automobile suppliers and heavy industry. Later in August, however, the movement toward a 2¼% discount rate began to spread to other districts. As a result, there was a revival, at least for a time, of regional differentials in discount rates, a system common before World War II but which had not prevailed since April 1942.

Tighter Mortgage Credit — Effective Aug. 1, the Federal Housing Administration and the Veterans' Administration increased required down payments on insured and guaranteed mortgages by two percentage points and shortened maximum maturities from 30 to 25 years. The increase in down payments ranges between $200 and $300 on houses selling between $10,000 and $15,000, which currently comprise the mass market. The reduction in maturities means that on FHA-insured mortgages on houses within the $10-$15,000 price range, monthly payments are increased by some $5 or $6, or by about 9-10%, while on VA-guaranteed mortgages, monthly payments are increased by $4 to $6, or by about 7½%. This action also eliminates the no-down payment mortgages; the "no-down payment" mortgage had already been abolished late in April.

Since the increases both in down payments and in monthly instalments are fairly modest, they do not seem likely to cause a sharp contraction in residential building. Also, the impact is likely to be delayed, since for projects already under way or about to be started, most financing arrangements have already been made. Some home purchases may be postponed until the higher down payments have been accumulated, but this is not likely to be a real barrier to home ownership. Nor are the increased monthly instalments expected to be a significant burden; in fact, the modest rise in monthly payments has been more than offset, for the majority of the labor force, by the increase in earnings during the past year or so. Moreover, mortgages maturing beyond 25 years, now ruled out, have not bulked very large in total home mortgage lending activity. However, the action of the authorities is likely to have some restrictive effect in the aggregate by keeping the marginal home buyers out of the market.

The Consumer Credit Problem—Since the Federal Reserve has no authority to impose specific controls on consumer credit, any restrictive action must come either from general credit policy or from "moral suasion." There is little doubt that the upsurge in instalment lending was among the considerations that induced the Federal Reserve to adopt a policy of general credit restraint. In addition, "moral suasion" seems to have been applied; the authorities have called representatives of various consumer lending groups to meetings in Washington at which this problem was discussed, and at the same time the Federal banking supervisory authorities have initiated more thorough examination of consumer lending operations of commercial banks.

Lending terms for consumer credit have clearly become more liberal. In the case of automobile paper, which has been responsible for the bulk of the increase in instalment financing in 1955, payout periods have gradually lengthened to 36 months and more. Also, the "packing" of both new car prices and trade-in allowances means that the true equity of the new car purchaser is frequently less than stated on the sales contract. Although repossessions are still relatively low and losses nominal, there appears to be good reason to halt the trend toward the ever more liberal lending. The goal of the credit authorities is not to check further growth in instalment financing but rather to check the progressive easing of credit terms which might further stimulate the consumer durable goods industries for the time being, but which would pose the real possibility of a subsequent drop in output when consumer debt is being consolidated or reduced.

Implications for Commercial Banking

Responsibility for promoting economic stability is not the task of the credit authorities alone. If credit policy is to be effective, its aims and endeavors must be recognized by the financial community, and the actions of the authorities must receive the day-by-day support of the major providers of credit, including particularly, of course, the commercial banking system.

Current Aim of Credit Policy—The present concern of the credit authorities does not appear to be directed primarily to the level of economic activity in the aggregate which, though above all previous peaks, is probably not placing an undue strain upon total resources of plant or manpower at this time. Rather, the concern of the Federal Reserve is with the rate of expansion; continuation of the advance in activity at its recent swift pace could well have unsettling repercussions upon credit and business conditions. Also, capacity operations in basic industries and shortages of raw materials may be creating some problems.

The Federal Reserve assuredly recognizes that action to restrain credit expansion is not only generally unpopular, but entails some risk of bringing about an economic downturn. However, the authorities are presumably equally mindful that the alternative, namely unrestrained expansion, is probably even more hazardous, since such a course would enhance the likelihood of a serious downturn at a later date. Specifically, if the rapid rise in instalment credit should continue to be fed by a progressive relaxation of lending terms, and if inventory speculation should be facilitated by the easy availability of bank credit, the prospect of a subsequent troublesome economic downturn would become real and serious indeed.

Undoubtedly, the Federal Reserve authorities hope that their restrictive credit policies, which so far may still be described as moderate, will succeed in slowing down the rate of expansion to one that appears sustainable over a longer period, but without reversing the upward direction of business. Unquestionably, therefore, the authorities will continue their constant appraisal of developments in the economy and will be most sensitive to any real weakening in business conditions. A leveling off in total activity, even without a decline, might well prompt a fairly significant easing of credit. So far, however, there are no signs of any imminent slackening in business, and the authorities may therefore be expected to maintain credit fairly tight, and even to impose greater restraint if underlying conditions should indicate the need for further action.

Implications for Lending Policy—In the present environment, the endeavors of the Federal Reserve to limit credit expansion obviously carry important implications for the lending activities of the commercial banks. The authorities have expressed some concern with reference to instalment credit, stock market credit and warehousing of mortgage loans, but they have not expressed their views regarding specific guideposts for lending policy. However, it is evident that their endeavors are not to halt new lending but rather to encourage the raising of lending standards generally and to promote greater selectivity in extending credit. The ultimate aim is to moderate further credit growth and to ensure that bank credit be channeled predominantly toward "productive" undertakings, i. e., transactions that will increase the flow of goods and services rather than simply bid up prices.

Consistent with this general objective is the extension of credit to finance the marketing of crops, to finance the seasonal accumulation of business inventories, and to finance inventory building in those instances where stocks are deficient in the light of actual and conservatively expected sales. Obviously, even these basic principles will raise many borderline questions. Determining appropriate levels for inventories may involve difficult problems of business judgment, especially as, in a period of rising sales, tight supplies of some basic materials, and upward pressures upon prices of industrial commodities, inventory needs may tend to be overestimated. Also, term loans to finance the acquisition of machinery and equipment wil, ultimately, add to productive capacity but one may ask whether, in the present environment, it might not be appropriate to have such capital requirements financed to a greater degree out of savings rather than through an expansion of bank credit. On the other hand, the use of bank credit to retire outstanding securities, or to facilitate acquisitions which will probably not mean a significant increase in output, are not consistent with the objective of limiting credit expansion to "productive" purposes.

Furthermore, there is little doubt that the Federal Reserve authorities are anxious to avert a progressive liberalization of lending terms or a downgrading of credit standards. A good case can be made for "flexible" lending standards which become more exacting as business approaches new peaks. Actual practice, however, if often the reverse; as incomes and earnings advance and business sentiment becomes increasingly confident, there is a good chance that this optimism will be reflected in the evaluation of credit risks. A gradual tightening in the supply of credit may consequently have the wholesome effect of fostering somewhat greater discrimination in making loans.

At the same time, it is necessary to keep in mind that the relatively moderate policies of credit restraint now in effect do not constitute a call to force the liquidation of sound loans made for productive purposes, or to deny funds to creditworthy borrowers for proper enterprises. The goal of economic stabilization—and of good banking as well—will best be served by assuming that Federal Reserve credit will continue to be available to support bank lending for undertakings that are conservatively financed, add to the supply of goods and services, and are supported by a realistic appraisal of demands.

Effects on Interest Rates

The gradual tightening of credit so far this year has already had some discernible effects upon banking conditions. Lending rates have been raised and credit is less freely available than it was earlier in the year. In the money market, rates and yields have reached new highs for the year. Throughout, however, market conditions have remained orderly, and market sentiment has not deteriorated, as it did in 1953.

Adjustments in Lending Rates—An important consequence of tightening credit is the increased cost of reserves to the commercial banking system, irrespective of whether these reserves are raised through borrowing from the Federal Reserve, through purchasing Federal funds, or through sales of Treasury bills or other securities. The cost of reserves, in turn, has an important bearing upon the level of bank lending rates. On Aug. 3, 1955, the same day that the first increases in Federal Reserve discount rates were announced, the "prime" lending rate of the large commercial banks was raised from 3% to 3¼%. Initiated by New York banks, this action was generally followed throughout the rest of the country and brought the rate back to the levels that had prevailed from April 1953 to March 1954.

Despite the coincidence in timing, the increase in the prime rate does not appear to have been touched off by the rise in the discount rate; in fact, the first announcement of a higher prime rate preceded the Federal Reserve's statement regarding action on the discount rate. Actually, soaring bank loans, higher member bank borrowings, firming interest rates and other money market factors had been signaling an increase in the prime rate for some months. Also, brokers' loans secured by customers' securities had been marked up from 3% to 3¼% a few days ahead of the action on the prime rate; these rates were further increased to 3½% shortly thereafter. Undoubtedly, banks are now endeavoring to adjust rates charged other borrowers as well.

Interest Rates—Interest rates in recent years have reflected changes in credit policy, which in turn has taken its cue from the course of the economy. The second chart shows that all classes of interest rates advanced sharply from mid-1952 to mid-1953, the last previous period of rapidly expanding business activity and credit restraint; they followed a declining trend during the ensuing business sag; they moved upward as business recovered. The chart further illustrates that short-term rates are much more volatile than those on long-term obligations.

Since the pressures posed by expanding loans and restrictive credit policies have had their most direct and immediate impact upon the banking system, it is understandable that the short-term credit market has been affected more sharply than the market for longer term funds. Furthermore, the yields on Government securities in the "bank range" (three-five year maturities) have experienced a considerably greater rise than yields on long-term Government bonds, and yields on long-term Governments have firmed somewhat more than the yields on corporate bonds, which are not importantly held by commercial banks.

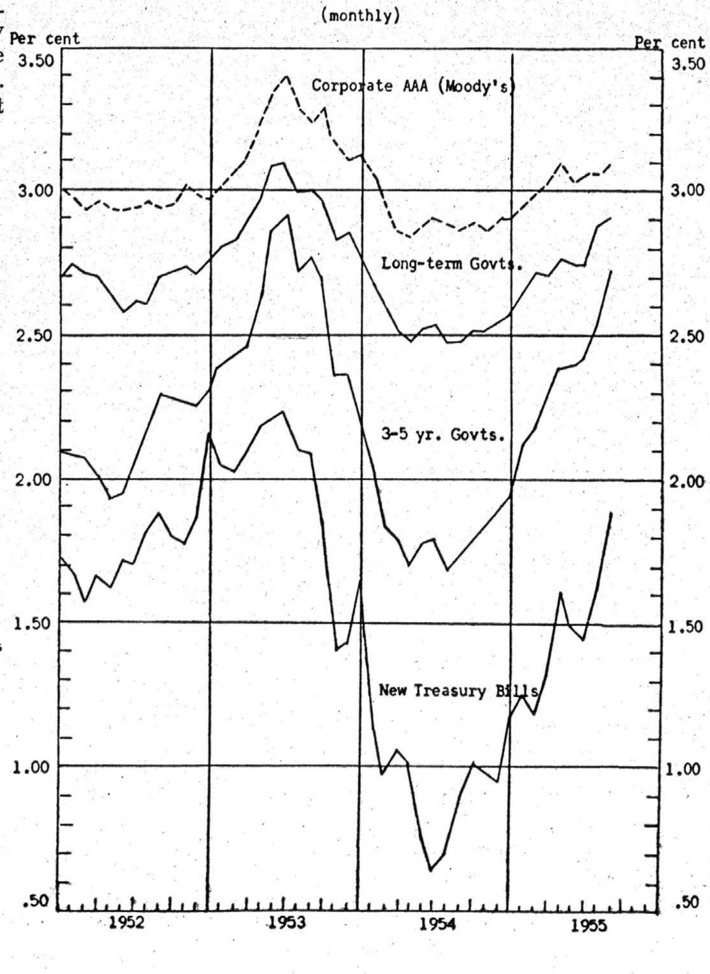
Although the prime rate is at the level that prevailed during the credit stringency of 1953, and discount rates in August began to move above the 2% level in effect at that time, market yields of all maturities are still well below their 1953 peaks. Market sentiment, so far at least, has faced the shift from an easy to a fairly restrictive credit policy with remarkable equanimity, and there is considerably less anxiety regarding the future than prevailed in 1953.

RATES AND YIELDS

Type of Security	1954 Low Month	April 1955	August 1955
Prime Commercial Paper (3 months)	1¼	1⅞	2⅜
Finance Company Paper (3 months)	1¼	1⅞	2¼
Brokers' loans (customers' securities)	3	3	3½
Prime Rate	3	3	3¼
Prime Bankers' Acceptances (90 days)	1¼	1⅝	2
Treasury Bills (new issues)	.65	1.62	1.88
U. S. Governments (3-5 years)	1.69	2.39	2.72
Treasury 3s and 3¼s	2.60	2.92	3.01
Corporate AAA Bonds	2.85	3.01	3.10
Municipal Bonds	2.26	2.40	2.62

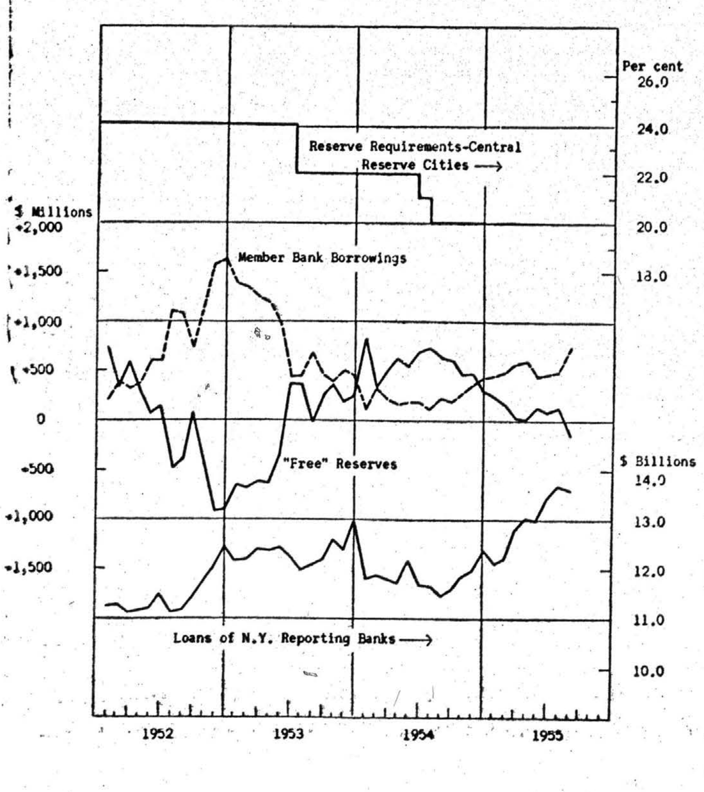
RATES AND YIELDS

(monthly)



MONEY MARKET FACTORS

(monthly)



The Outlook

Demands for bank loans in the months ahead are likely to be strong, and as long as business activity remains high and rising, Federal Reserve policy may be expected to remain on the restrictive side. Thus, upward pressures upon interest rates are likely to persist. However, even though these pressures have already been almost as strong as during the credit tightening of 1952-53, the advance in money rates and bond yields has been orderly, and this justifies the hope that a pronounced "credit squeeze" can be avoided.

Bank Loans — Recent increases in bank lending rates have been relatively modest, and their restrictive effect upon loan demands in the aggregate is likely to be small. Since many bank loans are for a short term and interest charges are a deductible expense for income tax purposes, business borrowers are not likely to be importantly swayed by the higher interest cost. However, some large borrowers may seek to raise more funds either in the commercial paper market or the securities market. Also, the less easy availability of bank credit could operate as a damper upon excessive business optimism. On balance, however, normal seasonal requirements, together with borrowings for purposes of business inventory accumulation, are likely to keep business loans on an upward course during the latter part of the year.

Tighter reserve positions, together with the report that the Federal Reserve has criticized the growing practice of warehousing real estate mortgages, may help to hold down the growth of real estate loans. Also, less liberal mortgage terms, and higher interest rates generally, may be expected to contribute to some modest easing in the level of residential starts in the months ahead and eventually, therefore, in the amount of new mortgage financing required. However, sizable demands for mortgage money will persist for some time, and the banking system will still be called upon to provide financing for building activity and home ownership, albeit presumably at a lesser pace if credit restraints take hold.

In the area of consumer credit, the immediate effectiveness of the moral suasion applied by the Federal Reserve may be mitigated by the pressure to liquidate the large stocks of 1955 passenger automobiles in dealers' hands; this will supply an incentive to continued easy financing. Gradually, however, the self-interest of lenders may be expected to operate against a continued relaxation of credit terms. The expression of concern on the part of the monetary authorities, coupled with general credit restraint, will undoubtedly be of some influence in retarding the expansion of bank loans either to dealers and finance companies or directly to consumers. In addition, seasonal forces may help to slacken demands for instalment credit in the next few months, while the volume of repayments is rising.

Federal Reserve Policy—Rising loan demands, together with the prospect that the commercial banks will be called upon to provide some assistance to the Treasury in new money financing expected in September-October, are likely to increase the amount of required member bank reserves in the months ahead. It is expected that the Federal Reserve will furnish some reserves through open market purchases, since money market conditions would otherwise become considerably tighter than the authorities are thought to deem desirable. With the Federal Reserve following a

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Tempering the Boom Through Credit Restraint: Reierson

restrictive credit policy, however, the outlook is that only a portion of these needed reserves will be provided through open market operations; consequently, member banks will be required further to increase their borrowings from the Federal Reserve banks.

The higher discount rate, together with the general disinclination of banks to continue in debt to the Federal Reserve, will presumably lead to some additional tightening in the lending policies of the banking system. Credit restraint could be carried even further if the Federal Reserve were to discourage member banks from borrowing, as was done at the time of the credit squeeze in 1953. Currently, the authorities do not appear to have discouraged member bank borrowings, and the surmise is that they are not likely to do so unless borrowings and credit expansion assume more distributing proportions.

Interest Rates—The key to the behavior of interest rates in the months ahead will be found in the movement of the economy and the resulting action of the credit authorities. Although recent credit restraints will probably help hold bank loans below the levels they might otherwise have attained, it is evident, as already noted, that the latter part of 1955 will still bring sharply higher demands for bank credit. In addition, the Treasury is expected to raise some $4 billion of new money and this will entail some increase in the holdings of Government obligations of the commercial banking system. Corporate new financing, sparked by a $650 million ATT issue and the $200 million GMAC issue, is showing signs of a sharp upturn from the summer doldrums. Finally, the pressing borrowing reqirements of state and local authorities are likely to support the volume of municipal financing at a fairly high level despite some postponement of issues in recent weeks. Mortgage financing will also be at seasonal highs. This outlook, coupled with an absence of a corresponding increase in the accumulation of savings with institutional investors, underlines the prospect of continuing tightness in the money and capital markets in the period ahead.

At the same time, there is reason to assume that the authorities, while ready to tighten credit if necessary, desire to have interest rates and market yields behave in an orderly fashion and are mindful of the hazards inherent in a repetition of the 1953 "credit squeeze." Regardless of whether they hold the current degree of credit restraint to be adequate or come to regard another turn of the screw as indicated, they may be expected to act fully as rapidly as in 1953 to prevent acute stringency in the credit markets. The prospects of avoiding such a stringency have improved considerably in the past two years as both the Federal Reserve and the financial community have gained experience and familiarity with the operations of a flexible credit policy. Nevertheless, the impact of credit measures upon the market place is always difficult to anticipate; fluctuations might well be greater than either the authorities or the financial community can readily anticipate at the present time.

Continued from page 5

The State of Trade and Industry

Labor Department. A year ago, factory workers were making an average of $71.06 a week.

Personal income climbed to a further new high of $304,700,000,000 annually during July, the United States Department of Commerce reported. This was $3,100,000,000 above the June rate, and $17,600,000,000 higher than in July, 1954. The increase over June was ascribed chiefly to wage hikes for the government's civilian employees. Private industry payrolls, the Department pointed out, were also higher, but farm income declined.

Steel producers are making an all-out effort to close the gap between production and demand, but they are still running 10 to 20% behind. As a result, backlogs continue to grow and heavy carryovers into 1956 are expected, "The Iron age," national metal weekly, states this week.

The drive to bring deliveries into line with promises is two-pronged, it adds, the factors being top-speed production and drastic slashes in allotments. The period from now until end of the year will be difficult for all.

Producers finally have something working in their favor. Maintenance is still a problem, but the mills are catching up. Hot weather and vacations are behind them and some mills already are on an above-capacity operating basis.

Steel output and orders, states this magazine, are expected to top any previous period in the last four months of this year. It will be one of the busiest and toughest periods the industry and its customers have ever had to contend with.

There will be no letup in demand from any of the major consuming industries. The automotive industry, particularly, will be scrambling for every pound of steel it can lay hands on. Inventory-building will be a strong factor and the log-jam of backlogs still has to be broken, continues this trade authority.

Meanwhile, customer relations in steel are getting worse. The purchasing agent of a Midwestern manufacturer is openly resentful at drastic cuts in his allotment of hot rolled sheets, one of the tightest items on the list. The cuts will force him to warehouse buying if other mills don't come to his rescue.

The warehouses themselves are in a bad way on critical products. They are confronted with a combination of heavy orders and delayed deliveries from the mills. Plates and structurals are especially critical at the warehouse level. The situation in plates has reached the point where the railroads' ambitious car-building program is in such dire straits that the country is faced with a freight car crisis this fall and winter.

Detroit area and outstate auto plants will soon begin recalling workers in droves in a bid to make fourth-quarter production the mightiest in automotive history.

"Ward's Automotive Reports" said six producers were in production of their 1956 model cars last week and the number will swell to 12 within the next three weeks in a prelude to a projected 1,970,000-unit production target for October-December.

The industry's peak fourth-quarter yield is 1,668,227, attained in 1950. The closing three months of 1954 netted 1,386,957 cars.

"Ward's" in noting an increase in the industry's daily output rate the past week, said a lightening-like pull-out from model changeover by Ford held United States car-truck output steady at 100,637, despite the holiday, compared with 100,663 the week before.

Meantime, Hudson and Nash will resume car output next Monday, ending a four-week shutdown, with Packard also expected to end a three-week changeover period.

Plymouth, "Ward's" added, has been in factory changeover since Aug. 30 and will commence body framing 1956 models in mid-September.

Thus the end of September will find all car producers excepting several General Motors Corp. divisions, which will then be starting their shutdowns for changeover, in production of the 1956 car models.

The reporting service added that three car makes—Ford, Mercury and Lincoln—will have introduced their 1956 model cars by Sept. 30, with seven additional producers to bow during October.

At least five car makes, in a concentrated rush, will announce their new cars during the week of Oct. 28-Nov. 4, "Ward's" declared.

The statistical agency counted 6,514,000 car and truck completions in the United States for the year-to-date period, virtually equaling the 6,532,159 produced in 12 months of 1954.

Car output at 5,646,000 units thus far in 1955, already is beyond the 5,509,550 totaled in all of last year.

Manufacturing and trade inventories at the close of July were placed by the United States Department of Commerce at $78,300,000,000, or the same total as at the end of June, but was almost $1,500,000,000 more than businessmen held at the end of July of last year.

The Department estimated the value of retail inventories at the end of July was $22,700,000,000. This was $100,000,000 below June but $900,000,000 higher than July of last year. On a seasonally adjusted basis retail stocks in July were about $150,000,000 above the previous month.

The United States Department of Agriculture has recently stepped up its forecast of the 1955 cotton crop to 12,873,000 bales, an increase of 145,000 bales over its forecast a month earlier. The Department estimated that about 13,000,000 bales will be needed to meet domestic and export requirements in the marketing year that began Aug. 1. As a result the improvement in production prospects lessened the chances of any substantial cutback in the cotton surplus.

Steel Output This Week Set at 95.1% of Capacity

Fourth-quarter availability of steel won't be as poor as it looks, says "Steel," the metalworking weekly, the current week.

It appears disheartening, it adds, because mills restricted their bookings for that period. But mills plan to ship more steel in that quarter than in the third. They are restricting their order intake for the fourth period in an attempt to become current in deliveries. So, even if some consumers couldn't place as big orders for the fourth quarter as they wished, they will have steel coming in that period on old orders.

Even though the fourth quarter is three weeks away, steel ingot production is climbing, now that vacations are practically over and cooler weather is here. Ingot ouput in the week ended Sept. 11 was 93.5% of capacity. That's a 1-point rise over the preceding week, which was the highest since the end of July.

Steel consumers can look not only to domestic mills for improved deliveries but also to imports. In the South and Southwest, merchant wire products, special shapes, furring channels and reinforcing bars are a little easier to get from Europe than they have been. This is a result of the rise in domestic prices this summer. European mills, which found business more attractive in other markets, are now able to advance their prices in this country to more profitable levels, states this trade weekly.

Although steel deliveries should be larger in the fourth quarter, consumption should, too. Metal consuming plants will be past the same obstacles—vacations and hot weather—as the steel mills. Also, the biggest single consumer of steel—the automobile industry—will be in volume production again—after the 1956 models come out, "Steel" points out.

Consumers' inventories of steel continue to attract close attention, even though many users say they don't have enough steel. As long as steel deliveries are behind schedule, consumers will continue to order. But as soon as consumers can get steel immediately, what then? It's generally conceded that some steel inventory—although small—has been built up this year. The commercial research manager of one steel company believes it will be six to eight months before such inventories can become worri-some, this trade magazine declares.

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 95.1% of capacity for the week beginning Sept. 12, 1955, equivalent to 2,295,000 tons of ingots and steel for castings as compared with 93.8% (revised) and 2,264,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 90.2% and production 2,176,000 tons. A year ago the actual weekly production was placed at 1,583,000 tons or 66.4%. 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 125,330,410 tons as of Jan. 1, 1954.

Electric Output Declined Further the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 10, 1955, was estimated at 10,155,000,000 kwh., according to the Edison Electric Institute.

This week's output decreased 551,000,000 kwh. below that of the previous week, when the actual output stood at 10,706,000,000 kwh.; it increased 1,347,000,000 kwh., or 15.3% above the comparable 1954 week and 2,192,000,000 kwh. over the like week in 1953.

Car Loadings Moved Mildly Upward the Past Week

Loadings of revenue freight for the week ended Sept. 3, 1955, increased 2,215 cars, or 0.3% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended Sept. 3, 1955, totaled 794,192 cars, an increase of 105,700 cars, or 15.4% above the corresponding 1954 week, but a decrease of 4,888 cars, or 0.6% below the corresponding week in 1953.

U. S. Automotive Industry Preparing for Record-Breaking 4th Quarter Production

The automotive industry for the latest week, ended Sept. 9, 1955, according to "Ward's Automotive Reports," assembled an estimated 84,820 cars, compared with 85,851 (revised) in the previous week. The past week's production total of cars and trucks amounted to 100,837 units, or an increase above the preceding week's output of 174 units, states "Ward's."

This reporting service added that "the Detroit area and outstate auto plants will soon begin recalling workers in droves in a bid to make fourth quarter production the mightiest in history."

Last week's car output declined below that of the previous week by 1,031 cars, while truck output increased by 1,205 vehicles during the week. In the corresponding week last year 69,741 cars and 13,006 trucks were assembled.

Last week the agency reported there were 16,017 trucks made in the United States. This compared with 14,812 in the previous week and 13,006 a year ago.

Canadian output last week was placed at 3,200 cars and 801 trucks. In the previous week Dominion plants built 3,893 cars and 1,124 trucks, and for the comparable 1954 week 1,633 cars and 314 trucks.

Business Failures Ease in Labor Day Week

Commercial and industrial failures dipped to 205 in the holiday-shortened week ended Sept. 8 from 215 in the preceding week, Dun & Bradstreet, Inc., reports. However, failures were considerably higher than a year ago when 168 occurred or in 1953 when there were 131, and they came close to the prewar toll of 209 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more edged up to 182 from 181 and exceeded last year's total of 140. All of the week's decline was concentrated in small failures involving liabilities under $5,000, which fell to 23 from 34 last week and 28 a year ago. Thirty businesses succumbed with liabilities in excess of $100,000, jumping from 16 in the preceding week.

The trades and services accounted for the dip in failures during the week, with the toll among retailers down to 83 from 93, among wholesalers to 27 from 33 and among commercial service establishments to 17 from 20. While construction failures held steady at 29, those in manufacturing rose to 49 from 40. More concerns failed than last year in all industry and trade groups except retailing.

Four of the nine regions reported mild decreases, including the Middle Atlantic States where the toll dipped to 76 from 77 and the Pacific States, down to 40 from 57. In contrast, failures were slightly heavier during the week in five regions; the East North Central toll turned up to 28 from 26, the South Atlantic to 20 from 19 and New England to 15 from 11. More failures occurred than a year ago in six regions, with notable upturns from 1954 in the Middle Atlantic, East and West North Central States. No change from last year appeared in the East South Central States. Two regions, New England and Pacific States, had fewer failures than in 1954.

Wholesale Food Price Index Advanced in Latest Week From Previous Week's Low Level

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned higher last week to register $6.19 on Sept. 6. This compares with last week's figure of $6.15, which represented the lowest level in 31 months. The current index at $6.19, contrasts with $6.70 on the corresponding date last year, or a drop of 7.6%.

Commodities quoted higher in the past week were flour, wheat, corn, rye, barley, butter, milk, cocoa, potatoes, rice, steers, hogs and lambs. Lower in price were oats, lard, sugar, cottonseed oil, eggs and raisins.

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 Showed a Midlly Higher Trend the Past Week

A further mild uptrend in the general commodity price level last week lifted the Dun & Bradstreet daily wholesale commodity price index for Sept. 6 to 277.74. This compared with 275.68 on Aug. 30 and with 276.54 on the corresponding date a year ago.

Grain markets were unsettled during the past week. Prices fluctuated irregularly with wheat, corn and barley ending moderately higher, while rye and oats trended lower.

Corn developed strength in the latter part of the week, reflecting meager producer marketings. Early weakness in the yellow cereal was influenced by relief from drought and heat conditions which had reduced the prospective yield substantially. A private estimate issued during the week indicated a crop of 3,143,000,000 bushels, a drop of 333,000,000 bushels from the official August forecast. Wheat displayed a firmer tone as the peak of the Spring wheat movement ended and offerings of both Winter and Spring wheat remained moderate. Rye and oats declined under limited demand. Trading in grain and soybean futures on the Chicago Board of Trade fell to a daily average of about 52,000,000 bushels from 57,300,000 the week before.

Pre-holiday dullness ruled in the domestic flour market with buying confined largely to fill-ins. Export flour trade continued quiet except for small quantities sold in Latin America. Rice prices were firmer at the week-end as demand from both domestic and foreign sources showed considerable improvement. Cocoa prices scored a further rise although the market turned easy at the week-end as the result of renewed talk of Brazilian devaluation. Warehouse stocks of cocoa were reported at 254,820 bags as compared with 255,300 a week previous, and 104,398 a year ago.

Green coffee prices continued upward influenced by exceptionally heavy demand by roasters following the announcement early in the week of an advance of 3 cents a pound in their vacuum packed coffees at the wholesale level.

There was some renewed talk of devaluation in Brazil but no change in the present rate of exchange is anticipated. Lard prices trended mildly lower in light trading. Livestock markets at Chicago were generally steady to firmer. A slight advance in hog values reflected light market receipts and a more active and stronger wholesale pork trade.

Spot cotton prices moved in a narrow range and finished slightly lower for the week. Depressing influences included hedge-selling and liquidation influenced by the continuing slump in export business. With only a few scattered exceptions, weekly cotton exports have been smaller than a year previous since mid-January.

Cautious trading also reflected uncertainty over the next government crop estimate to be issued on Sept. 8 and possible government action on the cotton export situation.

The movement of new-crop cotton was increasing as picking and ginning continued to make good progress in most of the active harvesting areas. Consumption of cotton in the free world during the 1954-55 season was reported the largest on record.

Trade Volume in Latest Week Stimulated by Many Sales Promotions

Downtown and suburban business centers reported a moderate increase in retail trade in the period ended on Wednesday of last week. Cooler weather and many sales promotions stimulated consumer buying.

The total volume of sales rose to a level noticeably higher than that of the comparable 1954 week.

The total dollar volume of retail trade in the week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels by the following percentages: New England, East and Southwest +3 to +7; South +5 to +9; Midwest +6 to +10; Northwest 0 to +4 and the Pacific Coast +1 to +5%.

There was a marked increase in the demand for back-to-school wear. Boys' slacks, sports jackets and shirts were among the most popular items. Children's shoes sales increased noticeably. College departments reported heavy buying of men's slacks, suits and shoes. The sales volume of women's apparel rose somewhat, but fell slightly below last year's level. Women shoppers sought Fall suits, knit dresses and shoes. There was a slight decline in the volume of sportswear sales.

Furniture retailers reported a substantial rise in sales last week. Upholstered living room chairs and occasional tables were the best selling items. Blankets, sheets and pillow cases expanded in volume, and there was an increased call for draperies.

Sales of hardware and paints mounted considerably. The continued interest in high priced china and glassware was maintained.

Food buying increased noticeably the past week with housewives spending considerably more than they did a year ago. The total volume of butter and fresh meat sales expanded appreciably.

There was a continued high demand for dairy products and frozen foods. Fresh fruit and vegetable retailers reported an increase in trade.

Apples, peaches and cantaloupes moved well, and tomatoes, green beans and corn were popular. Interest in canned foods diminished.

There was a slight increase in wholesale orders last week. The dollar volume of trade remained substantially higher than last year's level. Although in some lines inventories were light, most retailers were eager to replenish low stocks.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Sept. 3, 1955, advanced 11% from the like period last year. In the preceding week, Aug. 27, 1955, a rise of 9% was registered from that of the similar period of 1954, while for the four week's ended Sept. 3, 1955, an increase of 7% was recorded. For the period Jan. 1, 1955 to Sept. 3, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week reflected an estimated increase of about 10% above that for the like period a year ago. It should be pointed out, however, that the poor showing in the comparable period last year was largely due to hurricane weather.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Sept. 3, 1955, advanced 5% above that of the like period of last year. In the preceding week, Aug. 27, 1955, an increase of 4% was recorded. For the four weeks ending Sept. 3, 1955, an increase of 1% occurred. For the period Jan. 1, 1955, to Sept. 3, 1955, the index recorded a rise of 2% from that of the corresponding period of 1954.

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The Working of Anti-Trust Laws

enforcement of this legislation which it passed with justifiable pride. It does little good to put legislation on the books, or to investigate whether additional legislation is necessary, when that which has been enacted is not enforced because the staff is inadequate in size and training. Considering the importance of the problem and the time-consuming task of studying important marginal cases, it seems to me that the present budget for this part of the Federal Trade Commission's work is wholly inadequate.

As I read the amended section seven and its interpretation presented in the Federal Trade Commission's *Report on Corporate Mergers and Acquisitions*, it seems that two types of mergers are not covered. I shall refer to the first, for purposes of brevity, as "mergers among potential competitors" and to the second as "conglomerate mergers."

The amended section seven prohibits mergers which would substantially lessen competition, by which I understand is meant the existing degree of competition. As an economist, I would emphasize that the most important influence on future competition is that of the actual or potential entry of new sellers into the particular market. Furthermore, I would assert that, in a large part of American industry, the most likely entrants into any particular geographical market are firms already established in other markets. The same observation holds with respect to the most likely entrant into the production and sale of one type of a broad category of goods, for there entry would be easiest ordinarily by a firm already doing business in another type of product in this commodity area. These established companies have the organization, the financial resources, and often the managerial skill needed for successful entrance into a new market. Let us consider two types of examples.

The first is that of an industry which is not, in the economic sense, a national industry but one made up of a series of local markets where one company uses the merger method to become a seller in a number of local markets. Since each market is a separate market, such mergers cannot be looked upon as substantially lessening existing competition except in two extreme situations. One is that in which a company becomes so large that it would have monopoly power as a buyer of materials. The other would be where such a large portion of the local markets are under the control of a series of multi-market firms that they meet each other repetitively in the various markets and therefore may have, in effect, wiped out the local market price-making characteristic of the industry.

Here I am not concerned with whether mergers among companies in separate geographical markets have or have not achieved that status for I assume that if they do, they can be handled under the present legislation. Rather I am referring to the fact that when Company A in Market I acquires sizable Company N in Market V which is some distance away, one of the most likely entrants into Market V has disappeared. Or rather I would say, that since Company A has merged with Company N, Company A is no longer a potential additional seller in Market V but merely replaces Company N in that market.

A second kind of potential entrant who may lose that role by merger is that of a company which makes and sells products of one type in a broad commodity category, who merges with a company which produces and sells another type of product in the same general category. Since neither has been selling the subtype of product of the other, it is not at all clear that such a merger would come under the jurisdiction of the present section seven. But as in the case of companies in separate geographical markets, I would suggest that if Company A were well established in product Type I, it is one of the most likely entrants into the sale and manufacture of product Type V in the same general commodity. And vice versa Company N is a likely entrant into the sale of product Type I of that commodity group. When the two companies marge, there is no longer a chance that either will become a new seller in the market of the other. What I have referred to here is the characteristic of many of the so-called product line spreading mergers.

It is necessary to add two points here. First of all is I am not condemning, out off hand, all mergers between companies in separate geographical markets or which sell different types of products in the same commodity area. Certainly in some of these cases in which the acquired business is small, the merger is merely the means whereby an aggressive new seller enters. Others are merely the means whereby a company becomes diversified enough to be an effective competitor or diversified enough to survive.

My point is that mergers which do not appear to lessen substantially the present degree of competition may, nevertheless, wipe out potential effective entrants into each other's market. Such entry is our greatest assurance that rivalry among firms will maintain an effectively competitive organization of the market.

My second comment on mergers has to do with those which are of the conglomerate sort. While the report of the committee sponsoring the new section seven did assert mergers of this type are covered, I cannot see that the law as enacted actually deals with them except in extreme cases. The new section seven, as is true of the anti-trust laws generally, is designed to deal with monopoly in a particular industry or market. By definition, a conglomerate merger involves firms selling unlike commodities.

As Section Seven is enforced strictly with respect to mergers that would substantially lessen competition in particular markets, it is possible that companies which have the funds and the desire to grow by merger, may then look afield for companies they may acquire which are outside the coverage of the present legislation. In a sense what I am saying is, that the fact that Section Seven is on the books in the form in which I interpret it, may lead to a sublimation of the merger tendency in the direction of conglomerate mergers. (Obviously, I am not referring here to conglomerates that are built up by extension of the activities of a company without mergers other than by small-scale acquisitions which are the means of getting started in a new field.)

While economics does not provide criteria whereby one may judge the economic effects of the conglomerate enterprises, this does not mean that organizations of that type are unimportant. We do not know how a conglomerate firm will conduct itself in a particular market when, as I am assuming here, its share of that market is not such as to make it a powerful influence for that reason alone. Such companies' effects on competition may stem from their financial strength and ability to withstand vigorous competition in one of the several markets in which they sell.

Much of the policy aspect of the conglomerate firm stems from the attitude of the public and of its representatives in government toward large economic units as such. Consequently, the conglomerate mergers are as much a socio-political problem as an economic one. My only reason for referring to it here is to suggest that the enforcement of Section Seven may augment the tendency toward mergers of the conglomerate sort. If this happens, it would be worthy of study but it is not a problem on which I have any specific opinions as to public policy at this time.

Turning now to legislation which deals with competition and price practices, I want to indicate at the outset what seems to me to be the purposes of these sections of the law. The first, which has not often been stated overtly but has to be inferred from the legislation and its history, is that much of what was enacted was desiged to bar structural changes in the economy. The purpose was not merely to restrain those that have a clear power to damage competition but also inhibit those buying and selling methods which were basically adaptations to technological developments but which would change the relative role of small independent businesses and of large companies. In some cases

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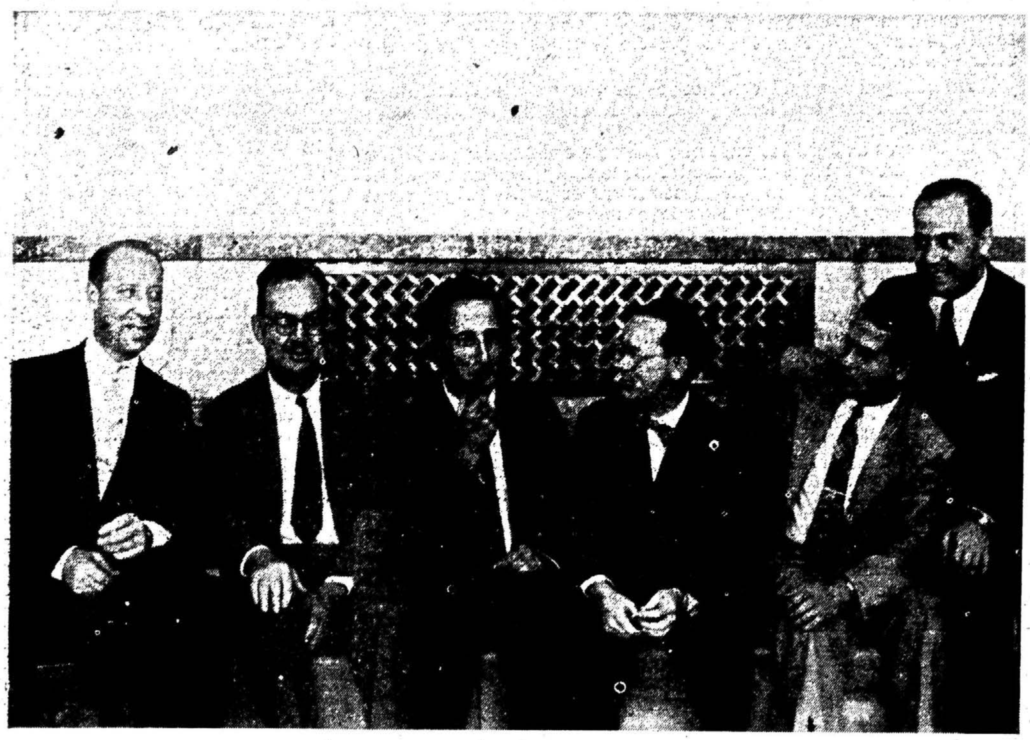
Bank Advisors at "Atoms for Peace" Conference



Atomic Energy Advisors to World's Largest Banks meet at Geneva "Atoms for Peace" Conference for informal discussion of financial problems related to world's atomic development.

From left to right: Paul Genachte, Chase Manhattan Bank; Wayne Remberd, World Bank; Michael Michaelis, First National City Bank of New York; Corbin Allerdice, World Bank; Ashton J. O'Donnell, Bank of America; Karl M. Mayer, Economic Staff, U. S. Atomic Energy Commission.

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The Working of Anti-Trust Laws

this structural change wiped out, for a large part of business, a transaction step such as that from manufacturer to wholesaler. In my view, the desire to restrain structural changes which would bring monopoly is meritorious but the desire to maintain a particular way in which business was done in spite of basic technological changes or of clear effects on competition has been unwise.

Second, either because of effect on competition or on competitors, the purpose of this legislation has been to inhibit the ability of the large firm to utilize fully its strength as a competitor. I find myself less critical of this objective and, given the organization of many of our industries, this may be the least bad solution.

The first control of competitive conduct which I will discuss is the quantity-limit proviso of the Robinson-Patman Act but my remarks are addressed to the particular application of it made by the Federal Trade Commission in the case of the rubber tire industry, not to the proviso itself. I do have some reservations as to whether this proviso is itself necessary and certainly if this one and only attempt to apply it is to be followed by other moves of a similar sort, then the Congress, I think, should give serious attention to the repeal of the proviso itself.

I doubt whether a quantity limit rule in any form was called for in the tire industry, particularly since the situation that gave rise to the demand for its imposition reflected a structural change in the sale and distribution of tires for replacement purposes which did not amount to damaging of competition but rather an augmenting of it. This brings me to the particular provision of the quantity limit order on which my objection centers.

I refer to the fact that the Commission's order, which states that no additional discounts shall be given for shipments larger than a carload, puts together as one commodity or product, all brands of tires manufactured by a given company. It means, as I interpret it, that a manufacturer who is producing tires for a large chain store organization, or group of farm supply cooperatives or an oil company, and places the distributor's name on the tires, but prices the product on a non-discriminatory basis, cannot give a lower price to such buyers than would be quoted on a carload shipment of the manufacturer's own advertised brand. The manufacturer has engaged in expensive selling and advertising activities program for his own brand and has developed a dealer organization, both of which costs are bypassed to a considerable degree in private brand selling in large retail organizations. The quantity limit rule, by making both types of brands subject to the same limitation is a control over competition and pricing which is designed to inhibit a structural change in the way in which products are produced and distributed even though competition has not been injured but has been augmented. Put another way, the Commission's order indicates a lack of understanding of the focal point of competition in this industry, or a disregarding of that knowledge. The key source of competition, particularly insofar as replacement market for passenger car tires is concerned, is the conflict of interest between the manufacturers who distribute their well-known brands and the large distributive organizations who buy tires with their "private brands" on the product, and then sell at a lower price made possible by a one-step distribution and minimal sales expense. Such alternative before the consumer acts as a powerful restraint on what manufacturers and their dealers can get for well-known factory brands.

In a sense the manufacturer pushes up from his costs including his high distribution expenses and attempts to get as good a price and volume as possible. On the other hand, the large distributional organizations, who engage in the almost inherently competitive process of retail distribution where they are in active competition among themselves and with the manufacturers' brands, tend to press back from a retail price at which large volumes can be sold and get their profit by keeping distributional expenses low and by buying tires from manufacturers as cheaply as they can.

At the same time, the consumer has the choice of buying well-known factory brands, such as those of the large companies' tires used as original equipment, or of buying so-called private brands at a lower price. The availability of such lower-price alternatives is the key aspect of competition in such a consumer-goods market. I hope that this order does not reflect the Federal Trade Commission's views on sources of effective competition in consumer goods industries. I would be more hopeful on that score had the Commission not made an attempt to negate the meeting competition in good faith defense under the Robinson-Patman Act.

I realize that two strongly opposing views are held on that point. Following the basing point decisions and the so-called Detroit Jobber Case, opposing sides have introduced legislation designed, in their respective judgment, to either clarify or change the Supreme Court's rulings in these cases. My view is that the Supreme Court was right both in interpreting the law and in understanding the importance of meeting competition as a means of maintaining competition. I do not believe that either the Capehart Bill or Senate Bill 11, which bears the name of some members of this Committee, are necessary or desirable.

Involved here, it seems to me are important aspects of how one thinks competition does, or has to, work in an industrial economy. To me an important aspect of competition is the adjustment of the organization of business, including the structure of distribution, to meet new conditions. Freezing the way markets are organized is an inevitable part of a control program whether that control is by a cartel or a government. Second, price changes are not going to be of the wheat-pit sort, but often will reflect adjustments of parts of a price structure to meet competition. If the latter is barred, then the cost of any price change is very high and we could expect a rigidity of prices far greater than that we have experienced.

The first of these points is illustrated by the facts in the Detroit Jobber Case. What was going on in the gasoline business was a structural change whereby two-step transactions and physical handling from tank car to bulk station and bulk station by tank wagon to retail station is not necessary for a considerable part of that gasoline. The particular jobbers involved here and their retailers, whether the retail stations were operated by the jobber or not, elected to use some of the economies of one step distribution to lower the retail price. Such a development, which parallels on a small scale the early development of chain stores, is the process whereby competition brings about a structural change and gives consumers the benefits of technological advances.

My second objection to Senate Bill 11 is that its effect would be to deter a large firm from making any change in its price for a product until it was willing to accept the loss of revenue which would come from changing all of them. I realize that there is a proviso in S. B. 11 that appears to remove the meeting competition proviso only where doing so would substantially lessen competition. However, with the Commission's Detroit Jobber action in mind and the trend of court decision on the meaning of "substantially," it seems likely that the effect would be that of a government sanction of price uniformity by the firm and through that of the industry.

Now I can understand why one would have this view of the way competition ought to work if his attention is centered on the grain exchanges or even on the one-price practices of most retail establishment. But the analogy has limited validity. Industrial markets do not work that way. Price changes of the general sort are and will be at best infrequent, and we must pin much of our hope for competitive price adjustments on gradual change of their prices by manufacturers by a series of particular decisions which will have the effect of changing their average level of realization compared to cost and the average cost of these commodities to consumers as a group.

It seems to me that no important loss in the effective competition would be incurred if tie-in sales (as distinct from exclusive dealerships and requirement contracts) were made illegal *per se*. While as a general matter I am suspicious of *per se* rules, there are times when the administration of a provision is so greatly aided by that kind of rule, and the damage by its use so small, that the best device is to prohibit a particular practice without regard to whether its effect in some particular cases is injurious to competition or not.

I would not, however, apply the same reasoning to exclusive dealerships. My views on this point are analogous to those of the Attorney General's National Committee to Study the Anti-Trust Laws, and I need not repeat them here. I might say, however, that this conclusion is strengthened by the trend of decisions which have narrowed the concept of what constitutes a substantial lessening of competition.

Finally, I wish to enter a strong objection to resale-price maintenance laws. Fortunately they are not effective for a large portion of consumer goods because they can be avoided by varying trade-in allowances or because consumers can buy the private labeled goods of distributive organizations. But these laws do represent a break in anti-trust policy and do exploit the consumer in commodity areas where they have no alternative, as in copyrighted books, or where they feel incompetent to judge quality, as in drugstore items.

Basically, such laws are designed to bar structural change in the economy. They are set up as a tariff of costly two-step distributions of national brands against low-cost one-step distribution. That such are not necessary to preserve that share of retail business which offers the service and benefits of individual store ownership is shown by the food trades. There, independent super markets and smaller stores, by getting supplies from low-cost cooperative or voluntary plan wholesalers, plus a modernization of their own operations, have shown a remarkable ability to get their costs down, remove unnecessary services, and survive. I see no reason why consumers should be asked to subsidize retailers in other trades, who are unable or unwilling to meet competition.

Actually, resale price maintenance may be a delusion for the retailer. If entry is easy—and it is in most such businesses—the store-wide gross margin will come to reflect competitive cost levels. If resale price maintenance holds margins on some items above what they would be otherwise, competition will force offsetting reductions in margins in other items, so that the store-wide average would be unaffected.

In conclusion, I wish to stress once more the social gain from conduct which brings about appropriate adjustments in the way business is done, and which forces costs and prices down to levels warranted by efficient competitors using up-to-date methods. Such competitors will always put out of business competitors who do not meet those tests. Our concern should not be with that, but with practices which threaten to alter the organization of a market so that it will no longer be effectively competitive.

William E. Coale

William E. Coale of Philadelphia passed away Sept. 7 at the age of 63. Mr. Coale for 32 years was associated with the Philadelphia office of Eastman, Dillon & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 18	§95.1	93.8	90.2	66.4
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 18	§2,295,000	2,264,000	2,176,000	1,583,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 2	6,661,876	6,684,800	6,639,500	6,111,400
Crude runs to stills—daily average (bbls.)	Sept. 2	¶7,642,000	7,582,000	7,487,000	6,946,000
Gasoline output (bbls.)	Sept. 2	26,183,000	26,611,000	25,953,000	23,850,000
Kerosene output (bbls.)	Sept. 2	1,979,000	2,044,000	2,094,000	2,605,000
Distillate fuel oil output (bbls.)	Sept. 2	11,567,000	11,307,000	11,063,000	10,011,000
Residual fuel oil output (bbls.)	Sept. 2	7,482,000	8,027,000	7,146,000	7,567,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 2	153,292,000	154,698,000	156,476,000	153,497,000
Kerosene (bbls.) at	Sept. 2	34,945,000	34,093,000	32,475,000	35,364,000
Distillate fuel oil (bbls.) at	Sept. 2	133,365,000	129,794,000	119,479,000	117,458,000
Residual fuel oil (bbls.) at	Sept. 2	46,587,000	46,459,000	45,273,000	56,194,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 3	794,192	791,977	765,452	688,492
Revenue freight received from connections (no. of cars)	Sept. 3	673,760	652,918	644,251	586,929
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 8	$375,714,000	$330,296,000	$334,458,000	$220,717,000
Private construction	Sept. 8	289,809,000	166,329,000	188,211,000	108,038,000
Public construction	Sept. 8	85,905,000	163,967,000	146,247,000	112,679,000
State and municipal	Sept. 8	78,897,000	144,631,000	128,596,000	84,113,000
Federal	Sept. 8	7,008,000	19,336,000	17,651,000	28,566,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 3	9,470,000	*9,730,000	9,190,000	7,823,000
Pennsylvania anthracite (tons)	Sept. 3	444,000	304,000	456,000	449,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 3	125	111	97	113
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 10	10,155,000	10,706,000	10,729,000	8,808,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 8	205	215	169	168
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 6	5.174c	5.174c	5.174c	4.801c
Pig iron (per gross ton)	Sept. 6	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Sept. 6	$43.83	$43.83	$44.00	$28.6[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 7	44.750c	42.525c	35.700c	29.700c
Export refinery at	Sept. 7	44.300c	43.050c	38.275c	29.625c
Straits tin (New York) at	Sept. 7	95.500c	95.625c	97.125c	93.250c
Lead (New York) at	Sept. 7	15.000c	15.000c	15.000c	14.500c
Lead (St. Louis) at	Sept. 7	14.800c	14.800c	14.800c	14.300c
Zinc (East St. Louis) at	Sept. 7	13.000c	12.500c	12.500c	11.155c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 13	94.95	94.77	95.00	99.94
Average corporate	Sept. 13	107.27	107.27	107.98	110.70
Aaa	Sept. 13	110.70	110.52	111.07	115.24
Aa	Sept. 13	109.06	108.88	109.60	112.37
A	Sept. 13	107.27	107.27	108.16	110.70
Baa	Sept. 13	102.63	102.63	103.13	104.66
Railroad Group	Sept. 13	105.86	106.04	106.56	109.24
Public Utilities Group	Sept. 13	107.80	107.80	108.52	110.88
Industrials Group	Sept. 13	108.34	108.16	108.70	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 13	2.87	2.89	2.87	2.50
Average corporate	Sept. 13	3.32	3.32	3.28	3.13
Aaa	Sept. 13	3.13	3.14	3.11	2.89
Aa	Sept. 13	3.22	3.23	3.19	3.04
A	Sept. 13	3.32	3.32	3.27	3.13
Baa	Sept. 13	3.59	3.59	3.56	3.47
Railroad Group	Sept. 13	3.40	3.39	3.36	3.21
Public Utilities Group	Sept. 13	3.29	3.29	3.25	3.12
Industrials Group	Sept. 13	3.26	3.27	3.24	3.06
MOODY'S COMMODITY INDEX	Sept. 13	411.7	408.2	400.8	410.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 3	382,847	249,364	367,978	311,987
Production (tons)	Sept. 3	291,453	283,215	278,376	244,002
Percentage of activity	Sept. 3	101	99	98	91
Unfilled orders (tons) at end of period	Sept. 3	665,766	589,665	691,068	398,372
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 9	106.39	106.61	106.84	106.39
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Aug. 20	854,453	975,290	1,181,336	1,049,762
Dollar value	Aug. 20	$47,603,905	$51,612,834	$62,963,160	$47,922,721
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 20	675,607	785,375	1,026,744	1,144,156
Customers' short sales	Aug. 20	5,338	5,881	6,740	14,674
Customers' other sales	Aug. 20	670,269	779,494	1,020,004	1,129,482
Dollar value	Aug. 20	$34,452,337	$41,063,005	$52,325,371	$51,009,687
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 20	177,600	203,660	276,650	383,870
Short sales	Aug. 20	------	------	------	------
Other sales	Aug. 20	177,600	203,660	276,650	383,870
Round-lot purchases by dealers—					
Number of shares	Aug. 20	367,840	403,730	455,040	286,162
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Aug. 20	436,530	393,310	491,690	619,410
Other sales	Aug. 20	7,152,220	8,742,810	11,463,630	12,408,410
Total sales	Aug. 20	7,588,750	9,136,120	11,955,320	13,027,820
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 20	875,060	1,206,010	1,546,480	1,442,030
Short sales	Aug. 20	188,380	180,900	271,570	252,260
Other sales	Aug. 20	682,650	979,190	1,323,940	1,165,410
Total sales	Aug. 20	871,030	1,160,090	1,595,510	1,417,670
Other transactions initiated on the floor—					
Total purchases	Aug. 20	183,010	238,530	327,900	420,730
Short sales	Aug. 20	19,000	16,900	27,600	40,800
Other sales	Aug. 20	158,630	252,480	293,470	368,700
Total sales	Aug. 20	177,630	269,380	321,070	409,500
Other transactions initiated off the floor—					
Total purchases	Aug. 20	345,345	361,472	496,165	451,720
Short sales	Aug. 20	115,100	75,580	90,230	211,720
Other sales	Aug. 20	427,485	398,810	582,525	624,880
Total sales	Aug. 20	542,585	474,390	672,755	836,600
Total round-lot transactions for account of members—					
Total purchases	Aug. 20	1,403,415	1,806,012	2,370,545	2,314,480
Short sales	Aug. 20	322,480	273,380	389,400	504,780
Other sales	Aug. 20	1,268,765	1,630,480	2,199,935	2,158,990
Total sales	Aug. 20	1,591,245	1,903,860	2,589,335	2,663,770
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 6	110.6	110.5	110.2	109.9
Farm products	Sept. 6	88.1	87.9	87.8	93.1
Processed foods	Sept. 6	101.4	101.0	100.9	105.1
Meats	Sept. 6	84.2	82.7	81.5	86.1
All commodities other than farm and foods	Sept. 6	117.2	117.1	116.8	114.5

*Revised figure. ¶Includes 799,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of July	132,669	127,634	126,161
Stocks of aluminum (short tons) end of July	16,338	12,630	73,403
AMERICAN GAS ASSOCIATION—For month of July:			
Total gas (M therms)	4,123,537	4,441,780	3,959,100
Natural gas sales (M therms)	3,930,526	4,218,474	3,772,800
Manufactured gas sales (M therms)	24,076	28,045	31,900
Mixed gas sales (M therms)	168,935	195,261	154,400
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each)	218,596,000	227,817,000	214,842,000
Domestic crude oil output (barrels)	198,389,000	206,983,000	195,000,000
Natural gasoline output (barrels)	20,167,000	20,779,000	19,785,000
Benzol output (barrels)	40,000	55,000	57,000
Crude oil imports (barrels)	22,934,000	23,017,000	18,728,000
Refined products imports (barrels)	11,840,000	12,222,000	10,749,000
Indicated consumption domestic and export (barrels)	251,722,000	246,348,000	233,638,000
Increase all stock (barrels)	1,648,000	16,708,000	10,681,000
AMERICAN ZINC INSTITUTE INC.—Month of August:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	84,877	*84,400	71,810
Shipments (tons of 2,000 pounds)	90,080	81,713	76,584
Stocks at end of period (tons)	46,087	*51,290	193,253
Unfilled orders at end of period (tons)	73,632	64,056	41,059
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of July 30:			
Total consumer credit	$32,896	$32,471	$28,725
Instalment credit	25,476	24,914	21,849
Automobile	13,038	12,561	10,298
Other consumer goods	5,676	5,639	5,328
Repair and modernization loans	1,570	1,562	1,637
Personal loans	5,192	5,152	4,586
Non-instalment credit	7,420	7,557	6,876
Single payment loans	2,595	2,686	2,303
Charge accounts	2,991	3,040	2,773
Service credit	1,834	1,831	1,800
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — 1947-49 Average = 100)—Month of August:			
Adjusted for seasonal variations	118	*124	111
Without seasonal adjustment	104	*98	98
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of June (000's omitted)	38,850,790	38,126,562	33,163,867
Revenue from ultimate customers—month of June	$647,704,000	$639,059,000	$587,689,000
Number of ultimate customers at June 30	51,875,232	51,731,855	50,502,510
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of July:			
Total operating revenues	$849,559,590	$875,112,392	$779,846,202
Total operating expenses	644,827,920	644,882,624	618,597,281
Operating ratio	75.90	73.69	79.32
Taxes	$90,034,664	$19,320,500	$67,664,974
Net railway operating income before charges	92,612,113	106,033,546	71,155,175
Net income after charges (estimated)	72,000,000	88,000,000	50,000,000
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of August:			
Copper (per pound)—			
Electrolytic domestic refinery	38.150c	35.700c	29.700c
Electrolytic export refinery	40.009c	36.504c	29.492c
Lead—			
Common, New York (per pound)	15.000c	15.000c	14.058c
Common, St. Louis (per pound)	14.800c	14.800c	13.858c
‡‡Prompt, London (per long ton)	£106.494	£105.940	£96.908
††Three months, London (per long ton)	£105.920	£105.601	£94.896
¶Antimony, New York Boxed	34.137c	31.970c	31.970c
Antimony (per pound) bulk, Laredo	30.667c	28.500c	28.500c
Antimony (per pound) Laredo	31.167c	29.000c	29.000c
Platinum refined (per ounce)	$84.000	$82.540	$84.000
Zinc (per pound)—East St. Louis	12.500c	12.500c	11.000c
††Zinc, London, prompt (per long ton)	£89.710	£91.226	£75.318
††Zinc, London, three months (per long ton)	£89.716	£91.214	£75.592
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.750c	90.488c	85.250c
Silver, London (pence per ounce)	79.119	78.869	72.940
Sterling Exchange (Check)	$2.78665	$2.78494	$2.81324
Tin, New York Straits	96.458c	96.805c	93.356c
§§New York, 99% min.	95.458c	95.805c	92.356c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$253.889	$264.920	$290.000
Aluminum, 99% plus ingot (per pound)	24.333c	23.200c	22.106c
Magnesium ingot (per pound)	30.574c	28.500c	27.000c
**Nickel	64.500c	64.500c	60.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
PORTLAND CEMENT (BUREAU OF MINES)—Month of June:			
Production (barrels)	26,783,000	27,066,000	22,802,000
Shipments from mills (barrels)	31,260,000	29,172,000	28,632,000
Stocks (at end of month—barrels)	18,828,000	23,610,000	19,674,000
Capacity used	111	108	97
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Aug. 31 (000s omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	278,309,014	277,584,032	274,955,006
Guaranteed obligations not owned by the Treasury	43,455	41,514	27,291
Total gross public debt and guaranteed obligations	$278,352,470	$277,625,547	$274,982,297
Deduct—other outstanding public debt obligations not subject to debt limitation	480,967	482,814	535,267
Grand total outstanding	$277,871,502	$277,142,732	$274,447,030
Balance face amount of obligations, issuable under above authority	3,128,497	3,857,267	6,552,969
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Aug. 31	$278,352,470	$277,625,547	$274,962,297
General fund balances	5,753,343	6,810,921	5,457,423
Net debt	$272,599,127	$270,814,626	$269,504,874
Computed annual rate	2.384%	2.348%	2.292%

*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 Colburne, 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.

● Admiral Finance Corp., St. Louis, Mo. (9/19-23)
July 29 filed $1,000,000 of participating junior subordinated sinking fund debentures due Sept. 1, 1970. **Price**—At 100% of principal amount. **Proceeds** — To retire $513,182.50 of outstanding junior subordinated debentures, series B, and for expansion and working capital. **Underwriter** — Paul C. Kimball & Co., Chicago, Ill.

● Admiral Finance Corp., St. Louis, Mo. (9/19-23)
July 29 filed 50,000 shares of 60-cent cumulative preferred stock (par $5) and 10,000 shares of common stock (par 10 cents) to be offered in units of five preferred shares and one common share. **Price** — $50 per unit. **Underwriter** — Paul C. Kimball & Co., Chicago, Ill.

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.

Aloha, Inc., Las Vegas, Nev.
Aug. 8 filled 900,000 shares of common stock (par $1) and 900,000 shares of preferred stock (par $10) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds**—For construction of hotel and related activities and for contingencies, stock in trade, and working capital. **Underwriter**—None.

Alouette Uranium & Copper Mines, Inc., Montreal, Canada
July 22 (Regulation D) 1,000,000 shares of common stock. **Price**—30 cents per share. **Proceeds**—For exploration and development expenses, etc. **Underwriter**—Hudson-Bergen Securities, Inc., Cliffside Park, N. J.

★ Aluminum Co. of America (10/3)
Sept. 13 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To Arthur V. Davis, Chairman of the Board. **Underwriter**—The First Boston Corp., New York.

Amarilla Uranium, Inc.
July 27 (letter of notification) 6,500,000 shares of common stock. **Price**—One cent per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Weber Investment Co., Ogden, Utah.

American Mica Processing Co., Atlanta, Ga.
Aug. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant and equipment and other general corporate purposes. **Offices**—743 E. Penn Street, Philadelphia, Pa.; and 1131 Healey Building, Atlanta, Ga. **Underwriter**—Franklin Securities Co., Atlanta, Ga.

American Republic Investors, Inc., Dallas, Texas
July 15 filed 800,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For working capital, etc. **Underwriter**—None.

American Telephone & Telegraph Co.
Aug. 2 filed up to $637,165,800 of 12-year 3⅞% convertible debentures due Oct. 13, 1967, being offered for subscription by stockholders of record Aug. 25, 1955, on the basis of $100 of debentures for each eight shares held; rights to expire on Oct. 13, 1955. The debentures are to be convertible into common stock beginning Dec. 13, 1955, at $148 per share, payable by surrender of $100 of debentures and payment of $48 in cash. **Price**—At face amount. **Proceeds**—For construction program. **Underwriter**—None.

● American Title & Insurance Co.
Aug. 26 filed 300,000 shares of common stock (par $2), of which 200,000 shares are to be sold for the account of the company and 100,000 shares for the account of a selling stockholder. **Price**—$10 per share. **Proceeds**—To redeem the outstanding $300,000 4½% first preferred stock (par $100); to purchase stock of Reliable Fire Insurance Co. of Dayton, Ohio; and for working capital, etc. **Office**—Miami, Fla. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Expected today (Sept. 15).

● Arcadia Metal Products (9/20-21)
Aug. 26 (letter of notification) 90,900 shares of capital stock (par $1), of which 23,400 shares are to be sold for account of the company and 67,500 shares for account of two selling stockholders. **Price**—$3.30 per share. **Proceeds**—For inventory and improvements. **Office** — 324 No. Second Ave., Arcadia, Calif. **Underwriter** — D. A. Lomasney & Co., New York.

★ Arizona Cinnabar Corp., Mesa, Ariz.
Aug. 31 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To increase capacity of mill recently constructed. **Office**—400 Desert Air Lodge, Route 2, Mesa, Ariz. **Underwriter**—James Anthony Securities Corp., New York.

★ Automatic Tool Corp.
Sept. 7 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To set up a factory and purchase equipment and machinery for manufacture and sale of the "grip-lock" driver and screw. **Office**—137 Grand St., New York, N. Y. **Underwriter**—Ellis-Greenberg Co., 1051 Carroll St., Brooklyn, N. Y.

Balboa Mining & Development Co.
July 1 (letter of notification) 1,497,500 shares of common stock. **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Underwriter** — Mountain States Securities Corp., Denver, Colo.

Bank-It-Company, Denver, Colo.
Aug. 12 (letter of notification) $100,000 of 6% second series debentures dated Aug. 1, 1955 and due serially from 1958 to 1961. **Price**—At par (in denominations of $100 each). **Proceeds**—To help pay in part the cost of a new plant. **Office**—2590 Walnut Street, Denver, Colo. **Underwriters**—Peters, Writer & Christensen, Inc. and Garrett-Bromfield & Co., both of Denver, Colo.

Bassons Industries Corp.
Aug. 24 (letter of notification) 124,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Office** — 1424 East Farms Road, New York City. **Underwriter**—Jay W. Kaufmann & Co., New York.

NEW ISSUE CALENDAR

September 16 (Friday)
Dakamont Exploration Corp.—Class A
(Offering to stockholders—underwritten by Lehman Brothers) $291,000

September 19 (Monday)
Admiral Finance Corp.—Debentures
(Paul C. Kimball & Co.) $1,000,000
Admiral Finance Corp.—Preferred & Common
(Paul C. Kimball & Co.) $500,000
Commonwealth Life Insurance Co.—Common
(Eastman, Dillon & Co.) $300,000
Consolidated Fiberglass, Inc.—Common
(J. J. Riordan & Co., Inc.) $300,000
Cuba (Republic of)—Bonds
(Allen & Co.) $3,000,000

September 20 (Tuesday)
Arcadia Metal Products—Common
(D. A. Lomasney & Co.) $299,970
Budget Plan Corp.—Preferred
(Rambo, Close & Kerner, Inc.) $28,390
Camco, Inc.—Common
(Lee Higginson Corp.) 100,000 shares
Lamson & Sessions Co.—Preferred
(McDonald & Co.) $3,000,000
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 21 (Wednesday)
Columbia Gas System, Inc.—Debentures
(Bids 11:30 a.m. EDT) $40,000,000
Puerto Rico (Capital of)—Bonds
(Bids noon EDT) $2,500,000
St. Croix Paper Co.—Common
(Offering to stockholders—underwritten by Estabrook & Co.) 125,714 shares
Tampa Electric Co.—Common
(Offering to stockholders—Goldman, Sachs & Co. will be dealer-manager) 197,532 shares

September 22 (Thursday)
Medallion Pictures Corp.—Class A
(Israel & Co.) $300,000
Public Service Electric & Gas Co.—Preferred
(Probably Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co.) $25,000,000
Southern Pacific Co.—Equip. Trust Ctfs.
(Bids noon EDT) $9,390,000

September 23 (Friday)
Detroit Steel Corp.—Bonds
(Halsey, Stuart & Co. Inc.) $30,000,000
Detroit Steel Corp.—Common
(Offering to stockholders—no underwriting) 503,155 shares

September 26 (Monday)
Continental Production Corp.—Debens. & Com.
(First California Co., Inc.) $9,135,000

September 27 (Tuesday)
Kidde (Walter) & Co., Inc.—Common
(Offering to stockholders—underwritten by Carl M. Loeb, Rhoades & Co.) 53,700 shares

September 28 (Wednesday)
Kaiser Aluminum & Chemical Corp.—Preferred
(The First Boston Corp. and Dean Witter & Co.) $35,000,000
Servo Corp. of America—Debentures
(Ira Haupt & Co.) $600,000
Servo Corp. of America—Common
(Ira Haupt & Co.) 110,000 shares

September 29 (Thursday)
Heine & Co.—Common
(Bids 11 a.m. EDT) 1,068 shares
Pennsylvania RR.—Equip. Trust Ctfs.
(Bids noon EDT) $7,965,000

September 30 (Friday)
Household Finance Corp.—Common
(Offering to stockholders—underwritten by Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) 341,380 shares

October 1 (Saturday)
Mountain States Telephone & Telegraph Co.—Common
(Offering to stockholders—no underwriting) $48,688,100

October 3 (Monday)
Aluminum Co. of America—Common
(The First Boston Corp.) 200,000 shares
Barium Steel Corp.—Debentures
(Lee Higginson Corp.) $8,000,000
Clad (Victor V.) Co.—Common
(Barrett Herrick & Co., Inc.) $300,000
Yellowknife Uranium Corp.—Common
(Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc.) $1,500,000

October 4 (Tuesday)
Pacific Power & Light Co.—Bonds
(Bids noon EDT) $10,000,000
Public Service Electric & Gas Co.—Debentures
(Bids 11 a.m. EDT) $35,000,000

October 5 (Wednesday)
Pacific Power & Light Co.—Preferred
(Expected by local dealers) $3,000,000

October 7 (Friday)
Rochester Telephone Corp.—Common
(Offering to stockholders—may be underwritten by The First Boston Corp.) 195,312 shares

October 10 (Monday)
International Resources Fund, Inc.—Common
(Kidder, Peabody & Co.) $17,250,000

October 11 (Tuesday)
Spray Cotton Mills—Common
(Bids 3 p.m. EDT) 2,610 shares

October 13 (Thursday)
Rio de Oro Uranium Mines, Inc.—Common
(Tellier & Co.) $450,000

October 17 (Monday)
Fort Pitt Packaging International, Inc.—Common
(Barrett Herrick & Co., Inc.) $900,000
Southern Bell Tel. & Tel. Co.—Debentures
(Bids to be invited) $30,000,000

October 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

October 26 (Wednesday)
Long Island Lighting Co.—Bonds
(Bids to be invited) $15,000,000

October 27 (Thursday)
Indianapolis Power & Light Co.—Common
(Offering to stockholders—underwritten by Lehman Brothers; Goldman, Sachs & Co.; and The First Boston Corp.) 209,685 shs.

November 1 (Tuesday)
Southern Co.—Common
(Offering to stockholders—bids 11 a.m. EDT) 1,507,303 shares

November 16 (Wednesday)
Hawaii (Territory of)—Bonds
(Bids to be invited) $7,500,000

November 29 (Tuesday)
San Diego Gas & Electric Co.—Bonds
(Bids 11:30 a.m. EDT) $18,000,000

December 6 (Tuesday)
Virginia Electric & Power Co.—Preferred
(Bids to be invited) $12,500,000

Big Owl Uranium Mines
July 29 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Underwriter** — Cranmer & Co., Denver, Colo.

★ **Big Smoke Uranium, Inc., Spokane, Wash.**
Sept. 7 (letter of notification) 800,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office** — 303 Lincoln Savings Bldg., Spokane, Wash. **Underwriter**—Standard Securities Corp., same city.

Black Hills Uranium & Minerals Corp.
Aug. 11 (letter of notification) 1,200,000 shares of non-assessable common stock (par one cent). **Price** — 25 cents per share. **Proceeds**—For mining expenses **Address**—P. O. Box 1363, Rapid City, S. D. **Underwriter**—Morris Brickley, Harney Hotel, Rapid City, S. D.

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."

Blackstone Uranium Mines, Inc., Denver, Colo.
Aug. 3 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—2½ cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—801 Custis Street, Denver, Colo. **Underwriter**—Columbia Securities Co., Inc., same city.

Blenwood Mining & Uranium Corp., Denver, Colo.
July 29 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 30 cents per share. **Proceeds** — For expenses incident to mining operations. **Office**—612 Kittredge Bldg., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver 2, Colo.

Bojo Uranium Co., Salt Lake City, Utah
July 8 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining operations. **Office**—403 Felt Building, Salt Lake City, Utah. **Underwriter**—J. E. Call & Co., Salt Lake City, Utah.

● **Boren Oil & Gas Corp.**
July 26 filed $600,000 of 6% convertible debentures due Sept. 15, 1975, being initially offered for subscription by stockholders of record July 15 on the basis of $100 of debentures for each 100 shares (or fraction thereof) held; rights to expire on Sept. 23. **Price**—At 100% of principal amount. **Proceeds**—To pay current debt; for drilling expenses and development program. **Office**—Wichita Falls, Tex. **Underwriters**—Burt, Hamilton & Co., Inc., Dallas, Tex.; and N. R. Real & Co., Jersey City, N. J.

Bruning (Charles) Co., Inc., Chicago, Ill.
Sept. 2 filed 136,400 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — William Blair & Co., Chicago, Ill.

★ **Budget Plan Corp. (9/20)**
Sept. 7 (letter of notification) 2,839 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—3 Kings Highway East, Haddonfield, N. J. **Business** — Small loans. **Underwriter** — Rambo, Close & Kerner, Inc., Philadelphia, Pa.

Calumet & Hecla, Inc.
June 9 filed 116,832 shares of common stock (par $5) being 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; eight 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. Statement effective July 20.

● **Camco, Inc., Houston, Texas (9/20)**
Sept. 1 filed 100,000 shares of common stock (par $1), of which 75,000 shares are to be for account of company and 25,000 shares for Paul R. Mills, Chairman of the Board. **Price**—To be supplied by amendment. **Proceeds**—To acquire six trucks; to repay a $120,000 6% serial note; and for working capital. **Underwriter**—Lee Higginson Corp., New York.

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.

Caribou Ranch Corp., Denver, Colo.
July 15 filed 505,000 shares of common stock (par $1.) **Price**—$4 per share. **Proceeds**—For acquisition of property and equipment, construction of additional facilities, etc. **Underwriter**—Mountain States Securities, Inc., Denver, Colo.

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.

★ **Chaffin Uranium Corp., Salt Lake City, Utah**
Sept. 6 (letter of notification) 12,500,000 shares of non-assessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

★ **Champa Mining Co., Denver, Colo.**
Sept. 1 (letter of notification) 1,062,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining operations. **Office** — 215 First National Bank Bldg., Denver, Colo. **Underwriter**—None.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of non-voting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

Cisco Uranium Corp., Salt Lake City, Utah
Aug. 10 (letter of notification) 7,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses, etc. **Office**—2630 South 2nd West, Salt Lake City, Utah. **Underwriter**—Denver Securities, Inc., Denver, Colo.

Clad (Victor V.) Co., Philadelphia, Pa. (10/3)
June 17 (letter of notification) 120,000 shares of common stock (par 25 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Clad-Rex Steel Co., Denver, Colo.
Aug. 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay short-term obligations, etc. and for working capital. **Underwriter** — Mountain States Securities Co., Denver, Colo.; and Joseph McManus & Co., New York, N. Y.

● **Colohoma Uranium, Inc., Montrose, Colo.**
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. **Offering**—Expected sometime in October.

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.

Columbia Gas System, Inc., New York (9/21)
Aug. 25 filed $40,000,000 of debentures, series E, due 1980. **Proceeds**—To repay $20,000,000 of bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 21.

★ **Comet Uranium Corp., Washington, D. C.**
Aug. 20 (letter of notification) 700,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—501 Perpetual Bldg., Washington 4, D. C. **Underwriters**—Mid America Securities, Inc., Salt Lake City, Utah; and Seaboard Securities Corp., Washington, D. C.

Commercial Uranium Mines, Inc.
July 12 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—170 Vista Grand Road, Grand Junction, Colo. **Underwriter** — Columbia Securities Co., Denver and Grand Junction, Colo.

★ **Commonwealth Credit Corp., Phoenix, Ariz.**
Sept. 9 filed 700,000 shares of capital stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Underwriter**—None.

Commonwealth Life Insurance Co. (9/19)
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be credited to capital stock, unassigned surplus and reserve for business development and for expansion and life reserves. **Office**—616 South Main St., Tulsa, Okla. **Underwriter**—Eastman, Dillon & Co., New York, N. Y.

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.

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.

Conlon-Moore Corp., Cicero, Ill.
Aug. 29 (letter of notification) $300,000 of first mortgage (secured) 5% sinking fund bonds, series A, dated Oct. 1, 1955, to mature Oct. 1, 1967. **Price** — $100 per bond. **Proceeds**—To redeem outstanding first mortgage sinking fund bonds. **Office**—1806 South 52nd Ave., Cicero, Ill. **Underwriter**—Illinois Securities Co., Joliet, Ill.

● **Consolidated Fiberglass, Inc. (9/19)**
Aug. 4 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For advance to Alumin-Aire, Inc., a subsidiary, and for acquisition of, advances to and investment in other companies that may be organized or acquired. **Office**—118 West 22nd St., New York City. **Underwriter**—J. J. Riordan & Co., Inc., New York City.

● **Continental Production Corp. (9/26-30)**
Aug. 29 filed $3,700,000 of 15-year 5½% income debentures due Sept. 1, 1970 and 870,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$50.50 per unit. **Proceeds**—For acquisition of production payments. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., Inc., San Francisco, Calif.

Cook Industries, Inc., Dallas, Texas
Aug. 1 (letter of notification) 199,999 shares of common stock (par $1), of which 107,915 shares are to be sold by company and 92,084 shares by a selling stockholder. **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Central Securities Co., Dallas, Texas.

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. **Proceeds**—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.

● **Corning Natural Gas Corp.**
Aug. 26 (letter of notification) 11,000 shares of common stock (no par) being offered to common stockholders of record Sept. 6 on a 1-for-8 basis (with an oversubscription privilege); rights to expire on Sept. 26. **Price**—$14.75 per share. **Proceeds**—For construction program. **Office**—27-29 Denison Parkway East, Corning, N. Y. **Underwriter**—None.

Coronado Uranium Corp., Salt Lake City, Utah
Aug. 16 (letter of notification) 2,400,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining activities. **Office**—343 South State St., Room 211, Salt Lake City, Utah. **Underwriter**—Mountain States Securities Corp., Denver, Colorado.

Corpus Christi Refining Co.
Sept. 2 filed 500,000 shares of common stock (par 10 cents). **Price**—At the market. **Proceeds**—To a selling stockholder. **Office**—Corpus Christi, Texas. **Underwriter**—None.

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.

Cross-Bow Uranium Corp.
Aug. 29 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (six cents per share). **Proceeds** — For mining operations. **Office** — 1026 Kearns Bldg., Salt Lake City, Utah. **Underwriters**—Potter Investment Co., and Mid-America Securities, both of Salt Lake City, Utah.

● **Cuba (Republic of) (9/19-23)**
Aug. 10 filed $3,000,000 of Veterans, Courts and Public Works 4 %bonds due 1983. **Price**—To be supplied by amendment (expected at 98% and accrued interest). **Proceeds** — To Romenpower Eletra Construction Co. which had received them in consideration of construction work. **Underwriter**—Allen & Co., New York.

★ **Cuban American Oil Co., Dallas, Texas**
Sept. 9 filed 2,000,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For acquisitions and advances to subsidiary (Cuban American Drilling & Exploration Co.) for drilling and exploration costs. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Tex.

● **Dakamont Exploration Corp. (9/16)**
Aug. 24 (letter of notification) 291,000 shares of class A stock, to be offered to common stockholders on the basis of three shares of class A stock for each five shares of common held as of Sept. 15, 1955; rights to subscribe on Sept. 27. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to oil and gas activities. **Office**—1077 San Jacinto Bldg., Houston, Texas. **Underwriter**—Lehman Brothers, New York, N. Y.

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., Empire State Bldg., same city.

● **Detroit Steel Corp. (9/23)**
Aug. 30 filed $30,000,000 of first mortgage sinking fund bonds due 1970. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds and issuance of $6,000,000 in 6% cumulative preferred stock at par ($100 per share) to retire RFC note amounting to $38,180,000. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago and New York. **Meeting**—Stockholders to vote on approving financing on Sept. 16.

● **Detroit Steel Corp. (9/23)**
Aug. 30 filed 503,155 shares of common stock (par $1), to be offered for subscription by common stockholders of record Sept. 22 on the basis of one new share for each five shares held (with an oversubscription privilege); rights to expire on Oct. 10. **Price**—To be not more than 80% of the market price immediately prior to the offering. **Proceeds**—To help retire RFC note. **Underwriter**—None (see also proposed bond financing above).

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Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

Dome Uranium Mines, Inc., Denver, Colo.
July 12 (letter of notification) 1,360,000 shares of common stock (par one cent). **Price** 20 cents per share. **Proceeds** — For expenses incident to mining operations. **Office**—352 Colorado National Bldg., Denver, Colo. **Underwriters**—R. L. Hughes & Co., Denver, Colo. and G. W. Allen & Co., Cheyenne, Wyo.

★ **Donaldson Co., Inc., St. Paul, Minn.**
Sept. 6 (letter of notification) 22,000 shares of common stock (par $5) of which 12,000 shares to be offered by company and 10,000 on behalf of selling stockholders. **Price**—$11.50 per share. **Proceeds**—For general corporate purposes. **Office**—666 Pelham Blvd., St. Paul, Minn. **Underwriters**—Paine, Webber, Jackson & Curtis, Minneapolis, Minn.; Kalman & Co., Inc., St. Paul, Minn, and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Dow Chemical Co., Midland, Mich.
Aug. 5 filled 200,000 shares of common stock (par $5) being offered to employees of company and certain of its subsidiaries and associated companies. Subscriptions will be accepted from Sept. 6 through Sept. 30. **Price**—$47 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Dow Chemical Co., Midland, Mich.**
Sept. 14 filed 225,000 shares of common stock (par $5) to be offered pursuant to the company's key employees' option plan.

★ **Downgard, Inc., Milwaukee, Wisc.**
Sept. 7 (letter of notification) 1,000 shares of common stock (no par). **Price**—$100 per share. **Proceeds** — For purchase of machinery and working capital. **Office**—3832 N. Third Street, Milwaukee, Wis. **Underwriter**—None.

● **Empire Southern Gas Co., Fort Worth, Texas**
Aug. 4 (letter of notification) 12,000 shares of common stock (par $5) being offered for subscription by common stockholders of record Aug. 19 on the basis of one new share for each 16 shares held (with an oversubscription privilege); rights to expire on Oct. 3. **Price**—$21 per share. **Proceeds**—For construction of pipeline. **Office** — 2509 West Berry Street, Fort Worth, Texas. **Underwriter**—None.

★ **Energy Fund, Inc., New York**
Sept .9 filed 42,080 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Erie County Investment Co., Sandusky, Ohio
Aug. 10 (letter of notification) 7,500 shares of cumulative preferred stock (par $20) and 7,500 shares of common stock (par $10), to be offered in units of one share of each. **Price**—$35 per unit. **Proceeds**—For working capital to finance general expansion. **Office**—169 East Washington Row, Sandusky, Ohio. **Underwriter** — The First Cleveland Corp., Cleveland, Ohio.

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.

★ **Farrington Manufacturing Co.**
Aug. 19 (letter of notification) 3,500 shares of class A common stock (par $1). **Price**—At market (around $14.25 per share). **Proceeds** — For working capital. **Office**—Needham Heights, Mass. **Underwriter**—Chace, Whiteside, West & Winslow, Inc., Boston, Mass.

● **Food Fair Properties, Inc.**
Aug. 17 filled $7,691,250 of 20-year debentures due Sept. 1, 1975, and an aggregate of 2,342,075 shares of common stock (par one cent), of which the deebntures and 1,692,075 shares of stock are being offered for subscription by common stockholders of Food Fair Stores, Inc. of record Sept. 13 on the basis of $50 of debentures and 11 shares of stock for each 20 shares of Food Fair Stores common stock held; rights to expire on Oct. 3, 1955. The remaining 650,000 shares of common stock are to be placed privately. **Price**—$50 per unit; and $1 each for the 650,000 shares. **Proceeds** — To purchase from Food Fair Stores two tracts of land and for improvements thereon. **Underwriter** — Eastman, Dillon & Co., New York.

Foremost Dairies, Inc.
Aug. 18 filed 202,925 shares of common stock (par $2) to be offered in exchange for 43,807 shares of second preferred and 3,349 shares of common stock of Philadelphia Dairy Products Co., Inc., on the basis of 4¼ shares of Foremost common for each Philadelphia preferred share and five shares of Foremost common for one Philadelphia common share. **Underwriter**—None.

Fort Pitt Packaging International, Inc. (10/17)
June 30 filed 300,000 shares of common stock (par 10c), 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.

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, 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 Co., Salt Lake City, Utah
Aug. 1 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—515 Deseret Bldg., Salt Lake City, Utah. **Underwriter** — Moab Brokerage Co., Western States Investment Co., Potter Investment Co., Mid-America Securities, Inc. of Utah, and Cashin-Emery, Inc., all of Salt Lake City, Utah.

Gallina Mountain Uranium Corp.
July 29 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—An aggregate of $50,000. **Proceeds**—For mining expenses. **Office**—82 Beaver St., New York. **Underwriter** — Prudential Securities Corp., same address.

Gas Hills Mining & Oil, Inc., Kemmerer, Wyo.
Aug. 1 (letter of notification) 1,000,000 shares of capital stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For oil and mining expenses. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

★ **Gas Hills Uranium Co., Laramie, Wyo.**
Aug. 20 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining operations **Office**—1918 Thornburgh Drive, Laramie, Wyo. **Underwriter**—None.

● **General Capsule Corp., Fraser, Mich.**
Aug. 9 (letter of notification) 285,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment and engineering; inventory, promotion and sales and working capital. **Office** — 31425 Fraser Drive, Fraser, Mich. **Underwriter**—General Investing Corp., New York, N. Y. **Offering** — New being made.

● **General Guaranty Insurance Co.**
Aug. 26 (letter of notification) 50,000 shares of common stock (par $2.50) to be offered for subscription by stockholders of record Aug. 25, on a 1-for-2 basis. **Price**—$6 per share. **Proceeds**—To increase capital and paid-in surplus. **Office**—130 Park Avenue, North, Winter Park, Fla. **Underwriters** — Security Associates, Inc., Winter Park, Fla., and Grimm & Co., New York City.

General Mining & Development Corp.
July 25 (letter of notification) 3,000,000 shares of common stock. **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter**—Pioneer Investments, 50 Richards St., Salt Lake City, Utah.

Gibralter Uranium Corp., Aurora, Colo.
July 18 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For expenses incident to mining. **Office**—701 Moline St., Aurora, Colo. **Underwriter**—Robert J. Connell, Inc., Denver, Colo.

Glenwood Mining & Uranium Corp.
July 29 (letter of notification) 1,000,000 shares of common stock. **Price**—30 cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter** — Peters, Writer & Christensen, Denver, Colo.

Gob Shops of America, Inc.
July 27 (letter of notification) 99,000 shares of common stock (par $1). **Price**—$3 per share. Proceeds—For general corporate purposes. **Office**—Pawtucket, R. I. **Underwriter**—Weill, Blauner & 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.

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

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.

Hilo Electric Light Co., Ltd., Hilo, Hawaii
Aug. 1 filed 25,000 shares of common stock to be offered for subscription by stockholders of record Sept. 5 on the basis of one new share for each five shares; unsubscribed shares to be first offered to employees at rate of five shares for each full year of employment; then to general public. **Price** — To stockholders and employees, at par ($20 per share); and to public, at prevailing market price ($25.87½ per share on July 22, 1955). **Proceeds** — For expansion and improvement. **Underwriter**—None.

★ **Home Acceptance Corp., Salt Lake City, Utah**
Sept. 1 (letter of notification) $300,000 of 25-year 6% junior subordinated debentures due Oct. 1, 1980. **Price**—At par (in denominations of $1,000, $500 and $100). **Proceeds**—For working capital. **Office**—837 South Maine St., Salt Lake City, Utah. **Underwriter**—Edward L. Burton & Co., same city.

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.

Housatonic Public Service Corp.
Aug. 15 (letter of notification) 11,225 shares of common stock (par $15) being offered for subscription by common stockholders of record Aug. 23 on the basis of one new share for each 33 shares held; rights to expire on Sept. 26. **Price**—$22 per share. **Proceeds**—For construction expenditures. **Office**—33 Elizabeth St., Derby, Conn. **Underwriter**—None.

★ **Household Finance Corp. (9/30)**
Sept. 9 filed 341,380 shares of common stock ($9 stated value) to be offered for subscription by common stockholders of records Sept. 30, 1955 on the basis of one new share for each 20 shares held; rights to expire on Oct. 17. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Lee Higginson Corp. and White, Weld & Co., both of New York; and William Blair & Co., Chicago, Ill.

Hunt Uranium Corp., Green River, Utah
Aug. 22 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining activities. **Underwriter** — Elmer K. Aagaard, 323 Newhouse Bldg., Salt Lake City, Utah.

★ **Indian Monument Uranium Mining Corp., Reno, Nevada**
Sept. 6 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—205 Byington Building, Reno, Nev. **Underwriter**—Richard L. Dineley, same address.

Industrial Hardware Mfg. Co.
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. and Weill, Blauner & Co., Inc., both of New York.

Inland Oil & Uranium Corp., Denver, Colo.
July 18 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—3975 East 58th Ave., Denver, Colo. **Underwriter**—Shaiman & Co., Denver, Colo.

International Investors Inc., New York
Aug. 23 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—To invest in foreign securities of the free world outside of the United States. **Underwriter**—I. I. I. Securities Corp., 76 Beaver St., New York, N. Y.

★ **International Sound Films, Inc., Atlanta, Ga.**
Sept. 8 (letter of notification) 560 shares of common stock (par $10) and 300 shares of 6% preferred stock (par $100). **Price**—At par. **Proceeds**—For expansion of operations. **Office**—220 Pharr Road, N. E., Atlanta, Ga. **Underwriters**—None.

● **Interstate Amiesite Corp.**
July 19 filed $438,200 of 5½% convertible debentures due 1965, being offered first for subscription by stockholders at the rate of $100 of debentures for each 16 shares held as of Sept. 1 (with an oversubscription privilege); rights to expire on Sept. 30. **Proceeds**—For working capital. **Business**—Bituminous concrete paving materials. **Office**—Delaware Trust Bldg., Wilmington 99, Del. **Underwriter**—None.

Iola Uranium Corp.
July 26 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For mining costs. **Office**—1414 So. Michigan Avenue, Chicago 5, Ill. **Underwriter**—Columbia Securities Co., Denver, Colo.

Irby Bros. Machine & Iron Works
Aug. 22 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For field erection equipment, to increase steel inventory and working capital. **Underwriter**—Gates Carter & Co., Inc., Hatten Bldg., Gulfport, Miss.

J-A Uranium, Inc., Salt Lake City, Utah
Aug. 19 (letter of notification) 10,000,000 shares of capital stock (par one cent), **Price**—Three cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—711-12 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Ackerson-Hackett Investment Co., Salt Lake City, Utah.

★ **Jessel-Roberts Productions Corp.**
Sept. 3 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To produce motion pictures for television and theatrical exhibition. **Office** — 30 Park Ave., New York, N. Y.

George Jessel is President. **Underwriter**—Baruch Brothers & Co., Inc., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

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.

★ **Kaiser Aluminum & Chemical Corp. (9/28)**
Sept. 8 filed 700,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—From sale of this stock, together with funds from sale of $40,000,000 of 3¾% first mortgage bonds due 1976 to institutional investors, to be applied to current expansion program. **Underwriters**—The First Boston Corp., New York; and Dean Witter & Co., San Francisco, Calif.

Keeling Oil & Uranium Corp.
July 29 (letter of notification) 1,000,000 shares of common stock. **Price**—30 cents per share. **Proceeds**—For expenses incident to mining activities. **Underwriter** — Securities Investment Co., Denver, Colo.

★ **Kidde (Walter) & Co., Inc. (9/27)**
Sept. 7 filed 53,700 shares of common stock (par $2.50), to be offered for subscription by stockholders of record Sept. 20, 1955, at the rate of one new share for each eight shares held; rights to expire about Oct. 13. **Price**—To be supplied by amendment. **Proceeds**—For working capital and to reduce short-term debt. Office—Belleville, N. J. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York, N. Y.

Kirby Oil & Gas Co.
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. **Offering** — Postponed indefinitely.

● **Lamson & Sessions Co., Cleveland, O., (9/20)**
Aug. 29 filed 62,500 shares of cumulative convertible preferred stock, series A (par $50), of which 2,500 shares are to be offered to holders of outstanding cumulative preferred stock on a share-for-share exchange and 60,000 shares will be offered publicly. The exchange offer will expire on Sept. 30. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, for construction of new plants in Brooklyn, Ohio, and in Bedford Park, Ill. **Underwriter**—McDonald & Co., Cleveland, Ohio.

Landa Oil Co., Dallas, Texas
Aug. 19 (letter of notification) 70,000 shares of common stock (par 10 cents) to be first offered for subscription by stockholders. **Price** — To stockholders, $3.50 per share; and to public $4.25 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office** — 5738 North Central Expressway, Dallas 6, Tex. **Underwriter**—Central Securities Co., Dallas, Tex.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

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.

● **LeCuno Oil Corp., Jefferson, Texas**
Aug. 29 filed 450,000 shares of capital stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For payment of liabilities and expenses incident to oil and gas and mineral activities. **Underwriter**—First California Co., Inc., San Francisco, Calif. **Offering**—Expected in October.

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 Burlus Randolph Winstead, Secretary and Treasurer of the company.

● **Link-Belt Co., Chicago, Ill.**
Aug. 12 filed 134,433 shares of common stock (par $5) to be offered in exchange for the common stock of Syntron Co. at rate of 5.4 shares of Link-Belt stock for each Syntron share. The exchange will become effective if 95% of the 24,895 shares of outstanding Syntron stock are deposited for exchange; but Link-Belt reserves the right to declare the exchange effective if not less than 80% of Syntron shares are so deposited in exchange. Statement will not be effective until after the stockholders' meeting Sept. 26.

Lyman-Farnsworth Corp.
May 6 (letter of notification as amended) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—201 No. Main St., Salt Lake City, Utah. **Underwriter**—Pioneer Investments, Las Vegas, Nev.

Mackey Airlines, Inc., Ft. Lauderdale, Fla.
July 29 filed 333,334 shares of common stock (par 33⅓ cents), of which 256,383 shares are being offered for subscription by common stockholders of record Aug. 18 at the rate of one share for each 3½ shares held; rights to expire on Sept. 16. Of the remaining 76,951 shares, 71,429 shares were offered to Joseph C. Mackey, President, and 5,522 shares to employees. **Price**—$2.50 per share. **Proceeds** — For purchase of equipment and for general corporate purposes. **Underwriters**—Atwill & Co., Miami Beach, Fla., and Emerson Cook Co., Palm Beach, Fla.

● **Magnolia Park, Inc.**
Aug. 8 (letter of notification) maximum of 785,714 shares of common stock (par 10 cents) being offered first for subscription by stockholders of record Sept. 14 on the basis of one new share for each 3.24 shares held; rights to subscribe on Sept. 24. **Price** — To stockholders, 35 cents per share; unsubscribed shares to public, 40 cents per share. **Proceeds** — For general corporate purposes. **Underwriters**—Gearhart & Otis, Inc. and Hunter Securities Corp., both of New York City; and T. J. Feibleman & Co., New Orleans, La.

Maloney (M. E.) & Co., Inc.
Aug. 5 (letter of notification) 289,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Business** — General contractors. **Office** — 511 Center Ave., Mamaroneck, N. Y. **Underwriter**—A. C. Champlain & Co., New York, N. Y.

Mascot Mines, Inc.
Aug. 1 (letter of notification) 300,000 shares of common stock (par 35 cents). **Price** — 62½ cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ **Medallion Pictures Corp. (9/22)**
Sept. 3 (letter of notification) 300,000 shares of Class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—1639 Broadway, New York, N. Y. **Underwriter**—Israel & Co., New York.

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.

Merc-Uranium Corp.
July 20 (letter of notification) 6,000,000 shares of common stock. **Price** — Five cents per share. **Proceeds**—For expenses incident to mining activities. **Underwriter** — Law Investment Co., Washington, D. C.

Merritt-Chapman & Scott Corp., New York
June 28 filed 314,718 shares of common stock (par $12.50) being 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 Tennessee 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. Offer will expire on Sept. 30. **Underwriter**—None.

Mesa-Loma Mining Corp., Fort Collins, Colo.
July 13 (letter of notification) 2,955,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—415 Peterson St., Fort Collins, Colo. **Underwriter**—Bay Securities Corp., 115 Broadway, New York, N. Y.

★ **Metallurgical Resources, Inc., New York**
Sept. 12 filed 500,000 shares of 6% non-cumulative convertible preferred stock. **Price**—At par ($2 per share). **Proceeds**—For construction of plant; for research and development; and for working capital. **Underwriter**—M. S. Gerber, Inc., New York.

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 Treasure Uranium Corp.
July 25 (letter of notification) 6,000,000 shares of common stock. **Price**—Five cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter** — Utah Uranium Brokers, Salt Lake City, Utah.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of non-assessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Monogram Uranium & Oil Co.
Aug. 31 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — To make payment of $675,000 to Four Corners Uranium Corp. under a purchase contract; to use $100,000 each to purchase mining equipment, to pay for development and driving drift and for exploratory drilling; and the remainder for working capital, acquisition of additional properties, and unforeseen contingencies. **Underwriter**—Carr & Co., Detroit, Mich.

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.

Monte Cristo Uranium Corp.
Aug. 19 filled 2,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For purchase of certain claims designated "Lower Claims Group." **Office**—Salt Lake City, Utah. **Underwriter**—None.

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.

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 States Telephone & Telegraph Co. (10/1)**
Sept. 7 filed 486,881 shares of capital stock (par $100), to be offered for subscription by stockholders of record Sept. 27, 1955 on the basis of one new share for each five held; rights to expire on Oct. 28. **Price**—At par ($100 per share. **Proceeds** — Toward repayment of advances from American Telephone & Telegraph Co. and for general corporate purposes. **Underwriter**—None.

★ **National Commodity Futures, Inc., New York**
Sept. 2 (letter of notification) 2,400 shares of common stock. **Price**—$20 per share. **Proceeds**—To purchase trade and deal in commodity futures. **Office**—6 Harrison St., New York, N. Y. **Underwriter**—None.

★ **National Reserve Life Insurance Co.**
Sept. 2 (letter of notification) 27,789,408 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To improve capital stock structure of company. **Office** 515 South Main Ave., Sioux Falls, S. D. **Underwriter**—None.

★ **Natural Power Corp. of America, Moab, Utah**
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Navajo Cliffs Uranium Corp., Provo, Utah
July 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—156 No. University Ave., Provo, Utah. **Underwriter** — Lindquist Securities, Salt Lake City, Utah.

★ **Naval Officers Realty Corp.**
Sept. 2 (letter of notification) 10,750 shares of common stock (no par) to be offered for subscription first by stockholders; then to public. **Price**—$25 and $27.50 per share, respectively. **Proceeds** — To purchase additional properties. **Office**—569 Geary St., San Francisco, Calif. **Underwriter**—None.

★ **New Mexico Copper Corp., Carrizozo, N. M.**
Sept. 8 (letter of notification) $100,000 of 6% convertible debenture bonds due Oct. 1, 1965 (to be convertible at any time at rate of $100 of bonds for 220 shares of common stock). **Price**—At par. **Proceeds** — For mining expenses. **Underwriter**—M. J. Sabbath Co., Washington, D. C.

New Mexico Oil & Gas Co.
July 27 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds** — For general corporate purposes. **Office** — Bethesda, Md. **Underwriter**—Lewellen-Bybee Co., Washington, D. C.

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.

Ohio Power Co. (9/20)
Aug. 17 filled $17,000,000 of first mortgage bonds due Sept. 1, 1985. **Proceeds**—To repay bank loans and for new construction. **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. **Bids**—To be received up to 11 a.m. (EDT) on Sept. 20.

Ohio Power Co. (9/20)
Aug. 17 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probablel 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). **Bids**—To be received up to 11 a.m. (EDT) on Sept. 20.

Orange Hotel, Inc., Dallas, Texas
July 19 filed $450,000 of registered 4% sinking fund debentures due May 1, 1985, which are to be offered in exchange for $375,000 principal amount of registered 4% debentures and 3.750 shares of $20 par stock of Orange Community Hotel Co. in the ratio of $120 of new debentures for each $100 of debentures and 20 shares of stock of the Community company. **Underwriter**—None.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For

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construction of additional units to a motel. **Office**—4703 South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

Pacific International Metals & Uranium, Inc.
Aug. 12 (letter of notification) 12,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—419 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Guss Securities Co., Salt Lake City, Utah.

Pacific Power & Light Co. (10/4)
Aug. 30 filed $10,000,000 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 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 Oct. 4.

★ **Pacific Power & Light Co. (10/5)**
Sept. 8 filed 30,000 shares of cumulative preferred stock (par $100) to be offered initially only in Oregon, Washington, Wyoming, Montana and Idaho. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—Expected to be local dealers.

Pacific Telephone & Telegraph Co.
July 29 filed 1,339,196 shares of common stock (par $100) being offered for subscription by preferred and common stockholders in the ratio of one new share for each six shares held as of Aug. 31; rights to expire on Sept. 30. American Telephone & Telegraph Co., the parent, owns 90.89% of Pacific's outstanding stock and intends to subscribe for 1,199,849 of the new shares. **Price**—At par. **Proceeds**—To repay bank loans. **Underwriter**—None.

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.

★ **Pacific Western Oil Corp.**
Sept. 9 filed 100,000 shares of common stock (par $4.) **Price**—At prevailing market price. **Proceeds**—To J. Paul Getty, President. **Underwriter**—None.

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.

Pandora Uranium Mines, Inc.
July 14 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—530 Main St., Groad Junction, Colo. **Underwriter**—Columbia Securities Co., Denver 2, Colo. and Salt Lake City, Utah.

★ **Parnell-Martin Supply Co., Charlotte, N. C.**
Sept. 6 (letter of notification) $125,000 of 6% ten-year registered sinking fund debentures (with common stock purchase warrants attached). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For reduction of bank indebtedness. **Office**—925 Tuckaseegee Road, Charlotte, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

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.

Penn-Utah Uranium, Inc., Reno, Nev.
Aug. 4 (letter of notification) 2,000,000 shares of common stock (par three cents). **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—206 N. Virginia Street, Reno, Nev. **Underwriter**—Philip Gordon & Co., Inc., New York, N. Y.

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.

Petaca Mining Co., Santa Fe, N. Mex.
Aug. 25 filed 450,000 shares of common stock (par 10 cents). **Price**—$1.75 per share. **Proceeds**—For repayment of loan and liquidation of purchase obligations; to buy equipment; and for working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Pittman Drilling & Oil Co., Independence, Kan.**
Sept. 6 (letter of notification) 60,000 shares of 6% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

● **Plastic Wire & Cable Corp., Jewett City, Conn.**
Aug. 11 (letter of notification) 15,036 shares off common stock (par $5), being offered to stockholders of record Aug. 5 on the basis of one new share for each 10 shares held; rights to expire on Sept. 21. **Price**—$9 per share. **Proceeds**—For additional working capital and to finance current plant expansion. **Office**—East Main St., Jewett City, Conn. **Dealer-Manager**—Putnam & Co., Hartford, Conn.

★ **Professional Uranium Corp., Seattle, Wash.**
Sept. 1 (letter of notification) 2,750,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 3536 East 147th St., Seattle 55, Wash. **Underwriter**—None.

Prospect Hill Golf & Country Club, Inc.
July 8 (letter of notification) 11,900 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—For swimming pool, club furnishings and equipment, golf course and organization and develoment expense. **Office**—Bowie, Md. **Underwriter**—L. L. Hubble & Co., Inc., Baltimore, Md.

★ **Public Service Electric & Gas Co. (10/4)**
Sept. 7 filed $35,000,000 of debenture bonds due 1975. **Proceeds**—For repayment of bank loans. **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); First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 4.

★ **Public Service Electric & Gas Co. (9/22)**
Sept. 7 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes including payment of bank loans and payment of portion of cost of current construction. **Underwriters**—Morgan Stanley & Co., Glore, Forgan & Co., both of New York; and Drexel & Co., Philadelphia, Pa.

Radium Hill Uranium, Inc., Montrose, Colo.
July 19 (letter of notification) 625,000 shares of common stock (par one cent). **Price**—32 cents per share. **Proceeds** — For expenses incident to mining operations. **Office**—Bryant Bldg., Montrose, Colo. **Underwriters**—General Investing Corp., New York, N. Y., and Shaiman & Co., Denver, Colo.

★ **Rainbow Uranium Corp., Tonopah, Nev.**
Aug. 30 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—Main St., Tonopah, Nev. **Underwriter**—None.

● **Rio de Oro Uranium Mines, Inc. (10/13)**
Aug. 15 filed 3,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J., on a best-efforts basis. If 85% of issue is not sold, monies will be refunded.

★ **Rochester Telephone Corp. (10/7)**
Sept. 14 filed 195,312 shares of common stock (par $10) to be offered for subscription by common stockholders of record Oct. 6 on the basis of one new share for each four shares held; rights to expire on Oct. 24. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

Rocket Mining Corp., Salt Lake City, Utah
July 15 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—530 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc., of Utah, 26 W. Broadway, Salt Lake City, Utah.

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. Croix Paper Co., Boston, Mass. (9/21)**
Sept. 2 filed 125,714 shares of common stock (par $12.50) to be offered for subscription by common stockholders on the basis of one new share for each 3½ shares held as of Sept. 21; rights to expire about Oct. 5. **Price**—To be supplied by amendment. **Proceeds** — Together with funds from insurance company and a bank, to be used for expansion program. **Underwriter**—Estabrook & Co., Boston and New York.

St. Regis Uranium Corp., Denver, Colo.
Aug. 15 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—2285 South Jackson, Denver, Colo. **Underwriter**—M. J. Reiter Co., New York, N. Y.

San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of non-assessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

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.

● **Servo Corp. of America (9/28)**
Aug. 26 filed $600,000 shares of 6% convertible subordinated debentures due 1975 (initially convertible into common stock at $6 per share) and 110,000 shares of common stock (par $1), of which 30,000 shares are to be offered for the account of Henry Blackstone, President. **Price** — To be supplied by amendment. **Proceeds**—For plant expansion, working capital, etc. **Underwriter**—Ira Haupt & Co., New York.

Shacron Oil Corp., Washington, D. C.
Aug. 15 (letter of notification) 150,000 shares of class A common stock (par $1) and 75,000 shares of class B common stock (par $1), to be sold in units of two shares of class A and one share of class B. **Price** — $3 per unit. **Proceeds**—For expenses incident to oil activities. **Office**—1500 Massachusetts Ave., N. W., Washington, D. C. **Underwriter**—None.

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.

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

★ **Southeastern Fund, Columbia, S. C.**
Sept. 6 filed $300,000 of 15-year 5½% subordinated sinking fund debentures. **Price**—100% of principal amount. **Proceeds**—For general operating purposes. **Underwriters**—Powell & Co., Fayetteville, N. C., and Gordon Meeks & Co., Memphis, Tenn.

★ **Southeastern Fund, Columbia, S. C.**
Sept. 6 filed 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — For working capital. **Underwriters** — Powell & Co., Fayetteville, N. C., and Gordon Meeks & Co., Memphis, Tenn.

★ **Southwestern Financial Corp., Dallas, Texas**
Sept. 6 filed 770,000 shares of common stock (par 10 cents), to be offered for subscription by stockholders at rate of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—For purchase of machinery and equipment; and for working capital and general corporate purposes. **Underwriter** — Rauscher, Pierce & Co., Dallas, Tex.; and Russ & Co., San Antonio, Tex.

Southwestern Investment Co., Amarillo, Texas
Aug. 22 filed $2,500,000 of 5% sinking fund capital debentures, series A, dated Sept. 1, 1955. Holders of $1,000,000 outstanding 5% and 5½% capital debentures will be offered the opportunity to exchange their debentures for the new debentures. **Price** —100% of principal amount. **Proceeds**—To retire debt and increase working capital. **Underwriter**—The First Trust Co. of Lincoln, Neb.

Spirit Mountain Uranium, Inc., Cody, Wyo.
July 29 (letter of notification) 25,200,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—1507-8th Street, Cody, Wyo. **Underwriter**—Utah Uranium Brokers, Las Vegas, Nev.

Splendora Film Corp., New York
July 27 filed 1,200,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For equipment and accessories; for financing film productions; and for working capital. **Underwriters**—J. H. Lederer Co., Inc., and McGrath Securities Corp., both of New York.

★ **Sunburst Uranium Corp., Salt Lake City, Utah**
Sept. 6 (letter of notification) 2,750,000 shares of non-assessable common stock (par two cents). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—116 Atlas Building, Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, same City.

Sulphur, Inc., Houston, Texas
Aug. 24 filed 400,000 shares of common stock (par one cent). **Price** — $1 per share. **Proceeds** — To purchase lease; to drill three exploratory wells; for exploration in the Isthmus of Tehuantepec, Vera Cruz, Mexico; and for general corporate purposes. **Underwriter** — J. H. Lederer Co., New York.

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. **Offering**—Postponed.

★ **Superior Uranium Corp., Provo, Utah**
Sept. 2 (letter of notification) 10,000,000 shares of non-assessable common stock. **Price**—At par (two cents per share). **Proceeds**—For expenses incident to mining activities. **Office** — 180 East Center St., Provo, Utah. **Underwriter**—Bel-Air Securities Corp., Salt Lake City, Utah.

Susan B. Uranium Corp., Carson City, Nev.
Aug. 11 (letter of notification) 300,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Virginia Truck Bldg., Carson City, Nev. **Underwriter**—Coombs & Co. of Las Vegas, Nev.

Swank Uranium Drilling & Exploration Co.
Aug. 17 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining activities. **Office**—Moab, Utah. **Underwriter**—Honnold & Co., Inc., Salt Lake City, Utah.

Tampa Electric Co. (9/21)
Aug. 31 filed 197,532 shares of common stock (par $7) to be offered for subscription by common stockholders of record Sept. 19, 1955 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to subscribe on Oct. 6, 1955. Warrants are to be mailed on Sept. 21. **Price** — To be supplied by amendment. **Proceeds** — To repay $5,083,000 of bank loans. **Dealer-Manager**—Goldman, Sachs & Co., New York.

Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of non-assessable stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 726 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

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.

Tennessee Life & Service Insurance Co.
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**—Jesse C. Bowling, 16 M Street, Bedford, Ind.

Texas Adams Oil Co., Inc., New York, N. Y.
Aug. 11 (letter of notification) 66,600 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To selling stockholders. **Office**—39 Broadway, New York, N. Y. **Underwriter**—Philip Gordon & Co., Inc., New York, N. Y.

★ Texas Textile Mills, Inc.
Sept. 2 (letter of notification) 27,500 shares of class A common stock to be offered for subscription by common stockholders of Miller Brothers of Texas, Inc., who elect to sell their common stock of that company to Miller Brothers pursuant to an offer to pruchase being made simultaneously herewith. **Price**—At par ($10 per share). **Office** — Cotton Exchange Bldg., Dallas, Tex. **Underwriter**—None.

Texas Toy Co., Houston, Texas
July 8 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For payment of accounts payable of operating company; expansion and working capital. **Office**—2514 McKinney Ave., Houston, Texas. **Underwriter**—Ray Johnson & Co., Inc., Houston.

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.

Thunderbird Uranium Corp.
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.

★ Town Enterprises, Inc., Wilmington, Del.
Sept. 2 (letter of notification) 200,000 shares of class A common stock (par 50 cents). **Price** — $1.50 per share. **Proceeds**—To make loans. **Office**—902 Orange St., Wilmington 1, Del. **Underwriter**—None.

Trans-National Uranium & Oil Corp.
July 1 filed 2,000,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment (expected at $1.50 per share). **Proceeds**—To acquire part of properties presently subject to option in favor of company, and for expenses incident to mining and oil activies. **Office** — Dallas, Tex. **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.

★ Trinity Oil Corp., Fort Worth, Texas
Aug. 31 (letter of notification) 78,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For purchase of equipment, development of leases and working capital. **Office**—W. T. Waggoner Bldg., Fort Worth, Tex. **Underwriter**—None.

Tri-State Natural Gas Co., Tucson, Ariz.
July 6 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—15 Washington St., Tucson, Ariz. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

Tunacraft, Inc., Kansas City, Mo.
Aug. 22 (letter of notification) $295,000 principal amount of 6% 12-year registered subordinated sinking fund debentures, dated Sept. 1, 1955 (with stock purchase warrants). **Price**—At par (in denominations of $100 each or multiples thereof). **Proceeds**—To refinance and discharge secured obligation. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

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.

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 of Texas Oil Co., Houston, Texas
July 12 (letter of notification) 61,393 shares of common stock (no par). **Price**—$1.25 per share. **Proceeds**—To reduce bank loans, and for development costs and other corporate purposes. **Underwriter**—Mickle & Co., Houston, Texas.

United American Investment Co., Atlanta, Ga.
July 19 filed 3,500,000 shares of common stock no par. **Price**—$2 per share. **Proceeds**—For organization of two wholly-owned insurance compaies, to be named United American Life Insurance Co. and Tourists Indemnity Co.; balance to be used to engage in mortgage loan business and related fields. **Underwriter**—None.

United States Thorium Corp.
July 21 (letter of notification) 250,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Doxey-Merkley & Co., Salt Lake City, Utah.

Universal Oil & Uranium Corp.
July 26 (letter of notification) 5,998,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For mining operations. **Office** — 7900 West Colfax Avenue, Denver, Colo. **Underwriter** — Columbia Securities Co., Denver, Colo.

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. **Offering** — Postponed.

★ Uran Mining Corp., Rochester, N. Y.
Sept. 6 (letter of notification) 60,000 shares of class A voting common stock and 240,000 shares of class B nonvoting common stock (par 10 cents) to be offered in units of one share of class A and 4 shares of class B stock. **Price**—$1 per unit. **Proceeds**—For expenses incident to mining activities. **Office** — Powers Bldg., Rochester, N. Y. **Underwriter**—None.

● 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. **Offering**—Postponed.

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.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

Utah Grank, Inc., Reno, Nev.
Aug. 15 (letter of notification) 270,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—312 Byington Bldg., Reno, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

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.

★ Utilities Operating Co., Inc.
Sept. 6 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase of equipment and advances to Broward Plantations, Inc. **Office**—45 East Acre Drive Plantation, Fort Lauderdale, Fla. **Underwriter**—None.

Utore Uranium & Diata, Inc., Vale, Ore.
July 8 (letter of notification) 10,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—Lytle Building, Vale, Ore. **Underwriter**—Hansen Uranium Brokerage, Salt Lake City, Utah.

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.

★ Washington REAP, Inc., Dover, Del.
Aug. 30 (letter of notification) 400 shares of common stock. **Price** — $500 per share. **Proceeds** — To purchase outstanding stock of Elmark Corp., which owns garden apartment development. **Office**—129 S. State St., Dover, Del. **Underwriter**—Real Estate Associates Plan, Inc., 14 Journal Square, Jersey City, N. J.

Western Financial Corp.
Aug. 24 (letter of notification) 50,000 shares of common stock (par one cent). **Price** — $1 per share. **Proceeds**—For working capital, etc. **Business** — Purchases and sell commodities. **Office** — 430 Park Ave., New York. **Underwriter**—J. H. Lederer Co. Inc., New York.

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 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.

★ Wisconsin Southern Gas Co., Inc.
Aug. 31 (letter of notification) 16,654 shares of common stock (par $10), to be offered for subscription by stockholders of record about Sept. 15 on the basis of one new share for each five shares held; rights to expire on Sept. 29. **Price** — $16.50 to stockholders; and $17.50 to public. **Proceeds**—To repay bank loans and for extensions and improvements to property. **Office**—235 Broad St., Lake Geneva, Wis. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.;; and Harley, Haydon & Co., Inc. and Bell & Farrell, Inc., both of Madison, Wis.

★ Wolfson Uranium Corp., Denver, Colo.
Sept. 7 (letter of notification) 150,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—800 Denver Club Building, Denver, Colo. **Underwriter**—Seligmann & Co., Milwaukee, Wis.

Wonder Mountain Uranium, Inc., Denver, Colo.
Aug. 12 (letter of notification) 2,380,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—414 Denver Nat'l Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., Denver, Colo.

● Woods Oil & Gas Co., New Orleans, La.
Aug. 29 filed 250,000 shares of common stock (par $5). **Price**—$8 per share. **Proceeds**—For retirement of debt; revision of corporate structure, etc. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill. **Offering**—To be withdrawn.

★ Worcester County Electric Co. (10/18)
Sept. 13 filed $8,500,000 of 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.

● Yale & Towne Manufacturing Co.
Aug. 19 filled 106,931 shares of capital stock (par $25) being offered for subscription by stockholders of record Sept. 9 on the basis of one new share for each six shares held; rights to expire on Sept. 26. **Price**—$56 per share. **Proceeds**—To repay $1,000,000 bank loans and for working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

Yellow Circle Uranium Co.
July 22 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For mining expenses. **Office** — 223 Petroleum Building, Salt Lake City, Utah. **Underwriter**—Morgan & Co., same city.

● Yellowknife Uranium Corp. (10/3-7)
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City.

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.

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Prospective Offerings

Atlantic City Electric Co.
Aug. 1, B. L. England, President, announced that the directors are now considering the sale to the public of a small amount of common stock early next year. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., both of New York.

Baltimore & Ohio RR.
Aug. 30 the railroad offered for exchange and sale $280,-000,000 of first consolidated mortgage bonds, in three series, viz: $80,000,000 of series A 3⅞s, due Aug. 1, 1970; $80,000,000 of series B 4s due Sept. 1, 1980; and $120,000,-000 of series C 4¼s due Oct. 1, 1995. Through Sept. 9, 1955, holders of refundable bonds had the right to exchange them, par-for-par, for not more than $60,000,-000 of series A bonds, $40,000,000 of series B bonds and $20,000,000 of series C bonds. The new bonds will be allotted for sales and exchanges up to Sept. 19 in order of receipt of acceptances. As of noon (EDT) on Sept. 12, $139,817,000 of the bonds had been sold or exchanged. **Prices**—Of series A, 99%; of series B, 98¾%, and series C, 100%; with accrued interest in each case. **Proceeds**—To refund and consolidate all mortgage indebtedness under one mortgage. **Underwriters** — Glore, Forgan & Co.; Halsey, Stuart & Co. Inc.; and Alex. Brown & Sons.

● **Bank of California, N. A.**
Sept. 13 stockholders approved the issuance of 52,200 additional shares of capital stock (par $20), which are being offered for subscription by stockholders of record Sept. 13, 1955 on the basis of one new share for each 10 shares held; rights to expire on Oct. 6, 1955. **Price** — $70 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc. and Dean Witter & Co., both of San Francisco, Calif.

★ **Barium Steel Corp. (10/3-7)**
Sept. 12 it was reported that early registration is expected of $8,000,000 of subordinated debentures due 1970. **Proceeds**—Together with funds from private sale of $3,-000,000 of notes or debentures, to be used for general corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Boston & Maine RR.
Aug. 26 it was announced stockholders will vote Sept. 29 on authorizing the directors to create, issue and dispose of 5% income debenture bonds to be exchanged for presently outstanding 5% convertible preferred stock, or to procure funds for redemption of such shares.

Burlington Industries, Inc.
Sept. 5 it was reported company plans equity financing. **Underwriter**—Kidder, Peabody & Co., New York.

Campbell Chibougamau Mines, Ltd.
Aug. 15 it was reported a secondary offering of about 150,000 shares of common stock will be registered with the SEC. **Business**—Company, recently formed, is a copper mining undertaking on Merrill Island, Quebec, Canada. **Underwriter**—Allen & Co., New York. **Offering**—Not expected for three or four weeks.

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.

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 $125,000,000 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.

★ **Copperweld Steel Co.**
Sept. 12 it was announced company plans to raise approximately $6,500,000 from the sale of common stock to public, up to $5,500,000 from borrowing on a long term basis. Stockholders will vote Oct. 10 on increasing the authorized common stock from 900,000 to 1,500,000 shares; the authorized serial preferred stock from 114,605 to 214,605 shares; and the authorized long term debt to $15,000,000. **Proceeds**—From stock sale, to help finance modernization and expansion program. **Underwriter**—Riter & Co., New York.

Delaware Power & Light Co.
July 26, Stuart Cooper, President, announced that the company is planning the issuance of bonds and equity securities. It appears that the first step in the permanent financing of the program will take place sometime late this fall. **Proceeds**—To repay bank loans and for construction program, which includes two plants which will cost approximately $40,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Union Securities Corp.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. (2) For common stock (which may be first offered to stockholders)—W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Carl M. Loeb, Rhoades & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. (3) On preferred stock—Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance to stockholders of Allen B. Du Mont Laboratories, Inc. of 1,000,000 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. **Offering**—Not expected until after Oct. 10, when stockholders of Laboratories will vote on forming Broadcasting firm.

Essex County Electric Co.
July 18 it was reported company plans to issue and sell some additional first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated.

Fischer & Porter Co., Hatboro, Pa.
Aug. 18, Kermit Fischer, President, announced that the company expects to offer additional common shares to the public in the near future. **Underwriters**—Offering of participating preference shares in October, 1954, was underwritten by Hallowell, Sulzberger & Co.; Boenning & Co.; and Suplee, Yeatman & Co., Inc.; all of Philadelphia, Pa.

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."

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.

★ **Hawaii (Territory of) (11/16)**
Sept. 12 it was announced that it is planned to sell an issue of $7,500,000 20-year general obligation bonds. **Proceeds**—For school construction. **Bids**—To be received on Nov. 16 at Bankers Trust Co., New York, N. Y.

Heine & Co., New York (9/29)
Bids will be received at the office of Alien Property, Department of Justice, Room 664, 101 Indiana Ave., N. W., Washington 25, D. C., up to 11 a.m. (EDT) on Sept. 29 for the purchase from it of 1,068 shares of capital stock (par $24), constituting all of the outstanding shares of this company. **Proceeds** — From sale of 943 shares to go to the Attorney General of the United States and from sale of 125 shares to go to another stockholder.

Heller (Walter E.) & Co.
July 18 it was reported that the company may be considering some new financing. **Underwriter**—F. Eberstadt & Co. Inc., New York.

Houston (Texas) Gas & Oil Corp.
Aug. 26, company applied to the FPC for authority to construct a 961-mile pipe line from a point near Baton Rouge, La., to Cutler, Fla., to cost approximately $110,-382,000. It plans to issue and sell $81,200,000 of bonds, about $20,000,000 of 5½% interim notes (convertible into preferred stock), and over $8,700,000 of common stock. Stock would be sold, together with the notes, in units. **Underwriters**—Discussions are reported to be going on with Blyth & Co., Inc., San Francisco, Calif., and Scharff & Jones, Inc., New Orleans, La.

★ **Indianapolis Power & Light Co. (10/28)**
Sept. 8 it was announced company has applied to the Indiana P. S. Commission for authority to offer 209,685 additional shares of common stock to common stockholders on the basis of one new share for each 15 shares held as of Oct. 27; rights to expire about Nov. 10. **Proceeds** — To retire bank loans. **Underwriters** — Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp.

● **International Resources Fund, Inc. (10/10)**
Sept. 2 stockholders of Natural Resources Fund, Inc. and Natural Resources of Canada Fund, Inc. approved a merger of the two firms to continue under the name "International Resources Fund, Inc." which plans to register about Sept. 15-16 a total of 3,000,000 shares of capital stock, which, it is expected, will be publicly offered about Oct. 10. **Price**—$5.75 per share. **Investment Adviser** — Capital Research & Management Co., Los Angeles, Calif. **Underwriter** — Kidder, Peabody & Co., New York.

Kayser (Julius) & Co.
Aug. 17, it as announced company plans an offering of stock to its shareholders and borrowing through long-term bank loans. **Proceeds** — To finance acquisition, through purchase, of the net current assets of Holeproof Hosiery Co. (latter's stockholders approved proposal on Sept. 6).

Laclede Gas Co.
Aug. 8 it was stated company plans sale of about $10,-000,000 convertible first preferred stock to stockholders. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); White, Weld & Co.; Stone & Webster Securities Corp.; Blair & Co. Incorporated. **Bids**—Probably this fall.

Lanolin Plus, Inc.
Aug. 15 it was reported company (name to be changed from Consolidated Cosmetics, Inc.) plans registration in September of about 200,000 shares of common stock (part for selling stockholders).

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. (10/26)**
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. **Bids**—Expected to be received on Oct. 26.

Marquette Cement Manufacturing Co.
Aug. 12 directors approved a $16,000,000 plant expansion program. Certain details of financing and engineering remain to be completed. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

Michigan Consolidated Gas Co.
Aug. 15 it was reported company may issue and sell this fall $27,000,000 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.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly).

★ **Minute Maid Corp.**
Sept. 12 it was reported registration is expected this month of $8,500,000 4% subordinated debentures due 1974. **Proceeds**—To Clinton Foods, Inc., who received $17,300,000 of these debentures for its Snow Crop Divison. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

● **National Bank of Washington**
Sept. 12 the bank offered to its stockholders of record of said date the right to subscribe on or before Oct. 7 for 205,000 additional shares of capital stock (par $10) on the basis of one new share for each two shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

National Fuel Gas Co.
Aug. 23 company filed with the SEC an application to offer its common stock in exchange for shares of Pennsylvania Gas Co., a principal subsidiary, on a basis of 1.45 National shares for each Pennsylvania Gas share. SEC will open hearings on Sept. 20.

New Haven Clock & Watch Co.
Aug. 3 it was announced that stockholders approved a plan of recapitalization and plans to raise not less than $300,000 of new capital. **Underwriter**—Probably Reynolds & Co., New York.

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.; Harriman 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 any bonds, to be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

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.

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 RR. (9/29)
Bids will be received by the company up to noon (EDT) on Sept. 29, in Philadelphia, Pa., for the purchase from it of $7,965,000 equipment trust certificates, series DD, to be dated Nov. 1, 1955, and to mature in 15 equal annual instalments of $531,000 each from May 1, 1956 to Nov. 1, 1970, inclusive. Probable bidders Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Puerto Rico (Capital of) (9/21)
Bids will be received by the Government Development Bank for Puerto Rico, 37 Wall St., New York, N. Y., up to noon (EDT) on Sept. 21 for $2,500,000 public improvement bonds of 1955, series A, dated July 1, 1955, and due annually July 1, 1956 to 1972, inclusive.

• 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 $79,000,000 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 for approximately $25,000,000 of bonds. Stockholders are to meet on Oct. 20.

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.

★ Quaker City Life Insurance Co.
Sept. 12 it was reported registration is expected late this month of about 90,000 shares of common stock. **Proceeds**—To go to selling stockholders. **Underwriter**—Lehman Brothers, New York.

Radio Corp. of America
Sept. 2 the directors discussed the advisability of issuing $100,000,000 of subordinated convertible debentures. **Proceeds** — To increase financial resources of company. **Underwriters** — Lehman Brothers and Lazard Freres & Co., both of New York.

Rye National Bank, Rye, N. Y.
Aug. 30 it was announced stockholders will vote Sept. 22 on approving a proposal to offer 52,300 shares of common stock (par $2) to stockholders on a 1-for-7 basis. **Price**—$8 per share. **Proceeds**—To further the building program and for general corporate purposes. **Underwriter**—None.

San Diego Gas & Electric Co. (11/29)
Aug. 2 it was reported company plans to sell $18,000,000 of bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—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. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Nov. 29.

South Texas Oil & Gas Co.
Aug. 30 stockholders authorized issuance of 110,000 shares of cumulative convertible preferred stock (par $10). **Proceeds**—For exploration and drilling program, etc. **Underwriter**—Previous common stock financing was handled by Hunter Securities Corp., New York, who it is stated, will not underwrite the new preferred issue.

Southern Bell Telephone & Telegraph Co. (10/17)
Aug. 22 it was announced the directors have authorized the issuance and sale of $30,000,000 40-year debentures to be dated Oct. 15, 1955. **Proceeds**—To be applied to construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Oct. 17. **Registration**—Planned for on or about Sept. 28.

Southern Co. (11/1)
Aug. 29 it was announced company plans to offer first to common stockholders 1,507,303 additional shares of common stock (par $5) on a basis of one new share for each 12 shares held about Nov. 1; rights to expire on Nov. 22. Warrants to be mailed on Nov. 2. **Price**—To be named by company on Oct. 31. **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 to be received up to 11 a.m. (EDT) on Nov. 1. **Registration**—Not expected until Sept. 30.

Southern Pacific Co. (9/22)
Bids will be received by the company up to noon (EDT) on Sept. 22 for the purchase from it of $9,390,000 equipment trust certificates, series RR, to be dated Sept. 1, 1955 and to mature in 15 equal annual installments to and including Sept. 1, 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Spray Cotton Mills, Spray, N. C. (10/11)
Bids will be received at the Office of Alien Property, Department of Justice, Room 664, 101 Indiana Ave., N. W., Washington, D. C., up to 3 p.m. (EDT) on Oct. 11 for the purchase from it of 2,610 shares of common stock (par $100). This represents approximately 31.99% of the common stock issued and outstanding. **Proceeds**—To the Attorney General of the United States. **Business**—Manufactures and sells carded cotton yarn.

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.

United Gas Corp.
Feb. 24, N. C. McGowen, President, stated that company might be doing some debt financing. On Aug. 26 it was announced that "such additional funds as may be needed will be obtained by bank loans and if conditions warrant some form of debt security." **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).

Virginia Electric & Power Co. (12/6)
Aug. 2 it was announced that company plans to issue and sell 125,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill, Lynch, Pierce, Fenner & Beane.

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%). The time in which Sinclair may sell their holdings has been extended by SEC to Dec. 21, 1955. **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.

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. Hearings on new pipe line scheduled to begin before FPC on Sept. 19. **Underwriter**—Eastman, Dillon & Co., New York. **Offering** — Expected in October.

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

Beset by persistent hardening of money rates, the new issue market still is subject to considerable buffeting. But it is plain, from the way things have been shaping up, that prospective borrowers can find accommodation if they are willing to pay the going rates.

By the same token it is evident that buyers are in control of the market currently and that if coupons and yields are not to their liking a given undertaking can experience rough sledding.

The market continues to be one in which underwriters, fortunate enough to be handling negotiated business, are able to price such deals realistically and develop a ready market. On the other hand, those who come up with deals secured through competitive bidding frequently find themselves a bit removed from such comfortable circumstances.

For example, Tennessee Gas Transmission Co.'s current offering of $50 million of 21-year first mortgage bonds, brought out with a 3¼% coupon rate and priced at 101.06 for an indicated yield of 3.80%, encountered brisk demand and was reported moving out rapidly.

But in the case of Utah Power & Light Co.'s $15,000,000 of 30-year first mortgage bonds priced at 102.31 to yield 3.50%, the market, initially at least, was somewhat slow in reaching for the issue.

Here, of course, the successful banking group was hampered by a rather wide spread in the bids. It paid the company 101.629 for a 3⅝% rate while the lowest of seven bids submitted, all for the same rate, was 100.38.

C.I.T. Financial Today

Dealers reported decidedly encouraging preliminary inquiry for C.I.T. Financial Corp.'s $100 million of 15-year debentures being sold to provide the company and subsidiaries with needed additional working capital.

Another one of those off-the-beaten-path maturities which fit so well into many portfolios loaded with securities of much longer life, it was apparent that only proper terms were necessary for quick success of this venture.

And since the borrowing company's officials, by sheer dint of their own business, must keep fully abreast of current conditions in the money market, it was pretty much accepted that they would recognize such conditions in arriving at final details with their bankers.

Next Week's Calendar

The new issue calendar in the week ahead bids fair to keep underwriters moderately active and is evenly divided between negotiated and competitive bidding deals as far as the top undertakings are concerned.

On Tuesday Ohio Power Co. will open bids on $17,000,000 of first mortgage bonds and 60,000 shares of preferred. The following day Columbia Gas System, Inc. has $45,000,000 of 25-year debentures up for bids to put in funds to repay bank loans and finance new construction.

And on Thursday, Public Service Electric & Gas Co. is slated to bring to market, through negotiation with bankers, $25,000,000 or 250,000 shares of preferred stock. This undertaking has been simmering for a considerable spell.

On Friday, the 23rd, by the negotiated route, Detroit Steel Corp. will be offering, through its bankers, $30,000,000 of 15-year, first mortgage, sinking fund bonds along with 503,155 shares of common stock going directly to stockholders.

With Renyx, Field

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Rosario J. Hattier has become connected with Renyx, Field & Co., Inc.

With Federated Mgmt.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Arthur W. Smith has been added to the staff of Federated Management Corporation, 21 Elm Street.

Miller & Co. Opens

TULSA, Okla.—Miller & Company is engaging in a securities business from offices at 105 East 4th Street. Alex L. Kallay is a principal of the firm.

With Kalman Co.

(Special to The Financial Chronicle)

ST. PAUL, Minn. — James T. Wilson has become connected with Kalman & Company, Inc., Endicott Building.

Forms Capital Secs. Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — David Sherman has formed Capital Securities Company with offices at 2909 North Sheridan Road to engage in a securities business.

Dr. M. Edwin Bry

Dr. M. Edwin Bry, member of the New York Stock Exchange, a partner in Spear, Leeds & Kellogg New York City, passed away Sept. 11 at the age of 64.

Bullock Plans Rise

More than $10,000,000 of the $197,448,000 of total assets of Calvin Bullock's Dividend Shares, Inc., are now held in Dividend Thrift Plan accounts.

The sharp rise in Thrift Plan accounts which took place during the first seven months of 1955 was attributed by the Calvin Bullock management to "the increased understanding among investors of the objectives and operation of mutual fund purchase plans and the appeal of long-range period accumulation programs."

Mutual Funds

By ROBERT R. RICH

Mutual Fund Plans Increase

Popularity of plans for regular purchase of mutual funds shares continued during August when investors opened 10,362 new accumulation accounts, the National Association of Investment Companies reported.

Over 9,000 plans for monthly or quarterly investment were opened in each of the three preceding months, with 9,253 reported for May, 9,942 for June and 9,654 for July. A total of over 74,000 new plans have been started by investors in the first eight months of 1955, according to the report.

Net assets of the Association's 117 open-end (mutual fund) company members were at $7,286,002,000 on Aug. 31, 1955, a slight increase over assets of $7,203,660,000 at the end of July. Total assets were $6,109,390,000 on Jan. 1, 1955.

Investor purchases of new mutual fund shares during August totalled $91,240,000, slightly below July purchases of $96,756,000. Purchases of fund shares by investors in the first eight months of this year amounted to $790,071,000.

Share redemptions by investors were $31,894,000 in August, below the $32,750,000 redeemed in July of this year, the Association reported, pointing out that mutual fund shareholders have the option at any time to convert their holdings into cash equal to the current asset value of their shares. Total redemptions for the first eight months of 1955 amounted to $314,615,000.

Cash, U. S. Government securities and short-term obligations held by the 117 mutual funds totalled $422,394,000 at the end of August, representing 5.8% of total net assets. This compares with holdings of $382,841,000, or 5.3% at the end of July.

Business Prospects For Rest Of 1956 Better Than Expected

Business conditions during the remainder of this year will be better than expected earlier, A. Moyer Kulp, Vice-President and Executive Director of the investment committee of the $470,000,000 Wellington Fund, stated at the seventh national Mutual Fund Sales Convention in New York City.

Reviewing the rise in business so far in 1955 and prospects for the remainder of the year, Mr. Kulp stated that the improvement has been "sparked" by the extraordinary good sales enjoyed by the automobile industry.

Outlook for the construction industries is good, based on a number of very favorable factors. First, the urgent need for a long-range road building program. Second, spending by states and municipalities must continue at a high level to fill the urgent need for more schools, hospitals, water and sewage systems and the many other services required by expanding communities. Third, large expenditures by industry for plants and equipment are expected to continue.

Consumer credit, now at the highest level in our history, is causing some concern, particularly because of the rapid rate of the increase brought about largely by auto sales. Levelling off of auto sales plus heavy and constant repayments would tend to correct this situation. Residential housing field regulations requiring down payments and the reduction in the repayment period to 25 years from 30 years should stabilize the rise in mortgage debt, he said.

Mr. Kulp stated that the recent round of wage increases, plus record employment of 65-million workers suggests firmer retail prices, continuation of a rising trend in consumer expenditures and retail trade.

Life Insurance Fund Reports Half-Year Gains

The value of the stocks of 26 life insurance companies in the portfolio of Life Insurance Investors, Inc., has increased by 23.5% since Feb. 3, according to the first semi-annual report issued by the mutual fund.

Of the $21 million received Feb. 3 from the initial sale of the fund's 1,400,000 shares of stock, $12,429,909.02 was invested in the stocks of 26 companies. The value of these stocks as of July 31 was $15,348,488, a gain of $2,918,578.78. As of July 31, 37.5% of the fund's net assets were in U. S. Government obligations, and 64.2% were in stocks of life insurance companies. Net assets had a market value of $23,924,203.76, or $17.09 per share on the 1,400,000 shares outstanding.

Sovereign Reports

Sovereign Investors reporting as of Aug. 31, 1955 shows record high fiures in total net assets, number of stockholders and shares outstanding. Assets were $1,512,207.71 compared with $975,389.54 Aug. 31, 1954, or a net gain of 55% for the period. The net asset value per share increased from $9.44 per share on Aug. 31, 1954 to $12.53 on June 30, 1955, an increase of 33%.

Scudder Assets At $50 Million

Net assets of Scudder Fund of Canada Ltd. on Aug. 31, 1955, the end of the company's first fiscal quarter of the year totaled $50,747,518 in Canadian dollars or $51,471,330 in U. S. dollars, the latter equal to $41.18 a share on the 1,250,000 shares outstanding at the end of the period.

Three months earlier, at the close of the fiscal year, net assets amounted to $37,419,467, in U. S. dollars, equivalent to $37.41 on the 1,000,000 shares then issued.

The increase in outstanding shares during the first quarter reflects the sale on Aug. 3 of an additional 250,000 shares for $10,292,500. The report stated that the fund is proceeding with the investment of the new capital.

Common stock investments on Aug. 31, in Canadian dollars, were valued at $41,659,921, or 82.1% of net assets; Government of Canada securities, $7,543,638, or 14.9%; other bonds and notes, $1,197,262, or 2.3%; preferred stocks, $198,500, or 0.4%; and net cash, $148,197, or 0.3%.

The largest group holding of common stocks was metal and mining shares which were valued at $10,003,501, or 19.7% of net assets. Other major group investments included petroleum shares, $7,645,751, or 15.1%; construction, $4,682,153, or 9.2%; paper, $3,607,913, or 7.1%; banking and finance shares, $2,653,000, or 5.2%; merchandising, $2,621,750, or 5.2%; food and beverage, $2,296,606, or 4.5%; steel, $1,403,425, or 2.8%; electrical equipment, $1,160,646, or 2.3%.

Schreder Says Market Now In "Tug-of-War"

"The stock market is suspended between booming business and tightening credit. Moreover, it appears that it will remain in this 'tug-of-war' state for some time to come," according to Harold X. Schreder, Executive Vice-President of Group Securities, Inc., leading mutual fund.

In an address before the Seventh Annual Mutual Fund Conference at the Hotel Statler, New York, on Sept. 12, Mr. Schreder said "we are currently enjoying the ultimate in dynamic prosperity, and all the basic economic measurements strongly indicate that total production and consumption will continue high and generally rising as far as can be seen into 1956."

He expressed confidence that the managers of our nation's budgeting and monetary affairs will be successful in "stretching out" today's good business, and generally maintaining our economy's long-term growth pattern. Even so, he warned his audience of the likelihood of a "moderate adjustment period, possibly during 1957-58, before we rise from today's $385 billion national production level to a $550 billion level by 1965."

Turning to the question of whether or not stock prices currently are correctly evaluating our prosperity, Mr. Schreder maintained that the intrinsic values of representative stocks have been in a strong up-trend for the past 15 years, and that their sharp price advances of the last two years have done little more than catch up with advancing stock values.

Current prices on average, he declared, are still within a normal range of intrinsic values and will probably continue to fluctuate around such moderately rising values to reflect shifts in investors' sentiment.

Such sentiment presently reflects "confidence," but not necessarily the type of "exuberance" that in the past has lead to "wild" price excesses such as in 1929. He

Wall Street Corp. Now Issuing Estate Guide

The Mutual Estate Planning Service, first guide in the tax and estate planning field designed especially for the mutual fund industry, was issued yesterday by Wall Street Management Corp., investment manager and distributor of Wall Street Investing Corp., a $6,500,000 mutual fund.

The M. E. P. Service will be brought out monthly for distribution among the nation's securities salesmen and dealers and will offer objective, expert in formation on the common stock aspects of estate planning. It will stress in particular the role of mutual funds in estate planning.

According to Josiah H. Child, Jr., President of Wall Street Management Corp., the insurance and commercial banking industries have long dominated the field of estate planning by providing their sales personnel with comprehensive training and then by following up this training with tax and estate planning guides geared either to insurance sales or to the services of bank trust departments.

"The mutual fund industry," Mr. Child said, "has now acquired the broad public acceptance and detailed knowledge sufficient to enter into the estate planning field on a large scale and competitive basis. Mutual funds provide an ideal modern investment instrument for the performance of many estate planning activities."

The Mutual Estate Planning Service, Mr. Child continued, will offer a concise and definitive source of information to mutual fund dealers wishing to acquire professional competence in estate planning and in the methods of translating this competence into increased sales.

"To the investor, this service will provide a method of keeping abreast of new opportunities for tax savings," he said, "and to the mutual fund dealer an opportunity to greatly increase the service he renders his customers."

Early issues of the Mutual Estate Planning Service will cover the general aspects of estate planning. Future editions will highlight and analyze specific problems as they apply to mutual fund salesmen. The M. E. P. Service will be issued the first week of each month.

projected a trading range within 10% of current levels for the intermediate future.

Mr. Schreder pointed out that, at the "confidently high" level of the "average" stock in the market, the risk in holding carefully-selected common stocks doesn't appear to be abnormally high "since relatively few stocks have formed major distributional tops in this market so far." However, he expressed the opinion that "the internal character of the market appears to be in a period of change, and it must be watched with more than ordinary care for opportune 'cross-overs' to less advanced, lower risk, sound dividend-paying stocks."

He added that "there is no dearth of such opportunities today because only about 25% of the listed common stocks have risen substantially, while nearly 35% of the issues are still selling below their last bull market highs of 1946, with the rest of the stocks priced somewhere in between."

"Such a 'spread' in stock prices, reflecting as it does the modern day 'breaking up' of the old-fashined business cycle, of course, presents great opportunities for the professional manager of money," said Mr. Schreder, illustrating this theme with current examples of stocks representing 16 industries. "The divergent and rotating position of stocks in this market has been terrific; only one stock in the Dow Jones Industrial Average has acted just like the Average throughout this bull market since 1949."

Expanding on this analysis of investors' rotating preferences for individual stocks and groups of stocks as opposed to "former mass swings," he pointed out that the popularity of cyclical-type stocks that has persisted for the past two years is beginning to diminish as their prices reach such levels that income return is no longer attractive.

In contrast, there is evidence of increased attraction of the more stable types of stock offering current return that is not only higher but better protected.

In closing, Mr. Schreder reminded his audience that there are two basic benefits from investing—income and price appreciation.

He said that "while there is no reason for long-term investors to be disturbed, after such a sharp and substantial rise in stock prices as has occurred over the past two years, it is only good common sense to begin to place more emphasis on the continuous investment benefit of income, rather than on the irregular benefit of price appreciation."

"After all," he observed, "hard-working money over recent years is entitled to 'rest' a little in preparation for the substantial investment benefits of both income and price appreciation strongly indicated for the next decade."

Bankers Trust Named

Bankers Trust Company, New York, N. Y., has been appointed Registrar for The Trinity Place Fund, Inc. common stock.

Hugh W. Long Polls Leaders on Next Decade

Americans in 1975 will work six fewer hours each week and be paid 25% more for their labors.

Weekend drivers bent upon making the most of their added leisure will find the "open road" crowded with 80 million passenger cars in contrast to today's 50 million.

The nation's population will hit an all-time peak of 213 million. California will replace New York as the most populous state. Employment will increase from 1955's 65 million to a record 85 million.

And material welfare will cease to be a problem, for the first time in man's history.

These predictions of the U. S. economy in 1975 represent the composite views of such leading business spokesmen as John S. Coleman, President of Burroughs Corporation; L. L. Colbert, President of Chrysler Corporation; Arthur O. Dietz, President of C.I.T. Financial Corporation; Frank M. Folsom, President of Radio Corporation of America; M. J. Rathbone, President of Standard Oil Company (New Jersey); and F. N. Belgrano, Jr., President of Transamerica Corporation.

Their forecasts of the essential character of America two decades hence are but part of a broader picture sketched by a representative cross-section of prominent American business leaders, whose ventures into prophecy are soon to be sealed for 20 years in the cornerstone of the new office building under construction here for Fundamental Investors, Inc. and three other mutual funds, all sponsored nationally by Hugh W. Long and Company, Inc., of Elizabeth, N. J.

These long-range estimates of American life in 1975 were volunteered from among 103 companies represented in the investment portfolio of Fundamental Investors, whose 63,520 shareholders and $300,000,000 in assets make the institution one of the nation's largest mutual funds.

Industries for which 20-year projections were made range from electronics through retail trade, business machines, mining, metals, rubber, steel, installment financing, banking, paper and paper products, food and containers, chemicals, building and construction, utilities, automotive, and petroleum.

The forecasts included predictions that America, at the three-quarter point of the 20th century, will have more large corporations, many more corporate shareholders, more women in industry, more workers over age 65, and more and longer schooling for young people age 15 to 24.

Wellington Booklet

One of the effective mutual fund sales aids developed for investment securities salesmen is now available in its fifth edition.

The publication is "A Guide for Selling Wellington Fund," a 23-page book described in investment circles as a basic tool of mutual fund selling.

An indication of the popularity of the book can be gauged from the fact that during the past year approximately 10,000 securities salesmen throughout the country have requested this guide.

Securities Salesman's Corner

By JOHN DUTTON

There Are Many Good Ways to Build an Investment Clientele

Possibly you have read about some idea that another salesman has used successfully and then have given it a trial, only to find out after a SHORT PERIOD OF TIME that results were not too good. Many of our difficulties are caused by impatience. It is a common mistake that many people make, not only in sales work but in many other serious endeavors. They oftentimes do not give a good idea a sufficiently complete testing period. We are prone to become irritable with slow progress. We imagine that others are moving forward with less effort than is our lot; we want results and if they don't show up right away we often give up a good plan and go to something else. Thus we jump around from one thing to another, and many times we may have been just at the point of beginning to see results when we discontinue a plan that might have been very worthwhile if we had only stuck to it for a few more weeks or months.

This is very obvious in the lack of carry through connected with much of the investment advertising that many firms direct toward the investor at his level. One week it is a special situation, the next week someone else in the buying or sales department comes up with an idea they think will develop a few qualified leads for the sales force and again a new approach is made. There is also an absence of follow through on the institutional approach that many firms use intermittently in their advertising.

As a result much of the value of CONTINUITY is lost in the advertising message that is attempted. As an example of what continuous advertising can do, providing the message is sound and convincing, I know of one man who has been in the municipal bond business for about 17 years. He tells me that although he lives and works in a city some 1,000 miles removed from where his father lives, and who is also in the general investment securities business, almost weekly someone stops him and says, "Aren't you related to———, who is also in the securities business in———?" For over 25 years this man's father has placed a small advertisement three times a week in the paper in his city. All the advertisement contained was his name, investment stocks and bonds, and his firm name and telephone number.

But without fail this little advertisement has appeared three times a week for over 25 years. People all over his State and in several adjoining States who have read the financial section of the paper where this man has lived and developed his retail clientele, have associated his name with stability and conservative investments because *he has constantly kept his name before them year after year.*

Don't Give Up Too Soon

If an idea is sound, if it doesn't take up too much of your time and isn't too expensive to operate, give it a fair trial. I have often heard salesmen say they have developed many good clients by reading their local paper. Others have told me it didn't work. From time to time I have obtained good accounts by uncovering names in the paper that for one reason or another have been worth following. But you have to keep at it and let the law of averages work for you. In one case, two years passed before a prospect I had on a mailing list telephoned and told me he would like to come in to see me about investing in securities. The first order was fairly large and later on as this man disposed of certain real estate and reinvested in securities, the account more than repaid me for the modest amount of time that I take each year to read the papers and make notes of possible prospective clients; then I write them a letter and telephone them a few times, or keep them also on a mailing list.

All the creative work you do each day, the reading, the telephoning, the sound planning, the talking with clients and prospective clients, the advertising, the good public relations you are constantly building among friends and associates; all these things are cumulative in effect. The business you do today is the result of yesterday's purposeful planning and working. Keeping on the job, building goodwill, seeing more people who can use your services, being patient in your steady and continuing efforts to construct a reputation for conservative and high quality investment advice and service to your clients is a day-in and day-out job. Keep at it—enjoy it—and others will believe in you and will send you business.

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Educators and the White House are keenly disappointed over the failure of Congress this year to pass the latter's proposal to put the Federal Treasury to work financing local school construction. Nevertheless, figures obtained here reveal, Congress has not been negligent in giving financial support to local education.

This responsibility for assuming local educational costs was first undertaken by legislation in 1951. With the Korean war, the Government caused many new factories to be built, new military installations to be set up, and all this supposedly to swamp local communities with new children to teach, a financial burden which was held by Congress to be morally Federal.

Where the assistance was rendered strictly on government reservations with tax free land, and local governmental institutions undertook to teach the big influx of children without tax receipts to help, many had some sympathy for the project. However, others would wonder in such limited cases why the parents could not in some way be induced to provide money for the school districts the same as all other parents are required to do.

And where a new factory was set up, it is wondered why this burden must keep up interminably.

This is the so-called educational assistance to "Federally impacted" areas. It is of two kinds: aid for school construction and actual subventions to pay current educational costs.

From fiscal 1951 through fiscal 1956, the current year, the total amount which Congress will pay for school construction in Federally "impacted areas" (with a deficiency anticipated for next session) will aggregate $609 million.

The amount which the Federal Government is expected to spend this year for school construction, $94 million, is not far below the average of $101 million spent through the six fiscal years of the program.

Operating Expenses Rise

With Federal gratuities to pay actual operating costs of local education systems, the tendency has been for them to rise, despite the end of the Korean War and the trend toward contraction rather than expansion of the defense program. Here are the year-by-year appropriations to defray local operating expenses:

Fiscal	Amount
1951	$28,700,000
1952	51,570,000
1953	60,500,000
1954	72,350,000
1955	75,000,000
1956	85,000,000
Total	$373,120,000

Costs Nearly $1 Billion

Aggregate cost of both **construction** and **operating expense subsidies** thus comes to $982,120,000 through this fiscal year, or just short of $1 billion. Many of the more hard-headed "liberals" in Congress would settle for $500 million annually for grants to states for school construction, in lieu of the President's proposal for a smaller admitted subsidy and a huge indirect subsidy through offering to take up bonds issued by extra-legal state school borrowing authorities set up to evade state constitutional debt limits.

"Many school districts cannot borrow to build schools because of restrictive debt limits," the President said in proposing the scheme for local debt limit evasion. These state agencies the President would encourage, themselves borrow and then build schools which they would rent to local school districts for sums equivalent to debt service on the bonds sold. He anticipated that $6 billion in this manner would be raised to build schools, and the Federal Government could over a three-year period purchase up to $750 million of these bonds.

It would probably develop that many more hundreds of millions of these bonds would have to be purchased if states were unable to market them favorably.

In addition the President would have the Federal Government provide $200 million of grants-in-aid directly to assist local school districts which could not by themselves, or by resort to evasion of state debt limits, construct the schoolhouses.

This $200 million for three years would thus amount to less the annual rate the Federal Government already is spending currently under the "impacted area" program for financing local school construction.

Finally, the President proposed a three-year program of $20 million to defray administrative costs of state programs, a sum one-fourth of what it is currently paying out in defraying educational operating cost under the "impacted area" program.

Whether or not the President's school construction aid program or a substitute scheme is passed, it is a pretty good bet that Congress will continue the "impacted area" program for some years to come. There is nothing so permanent in government as a "temporary" subsidy once provided.

Ease College Loans

Housing and Home Finance Administrator, Albert M. Cole has announced that his agency is open and ready to do business under the more liberalized college housing loan program passed by the Congress, another initially "temporary" program continuously extended, and also with a permenent life expectancy.

Congress lengthened the maximum permissible terms of such loans to 50 years from 40 years, and in the quaint way of government, made it cheaper to borrow for 50 years than it had been for 40 years. The rate to colleges was reduced to 2¾% from 3¼%.

This new rate, incidentally, knocks into a cocked hat one of the comparatively few if minor Eisenhower Administration programs which actually moved in the direction of "lessening the dependence of the Housing industry upon government." Mr. Cole had previously provided that HHFA would only guarantee to lend at the official HHFA rate, but the college must first try to get private borrowing at that rate, before drawing on the U. S. Treasury.

Mr. Cole said, however, that even if the law permits a 50-year loan, HHFA will "encourage" the 40-year rate, if possible. However, the smaller return virtually precludes the marketing of much of this debt outside the Treasury.

Congress, as the Administration wanted, provided that "college housing" loans could be made for cafeterias, health facilities, and student union halls, as well as for dormitories, HHFA says "primary emphasis," however, will still be upon loans made to finance residence halls for students.

Congress initially authorized $300 million for this, of which loans for $135 million have been approved, and another $34 million has been given preliminary approval. And Congress boosted the total $200 million to $500 million. However, says HHFA, the Budget Bureau has released only $65 million for loans this fiscal year.

HHFA says enrollments in colleges and universities last fall were the highest in history, exceeding even the volume at the time free college was provided for veterans at a peak level in 1949. They are expected to be even higher this fall.

Why Needed

HHFA has explained in at least one instance the necessity for this financing. A particular private institution was given the approval of a loan of $825,000 to provide dormitories for 306 men students. This particular institution, HHFA stated, has a rule that "all freshman not living at home are required to live on campus, and more than 100 students are now inadequately housed."

So because a college has a rule that students not living at home must live on the campus, the center of higher learning qualifies for long-term, subsidized Federal money. And since it needs facilities for 100 students, Uncle Sammy will take care of 306 — the good-natured chap.

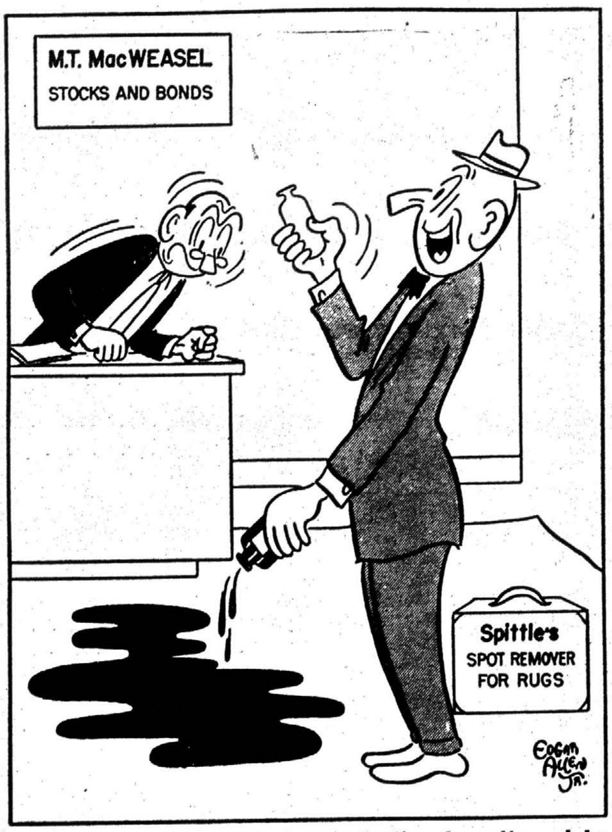
CCC Figures Given

Earl Butz, Assistant Secretary of Agriculture, has given some figures on Commodity Credit Corp. involvement in price support operations. At present, investment in commodity stocks and loans is about $8.5 billion, and will rise to $11 billion by Spring. CCC owns 922 million bushels of wheat; 563 million bushels of corn; 161 million pounds of butter; 6.3 million bales of cotton; 278 million pounds of cheese, and will this year probably hold three-fourths of the carryover of feed grains.

Although CCC, during the last fiscal year, disposed of $600 million of its stocks for domestic use and $1.1 billion for foreign use, "still the accumulation of inventories grows," Mr. Butz said.

(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



"Well, guess this little demonstration is quite a joke on me, Mr. MacWeasel——looks like I'm all out of our spot remover!"

Boston Investment Club To Hold Meeting

BOSTON, Mass.—The September meeting of the Boston Investment Club will be held at 5 p.m. on Wednesday, Sept. 28, at the Boston Yacht Club, Rowes Wharf. The guest speaker, Paul Just, Executive Vice-President of Television-Shares Management Corp., will discuss the electronics industry.

Jamieson Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Charles C. Wilbur has become connected with H. L. Jamieson Co., Inc., 2144 El Cajon Boulevard.

With Gen. American Secs.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Aaron Senderman has joined the staff of General American and Canadian Securities, Inc., 156 Montgomery Street.