AMERICAN BANKERS ASSOCIATION CONVENTION ISSUE
In 2 Sections — Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S Pat Office

Volume 182 Number 5470 New York 7, N. Y., Thursday, October 6, 1955 Price 40 Cents a Copy

EDITORIAL

As We See It

The illness of the President has brought two rather basic questions forcibly to the attention of thoughtful observers of the business scene. One of them has to do with the degree in which confidence in the national government—confidence, that is, in its friendliness and competence rather than in its disposition or ability to interfere directly in order to maintain full employment—may act as fuel to keep the business machine going. The other is this: Measured in actual legislative programs or concrete administrative acts, how different has the Eisenhower Administration been from that of President Truman, and how greatly different from the Eisenhower regime would one be which was headed, say, by Mr. Stevenson supported by a reasonably moderate Democratic majority in Congress?

Of course, specific answers to such questions which would be acceptable to all or even the vast majority of men are not possible, but it is of interest to speculate about them. In the first place, it may be said without fear of contradiction (to employ a phrase dear to the hearts of the politicians) that, right or wrong, the business community, particularly perhaps the financial community, has grown to regard President Eisenhower and those he has gathered around him as definitely friendly to business, and to contrast their attitude in this respect to officialdom under either Truman or Roosevelt where the atmosphere was regarded as one of deep suspicion and hostility toward business, particularly business units which had attained size or success.

Nor is there much doubt that the impression is very widespread that President Eisenhower has

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1956 Will Be a Year Of Normal Growth

By ALLYN P. EVANS*

President, Lionel D. Edie & Company
Investment Counsel and Economic Consultant
New York City

Asserting, though this is a time for prudence, it is not a time for timidity, Mr. Evans holds that unless some foolish mistakes are made 1956 should be another good business year—one of "normal growth." Says we have had a "civilian boom," not dependent on Federal spending, but induced by increased consumer spending. Lists as problems of current resurgence: (1) excessive wages leading to higher prices; (2) accumulation of inventories; and (3) the effectiveness of the Federal Reserve's credit restraints.

September seems a little early in the season for a man of my trade to dust off his forecasting paraphernalia and start crystal gazing into the coming year. December and January are the months usually reserved for this precarious occupation.

Allyn P. Evans

I know that you are too wise to expect me to call the turns in exact detail so far in advance, but I am anxious to be helpful and so shall try to be as definite as possible in sketching the outlook for 1956 as we see it today.

As I move around among our clients and others, I sense a general fear that this period of good business we have been enjoying is on the verge of collapse and that smart businessmen, bankers, and investors should take to their storm cellars or batten down their hatches. Gentlemen, we agree that this is a time for prudence. Prudence is always a good thing to exercise, particularly when there is evidence of excesses present. However, this is not a time for tim-

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*An address by Mr. Evans before the Annual Meeting of the Savings and Mortgage Division at the 81st Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 26, 1955.

ABA Holds 81st Convention

Meeting held in Chicago, Ill., from Sept. 25 through Sept. 28. Fred F. Florence, President of the Republic National Bank of Dallas, Texas, succeeds Homer J. Livingston, President of the First National Bank of Chicago as Association's President. Erle Cocke, Vice-Chairman of Board and Chief Executive Officer of the Fulton National Bank, Atlanta, Ga., becomes Vice-President, and George R. Boyles, Chairman of Board of Merchants National Bank was elected Treasurer. Convention addressed by W. Randolph Burgess; Homer J. Livingston; Allyn P. Evans; A. L. M. Wiggins; Ray M. Gidney; C. Canby Balderston; Robert Cutler, and Clarence B. Randall, among others. Association membership now comprises 17,140 banks and branches, representing 98% of all the banks of the United States and over 99% of banking resources.

The American Bankers Association held its 81st Annual Convention in the Conrad Hilton Hotel, Chicago, Ill., from Sept. 25 through Sept. 28, and, before adjournment, elected Fred F.

Fred F. Florence

Erle Cocke

George R. Boyles

Florence, President of the Republic National Bank of Dallas, Texas, as President of the Association to succeed Homer J. Livingston, President-

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 54.

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

Aerovox Corp.—Edward H. Bradford, Research Dept., F. L. Putnam Co., Boston, Mass. (Page 2).

Symington-Gould — William L. Dewart, Investment Counsellor, John Muir Co., New York City (Page 2).

EDWARD H. BRADFORD
Research Department
F. L. Putnam & Co., Inc.
Boston, Mass.
Member Boston Stock Exchange

Aerovox Corporation

Where growth is the investment objective, I believe that the stock of Aerovox Corporation is unusually attractive. The company is one of three leading manufacturers of components for the burgeoning electronics industry. Aerovox produces and sells a line of capacitors, vibrators, printed circuits, attenuators, precision - wound resistors, jacks, broadcasting equipment and powdered magnetic materials. These components constitute the heart of electrical and electronic mechanisms. Capacitors, for example, are designed to store electricity, filter and control it, in proportion to its demand, in nearly every electrical device. They comprise a basic element in the operation of radios, television, telephone, guided missiles, computers, fluorescent light, air conditioners and controls for automation. There is not only a strong current demand for these products but the demand is expanding on a broad front.


E. H. Bradford

The company's present management took over in 1945 from a predecessor company formed in New York in the days when "Radio" was "Wireless." The new management built sales from $8 million in its first years to $27 million a year in 1953. Growth has been by expansion from within and by acquisition. Bit by bit, an impressive group of smaller companies has been acquired. These include:

Electrical Reactance Corp., Acme Electronics, Inc., Henry L. Crowley & Co., Luther Manufacturing and Cinema Engineering Co. In addition, Aerovox has a Canadian subsidiary for business north of the border. Together with Compagnie Generale de Telegraphie Sans Fil, Aerovox organized Precision Ceramics, Inc. With a principal plant in New Bedford, Mass., Aerovox has seven plants in the United States and one in Canada.

Research is the hallmark of growth . . . and it is in this field that Aerovox stands out. Officers of the company point out that the intense research program has been of particular significance to the company's growth. There are four research divisions. One is at the main plant in New Bedford; the others are at Olean, N. Y.; Santa Ana, Calif.; and at Henry L. Crowley & Co., West Orange, N. J. In addition, Aerovox has an "exchange of ideas" arrangement with two great European electronic research groups . . . the Hunt Company of England—considered to be one of the finest organizations of its class—and the Compagnie Telegraphie Sans Fil of France, whose reputation for research in the electronics field is worldwide. Among the more recent results of research is the development of a "Power Capacitor" . . . designed to relieve overloaded power lines. The application of this product is of particular importance to homes which have constantly added new electric appliances to old wiring. The management believes that the sales of this product alone could run into the millions of dollars.

Capitalization is simple with debt represented by a note amounting to $4.4 million and equity of approximately $8 million. There are outsanding 830,000 shares of $1 par common stock and no preferred. Current finances are adequate for operational needs with a 3.1-to-1 ratio. Additional funds will be required for the expansion of the Crowley properties and for production of power capacitors. Rather than dilute the equity, the directors have decided to withhold cash dividends at least through 1956. At a result, the Prudential Insurance Co. has waived payments on its note until a year from November. By this method of financing, over $1,500,000 can be added to working capital without diluting the equity. The company will probably declare stock dividends and, in this way, the investor seeking growth will obtain an immediate reinvestment of his dividends, without the burden of personal income taxes.

Aerovox stock is priced in sound relationship to the company's present earnings . . . without an exaggerated discount of the future. Per-share earnings in 1953 rose to $1.54. Last year the entire television industry was thrown off by a premature expectation of color sets, which kept the public from buying during the earlier Christmas season and created a serious inventory situation at the start of 1954. In addition, the New Bedford plant suffered serious non-insurable damage from the abnormally high tide of Hurricane "Carol." Earnings for 1954 would have run to $1.24 a share but were cut by the hurricane loss to 77 cents a share. The first half of 1955 has shown a sales increase over the similar period of 1954 with a slight decrease in net. It is not yet possible to predict results for the full 1955 year; but the President has stated that the year should be one of the best in the company's history. The stock is priced for a more conservative estimate and, as such, it represents a sound current value.

The impressive aspect of the Aerovox picture lies in the potential of the electronics field. Aerovox is a key producer in this field and is almost sure to participate fully in the broad advances that lie ahead. Under present plans of expansion, gains in net will go directly to the shareholders without either dilution or personal income tax drain. As to the extent of growth, the imagination is a fitting guide. At the recent Western Electronics Conference, the prediction was made that the electronics business . . . now about $8 billion . . . would be $20 billion by 1965. Aerovox can be expected to be in the forefront of this growth. The stock is traded in the Over-the-Counter Market.

WILLIAM L. DEWART
Investment Counsellor
John Muir & Co., New York City
Members New York Stock Exchange

Symington-Gould

When we think and speak of this good company, we must also think of its "Twin Bill," Wayne Pump, because Symington-Gould owns 176,300 shares, or 41% of Wayne Pump. Both are listed on the New York Stock Exchange—Symington-Gould since 1925, and Wayne Pump since 1928.


Wm. L. Dewart

Symington-Gould has had a cyclical business, as it depended largely upon the railroad business, which produced a "feast or famine' condition. However, in light of the contention of Mr. Symes, the able President of the Pennsylvania Railroad, that the railroads will have to spend $20 billion during the next ten years if they are to keep pace with the modern requirements of transportation, the demands upon a supplier of railroad equipment would obviously be enormous.

Symington-Gould manufactures railroad equipment specialties of carbon and low alloy cast steel, such as couplers, draft attachments, truck side frames and bolsters, journal box lids, truck spring snubbers and resilient side bearings. They also make freight car trucks, which are designed and licensed by Chrysler, who have just announced a huge expansion program. Also, their sales of miscellaneous castings are increasing.

Their main plant is at Depew, N. Y., founded by the family of the late Chauncy M. Depew, of New York Central fame. They maintain sales offices in New York, Boston, Chicago, St. Louis and Montreal, all important railroad centers.

Now as to the other half of the picture: Wayne Pump has plants at Salisbury, Md., Fort Wayne, Ind., Ironton, Ohio and Toronto, Canada, with wholly owned subsidiaries at Rio de Janiero, Brazil; and London, England, serving the Europen continent and the British Empire.

Smart management of Symington-Gould bought the entire capital stock of Martin & Schwartz, Inc., a leading maker of gasoline dispensing pumps for filling stations, and merged it with Wayne Pump in return for an interest in that company. With this acquisition, Wayne Pump has become synonymous with filling station equipment, and the market there is a vast one.

They have also developed a speedy car washing device, which is being tested and in use, and is designed to wash a car while the gasoline tank is being filled.

The management of Wayne Pump is young and aggressive. Business is increasing, so that their plant at Salisbury, Md. is being enlarged. Both companies

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Is the Bull Market Over?

By KENNETH WARD

Partner and Market Analyst, Hayden Stone & Co.
Members New York Stock Exchange

Mr. Ward cites as bull arguments: (1) the allegedly new inflated price plateau; (2) long-term business uptrend; (3) high market sponsorship; (4) cash purchasing; (5) tax penalty; (6) population gains; (7) increase in electrical consumption; (8) research advances, and (9) industry's growing productive capacity and modernization. As bearish points, he lists: (1) President Eisenhower's probable exit; (2) threatened credit restriction; (3) auto production drop; (4) declining farm income; (5) likely defense spending curtailment, and (6) historical market pattern. Concludes reactionary period will be followed by consolidation and then an advance lasting into the new year; prompting investor policy of rather full investment, some cash reserve, with alert selective attitude. Lists 18 industry groups, and individual issues, in favorable market position.

Investors and speculators are fortunate that they seldom are in agreement about the outlook for securities. The bulls are always able to marshall a wide variety of facts and figures to justify their attitude, while at the same time the bears can present equally convincing arguments that their stand is the correct one. Without these conflicting views it is obvious that there could be no real market.

Kenneth Ward

Despite the truly amazing technological and scientific advances, which man has achieved in almost all spheres of everyday life, he has made very little progress indeed in developing an ability to peer into the future, or forecast coming events, other than such basic and elemental cycles, as day and night and the seasons. Accurate forecasting of the future trend of the securities market is rendered extremely difficult, because the hopes and fears of the investing public at any given moment cannot translate mass psychology on a mathematical basis. Recent, unexpected news of the President's illness, which caused a drop of 32 points on the Dow-Jones industrial average in a single day, illustrates the important influence of changing public psychology on the market. Because of the many imponderables constantly in the picture, the best anyone should hope for is to achieve more hits than misses over a period of time. No analyst, or forecaster, or market letter writer should paint success in glowing colors, or quote excerpts from forecasts which turned out to be right, for this implies his market judgment is always infallible. Instead of absorbing the errors in dignified silence, admit them; everyone in this business makes mistakes. As one of my foreign correspondents said recently: "We know you are aware that if you were always right on the market, you wouldn't be writing about it, or making speeches, or even going to the office anymore!"

Investors today are better informed than ever before about securities. This better knowledge has been invaluable, and it has been steadily increased by a constant flow of good material from statistical market services and brokerage house publications. These are read avidly by the investing public, which prefers market opinions that are specific, definite and unhedged. Many individuals, who are bullish on the market, purposely read all the bearish material they can get. This helps them maintain a sense of investment balance. For example, I know of one forecasting service that has been bearish for the past two years, yet subscriptions continue to mount. A year ago, a well-known financial writer stated that at 360 the Dow-Jones Industrials had generously discounted prospective business improvement in 1955, and that securities purchased at such an historically high level were being bought at the top of a major upswing. Yet today, the industrials are more than 100 points higher and are selling 200 points over their 1953 lows. In this connection, the September setback—the largest in one day since October 1929, together with political complications about whether the President is willing or able to run for a second term, have prompted the $64,000 question, "Is the bull market over?" As usual, there are strong arguments favoring both sides.

A New Price Plateau

The bulls claim that we are on a new price plateau, where stock prices and earnings, especially, are still low, relative to the market in today's modern economy. Astute credit management and carefully formulated government fiscal policies can maintain stability on this new, high plateau for a long time to come, the bulls believe. One strong argument backing up such an opinion is the changing status of labor. The prices of almost everything depend on labor costs, and the bulls think that leapfrogging consumer prices and wage costs will eventually find an even higher plateau than the one presently occupied.

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ABA Addresses and Convention News

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SECTION TWO of today's issue is devoted to the recently-concluded Convention of the National Security Traders Association at Mackinac Island, Mich., and includes the following articles on the pages indicated:

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher

WILLIAM DANA SEIBERT, President

Thursday, October 6, 1955

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $55.00 per year; in Dominion of Canada, $58.00 per year. Other Countries, $62.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $37.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Johns-Manville Corp. for Insulation and Investment

By IRA U. COBLEIGH

Enterprise Economist

A review of this distinguished enterprise; its products, profitability, and prospects for larger earnings and dividends.

When, way back in 1858, one H. W. Johns began to apply asbestos in the roofing business, he little realized he was launching an enterprise that, 97 years later, would be known all over the world; that would gross well above $250 million annually; that would own and operate the largest asbestos mines in the world (Province of Quebec, Canada), and produce one-third of the world output of this unique mineral fiber. The story of Johns-Manville is, very largely, the story of asbestos—since some 65% of company output derives from this fiber famous for its resistance to heat or cold, fire, friction or noise.

Ira U. Cobleigh

Since J-M turns out over 400 different output lines, it's a bit difficult to decide where to start the description. First in importance would be the items for the building industry which account for almost half of gross sales. These would include asphalt shingles and roofing (many city ordinances outlaw the use of wooden shingles); sound deadening insulation, rock wool (bats and fleece) to repel summer's heat and winter's cold, wall board, and fireproofing elements. All these products tie into our vast national construction and building industry; and roughly 50% of total sales in this category represent not new, but replacement and modernization demand—much of it of the do-it-yourself variety.

Switching over to industrial output, the most important item is Transite pipe, an asbestos-cement product (patented a quarter of a century ago) used widely in water and sewage systems because of its strength, maneuverability, and its resistance to rust and corrosion. Transite piping is also used to enclose electric cables.

There is a whole list of insulating materials used industrially—Marinite fiber sheets for kilns, ovens and marine use, "Superex" insulating blocks that can stand temperatures to 2,000 degrees F, and "Zerolite" sheets used in chemical and petroleum trades to resist heat, dampness or acids. There's also a broad line of clutch facings and brake linings.

J-M does not just confine itself to manufacture and sales of traditional products—it's strong on research. A sum amounting to over 1½% of sales is devoted, each year, to the research division employing some 600 engineers and technicians in two laboratories. One of the brain children of this research division is the J-M Seal-O-Matic shingle. The recent spate of hurricanes has pointed up the need for shingles that seal down to the roof, and do not flutter, tear or blow off in wind storms. Well, the Seal-O-Matic type offers considerable defense against gales, by employing the sun's heat to seal down the shingles to the roof. Another important research has been an adaptation of silica called "Celite." This not only resists high temperatures in such industrial plants as refineries, refractories and breweries, but has been snapped up as a particularly effective smoke filter for cigarettes.

We talked about research; we ought also to mention plant expansion. Most progressive companies, as we have repeatedly noted in these columns, annually plow back a good chunk of earnings and depreciation allowances into expanded and improved plant. J-M has been doing this right along—about $20 million a year; and since the war has expanded the equivalent of $50 a share in total plant expansion. A recent outlay has been for work on an asbestos mine and mill in Southern Rhodesia, through a subsidiary company. A new roofing plant in Savannah, Ga. will start operating a year hence; also a new insulating board plant in Ontario should be ready next September.

A good industrial company usually displays an impressive increase in sales over the years. J-M is by no means a laggard in this department. Since the war, net sales have grown from $92 million (in 1946) to $253 million for 1954. 1955 should rack up an all time high. Net earnings have not quite followed this upward pattern, slipping from $7.75 net per share in 1951 to $5.24 in 1954. This was due to a variety of factors including price competition, especially in asphalt shingles and roofing, end of government stock piling of asbestos in mid-1954, and increases in labor costs. This year the net earnings' outlook has visibly brightened due partly to lower costs from the completed section of the new Jeffrey mine, and to an aggressive over-all policy of cost control. Per share net of around $6.20 appears possible this year, quite ample coverage for the $4.25 dividend, paid in each of the last four years.

About capitalization, it couldn't be much simpler—a slight funded debt of $4 million 2.7% notes due 1967, and 3,181,530 common shares listed N.Y.S.E. where the price range (1955) has been between 80½ and 97. Financial position is excellent, and the company, by virtue of heavy depreciation allowances, particularly on the Canadian properties, has been able to expand plant and pay steady and quite attractive dividends with but slight resort to outside financing.

J-M common, at 82 paying $4.25, appears to offer a quite solid investment value on the following grounds: (1) managerial excellence, (2) profitable operation in 30 out of the last 31 years, (3) a reliable dividend yield, at today's price, of above 5%, (4) sturdy dividend continuity record going back to 1927 (excepting only 1933 and 1934), (5) diversity of products, (6) excellence in research, and (7) control over costs.

Next year J-M will have the capacity to turn out 625,000 tons of asbestos as against best previous annual production — 566,000 tons in 1951. The only cloud in the sky here is a foreign one. Russia delivered some 25,000 tons into Europe last year, undercutting the J-M price about 20%. Russia is in there pitching again this year, but the volume is not large and the threat to J-M profitability seems not to be particularly serious.

As in the case of almost any stock selling above 70 there have been rumors of a J-M split up. Whereas such financial fission would not appear out of the way here, there seems to be no special reason for a J-M split at the moment. However, a few company denials and the passage of time will probably attend to the matter. That's the way most splits arrive!

The would-be buyer of Johns-Manville common is not asked to pay a premium market price for this top drawer equity (only 2 points above the year's low). Selling around 13 times current earnings and yielding above 5%, J-M compares quite favorably with other major building industry shares. The company has shown it can earn money in fair financial weather and foul; and if it can continue to expand sales as rapidly in the next decade as in the past, stockholders (there are over 14,000 of them) have a quite rosy, or at least asbestos-tinted future to look forward to. The company is renowned for the insulation it has delivered to millions. Its common stock, too, has certain insulating qualities. It would make an acceptable lining for a conservative safe deposit box; and its purchase could conceivably insulate you from considering a welter of less sturdy and less meritorious equities.

Spear, Leeds Admit

Spear, Leeds & Kellogg, 111 Broadway, New York City, members of the New York Stock Exchange, will admit Joseph Punch to partnership on Oct. 13. Mr. Punch will acquire a membership in the New York Stock Exchange.

Observations . . .

By A. WILFRED MAY

CHASING THE FEVER CHART

Again we are witnessing the investment community's proclivity to follow a psychological trend, in a bullish or bearish atmosphere feeding on itself.

Even during the short interval of the President's present illness have there occurred reversals of the "explanations" for the market's action and for the support of forecasts. Thus, in the "technical" area, the "tool" of odd-lot transactions has been used successively to cite *both* bullish and bearish interpretations. Midst the sharp rally in the days following the initial bust of Monday, Sept. 26, with coppering of the amateur odd-lotters' opinion being sophisticatedly accepted as a worthy market indicator, the reported concentration of odd-lot dumping was widely hailed as a bullish portent. Now, *after* the repeated market decline to a new low, at least two of the most popular and broadly publicized market commentators pin their reason for a bearish forecast on that very same tool. They cite figures showing an excess of "sucker" odd-lot purchases over sales of 34%, 40%, and 24%, respectively, on the following Tuesday, Wednesday and Thursday.

A. Wilfred May

And from a leading market technician, whose interpretation of the "evidence" had been consistently bullish pre-Eisenhower thrombosis, now come these discoveries: "the technical position of the list had been weakened by the preceding lengthy climb in the investment issues. . . . With the material at hand it appears [now] that we are entering the first intermediate decline [sic] patterned since the inception of the September, 1953 uptrend. . . . A lightening on any rally would be the acceptable policy to follow."

Likewise in the current discussion of market factors in the non-technical market area, do we again see bearish expectations feeding on themselves. Dubious economic, financial and political factors which were overlooked or sublimated during the dramatic two-year advance in the Dow-Jones Average are now, *since the rise in the President's fever chart*, hailed as the trustworthy bellwethers of market decline. Among such now-bearish factors that actually were also present during at least the latter part of the preceding market rises are: credit restriction, declining farm income, threatened drop in auto production, potential reduction in deficit spending, and the historically high level of price-earnings ratios and the market level. Actually, all these threats existed when the Dow-Jones was 370 as well as now, at 470, when they are so clearly recognized.

This observer is willing to make a good bet that in the ensuing weeks, if the market declines, the "explanation" will be the end of Eisenhower confidence; while a rise will be attributed to the "obvious" effect of Fair Dealish inflation and pump-priming.

Derby Record

Over the longer-term, the course of self-feeding psychology is vividly demonstrated by the Wiesenberger Stock Derby, a contest, held under the aegis of Arthur Wiesenberger and Co., wherein the coming year-end Dow-Jones Average price, together

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The Immediate Outlook For the Money Market

By RUDOLF SMUTNY*
Senior Partner, Salomon Bros. & Hutzler
Members, New York Stock Exchange

Mr. Smutny discusses recent developments in the money markets which indicate that the present situation differs greatly from that of the 1930's. Comments on recent stock market action and states "Today a quick return to easy money doesn't appear as remote as it did last week." Holds if business activity is maintained at peak levels, interest rates should normally hold at present, or at even slightly higher levels. Sees as forces holding down rise of interest rates: (1) fear of upsetting the economy, and (2) the political opposition to increase in cost of the Public Debt burden.

The money market outlook at this time seems to me to present a far more complex problem in analysis than on any previous occasion during the last two decades. The imponderables which enter into this question appear now to be more numerous, and their various economic weights more baffling, than at any time since the war. And I am afraid that our habit of blandly assuming that money market history will faithfully repeat itself in detail may still further obscure our necessarily cloudy vision of the financial shape of things to come.

Rudolf Smutny

Despite the bearish action of the stock market this week, I believe the fundamental economic basis for prosperity is as sound as it has ever been in the history of our country. I know we have the tools, and the materials, and I hope we have the vision to make our future one of economic opportunity unlimited. In fact, we've put on a fairly good demonstration of our abilities in that respect since the end of World War II. Barring the mishap of more war, or a political assault on private enterprise or on the economic principles which have given our people a greater measure of abundance than has ever been known to any other civilization, a permanently higher standard of living for the American people is still within the scope of accomplishment.

If this point of view is valid, then, from a money market standpoint, there is a fundamental difference between our economic situation now, in the mid-1950's, and the state of affairs which obtained in the mid-1930's. If this be true, then the money market techniques and expectancies which were formulated to deal with economic depression have not been especially appropriate during a period of economic expansion such as we have had since the war, and such as, barring the previously mentioned eventualities, we may continue to enjoy in the years to come.

Significant Developments

Certain significant money market developments appear already to be taking place, which must seem confusing and anomalous to the younger generation of portfolio managers whose memories go back no further than the past two decades.

What, for example, is currently happening to the "ladder of interest rates pattern" on which a large part of the market experience of these younger men is necessarily based? Under this pattern, which worked so well for so long because of a set of economic circumstances imposed by depression and war, there was an orderly, and seemingly changeless, progression of rates of return, ranging from the lowest yield on those securities with the shortest maturities, to the highest return on those with the longest maturities.

Well, we are now learning that the yield curve, like a lot of us getting along in years, seems to be losing its shape. It's flattening out. In today's market for equipment trust certificates, the early maturities, if they are to be sold, have to yield virtually as much as the intermediate maturities, and the intermediate maturities almost as much as the longest maturities. Now, up until quite recently, when new issues of equipment trust certificates came to market, the shorter maturities were apt to be an immediate sellout, while the longer maturities moved out more sedately, over a period of time. Currently, longer maturities are selling out more rapidly than are short and intermediate maturities.

Early this month, as some of you gentlemen may know, we of Salomon Bros. & Hutzler, purchased, at competitive bidding, an issue of Reading Company 3¼% Equipment Trust Certificates, which matured semi-annually, in from six months to 15 years. The last 14 maturities, covering the years from April, 1964 to October, 1970, inclusive, were all reoffered on a 3.25% basis. You might have expected the earliest maturities, affording the 3.25% return, to be sold first. Actually, the longest maturities offered at this price were the first to move. They were purchased by a pension fund which, presumably, was more interested in attaining a maturity objective than in obtaining the theoretical market advantage afforded by the shorter maturities, which were offered at the same yield.

Action of Municipal Bonds

The same sort of market action is also taking place in the municipal bond field. There, too, the yield curve is flattening out. Formerly, in the case of new issues, the first five annual maturities usually found ready buyers, and the longer maturities moved more slowly. Today, in many instances, this no longer happens.

The reason for this new set of market preferences is, simply, that the usual buyers of short-term investments, the commercial banks, are experiencing such a strong demand for loans — from business, industry, and consumers — that the amount of funds they have seeking investment in the bond market has been insufficient to maintain the level of bond prices with which the year began. And, of course, this dearth of loanable funds has been deliberately intensified by the monetary authorities, for fear that the vigorous economic boom we are now enjoying would, if not moderated, generate such a terrific head of economic steam that it would end up in a bust.

These developments bring into question the practicality of short-term corporate and intermediate obligations as media of investment for funds which may be needed on short notice.

In recent months, such investments have not been so readily convertible into cash as heretofore, despite substantial price concessions. Therefore, our ideas concerning their liquidity may have to be revised. Short-term U. S. Treasury obligations have, of course, also been affected marketwise by interest-rate changes, and other money market developments, but, nevertheless, have been easily salable throughout this period of stress. The lesson to be derived from all this is clear. That is, only short-term Treasuries provide dependable liquidity in trying market circumstances. Corporate and municipal obligations of similar term don't fill the bill nearly as well, even though for many years they came pretty close to doing so. Consequently, the market premiums commanded by the presumed liquidity of such corporate and municipal short-term obligations may not be justified in markets of the future should a well-sustained, high level of economic activity continue to require a large volume of commercial bank lending.

Flattening Out of the "Quality Curve"

Another recent development which may provide a clue as to the future trend of interest rates may lie in the current flattening out, if I may coin a phrase, of the "quality curve." Late last winter, many institutions began offering for sale blocks of long-term, high-grade corporate bonds, in order to raise funds which, in addition to cash inflow, were needed to meet mortgage and direct placement commitments. For several months, such offerings grew in volume, and they are still substantial, although, during the past few weeks, they show signs of tapering off, at least temporarily. As a rule, single A, double A, and triple A rated bonds sell on yield bases which roughly represent the credit differentials indicated by the credit ratings. However, under the impact of an increasing volume of such portfolio items being offered for sale, plus a fair-sized new issue calendar, the usual basis differential between double A and triple A bonds has tended to be ignored. Insistent sellers of triple A bonds have frequently had to be content with double A basis bids from buyers who are well satisfied with double A credits and will therefore only take triple A's if they

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*An address by Mr. Smutny before the Kansas City Society of Financial Analysts, Kansas City, Mo., Sept. 28, 1955.

From Washington Ahead of the News

By CARLISLE BARGERON

The gyrations of the stock market around the pulse beat of President Eisenhower are doing a lot to offset the publicity campaign of the New York Stock Exchange that it is just a marketing house where the millions of people in this country come together and buy and sell stocks.

Carlisle Bargeron

After all, not a single company in the country is one cent worse or better off because of the President's illness. If our economy ever comes to turn on one man, God help us.

In this instance the deep thinking traders probably reasoned, or at least that would be the explanation they would give if called to account, that Eisenhower's illness meant the possible return of the Democrats. So what? The return of the Democrats would mean more influence of the CIO in the White House. But just what would that mean? Could the CIO possibly get more out of General Motors and Ford than it did under a Republican Administration?

I'll admit there would be more of Walter Reuther's spouting off of the mouth, more of his coming and going at the White House, more magnification of him. This would be annoying to see him strut but economically I can't see that it would be so important.

The Eisenhower Administration has picked up most of the old New Deal issues and put them into law whereas the New Deal couldn't get them there. They have seemed to be fairly palatable because a so-called conservative Administration put them across.

The great accomplishment of the Eisenhower Administration, the one with the most popular appeal, is that it has brought about "peace." Well, I'm quite sure that the Democrats would carry on that phase of what is called evolution in government.

The fact remains that the stock of General Motors, of any other corporation, is worth just as much today as it was before the President had his heart attack though not selling for as much. If General Motors or any corporation is dependent upon continuing to sell its products upon one man's health we are, indeed, in a helluva fix. The truth is that it is all nonsense but politicians are politicians, the same as professional stock operators are professional stock operators, and among the relatively few of the former who are here in town there are grumblings about bringing down here before Senatorial quizzes the gentry who sell short, who fall in the class of speculators. The grumblings may die out but they are quite rife at this time.

One thing is inescapably true, as a certain Senator has remarked to me, "the millions of ordinary people whom the Stock Exchange brags about, are not watching the President's thermometer or cardiograph and moving in and out of the market accordingly. They are concerned only in the earnings of the companies in which they have a part. To the extent that they read the headlines about the market dropping four or five points because of a particular bulletin about the President's health, the more the Stock Exchange's publicity campaign becomes to them the bunk."

The remarkable thing about American industry in the past 20 or so years is that it can stand most any burden that is put upon it: high taxes, high wages, unfriendly government, wars. It has survived and prospered under all of them. By and large it undoubtedly likes the Eisenhower Administration, but it came along well under Truman. It is a funny thing but industry doesn't complain half as much when a Republican Administration does something to it as it does when the Democrats do the same thing.

I am not now referring to the Roosevelt Administration. That was a revolution. But the New Deal as such ended with his death. Of course, Truman did once try to seize the steel plants. But that was all in clean fun and it was a bonanza for lawyers. As a matter of fact, the issue catapulted Clarence Randall into nationwide prominence to such an extent that you'd be surprised how many people are now saying he would be the Republicans' best Presidential timber in the event Mr. Eisenhower isn't available again.

This observer can hardly see that he will be available again. There is no reason why the Stock Market should react to it but in Washington for the next few months there will be a tremendous jockeying for power in the Republican ranks. Should the President leave the picture and permit Nixon to become President it is amazing how much stature he would acquire in a few months. The minute the Secret Service leaves one man and surrounds another, that man with all the patronage and other power at his command, becomes a man of tremendous stature. Frankly, Nixon is unusually capable and the mantle would rest upon him better than it did Truman when he unexpectedly fell heir to the White House.

But barring Nixon's coming into the White House through accession, he would have little chance in the hurly burly of Republican politics. The man to watch for, in that event, is Secretary of the Treasury Humphrey. He's the one who has been mostly running the government anyway.

Exchange Firms Ass'n Cancel Dinner Plans

The Association of Stock Exchange Firms has cancelled its plans for a dinner originally scheduled to be held Nov. 17 at the Plaza Hotel. The meeting of the Board of Governors will be held as planned, however, Nov. 16-18.

Eastern Secs. Wire To Hartford

Eastern Securities, Inc., 120 Broadway, New York City, announce the installation of an Enterprise wire to Hartford, Conn.

Form Keystone Secs.

Keystone Securities Corporation has been formed with offices in the Hamilton Bank Building. Officers are R. A. Davidson, Jr., President and Treasurer; R. A. Davidson, Executive Vice-President; R. S. Harrison, Vice-President; and James D. Schmid, Secretary.

The State of Trade and Industry

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

There were slight declines in the output of several industries last week, but notwithstanding this fact, total industrial production for the nation as a whole remained at a high level with output much above that of a year ago.

Despite scattered layoffs in the automobile and textile industries, claims for unemployment insurance in the latest week showed some falling off.

The United States Department of Labor's Bureau of Employment Security currently reports that idle workers' first claims for unemployment compensation edged up by 6,500 to 166,200 in the week ended Sept. 24.

The rise in new claims was attributed to layoffs in major auto plants retooling for model changes, plus scattered seasonal layoffs in textiles, apparel and construction. A year earlier, first claims totaled 246,200.

Layoffs by auto plants alone, the department said, boosted first claims for jobless pay by 7,200 in Michigan, 4,000 in New York, 1,400 in California and 800 in Missouri.

In the week ended Sept. 17, the Agency reported, the total of workers drawing jobless pay dropped by 34,400 to 870,100—the lowest it's been since mid-October, 1953. Some 40 states reported reductions in the number of workers drawing unemployment compensation. A year earlier, there were 1,605,400 receiving jobless pay. According to states reporting to the Labor Department, insured unemployment has declined by 1,106,000 since the week ending Jan. 22, 1955.

Surging steel demand has reached the point where producers can do little except improvise and hope for the best, their big problem being a lack of ingot capacity, states "The Iron Age," national metalworking weekly this week.

Producers are allocating raw steel to rolling mills on the basis of product demand, but there is not enough to go around. Consumers are under allocation, too, nevertheless, backlogs are building up and deliveries continue to lag.

Emergency shipments, it notes, have become an everyday occurrence. Desperate consumers are buying more from warehouses when they can get it. But too many emergencies are penalizing the forward looking consumer who stocked up last year when he had the chance.

The railroads' freight car program is shaping up as one of the biggest of the postwar period, this trade authority declares. What looked like a 50,000-car program last June probably will wind up closer to 100,000 cars before the year is out. The reason is that orders must be placed by the end of 1955 to qualify for fast tax write-offs, it points out.

This will mean continued heavy pressure on plates and structurals, that were tight even before the freight car program got underway. Although the railroads were late coming into the market, the mills are leaning over backwards to take care of them because of their importance to defense, continues "The Iron Age."

Consumer inventories are in bad shape and so long as overall demand continues at its present fast pace there will be little or no opportunity to rebuild stocks to a safe working level. This situation will continue well into the new year.

Meanwhile, the mills are straining to get the last possible pound from melting furnaces. This is evident in the gradual improvement in ingot production during the last month. But the wear and tear on equipment may cause trouble later in the year, declares this trade weekly.

In the automatic industry last week the six millionth United States built new car of 1955 was expected to roll from an assembly line on Saturday afternoon last.

"Ward's Automotive Reports" said the milestone, reached at the earliest point in industry history, was not recorded in previous peak year 1950 until November. The six million figure also

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Why "Variable Annuities" Are Not in Public Interest

By SIMON M. SHELDON*

Deputy Securities Commissioner, State of New Hampshire
President, National Association of Securities Administrators

Speaking in opposition to variable annuities, Mr. Sheldon explains how the variable annuity would operate and points out such an annuity is not an insurance contract. Holds variable annuities are, in essence, mutual funds, and therefore come within the field of securities regulation, such as provided under the Investment Company Act. Stresses the dual aspect of variable annuities, and concludes the use of the term "annuity" should not be applied to them, because they lack provision for fixed payments.

I have spent considerable time on the subject of this talk, especially since February when a bill permitting life insurance companies to issue variable annuities was introduced in New Hampshire. As Deputy Securities Commissioner of the State I appeared in opposition to the bill at the committee hearing. Mr. Knowlton, Insurance Commissioner, also appeared against the bill. The bill was not enacted.

S. M. Sheldon

In New Hampshire, the Securities Department is a part of the Insurance Department and in addition to being Deputy Securities Commissioner, I am also Deputy Insurance Commissioner. However, today I would like to speak only from the standpoint of securities regulation—not insurance.

You might wonder why a Securities Administrator would be concerned with proposed legislation which would permit life insurance companies to issue variable annuities. My concern, which is shared by the National Association of Securities Administrators, stems from the "variable" concept of annuities; that is, what an annuitant is paid by the insurance company will vary from year to year. The expressed purpose behind such annuities is to afford the annuitant a hedge against inflation—protection against loss of purchasing power.

The life insurance industry, with its traditional policy of guaranteed fixed-dollar payments, invests its funds primarily in debt securities, in order to be in a position to meet its guarantee. However, because in debt securities the interest and amount of repayment are fixed, this type of investment would not accomplish the purposes of a variable annuity. The other method of investment is in common stocks, which represent the ownership of a portion of business and its physical assets. As you know, this type of investment tends to fluctuate in value with general business conditions and, to a large extent, with price levels. Obviously, if the payments to the annuitant are to fluctuate somewhat in line with living costs, it will be necessary to invest the payments by the annuitant primarily in common stocks. The essence of the variable annuity legislation is to permit life insurance companies to sell annuities which constitute an ownership interest in a diversified holding of common stocks, and because the other assets of the insurance company are invested primarily in debt securities to meet its fixed-dollar obligations, it is necessary to segregate the variable annuity common stock investment.

How the Variable Annuity Would Operate

While it is not clear from such legislative proposals exactly what precise form a variable annuity will take, from the information at hand it would appear that it would operate in the following manner. A life insurance company issuing variable annuities would set up the assets behind such annuities in a segregated account. Within this segregated account two types of units would be issued — namely, accumulation units and annuity units. As I have said, the assets behind such units would consist primarily of common stocks. As the annuitant makes his payments accumulation units would be credited to him in the same manner as shares of a mutual fund; namely, his payments would go to purchase units at the then value of such units, just as a person purchases investment company shares. Each payment purchases additional units. When the so-called annuitant" is ready to retire, his accumulation units are valued at the then asset value and converted into annuity units. The amount of annuity units which he gets depends on three factors: (1) The asset value of all of his accumulation units; (2) His life expectancy; and (3) A projected yield of the annuity fund. Once the number of annuity units based upon the above factors is determined, they remain fixed for the remainder of his life or such other periods as he specifies. What he gets each year will then depend upon the asset value of the annuity units. Because the annuity fund is invested primarily in common stocks, this value will increase and decrease with the fluctuations of the market.

Since the life insurance company does not guarantee, under a variable annuity, to pay the annuitant any fixed number of dollars, but merely the asset value of the annuity units, there is no need for the creation of reserves normally set up by insurance companies. This means, therefore, that the annuitant (and not the company) takes the risks of market fluctuations of the common stocks, mistakes in mortality tables and in projecting common stock yields. Thus, an individual in purchasing a variable annuity is in effect making an investment in a common stock portfolio and taking all the risks of market fluctuations as does any purchaser of common stocks. Of course, he also stands to profit by any increase in the market value of the common stock.

As in the case of an investment in mutual funds, the annuitant may make lump sum or periodic purchases. Under one proposed legislation, the annuitant can also at any time obtain the cash surrender value of his accumulation units in much the same fashion as redemption of mutual fund shares. Therefore, at least until he has converted his accumulation units into annuity units, the variable annuity participant has, in effect, purchased mutual fund shares, and the life insurance salesman is, in effect, selling a common stock interest to the public. Because common stock prices do fluctuate, most states, as well as the Federal Government, have in the public interest enacted laws regulating the public sale of securities. Practically all of these laws exempt the issuance and sale of insurance contracts. There is a very good reason for this; under the normal life insurance contract the company guarantees to pay a fixed number of dollars. The insured, in taking out such policies, assumes no risk other than the ability of the insurance company to make the agreed-upon payments. Most states have passed insurance laws and regulations to ensure (1) that the life insurance company's assets and reserves are maintained in such a way that the company will be a position to pay the amount it has promised to the insured or his beneficiaries; and (2) that the insurance contract is a fair one. There is, therefore, no need for the insured to have the protection and safeguards afforded under the securities laws; so long as the contract is fair and the insured will be paid, this is all he needs to know.

Variable Annuity—Not Insurance

Selling a common stock interest, however, is an entirely different matter. In this instance the public is not guaranteed anything. The return and the value of the stock will depend upon the business operations of the companies whose stock he purchases, and upon general economic conditions. He becomes in effect a part owner. The Securities Act of 1933 was passed in order that the prospective purchaser would be given sufficient information concerning the securities he is purchasing so that he could make an intelligent decision. A number of state laws go beyond the provisions of the

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*A talk by Mr. Sheldon at the "Dealer's Digest" Seventh Mutual Fund Sales Convention, New York City, Sept. 14, 1955.

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.

Cost of Higher Education — Study — Hugh W. Long and Company, Inc., Westminster at Parker, Elizabeth 3, N. J.

High Yield Railroad Bonds—Bulletin—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

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.**

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.

Over-the-Counter-Stocks — List of 485 companies industry designated and price grouped—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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

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

This Is Bank Building Corporation — Illustrated booklet — Bank Building Corporation of America, 9th & Sidney Streets, St. Louis, Mo.

* * *

American Chain & Cable Co. — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **American Enka Corp.**

American Marietta Company—Nine months report—Dept. 6, American Marietta Company, 101 East Ontario Street, Chicago 11, Ill.

Anheuser-Busch Inc.—Memorandum—White & Co., Mississippi Valley Building, St. Louis 1, Mo.

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

Bullock's Inc.—Momorandum—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available are memoranda on **California Packing Corp.** and **Pabco Products Inc.**

Cascade Natural Gas Corporation—Annual report—Cascade Natural Gas Corporation, 407 Securities Building, Seattle 1, Wash.

Chicago Transit Authority—Bulletin—John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill.

Cleveland Cliffs Iron Company—Study and appraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Federal and State Stock Original Issue and Transfer Tax Rates — Booklet — Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Fitzsimmons Stores — Analysis — J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a copy of the monthly "Investment Letter."

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

General Railway Signal—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Gulf Coast Leaseholds Inc. — Circular — Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

International Telephone & Telegraph—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is an analysis of **Texas Industries**, and a memorandum on **United Biscuit Co.**

Kerr Addison Gold Mines Limited—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Kimberly Clark Corporation—Analysis—In current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Micro Moisture Controls, Inc.—Data—McGrath Securities Corporation, 70 Wall Street, New York 5, N. Y. Also available are data on **Petaca Mining Corporation** and **Shawano Development Corporation.**

New Superior Oils of Canada Limited—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Noranda Mines—Data—Alexander Watt & Co., Limited, 42 Broadway, New York 4, N. Y. Also available is data on **Imperial Oil** and an analysis of **New Bristol Oils Limited.**

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

Pan American World Airways, Inc.—Bulletin—$2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Quebec Chibougamau Goldfields, Ltd.—Bulletin—John R. Boland & Co., Inc., 30 Broad Street, New York 4, N. Y.

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

South Carolina Electric & Gas Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Specialty Converters, Inc. — Memorandum — Arnold Feldman Co., 120 Broadway, New York 5, N. Y.

Spencer Chemical Company—Report—Spencer Chemical Company, Dwight Building, Kansas City 5, Mo.

Sperry Rand Corporation — Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of **"Sheltered" Stocks** and **Convertible Bonds.**

Technicolor, Inc.—Analysis—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Union Twist Drill Company — Card Memorandum — May & Gannon, Incorporated, 161 Devonshire Street, Boston 10, Mass.

United States Lines Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Van Norman Company—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

West Point Manufacturing Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Winn & Lovett Grocery Co.—Annual report—Winn & Lovett Grocery Co., Jacksonville, Fla.

NSTA Notes

SECURITIES TRADERS ASS'N OF DETROIT AND MICHIGAN

At its Annual Meeting of Directors, the Securities Traders Association of Detroit and Michigan, Inc., has elected the following new officers for the fiscal year, Oct. 1, 1955, to Sept. 30, 1956:

Roy F. Delaney

Robert J. Moons

Harold J. Burrows

President—Roy F. Delaney, Smith, Hague, Noble & Co.
Vice-President—Victor A. Williams, Paine, Webber, Jackson & Curtis.
Secretary—Robert J. Moons, Manley Bennett & Co.
Treasurer—Harold J. Burrows, Watling, Lerchen & Co.

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Theodore Tsolainos In New Quarters

Theodore Tsolainos & Co., members of the New York Stock Exchange, have announced the opening of the new offices at 1 Wall Street, New York City.

With Newman & Co.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Francis Jones is with Newman & Company, Mining Exchange Building, members of the Midwest Stock Exchange.

COMING EVENTS

In Investment Field

Oct. 12, 1955 (New York City)
Security Traders Association of New York Annual Beefsteak Party at the Antlers.

Oct. 13 & 14, 1955 (Pinehurst, N. C.)
Securities Dealers of the Carolinas, North Carolina Municipal Council and South Carolina Municipal Council joint meetings at Mid Pines Club.

Oct. 24-27, 1956 (Palm Springs, Calif.)
National Security Traders Association Annual Convention.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention.

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.

Dec. 2, 1955 (New York City)
Security Traders Association of New York Annual Meeting at the Bankers Club.

"The Antitrust Division Looks at Bank Mergers"

By STANLEY N. BARNES*
Assistant Attorney General of the U. S.

Mr. Barnes first outlines the Administration's broad policy for antitrust enforcement, and follows it up with the antitrust problems bank mergers may pose. Refers to the report of the study group appointed to clarify the anti-trust laws. Says bank mergers pose an antitrust problem since they may run foul of the Clayton Act. Congress amended this act to stop mergers beyond the reach of the Sherman Act, but the Justice Department has come to the conclusion that asset acquisition by banks is not covered by the amendment. Holds antitrust legislation should apply to all business alike, and urges legislation to provide anti-trust treatment for banks.

Bank executives, like most Americans, have a vital stake in anti-trust enforcement. For anti-trust has become a distinctive American means for assuring that competitive economy on which our political and social freedom in part depend. These laws have helped release energies essential to our world leadership, industrial productivity and technological growth. Equally important, they reinforce our ideal of careers open to superior skills and talent, a crucial norm of a free society. As a result, the essentials of anti-trust stand proclaimed by both political parties.

Both parties' general agreement on anti-trust goals, let me caution, must not obscure important differences in means. Here I part company with my immediate predecessors on at least three scores. First, cases brought have aimed not at mere doctrinal perambulation but at making real strides toward either cracking *restraints on entry*, or controls over price. Second, because businessmen know this difference in policy will spell greater court success, pre-trail settlements have jumped sharply. Thus we secure more results for enforcement dollar.

Beyond concentration on hard-core violations and increased emphasis on consent negotiations, we have moved to alleviate problems inherent in uncertain anti-trust standards. Remarking on the confused state of our law in *another* area, the late Mr. Justice Jackson observed: "If there is one thing that the people are entitled to expect from their law makers, it is rules of law that will enable individuals to tell whether they are married and, if so, to whom."[1] Almost, but not quite, as important are guides in the anti-trust field. The same Justice, commenting somewhat less euphemistically on anti-trust laws, observed that: "One-half century of litigation and judicial interpretation has not made the law either *understandable* or *respected*."[2]

To ease the hazards of uncertainty, soon after Attorney General Brownell took office, he appointed a study group, representing a fair cross-section of all anti-trust views, to consider our nation's anti-trust policy. On March 31 of this year that group rendered its report. And now gathered for the first time in one place is an authoritative view of all major decisions under the Sherman and Clayton Acts. This report, I conclude, should be a real help to businessmen seeking in good faith to live within the law.

Problems of Bank Mergers

These general enforcement goals set, I consider particular anti-trust problems bank mergers may raise. Mergers, you all know, may run afoul of Section 1 of the Sherman Act and also may evidence an attempt to monopolize proscribed by that Act's Section 2. Most important problems involving acquisitions, however, arise under Clayton Act Section 7. Accordingly, to that section I turn.

By its 1950 amendment of Section 7, Congress sought to patch up holes developed in the Act in its previous 36 years of life. Old Section 7 was held not to cover mergers consummated by other than stock acquisition. In addition, court interpretations had narrowed and constricted those mergers intended to have been barred by former provisions.[3] As a result, many urged that Section 7 fell short of its goal to stop, in its incipiency, undue concentration of economic power. This background immediately preceding amendment of Section 7 reveals the apparent Congressional objective of fashioning more stringent rules against mergers.

From this it seems clear that Congresses's objective in Section 7's 1950 amendment was to stop mergers beyond the reach of the Sherman Act. Thus the Senate Report[4] explains that the "bill is not intended to revert to the Sherman Act test. The intent here * * * is to cope with monopolistic tendencies in their incipiency and well before they have attained such effects as would justify a Sherman Act proceeding." The Report further states that the Act's intent is to have "broad application to acquisitions that are economically significant. * * * [The] various additions and deletions—some strengthening and others weakening the bill — are not conflicting in purpose or effect. They are merely different steps toward the same objective, namely that of framing a bill which although dropping portions of the so-called Clayton Act test that have no economic significance, reaches far beyond the Sherman Act."[5]

In like fashion the House Committee Report states that the tests prescribed, instead "are intended to be similar to those which the courts have applied in interpreting the same language as used in other Sections of the Clayton Act. Thus, it would be unnecessary for the Government to speculate as to what is in the 'back of the minds' of those who promote a merger; or to prove that the acquiring firm had engaged in actions which are considered to be unethical or predatory; or to show that as a result of a merger the acquiring firm had already obtained such a degree of control that it possessed the power to 'destroy or exclude competitors or fix prices.'" Moreover, the Act is "intended to permit intervention in * * * a cumulative process when the effect of an acquisition may be a significant reduction in the vigor of competition," even though this effect may not be so far-reaching as to amount to a violation of the Sherman Act. The House Committee Report states: "Such an effect may arise in various ways; such as elimination in whole or in material part of the competitive activity of an enterprise which has been a substantial factor in competition, increase in the relative size of the enterprise making the acquisition to such a point that its advantage over its competitors threatens to be decisive, undue reduction in the number of competing enterprises, or establishment of relationships between buyers and sellers which deprive their rivals of a fair opportunity to compete." From this it follows that Section 7, unlike the Sherman Act, requires findings and conclusions, not of actual anti-competitive effects, but merely of a reasonable probability of a substantial lessening of competition or tendency toward monopoly.

The Section 7 Amendment of 1950

Section 7 was amended, then, in 1950, in an attempt to bar mergers, which were accomplished not only by acquisition of *stock*, but as well, acquisition of *assets*. The amended section, however, fails to cover asset acquisitions by banks. The *stock acquisition* bar applies to all corporations "engaged in commerce." Section 7's *asset acquisition* portion, in sharp contrast, covers only corporations "subject to the jurisdiction of the Federal Trade Commission." Section 11 of the Clayton Act exempts banks from Federal Trade Commission jurisdiction by specifying that "authority to enforce compliance" with Section 7 "is hereby vested * * * in the Federal Reserve Board where applicable to banks, banking associations, and trust companies." On the basis of these provisions this Department came to the conclusion that *asset* acquisition by banks is not covered by Section 7 as amended in 1950.[6]

As a result, Section 7 is for practical purposes useless to cope with what the Comptroller of the Currency has described as "this recent trend of [bank] mergers, consolidations, and sales." Corrobating the rise in bank mergers, the Chairman of the Board of Governors of the Federal Reserve Board, concluded that bank mergers "have gone up steadily." In 1952, his testimony reveals, there were 100 bank mergers. This number jumped to 116 in 1953 and more than doubled to 207 in 1954. Most important, the Federal Reserve Board Chairman concluded, this number is "still rising." As a result, he estimated this year's total "may reach around 240."

Viewing the Bank Merger Trend

This bank merger trend must be viewed against the background of present commercial bank asset concentration. In nine of 16 of America's principal financial centers, two banks owned more than 60% of all commercial bank assets. And in each of these 16 centers, the first two banks owned more than 40% of all commercial bank assets. Suggesting this degree of concentration may be on the rise is New York City's increasing concentration in bank deposits. Figures supplied by that State's Superintendent of Banks reveal that in 1900 New York City's four largest banks had 20.8% of the total deposits. This number had jumped to 53.6% by

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*An address by Asst. Attorney General Barnes before the Independent Bankers Association, 12th Federal Reserve District, Chicago, Ill., Sept. 26, 1955.

1 Estin v. Estin, 334 U. S. 541, 553.

2 Jackson and Dumbauld. "Monopolies and the Courts." 86 U. of Penn. L. Rev. 231, 256 (1938).

3 Temple Anthracite v. F.T.C., 51 F. 2d 656 (1931); Pennsylvania Railroad v. I.C.C., 61 F. 2d 37 (1933); 291 U. S. 651 (1934); United States v. Republic Steel, 11 F. Supp. 117 (1935).

4 Sen. Rep. 1775, 81st Cong., 2d Sess. (1950).

5 Sen. Rep. 1775, 81st Cong., 2d Sess. (1950), pp. 4-5.

6 Reaching the same conclusion, a House Judiciary Subcommittee Staff Report explained that, because of revisions in amendments to Section 7 "* * * it became impracticable to include within the scope of the act, corporations other than those subject to reguiation by the Federal Trade Commission. Banks, which are placed squarely within the authority of the Federal Reserve Board by Section 11 of the Clayton Act, are therefore circumscribed insofar as mergers are concerned only by the old provisions of Section 7 * * *" (Staff Report to Subcommittee No. 5 of the Committee on the Judiciary, House of Representatives, 82nd Cong., 2d Sess. (September 1952)).

Amendments to Reassert Original Purposes of Constitution

By HON. RALPH W. GWINN*
U. S. Representative for State of New York

Congressman Gwinn calls attention to the growth of power of the Federal Government. By breaching its contract under the Constitution, it has "shamefully violated the rights of the people by socializing instead of protecting our lives and property." Lists five proposed Constitutional amendments to curb this trend.

For four years after the Revolutionary War was won against Great Britain, the 13 Federated states refused to organize any Central Government. They were determined to let no government such as we have in Washington today rule over them.

Ralph W. Gwinn

But they developed controversies among themselves. New York State, for example, levied a tax against the business of New Jersey. They stopped the thrifty Connecticut Yankees from bringing their cabbages and firewood down to the city. Virginia quarreled with Maryland over the fishing rights in the Chesapeake Bay and the Potomac River. The Federal Treasury could raise no money unless the states voluntarily provided it. It could raise no army except from volunteers. Some of the states refused to volunteer or supply money. Massachusetts thought Virginia was hardly worth saving, so they refused to send troops to help her out.

Finally, an invitation was issued by Virginia to the states to meet in Annapolis, Md., Sept. 11, 1786, to consider a form of a very limited contract to be made with a Central Government to be established.

Only five states showed up. The others were too jealous of their independence, too fearful of the power, and especially taxing powers of a Central Government, so they refused to attend the conference.

Finally they made an agreement that the Federal Government should protect the lives and property of the people on the Federal level, levy taxes for such protection and substantially nothing else. It's about the same kind of a contract the people have with the states, counties and cities. Their business is protection of life and property. They do not, with few exceptions, tax the people to build their houses and power plants and loan them money and subsidize corn, wheat, cotton and generally manage the income and property of the people. By and large these smaller political subdivisions have kept their contract. They have not gone Socialist. But the Federal Government has breached its contract and shamefully violated the rights of the people by socializing instead of protecting our lives and property. In New York State, the Federal government takes directly and indirectly approximately 37½% of the income of the people, according to the New York State Tax Commission. It claims to manage it better than the people of New York can manage their own money for themselves.

All Central Governments are guilty of this kind of violation of the people. From the very moment central governments are formed, special interest groups organize to use the political power of such governments for their special benefit. That's what the founders feared most of all. So it has happened to us, as they feared. It has happened to all nations before—it will likely happen to the nations of the future.

The remedy is to reassert, in unmistakable language, the terms of the contract so that even the Supreme Court of the United States cannot misinterpret it. There is being organized in our country today hundreds of efforts to do just that. Proposed amendments to the Constitution are pending, State Legislatures are considering their approval, committees are being formed on a wide scale.

Particularly, there is the "Campaign for the 48 States" organized in Memphis, Tenn. They propose Five Amendments to the Constitution:

1. **Reed-Dirksen Amendment.** To eliminate to a large extent the heavy progressive rate feature from our income tax system without impairing the power of Congress to raise revenue, especially for military purposes. This amendment limits the top rate of income taxes, but permits Congress to exceed the limit by a three-fourths vote. Under this Amendment the Federal Government is denied the right to tax gifts and estates and except in time of war or national emergency, it is limited in its taxing powers to 25% of all incomes. The states long have objected to the Federal monopoly in the field of taxation. As one representative put it, "You can shear a lamb a great many times but you can only butcher and skin it once," and the states have sense enough to adopt the shearing instead of the butchering process in collecting revenues.

2. **Byrd-Bridges Amendment.** To require annual budget balancing by limiting congressional appropriations in any fiscal year to the estimated receipts of the Government for that fiscal year, except in times of dire emergency to be determined by three-fourths vote of the Congress.

3. **Mundt - Coudert Amendment.** To reform the electoral college by choosing electors by congressional districts plus two at large to correspond with each state's two United States Senators. This amendment is designed to take away the excessive power now exercised by the minority groups in the larger cities under the present electoral college system.

4. **Reed-Walter Amendment.** To give to the States full power to amend the Constitution without the intervention of Congress.

5. **Bricker Amendment.** To prevent the overriding of our Constitution and our domestic law by means of the treaty power.

The purpose of these Amendments is to make America safe for tomorrow. Nothing can be found in them that is reactionary. They are reasonable and practical, dealing only with the realities of today and of the future. There could hardly be a better memorial to the Constitution on this 168th Anniversary than citizens actively campaigning in the State Legislatures and in the Congress for Amendments reasserting and redefining and clarifying the original concepts of the limitations on the powers of the Central Government. This means expanding the freedom of the individual. It is a new declaration of the faith that individuals are the creative, productive forces in society, and the sole object of Government is to protect and not to exploit them. That was the reason for the Constitution in 1789. It is the only sound reason for Government in 1955.

*Remarks by Cong. Gwinn on the steps of Federal Hall at Wall and Nassau Sts., New York City, Sept. 15, 1955.

Murray Bittner Now With Hardy & Co.

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, announce that Murray C. Bittner is now associated with the firm and that Samuel C. Greenfield has been retained as investment consultant. Mr. Bittner has recently been with Shaskan & Co. and prior thereto conducted his own investment business in New York.

Salomon Bros. Admit Herbert Obendorfer

PHILADELPHIA, Pa.—Herbert Obendorfer on Oct. 13 will be admitted to partnership in the New York Stock Exchange firm of Salomon Bros. & Hutzler. Mr. Obendorfer has been co-Manager of the firm's Philadelphia office, 123 South Broad Street.

Louis W. Noland

Louis W. Noland, Finch Wilson & Co., New York City, passed away Oct. 2 at the age of 67.

The Role of Gold in The Monetary Mechanism

By DR. J. E. HOLLOWAY*
Ambassador to United States from Union of South Africa

Ambassador Holloway focuses attention on the functioning of the monetary mechanism, and discusses the pricing of gold, "a frequently forgotten force in the monetary mechanism." Holds price of gold should be changed when conditions "over a lengthy period" makes it desirable. Reviews the forces which operate on the equation between gold and paper currency. Attacks theories of a managed money as opposed to a rigid standard of value. Concludes, "for me, gold is liberty."

Whenever the mechanism of money gets out of gear there follows a vast amount of discussion on the methods required to put it back into sound working order. Much of this discussion gives insufficient weight to two prime considerations.

Dr. J. E. Holloway

The first is that the mechanism of money represents an invention like any other piece of mechanism, for example a railroad engine or a motor car and that it has undergone many improvements throughout the ages. When we want to restore it to working order, we must rely on our knowledge of how it has been developed, what it can accomplish and what it cannot accomplish. It is a part of the vast world of invention which has made possible a highly complex and highly productive society. It is an essential part of the process of production.

The second consideration is that it is a mechanism, and that therefore if we want to find out in what respects it is not working efficiently, we must examine the forces with which it operates. It is only by gauging these forces that we can avoid the confused argument which seems to be invariably associated with monetary disputations.

In the days of the Gold Standard certain freedoms applied to the possession of gold. These freedoms represented forces in the mechanism.

The Price of Gold

I propose therefore to focus attention on the functioning of the monetary mechanism and to avoid the many side issues which usually bedevil all discussions on money. In so doing I shall deal with the forces in the mechanism, and as the price of gold is one of the most frequently forgotten forces, I shall start by discussing it.

The view is held by many persons that the price of gold should never be changed. When the Captain of the "Pinafore" said that he was "never, never sick at sea" and was asked "what never?" he replied weakly: "well, hardly ever." And so the believers in a fixed price of gold would also say that the price of gold should hardly ever be changed and certainly not at the time when such a change is proposed. Why is there this persistence in the belief that the price of gold should remain fixed? What are the limits for the validity of the concept?

There is clearly no sacrosanct figure to express the value of a given quantity of gold in terms of a given paper currency or money of account. When the metre was accepted as a measure of length it was related to the circumference of the earth so that its value could at all times be equated to something eternal. No such eternal equation can, however, be determined for gold because monetary value is itself a subjective and not an eternal concept and because a unit of currency is historically a notoriously unstable and most uneternal concept.

We are therefore inevitably driven back to the fact that there is some underlying assumption in the equation 1 ounce of gold=U.S. 35, or for that matter in any other equation which expresses the value of gold in terms of a particular currency at a particular time. Because as we cannot equate the value of gold to something unchangeable, and as gold itself is elementally unchangeable, the factors which influence the equation of value can lie only in changes in the use of gold or in changes in the "purchasing" power of the currency to which a given quantity of gold is equated.

While gold serves as money we can disregard its subsidiary uses like ornaments, dental or bookbinders supplies because its value for these purposes flows from its value as money.

We are, therefore, driven back to one of the most difficult concepts of economic science, the function of money. I say that this is a most difficult concept, for few people seem to be able to differentiate between the meaning of money in their own pockets and money as an essential mechanism of a free society. In itself, and as a purely scientific or philosophical concept, the latter is not at all difficult. But it demands an analysis, divested of side issues—like personal interest, credit organization or governmental manipulation—of the functions which money plays in giving human organization a more efficient use of its resources and in giving the individual a right to his own earnings and his own savings. In a purely scientific sense money is a measure of value, a medium of exchange and a store of value. These are essential functions for the maintenance of a free society and an advanced economy. Money must meet all the requirements under these three heads and the more efficiently it meets them the better it is as an instrument of production. If the monetary mechanism is also used for other purposes, like manipulation of economic relations or of foreign exchange, such use may detract very materially from its main function as an essential part of the machinery of economic efficiency and as a safeguard of individual liberty. These are such high values for the maintenance of civilization that the application of the mechanism of money to any other purposes must be regarded by all civilized states as highly questionable.

This essential function of money has been analyzed and described in numerous treatises and it has become common textbook material. And yet it is amazing how few people remember and employ the most elementary knowledge when they are reasoning about monetary policy. When, therefore, we are trying to get back to the elements of the simple equation, we must inevitably repeat some very simple and elementary ideas, the things your professors taught you when you

*A paper delivered by Dr. Holloway at the University of California, Berkeley, Calif.

were still very, very young students.

"We Live in a Money-Economy"

We of this century are living in a money-economy. I shall try to demonstrate presently that we are trying to do this without money in any real sense of that term. Ages have passed between the comparatively recent introduction of this moneyless money-economy and the time when the invention of money in its most primitive form enabled our primordial ancestors to devote some of their energies to more efficient uses than was possible under a system where every individual scratched or hunted for his own food and shelter, or at best obtained these under a simple system of barter. The embellishments which have been introduced in the meantime have served their purposes, some good, some bad. Each of these embellishments is a matter for consideration by itself. If, however, we want to get back to the terms of our equation, we must divest our enquiry of these subsequent developments, which turn up as mischievous imps to distract our attention from our main objective. Particularly must we beware of the imp of discord called "Credit" because the functions of credit, though very important, are not basic functions of money but a derivative from these functions.

The advance from pure barter to a money-economy was an important step in the progress of mankind towards civilization or, to quote Walter Bagehot, in the process by which man from being originally a barbarian came to be a Scotsman. Under pure barter man gives something that he has for something that he requires for his own use. In a money-economy he introduces a third factor into the exchange. This third factor is something that he can always exchange for something that he requires. In this way he saves a vast amount of time, which can then be devoted to further production. Once this process is started it can be repeated *ad infinitum*. It therefore lays the foundation for ultimate world trade and brings within man's reach, enjoyments which he could not otherwise have.

In its embryonic form anything can serve as a medium of exchange. It is significant that even in our own age, in which a pure monetary economy has broken down because we are trying to run a money-economy without money, a great variety of useful articles has temporarily been pressed into use to serve as media of exchange. The use of cigarettes as currency during the closing stages and immediately after the end of the war in Europe is well-known. The process has, however, gone much further. So, for example, Esso Export Corporation has taken as payment for its crude oil such unlikely currencies as beer and biscuits, rags and rabbits, pickles and piping, steel and salami. The Corporation did not want these things and that fact converts the transaction into a monetary rather than a barter transaction. The only difference is that instead of getting one good medium of exchange, they had to deal in several inefficient ones and enter into fields in which they were not specialists, in order to turn their crude oil into the dollars with which they paid their wages, stores, dividends, etc. Good money makes this wasteful procedure unnecessary.

As happens with all new discoveries, however, once Edison's 1% of inspiration has been infused into the mass, the 99% perspiration takes over and improvement becomes a normal process. The articles originally used as money were probably ordinary everyday articles of utility like domestic animals, arrowheads and hoes. As mankind learned more about the function of money as a tool of more efficient production, he learned how to stream-line the monetary mechanism, to distinguish between essentials and accidentals, to shear it off appurtenances which militated against more effective functioning, to concentrate on what gave the optimum effect with the expenditure of the minimum of force. Animals did not fit into this classification because they had to be fed and had a habit of dying at inconvenient times. Hoes rusted. Copper was too heavy to transport. Precious stones were not readily divisible. Silk perished. Cowries became too plentiful. Tobacco and cigarettes went up in smoke too easily. And so in course of time the precious metals took the lead and in the 19th Century gold surpassed silver in many of the foremost trading countries.

It is not necessary to take you over the range of words, each ending with the suffix "ability" which you memorized from your textbooks to signalize the various reasons for the superiority of the precious metals as money. In respect of durability, divisibility, recognizability, universal acceptability, etc., gold established itself as superior to all its rivals as the most perfect monetary material.

A Perfect Money Cannot Be Created

As long as mankind remembered that sound money is fundamental to efficient production and is an essential framework for distributive justice, it persevered in the task of creating a sound money, with the accent on the word "sound." Economists were aware of the fact that a perfect money could not be created: for money measures values and value is a subjective concept. To measure one moving object with another moving object requires nonexistent legerdemain. If, however, the moving object, which served as the measure, could be held as fixed as possible, a reasonably accurate equation of the values which constitute the economic world could be attained. Hence the idea of a fixed and unchangeable price for gold. Hence also the difficulty which many people experience in accepting the idea that—in spite of the experience of history—the price of gold can be changed.

Remember that there is a great deal of human effort and of human happiness and of individual liberty involved in a change of the measure of value. For the invention by mankind of a reasonably stable medium of exchange has created the possibility of the division of labor, with all its attendant advantages, on a world-wide scale. It has made it possible to negotiate long term contracts involving millions of wage earners or vast constructions without the necessity for such periodical re-negotiation as is necessitated by changes in the meaning of the words in the contract which denote value. It has made it possible to hold assets created by human endeavor for long periods without the fear that they will depreciate or even disappear entirely through a change in the reservoir or store of value. The invention of money is one of the most fecund inventions of mankind and the invention of as stable a measure of value as is possible in a world of continuing instability marks the apex of human resourcefulness in this field. It is therefore understandable that many people hold the view that the price of gold, once fixed, should never be changed, or if not never, at least like the Captain of the "Pinafore's" *mal de mer*—"hardly ever." They regard the price once fixed as having something of a decalogual moral character, whether the fixing has behind it the authority of an Isaac Newton, a Winston Churchill or a Franklin Roosevelt.

But sight should never be lost of the point that that stability is dependent on the free operation of the forces making for stability. While the gold holdings of mankind operate freely to regulate the price level, it is obviously undesirable that the value of a given quantity of gold—the measure in which values are expressed—should be changed. But when, over a lengthy period, the control which gold can exercise over the price-level of commodities has been abolished, it does not require much intelligence to see that the terms of the equation should be

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Confidence, Incentive, Initiative —Fourth Dimension of Economics

By CLIFFORD F. HOOD*
President, U. S. Steel Corporation

Stressing the need of confidence, incentive, and initiative as a "fourth dimension" of economics, prominent steel executive points out, to continue as the most potent ultimate force in the world, American industry must do a better job in protecting its inherent characteristics of investment, competition, service, and profit. Says taxation is draining off nation's financial resources. Scores "depression tremens," and the uncontrollable clamor for more government intervention in business. Urges every citizen work to keep our great creative system intact, "for it alone stands as a bulwark against a would-be aggressor."

I understand that there is a popular device among writers of science fiction known as a "time machine." It serves such authors as a useful device to have around. All one has to do is set the dial for a certain year and with appropriate sound effects, "there you are." A friend of mine claims he has a machine of this type—a television set that takes him back 10 or 15 years, just by dialing the late-late movie.

Clifford F. Hood

Well, I do not have a time machine with me this evening, but if I did, I would set the dial for the year 1798. It would carry us back to a time when our nation was young, inexperienced and practically defenseless. The supply of arms from Europe was dwindling. France had provided 80,000 muskets to arm the Continental Army, but our relations with that nation had deteriorated almost to the breaking point. In fact, war was imminent.

And so, on May 4 of 1798, the Congress of the United States, after long and bitter debate, voted the sum of $800,000 for the purchase of cannon and small arms. I suppose this would just about equal the down-payment on one of today's smaller nuclear weapons, but it was a large sum of money in those days. It was also a foolhardy appropriation in the minds of many Congressmen—an attitude which I imagine is not unfamiliar to many military men today.

*An address by Mr. Hood at the 12th Annual Dinner of the National Security Industrial Association, New York City, Sept. 28, 1955.

The bill called for the purchase of 40,000 muskets, yet it was well known that in four years the Springfield and Harpers Ferry armories had produced only a thousand.

The men concerned with meeting the crisis of 1798, however, were men of vision. A decade or so before, they had won a war for independence with few assets other than an intangible substance known as "Yankee ingenuity."

It was vision and Yankee ingenuity that came to our rescue again. A young manufacturer and proven inventor by the name of Eli Whitney was awarded a contract on the strength of an idea, an idea which he believed would make it possible for him to manufacture ten thousand of the needed weapons.

His process involved the designing and use of mechanical methods of production. He set to work and accomplished the impossible. Of course, he was unhampered by government bureaus. Through a process we now know as the interchangeability of parts, Eli Whitney fulfilled his contract, gave strength to our nation and its defenses and laid the foundations for the interdependence which now exists between military strength and industrial capacity.

Much has occurred since those fateful days. The march of science and industry has altered our marching armies. The materials of war were once a relatively small list of articles supplied partly from the personal effects of those who enlisted in the ranks. Today they are a collection of complex, intricate, sensitive and accurate weapons and equipment that tax the industrial ingenuity of even our own highly skilled nation.

The scientist and the engineer have become members, in absentia, of the groups responsible for our military strategy and our national defense. Centuries of conflict on the battlefield and in the minds of men have proved beyond question that a nation's military might can be no greater than its industrial potential. We have discovered that while battles may be won or lost in the field, wars are decided on the assembly line, and in the factories, and the shipyards.

A year before we entered World War II, our armored forces had only 464 outmoded tanks. Before that conflict ended, we had produced almost 200,000 tanks, armored vehicles, self-propelled guns, and other vehicles. At the time of Pearl Harbor, our Air Force numbered little more than a thousand combat planes. Before the surrender of the Japanese, American industry had turned out 300,000 war planes, from revolutionary new jet fighters to huge atomic bombers. The business firms which were being criticized in 1940 because they had increased their productive capacities through sound management, were the same industries which, in the following five years, produced an ever-increasing avalanche of war materiel.

The Vast Industrial Potential of the U. S.

The experience of these critical years and the years since has made it apparent that the most potent ultimate force in the world today is the industrial potential of the United States. Upon this industrial potential hangs the future of Western civilization.

This Twentieth Century change in the important area of national security has taken us almost by surprise. Those concerned with military science, with the philosophies of nations and with our own national policies, have not had time as yet to apprehend or analyze its full significance. Yet this force, which, so far, has given pause to swaggering tyrants, already poses questions and problems that are of vital importance to every American.

I suspect since your association is mainly representative of the sources of supply of the military establishment of the United States, that many of you have asked yourselves what kind of preparedness and what degree of preparedness are necessary in this world of 1955. The philosophies and policies of this nation toward warfare are based upon the traditional assumption that war is and must be an exceptional and temporary aspect in the lives of our people. Yet the threat of cold war becoming hot comes and goes with continuing regularity. Peace has become the parade ground upon which the nations of the world display their military might and modern science amplifies the rattle of sabres.

Our industrial potential transcends the implications of the atom bomb, the hydrogen bomb, the entire array of nuclear devices. No other nation ever developed more feared weapons of war than our own. But it is an historical fact that there has never been a weapon developed which was not neutralized, sooner or later, through the perfection of more capable devices or through fear itself.

Major General J. F. C. Fuller, the British soldier-author, said about a year ago: "Because one projectile can demolish Moscow, London or New York, what science has accomplished is to render the military instrument too powerful to attain a profitable political end." Just as the crossbow replaced the spear, and was made obsolete, in turn, by gunpowder, and just as the airplane destroyed the belief that a nation's defenses could be based upon modern adaptations of the Great Wall of China, so in one decade we have come face to face with the military, political and economic ramifications of atomic warfare.

The greatly shortened time factor in scientific and technological change has affected not only military planning. It has emphasized the need to preserve and strengthen our industrial potential within the framework of a resilient economy. To many observers, it is becoming obvious that a defense based upon powerful and costly weapons cannot be sustained by an economy that is weakened by dreams and schemes.

The Fourth Dimension in Economics

In economic phraseology, for instance, there is a factor called "the fourth dimension of economics" which applies to the degree of confidence, incentive and initiative which national economic policies make possible. It is in this area of the "fourth dimension" that our nation has an immeasurable advantage. Personally, I do not believe that any totalitarian system can maintain for a protracted period high standards of efficiency and high rates of productivity.

Sound economic progress is possible only through the incentives and advantages offered by a free economy—incentives in terms of living conditions, the advantages of thrift and investment and freedom of opportunity. Such factors build confidence and supply initiative. They are the intangibles of this so-called "fourth dimension,' and the lifeblood of our economy.

The challenge to your organization, to industry and to every citizen of this land, is to stimulate and preserve these factors. In matters of national security, as in matters of national progress, the right things will not just happen. They must be caused.

If American industry is to continue as the most potent ultimate force in the world, then a better job will have to be done in protecting its inherent characteristics of investment, competition, service and profit. In area after area, economic as well as moral strength has been vitiated by reluctance to stand up for what was known to be right. How many citizens can say they have not at one time or another sacrificed principles in the face of what they thought was public opinion.

Taxation Is Draining Off Nation's Financial Resources

Taxation, as one example, is no longer a means of meeting the costs of local, State and Federal Government. It has become a political and social instrument and as such is draining off the financial resources of this nation. During this generation, an estimated $1,000 billion have been siphoned out of the national economy and spent by governments of the United States, and as yet no one has developed a yardstick to determine how much of this was spent prudently.

Three times in the past ten years we have seen citizens prominent in political, economic and allied fields come down with a bad case of the "depression tremens." One of the symptoms of this condition is an uncontrollable clamor for more and more government intervention in the normal economic processes of the land. It is unfortunate, of course, that we cannot inoculate such individuals with a few distilled facts—facts such as the confidence of the present Administration in the ability of American industry to raise economic levels to new heights without any priming of the pump and with only a little extra push on the handle.

Capital to expand our industries and to increase productive capacities cannot be transferred from one pocket to another by a beneficent government. Capital must be produced. It must be multiplied by competitive enterprise, and then it must be put to work and multiplied once again.

As one who has spent almost 40 years observing American industry, its owners, its managers and its employees achieve the impossible in production time after time, I do not doubt our ability to accomplish whatever may be required in the years ahead. But it will call for vision in our planning and the elimination of the idea that the wages of tomorrow can be spent to meet any selfish demands of the moment. We must become a nation with unlimited faith in the ability of free private enterprise to carry us continually forward.

Among our principal considerations, of course, must be the steady advancement of technological processes—or automation, if you will. To my way of thinking, the potentialities of automation fall into the same sphere of importance today as the mechanical ideas of Eli Whitney in the post-Revolutionary period. And future development in this area will have an even greater impact upon our ability to meet the demands of defense and civilian needs alike.

Peacetime Industrial Expansion Is Best Preparation for War

The continued expansion of industry and our economy in times of peace, is the only means of acquiring the industrial capacities which are so vitally necessary in times of crisis. We know this only too well in the steel industry. In 1940, when we were producing something like 35 to 40% of all the steel produced in the world, officials of the Federal Trade Commission testified that the steel industry was over-expanded. A year or so later, we were at war and other government agencies were urging that steel capacity be increased.

Two years later, after the industry had added approximately ten million tons to its annual capacity, the War Production Board recommended that the steel expansion program be cut back. A year or so later, this same Board forecast an acute steel shortage.

In 1948, an Interior Department spokesman warned that the government might interfere if steel industry expansion programs couldn't keep up with the demand for steel; then, shortly thereafter, the Anti-Monopoly Investigating Committee warned in dire language that U. S. Steel was "too big." Today, with a national steel capacity of almost 126 million tons and with American industry expanding in almost every direction, the same pretense of seeking to prevent monopolies is being used to create public distrust of our nation's industrial potential. Legislation is being considered and promoted in some quarters even now which would stifle competition and perhaps impair defense production in the years ahead.

Growing Day-to-Day Consumer Needs

There is every indication that we face a future wherein preparation for defense will be constantly challenged by the growing day-to-day needs of our people. All of you are aware, I know, that when two or more businessmen

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The New York Power Authority and the ALCOA

By HON. AVERELL HARRIMAN*

Governor of New York

Gov. Harriman, in calling attention to the "great new resource a-building in the North Country," states his reasons for approving the New York Power Authority contract with the Aluminum Company of America. Foresees new industrial developments from the St. Lawrence Seaway and its power output, and stresses the new attractions for tourist travel in the region.

New York State has a great new resource a-building in the North Country. And the whole state is united in the intention that the State — and most especially the North Country—will gain from that resource.

W. Averell Harriman

North Country people are pretty individualistic. But tonight you can see twenty local chambers of commerce sitting down together for a common purpose. Local rivalries are forgotten. It's a little unexpected to see a romance blooming between the Seaway Development Corporation and the railroads. Yet up here they both are on the same team. And the Power Authority and private power companies aren't exactly given to holding hands. But they all are in there pitching together now. They all want to build up the North Country.

Probably the moral of the tale is this. If everyone leaves his doctrinaire approach at the door, all of us can identify the areas where there is a community of interests among diverse groups and proceed with a working program.

It is in this realistic spirit that I have been stressing the necessity for power in the North Country that will encourage industrial development. I have said consistently that a fair share of St. Lawrence power should remain in the North Country.

The Power Authority Act appropriately provides that primary consideration shall be given to the interests of domestic and rural users. It is appropriate, too, that municipal power plants as well as rural electrification cooperatives shall have preference. Yet it is also true that the law recognizes we must have industrial development here to supplement our agriculture in order to balance the economy and use of power. This will enable us to take advantage of our natural resources, including the opportunities the Seaway is opening up, and make sound progress in the interest of all.

We have not had our full share of industrial growth here in the North Country, and now we have the opportunity to make up for lost time. It is an opportunity that must not be lost.

That was one of the reasons I was glad to be able to approve a contract that was worked out between the Power Authority and the Aluminum Company of America—although I must confess I did insist upon some substantial changes in it. Alcoa is the biggest employer in the North Country. As you know, about 6,000 people work there. And the annual payroll is about $30 million.

My responsibility as Governor was to protect those 6,000 workers, their families and the communities that depend in good part on that $30 million payroll. I was not going to be a party to chasing the company out of the State.

You members of the press know from your visit this afternoon that the power generating facilities owned by Alcoa and operated for over 50 years will be inundated when the new dam is built. The contract with the Power Authority will replace this power, as well as power the company is obtaining from other sources on a temporary basis.

Now, with the assurance of a power supply under the contract, Alcoa plans to invest some $25 million in conversion and expansion of its operations.

To warrant the new investment, the power had to be available to Alcoa for a reasonable period of years. However, at my request, the original term for all the power was reduced to 38 years, with provision for the Power Authority to review the situation in regard to half the power at the end of 25 years.

Furthermore, Alcoa has assured me they will increase their fabricating facilities when the stockpiling of aluminum pig for the Federal Government is completed. This in itself will mean more jobs. What is more, it will create further opportunity to attract industrial users of aluminum to locate in the North Country. In addition, it will help to protect the supply of aluminum for industries in New York State and neighboring states — particularly small industries—that have been so short of aluminum in recent months.

Although Alcoa was the first contract to be signed—speed being necessary in order not to delay the speeded-up construction schedule—the Authority is now negotiating for the sale of power to our neighboring State of Vermont, the municipal plant at Plattsburgh, and the Plattsburgh Air Force base.

We have on the Raquette River which flows so close to us tonight, another example of private enterprise contributing to the development of the North Country. When Niagara-Mohawk completes its construction program, the Raquette River over which you will be flying tomorrow will become, I am told, the most thoroughly harnessed river in the United States. This small river will generate 160,000 kilowatts.

The Seaway and the power development represent a great new resource. But they in themselves will not transform this new frontier, this new seacoast of New York State, into an industrial and commercial complex. Much can be accomplished, but it will take initiative and hard work and the use of natural resources, including minerals, which have not been fully utilized.

And remember that the Seaway and power development, together with the well-planned public parks, will constitute one of the great tourist attractions of our country. That is one potential that is quickly realizable.

You editors here tonight are but the forerunners of thousands of tourists to come.

And, may I add, realizing the full potential of tourist attraction also calls for action not only locally but on the part of the State to develop the kind of roads that will encourage people to come our way. The highways leading into the North Country are now inadequate—we all know that. But the State can only move forward rapidly if the voters approve the $750 million bond issue that will be on the ballot in November. Of course, we need an expanded Federal road program. But we must push forward on our State program, too, including our urban arterial highways.

We have let contracts this year for over $5 million in highway projects in St. Lawrence County —making this the biggest year of road construction in the County's history—but many more projects are in the design stage to be constructed if and when the bond issue funds are available.

I hope that when you editors complete your tour you will be convinced of one thing, and that is that we here in New York are working together, all of us, to build our State. We may differ in some of our ideas; we may— in fact we do—differ in politics. But we are dedicated to finding our areas of mutual interest. We want to build jobs and industry.

It is true today that there are more industries and a greater variety of industries working at a profit in New York State than in any other state in the Union. And we are expanding at a healthy rate. In the first six months of this year, we have been informed of plans adopted by industry to build 125 new plants and 152 major additions in this State. These figures for six months exceed comparable figures for the full year 1954 or the full year 1953. I say this not to take credit for the expansion but to illustrate the fact that a healthy climate for business exists in this State.

By the first of next year, I expect that our Business Development Corporation will be set up. This privately-financed and privately-controlled institution will provide a new source of funds for small business, and will encourage the creation of local development corporations like the one in Jefferson County and the one being started in Ogdensburg. By partnership of labor, commerce, industry, local communities and the State, we intend to make our continued progress more dynamic. Ed Dickinson, our new Commissioner of Commerce, who is with us tonight, is supplying dynamic impetus to the Department of Commerce in its role toward these achievements.

In the North Country tonight we see unfolding before us the beginning of the realization of a great dream—with the vast work in the development of the St. Lawrence that you have been inspecting. This has not been accomplished except after years of bitter struggle and conflicting opinions. For myself, I take satisfaction in the fact that eight years ago when I was Secretary of Commerce, I had an opportunity to testify in favor of these great projects.

As I said when I began, there is expectancy in the air tonight —there is a feeling of anticipation. But most of all, there is a great sense of comradeship in a common purpose. With hard work and with the grace of God, we shall realize our dreams.

*An address by Gov. Harriman at the meeting of the Tri-County Chambers of Commerce with visiting editors, Potsdam, N. Y., Sept. 27, 1955.

Arthur D. Schulte Now With Lehman Brothers

Lehman Brothers, 1 William St., New York City, members of the New York Stock Exchange, have announced the association of Arthur D. Shulte with the firm.

Arthur D. Schulte

Mr. Schulte was Chairman and President of Park & Tilford Distillers Corp. from 1945 until this year. During the years 1942-1944 he was with the Board of Economic Warfare, serving in Washington and the Middle East. During the period 1940-1942 he was President of D. A. Schulte, Inc. and from 1929 to 1940 he was Vice-President of both Huyler's, Inc. and Schulte Retail Stores.

Sterne, Agee & Leach To Be NYSE Members

BIRMINGHAM, Ala. — Sterne, Agee & Leach, First National Bank Building, on Oct. 13 will acquire membership in the New York Stock Exchange. Partners are M. H. Sterne, Rucker Agee, Edmund C. Leach, Mortimer A. Cohen, Alonzo H. Lee and Henry S. Lynn who will hold the firm's Exchange membership.

Lyman A. Gould

Lyman A. Gould, partner in Thomson & McKinnon passed away on Sept. 26.

"Icing the Housing Boom"

By HUGO STEINER
President, Berkeley-Steiner, Inc., Mortgage Financing, New York City

Mr. Steiner discusses the recent developments in the money and mortgage markets and gives data regarding disposable income and personal savings. Notes that despite the fact that disposable income increased $14 billion compared with 1954, personal savings have declined $2.2 billion. Says this will ease somewhat the "inflationary bubble" and comments that a decline in housing starts would be "icing the housing boom."

During the week of Sept. 12, the last of the 12 Federal Reserve Banks fell into line and raised its rediscount rate to 2¼%, following the lead of the Cleveland District Bank which had established this rate early in August, when it sought from and was granted permission by the Federal Reserve Bank to jump the rate from 1¾% then being charged nation-wide. This action on the part of the Cleveland Reserve Bank reflected a more realistic attitude in an area of higher industrial activity and greater inflationary pressures than existed elsewhere in the nation. The present uniform 2¼% rate now represents a 50% increase over the 1953-54 recessionary low of 1½%, which figure was established by the Federal Reserve Bank as a period of active ease in the money market. The action taken at that time was a powerful factor in stemming the reactionary tendency in that interim.

Hugo Steiner

Coupled with the passage of the Housing Act, in mid-summer of 1954, modifying still further down payment privileges under Government Guaranteed Mortgages, the private housing industry, particularly, enjoyed a bull market surge of unusual proportions. On a seasonally adjusted basis, the industry at one time was proceeding at the merry, unhealthy pace of almost 1,450,000 starts annually. Family formations and sales were not in gear with this torrid speculative spree. Over 10,000,000 units have been built in the nation since the end of World War II — the longest building boom by far in the nation's history. The mortgage debt has risen more than $40 billion since 1950 and, by the end of the year, may well approach the $85 billion mark. The insatiable demand for mortgage money is beginning to outstrip the rate of bank savings which, recently, has shown a moderately declining tendency as compared with the continuing rise in income. Increased disposable income is being channelled more freely into other avenues of savings, such as life insurance, pension funds, soundly managed corporate equities and mutual funds. The following table points up this trend:

Disposable Personal Income and Personal Savings
1951—Second Quarter of 1955
(In billions of dollars)

Period	Income	Savings
1951	226.1	17.7
1952	236.7	18.4
1953	250.4	19.8
1954	254.8	18.3
1955-1st Qtr.	261.0*	15.3*
2nd Qtr.	267.1*	16.6*

*Seasonally adjusted annual rate.
Source: "Economic Indicators," Aug. 1955.

The second quarter of 1955 compares as follows with the second quarter of 1954:

(In billions of dollars)

Disposable Income	253.9
Personal Savings	18.8

Please note that despite the fact that disposable income increased $14 billion as compared with 1954, personal savings have declined $2.2 billion.

The Washington Administration, concerned by the inflationary tendency in housing, trained its powerful guns of quantitative and qualitative controls on the problem. Down payments of 2% are now required on VA loans, as against no down payments; the FHA down payment was increased 7½% over-all, and the term was shortened from 30 to 25 years. As a result of higher interest rates and, hence, lower bond prices, money is less readily available (comparatively tighter). The Federal Savings and Loan Associations, which were substantial contributors to the mortgage market, will still be permitted to seek credit assistance from the Federal Home Loan Banks on commitments issued prior to Sept. 8; commitments made subsequently will have to be provided for out of their current savings deposits. In the near future, this will most certainly curtail very sharply mortgage commitments from such sources. However, due to the slowing down of new thrift deposits in savings institutions as noted in the above table, such severe cutbacks as this will undoubtedly be eased somewhat as the inflationary bubble in the mortgage field is trimmed from the boom by the current rulings. Inducements of higher dividend rates to attract new savings and existing thrift accounts from other sources will be offered. One of the stronger and larger Federal Savings and Loan institutions in the New York area has just announced an increase in its dividend rate to 3¼% on a per annum basis effective immediately. An additional bonus of ¼% for each 50 months of *consistent* savings is also offered so that at the end of 200 months, an additional 1% bonus can be earned.

As this article is being written, an entirely unanticipated factor has entered onto the financial stage — the severe stock market reaction, which was occasioned by the Presidents illness. To what extent will this development call for a reappraisal of next year's spending plans by corporations and what effect will a lessened demand from industrial sources have on the credit structure? Any slowing down of industrial demand will undoubtedly have a beneficial effect and tend to ease the credit strain so that funds will be more readily available for housing needs.

A decline of housing starts to an annual rate of 1.1 million to 1.2 million would be extremely desirable at this phase of the business cycle and would tend to consolidate the gains made in the last decade at a high plateau. In this observer's opinion, it would be "icing the housing boom."

R. B. Smith Now With Keith Reed Co.

DALLAS, Tex.—R. Brud Smith is now associated with Keith Reed & Co., Inc., Fidelity Union Life Building, as Vice-President. Mr. Smith for many years has served as Executive Secretary of the Texas IBA. He is also Secretary of the Dallas Security Dealers Association. He is a member of the American Institute of Accountants and the Texas Society of Certified Accountants.

R. B. (Brud) Smith

F. J. Connelly Admits

F. J. Connelly & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Oct. 13 will admit James A. Corrigan, Jr. to partnership. Mr. Corrigan will acquire a membership in the New York Stock Exchange.

Joins Sandeen Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — Robert L. Cratty has become affiliated with S. A. Sandeen & Co., Talcott Bldg.

Continued from page 8

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

At the election on the 29th of September, the following Officers and Governors were elected by the Investment Traders Association of Philadelphia.

James G. Mundy

Rubin Hardy

John C. Carothers

Samuel M. Kennedy

Wallace H. Runyan

The Officers are as follows:

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.

Newly elected to the Board of Governors are Herbert E. Beattie, Jr., H. A. Riecke & Co., Inc., Spencer L. Corson, Elkins, Morris & Co., Albert Fenstermacher, M. M. Freeman & Co., Inc., Harry Green, Merrill Lynch, Pierce, Fenner & Beane, John M. Hudson, Thayer, Baker & Co., and William R. Radetzky, New York Hanseatic Corporation.

Other Governors are Jack Christian, Janney & Co., William H. Doerr, American Securities Corporation, Robert F. Donovan, Blyth & Co., Inc., Harry H. Fahrig, Jr., Reynolds & Co., J. Edward Knob, Drexel & Co., Robert McCook, Hecker & Co., William J. McCullen, Hendricks & Eastwood, Inc., Thomas F. O'Rourke, Joseph L. O'Brien Co., Willard F. Rice, Eastman, Dillon & Co., Joseph E. Smith, Newburger & Co., Roy C. Thomas, F. P. Ristine & Co., John F. Weller, Goldman, Sachs & Co., and Edgar A. Christian, Stroud & Company, Incorporated.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York reports that the fall program has been completed.

The Annual Beefsteak Party will be held at the Antlers, 67 Wall Street, commencing at 5 p.m.

Cocktail party, dinner and dance will be held in the Grand Ballroom, Hotel Commodore, Saturday, Nov. 19. Cocktails will be served from 7 p.m.; dinner at 8:30; tariff $25 per couple including gratuities. Tables will be set for groups of ten. Checks should be mailed to Sidney A. Siegel, c/o Siegel & Co., New York City.

The Annual Meeting will be held Dec. 2 at the Bankers Club.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York Inc. (STANY) Bowling League Standing as of Sept. 29, 1955, Are as Follows:

	Points
Donadio (Capt.), Brown, Rappa, Seijas, Demaye	14
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	13
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	13
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	12
Meyer (Capt.), Corbey, A. Frankel, Swenson, Dawson, Smith	11
Bradley (Capt.), Cy Murphy, Voccolli, Rogers, Hunter	11
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	11
Topol (Capt.), Eiger, Nieman, Weissman, Forbes, Klein	9
Growney (Capt.), Define, Alexander, Montague, Weseman	9
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenburg	6
Kaiser (Capt.), Kulman, Werkmeister, O'Connor, Strauss	4
Leinhardt (Capt.), Bies, Pollack, Kuchner, Fredericks	2

5 Point Club
Jack Barker
Hoy Meyer
George Leone

200 Point Club
Bill McGovan 210
Joe Flanagan 209

Forms L. Stein Co.

PASSAIC, N. J.—Leonard Stein has formed Leonard Stein & Co. with offices at 63 Avcrigg Avenue to engage in a securities business. He was formerly with Hunter Securities Corp.

Forms Vick De Lu Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Victor R. De Lu has opened offices at 2136 El Cajon Boulevard to engage in a securities business under the name of Vick De Lu & Associates.

How Shall We Deal With Labor Union Monopolies?

By DONALD R. RICHBERG*
Davies, Richberg, Tydings, Beebe & Landa
Attorneys, Washington, D. C.

Stressing the monopolistic trend in labor unions, prominent Washington attorney and former National Recovery Administrator asserts that to check the growing monopoly power of organized labor, it would be wise to write national and state laws to ensure the enforcement of criminal laws in labor disputes. Recommends a legal restraint on compulsory unionism along with a clear, enforceable limitation on the exemption of labor unions from the Sherman Anti-Trust Law.

To forestall an indignant unionist question: What do you mean by "labor union monopolies?" let me begin with two assurances:

First. I am not charging organized labor with any intentions or designs not openly asserted by the outstanding leaders of organized labor.

Second. I am not charging these leaders with any greater wickedness than the inevitable ambition of human beings to expand autocratic powers so that they become destructive of the essential liberties of other people.

Donald R. Richberg

To prove my first point, I need only quote again the official declaration of the American Federation of Labor in the Supreme Court of the United States that "workers cannot thrive, but can only die under competition between themselves," and that their freedom of organization "must comprehend the right to eliminate wage competition between individual employees." In addition to this long-standing and oft repeated declaration, it is evident, in the prevailing demand for merger or close collaboration between all unions, that labor leaders are seeking also to eliminate all competition between unions, except their inevitable competition to obtain and retain as many members as possible.

To make my second point clear I hope, in my condemnation of labor union practices, to preserve the sense of humor with which I received at one time the private explanation of John L. Lewis that, when he publicly denounced me as "a renegade from labor who had turned against the breast that had suckled him," there was "nothing personal" in his critical statement.

Organized Labor Becoming Monopolistic

The first thing to be made plain today is how organized labor has been advancing from a highly competitive force in a system of private enterprise into the position of a monopolistic controller of a more and more socialized economy.

Those who have studied, or have long memories, know that when the Sherman law was passed in 1890 there was a rapidly growing fear among the American people that increasing business combinations and concentrations of economic power were threatening us with a controlled economy. This would not be a socialistic state, but something more in the nature of a corporative or fascist state in which the control of industry would rest largely in the managers of giant businesses which, through their economic power, would render popular government submissive to their directions.

*An address by Mr. Richberg at the Luncheon of the Economic Club of Detroit, Detroit, Mich., Sept. 26, 1955.

It was somewhat of a shock, particularly to organized labor, that in our early experience under the Sherman law, its restraints were held applicable to ordinary and not unreasonable activities of the unions. As a result, with the support of a friendly public opinion, the Clayton Act was passed in 1914, definitely providing for an exemption of labor organizations from prosecution under the Sherman law when lawfully carrying out their legitimate objects. The labor organizations themselves were not to be construed as illegal conspiracies in restraint of trade.

However, the decisions of the Supreme Court in the 1920s held this exemption of labor unions to be so limited that further agitation arose against what was regarded as an increasing abuse of the injunctive powers of the federal courts. This resulted in the passage of the Norris-LaGuardia Act which extended the definition of a labor dispute to cover a wide range of controversies. It then restricted the issuance of injunctions so as to make it difficult for the federal courts to exercise much judicial control over union activities, particularly in strikes.

The judicial pendulum then swung strongly toward the labor side until today, under decisions of the Supreme Court, there is a practical exemption of labor unions from prosecution in the federal courts for monopolistic practices, including the lawless carrying on of what are clearly illegitimate objects of labor organization.

One case in the Supreme Court should make the situation clear without resorting to extensive legalistic arguments.

The origin of this case lay in the action of the electrical workers' union in establishing, by a series of contracts with business managers, a practical monopoly in the supply of electrical equipment in New York City. There is no doubt as to what was accomplished because, when the case came to the Supreme Court (Allen Bradley Co. v. Local Union No. 3, 324 U. S. 797), the opinion of the Court defined the agreement as follows: ". . . It intended to and did restrain trade and monopolize the supply of electrical equipment in the New York City area to the exclusion of equipment manufactured in and shipped in from other states, and did also control its price and discriminate between its would-be customers." Then the Court said: "Our problem in this case is therefore a very narrow one—do labor unions violate the Sherman Act when, in order to further their own interests as wage earners, they aid and abet businessmen to do the precise things which that Act prohibits?"

The Court then observed that Congress did not intend to give labor unions the power to destroy a competitive economy and asserted very vigorously:

"Seldom, if ever, has it been claimed before, that by permitting labor unions to carry on their own activities, Congress intended completely to abdicate its constitutional power to regulate interstate commerce and to empower interested business groups to shift our society from a competitive to a monopolistic economy."

The Court acknowledged the inconsistency in a law which provided that labor unions alone could destroy competition, but not in combination with business groups, and then held:

"This, it is argued, brings about a wholly undesirable result—one which leaves labor unions free to engage in conduct which restrains trade. But the desirability of such an exemption of labor unions is a question for the determination of Congress."

The curious final ruling of the Supreme Court in this case was to the effect that a labor union and a group of employers could not amicably make such a monopolistic agreement as was effective in New York City. But when a union proceeded one by one against employers and, by use of its so-called economic power, compelled employers one by one to make monopolistic agreements, this inevitable restraint of trade would be beyond the power of the federal courts to prevent by invocation of the Sherman Act.

It should be stated that, in the series of Supreme Court opinions which have resulted in the sanctioning of the exercise of monopolistic powers by labor unions, there have been vigorous dissents, the late Chief Justice Hughes having been one of the notable dissenters. So there may be a just criticism of the Supreme Court majority whose opinions have been largely responsible for permitting labor unions by lawless activities for illegitimate objects to extend a monopoly power wider and wider in American industry.

It seems to me the Supreme Court is particularly to be criticized for such a decision as in the Apex case (310 U. S. 469) where the dissenting opinion of Chief Justice Hughes pointed out that the evidence disclosed "a sit-down strike in its most aggravated and illegal form," and where he summarized the lawless activities of the union as follows:

"When the union demanded a closed shop agreement and, on its refusal, declared the strike, only eight of the company's twenty-five hundred employees were members of the union. The company's plant was seized and held for several weeks. Its machinery and equipment were 'wantonly demolished or damaged to the extent of many thousands of dollars.'

"There was not merely a stoppage of production, but there was also a deliberate prevention of the shipment of finished goods to customers outside the state."

It might seem clear to a straight thinking citizen that, when a law explicitly exempted from its prosecution only the "lawful" activities of an organization in carrying out its "legitimate objects," the exemption could not be legally extended to protect the violent lawlessness of a union representing only eight of twenty-five hundred employees which sought to compel an employer to make a closed shop agreement, forcing all his employees to join the union or lose their jobs.

You will not be bored with any repetition of the tortuous reasoning by which the Supreme Court has re-written and expanded the statute law. But it may be appropriate for me to quote the reply of the late Chief Justice Taft when I heard an eminent lawyer argue before him that the Court simply could not construe a statute to read as the Court had apparently construed it. The amiable Chief Justice jocularly said: "Mr. B., I think you underestimate the powers of the Supreme Court." Unfortunately for many lawyers and for the good of the country, it is becoming more and more difficult every year to underestimate the powers of the Supreme Court.

The Crucial Question

Now we come to the crucial question: How shall we deal with labor union monopolies? There is no doubt of their existence. We have today something like 17,000,000 wage earners organized in unions of enormous size and power. These unions are entrenched in the economic power which goes with the ability to paralyze a single plant or an entire industry by merely a concerted refusal to work. In addition, these unions, by their numbers of voters allied in self-interest and organized for political action, are able to obtain favoring legislation and administration and to prevent even mild limitations upon their exercise of dictatorial powers.

These unions are able to pursue their objectives, not only by lawful methods in peacefully and concertedly stopping work, but also by the use of lawless force and violence, unchecked by judicial or executive enforcement of the criminal laws. These laws protect life and property against all kinds of fraud, coercion and violence except those practised by labor organizations for the unlawful purpose of preventing men from obtaining employment by employers who want to employ them.

A Strike "Ain't No Pink Tea"

Many years ago, when I was legal adviser to a large number of labor organizations, I undertook to protest to the head of one, who was a genial, humane person, against the use of violent tactics which I felt he could more effectively discourage. He did not like what was going on, particularly as his union was not very strong and public opinion was being alienated. But he said to me with a sigh: "Don, a strike ain't no pink tea."

Let us be candid with one another about this. A strike is never a pink tea. As a matter of fact, a strike is a great hardship to most of the men who engage in it. In a long strike they are bound to lose more than the value of anything they may personally gain. They must be emotionally aroused to feel that they are fighting through necessity for what they ought to have. Under such emotion men are not inclined to be reasonable or peaceful. They don't need much encouragement to be individually lawless; and, in mass picketing and such concerted action, they will incline to sadistic cruelty.

The Remedy

This is not the ti[illegible] place to discuss in detail anti-strike legislation. But it is appropriate to say that, to check the growing monopoly power of organized labor, it would be wise to write national and state laws to insure the enforcement of the ordinary criminal laws in labor disputes, just as they are enforced in all other conflicts of human interest.

This might not end the venality or political timidity of local officials who won't enforce the law against union labor. But if there were adequate national and state laws to forbid and prevent labor violence there would always be at least the possibility of imposing direct responsibility for keeping the peace upon the gov-

Continued on page 49

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks put on a junior-grade repetition this week with a Monday morning sag that stopped within pennies of breaching the closing low of last week, followed by a rebound that checked out part of the damage. It all served to prove that the market hasn't yet shaken off the jitters or settled conclusively whether the Sept. 26 low will last long as a base for a new advance.

* * *

The omens weren't all favorable. For one, volume tended to dry up on recovery spells. For another, the rails continued their backward ways and on one day's selling did penetrate the low of last week by more than a point.

Aircrafts Act Well

In the recurrent selling periods of the last couple of weeks it was noteworthy that a group of rather well-deflated issues, including some of the aircrafts, were the better-acting ones in these trying markets. Lockheed was able to recover somewhat more easily than the general run of stocks, with United Aircraft and Douglas also outperforming the general market.

* * *

The tobaccos, which were also well depressed even before the latest storms, were able to show above-average recovery when the going was easy, with American Tobacco, Liggett & Myers and Reynolds Tobacco showing good recuperative powers.

* * *

Metals continued erratic and all-too-frequently were prominent selling targets with Bethlehem Steel going in for some rather wide moves running as much as half a dozen points per session. Kennecott was inclined to be laggard in the coppers, as was Reynolds Metals among the aluminums.

* * *

For the oils the story was one largely of disinterest. Royal Dutch hasn't been showing any great buoyancy and when it occasionally forged ahead temporarily it was cut back rather quickly in subsequent selling. Standard Oil of Jersey similarly wasn't overly prominent in recovery phases, although it occasionally loomed prominently among the losing issues under pressure.

* * *

Cement issues that had been sterling performers for many months not only had subsided for the most but were a bit vulnerable to pressure and recovered slowly. Alpha Portland and Lone Star were a bit more laggard than the others while Marquette Cement, while no ball of fire, nevertheless stood its ground well only a handful of points under its year's high mark.

* * *

The two major telephone listings went in for diverse action. American Telephone was more inclined to slip than not, even when the overall tone was good, while General Telephone recovered well from general selling and then went in for some backing and filling.

* * *

Some of the so-called "defense" stocks also showed signs of having run out of popular fancy for at least a while. Babcock & Wilcox, had little recuperative luck and Allis-Chalmers was a bit prominent on reaching new low territory.

Paper Stocks Boosted

One group that featured rather prominently in the market letters was the paper industry with the analysts boosting still higher their forecasts for the business that the paper firms will do this year. It is something of a logical choice since the half year gain in business ran sharply ahead of the gain for the economy generally in the Federal Reserve Board index. An added attraction has been that the paper companies have been fully as merger-conscious as other lines.

* * *

Automobile shares continued to challenge analysis as far as the two listed issues of the Big Three are concerned, while the independents continued to hug their year's poorest prices. Highly-optimistic news from Detroit and forecasts that 1956 business prospects are for another year rivaling that of 1955 have been tempered by the credit situation and the efforts to make money more expensive to keep down the share of national credit devoted to this one business. It made the motor stocks subject to somewhat wider swings than other issues with General Motors moving over ranges that ran to handfuls of points.

Issues Back in Limelight

A couple of familiar names were back in the limelight and this time on contrary strength. They were U. S. Hoffman and United Dye & Chemical, which forged ahead right in the teeth of concentrated selling, United Dye nudging its year's peak a bit higher up the ladder.

* * *

The rails, despite their general lethargy, were able to offer a contrary candidate, too. It was Kansas City Southern which not only outperformed its group but even the general market on prospects of a dividend increase. In fact, one of the largest houses was sufficiently hopeful of an increase of a third in the present $3 payment that it even committed it to writing in a research report. Union Pacific was the heavier member of this group while the Eastern roads went in for a good measure of backing and filling that was far from impressive.

The Mail Orders

Sears Roebuck was the wider swinging of the mail order issues, partly influenced by the pending 3-for-1 split which won't be official for better than a month yet. Montgomery Ward was not too convincing and it loomed prominently in the casualties on selling spells without the ability to snap back with determination.

* * *

Air-conditioning shares were definitely out of favor and hovered around their poorest prices of the year with Fedders Quigan even nudging through this week. Few of the earnings estimates for these issues were very optimistic and the feeling that the raised-dividend issues will be the Fall favorites found little in these issues to nourish it.

* * *

A rather large amount of space was still being devoted by the market spectators to the implications of the sharpest one-day break for the industrial average since 1929. Much of a reassuring nature was made of such facts as that the September loss in the industrial average was a meager point and a half because of the rapid rebound from the one frantic day's selling. The changed nature of the stock market, the economy generally, and even the dollar of today, came in for thorough dissection.

The Technical Situation

But the technical situation had its flaws, not the least of which was the third monthly loss in a row for the rail average, the imponderables of weakened confidence in the ability of the market to keep up its one-way performance for more than two years straight, and the threats of a change in political control of the country which could be a return to high taxes and an anti-business climate. Perhaps the most important of these was the demonstration, chiefly to the neophytes in investment circles, that the stock market could put on a serious break without any particularly ominous clouds yet visible in the corporate skies. There is still a healthy fear prevalent in many sections of the country over "another 1929" for the stock market. This, the consensus seems to favor, will work against any immediate resumption of any protracted new upturn for some time. The trick is in figuring out how long it will take.

[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.]

Edwin Jacobs With Jay W. Kaufmann Co.

Edwin Jacobs has become associated with Jay W. Kaufmann &

Edwin Jacobs

Co., 111 Broadway, New York City, members of the American Stock Exchange, in charge of the unlisted trading department. Mr. Jacobs was formerly with L. D. Sherman & Co.

Carolina Dealers & Councils to Meet

RALEIGH, N. C.—Members of the Securities Dealers of the Carolinas, the North Carolina Municipal Council and the South Carolina Municipal Council will hold their annual joint meeting at the Mid Pines Club, near Pinehurst, North Carolina, on Oct. 13 and 14, 1955. Membership of these three groups is actively interested in municipal and corporate securities of the two Carolinas and consists of investment dealers, banks and financial institutions in 18 States. A full program of business discussions and entertainment features has been arranged.

Louis V. Sutton, President of the Carolina Power and Light Co. will make the principal address on Thursday, Oct. 13 and will speak on "The Development of the Electric Industry in the Two Carolinas." The principal address of the session on Friday, Oct. 14, will be delivered by W. W. McEachern, President of the First National Bank of Greenville, South Carolina, who will discuss "The Economic Conditions in South Carolina."

Business sessions will be conducted by Edgar M. Norris, Greenville, S. C., President of the Securities Dealers of the Carolinas, E. B. Wulbern, Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., Chairman of the Board of the North Carolina Municipal Council and Mark A. Smith, Chairman of the Board of the South Carolina Municipal Council. Reports will be made by W. Kelvin Gray and W. Herbert Jackson, President and Vice-President, respectively, of the two Councils.

A golf tournament at the Mid Pines Golf Course will be held on Thursday afternoon followed by a Social Meeting of all members and their wives that evening.

Transoceanic Devel. Corporation Formed

Transoceanic Development Corporation Limited has been formed as a Canadian corporation by Kuhn, Loeb & Co., The First Boston Corporation and S. G. Warburg & Company Limited of London for the purpose of acquiring carefully selected equity investments in foreign countries, other than Canada and the United States, it has been announced.

This represents an important and significant step by a private group representing American foreign interests to organize a corporation for international finance and reflects confidence in improving world economic conditions. Two major institutions are already active in the field of international finance; on the one hand the International Bank for Reconstruction and Development (World Bank), which has so far loaned over $2 billion for development projects in various countries, and on the other hand the Commonwealth Development Finance Co. Ltd., which was recently constituted under the auspices of the Bank of England for the purpose of accelerating investment in Commonwealth countries. Under its statutes the World Bank is confined to arranging loans and the Commonwealth Development Finance Co. Ltd., although empowered to participate in equity investments, has so far followed a course similar to that of the World Bank. The activities of these two institutions will be supplemented by the new company, which, as a matter of policy, will be interested mainly in equity investments.

Transoceanic's charter empowers the company not only to invest in existing companies but also to promote, finance and develop new enterprises. The company will give first consideration to providing, in cooperation with local and other investors, new capital for the expansion of mineral, manufacturing and commercial enterprises in countries providing attractive investment opportunities.

The authorized capital of the new company is $10,000,000 (Canadian), divided into 100,000 shares of stock, par value $100. The initial paid-in capital is over $5,000,000, of which about three-fifths has been taken up by American and Canadian participants and about two-fifths by European participants.

Chairman of the new company is Sir William Wiseman, Bart., C.B., C.M.G., partner of Kuhn, Loeb & Co.; Vice-Chairman is George D. Woods, Chairman of The First Boston Corporation, and Chairman of the portfolio committee is Siegmund G. Warburg, Chairman of S. G. Warburg & Company Limited.

Other members of the Board of Directors are: J. Richardson Dilworth (Vice-President) of Kuhn, Loeb & Co.; A. G. S. Griffin (Vice-President) of The Toronto & London Investment Company, Limited; Eric Korner (Vice-President) of S. G. Warburg & Company Limited; Edward Townsend (Vice-President) of The First Boston Corporation; Jean Cattier of White, Weld & Co.; Peter Fleck of Amsterdam Overseas Corp.; Merrill Griswold of Massachusetts Investors Trust; Alan Hoover of New York; Andre Istel of Andre Istel & Co.; Bernard Lechartier of Credit Foncier, Franco Canadien; S. L. Lewis of Bear, Stearns & Co.; Leo Model of Model, Roland & Stone; James Muir of Royal Bank of Canada; James Stewart, C.B.E., of Canadian Bank of Commerce.

Among the participants are: American: A. C. Allyn & Company, Inc.; American Metal Company Limited; American Research & Development Corporation; Amsterdam Overseas Corporation; Bear, Stearns & Co.; Equity Corporation & Morris Plan Corporation of America; The First Boston Corporation; Andre Istel & Co.; Kuhn, Loeb & Co.; Model, Roland & Stone; Pennroad Corporation; David and Laurance Rockefeller; L. F. Rothschild & Co.; E. M. Warburg & Co.; White, Weld & Co.

Canadian: Royal Bank of Canada.

European: Amsterdamsche Bank (Amsterdam); Banque de Paris et des Pays Bas (Paris); Banque Lambert (Brussels); Brinckmann, Wirtz & Co. (Hamburg); Credit Suisse (Zurich); The Deutsche Bank Group (Frankfurt/Duesseldorf/Hamburg); Deutsche Unionbank (Frankfurt); Helbert, Wagg & Co. Limited (London); Heldring & Pierson, Pierson Co. (Curacao); Nederlandsche Handel-Maatschappij (Amsterdam); Sal Oppenheim, Jr. & Cie (Cologne); N. M. Rothschild & Sons (London); Various Interests under de Rothschild, Paris; S. G. Warburg & Company Limited (London).

Herzfeld & Stern 75th Anniversary

October 3 marked the 75th anniversary of the founding of Herzfeld & Stern, one of the oldest members of the New York Stock Exchange. Established in 1880 by Felix Herzfeld, the firm was originally known as Herzfeld & Company. The present title was adopted in 1899. Herzfeld & Stern has, throughout its history, numbered among its partners members of the founder's family. Max Reichenbach, the senior partner, represents the second generation, and Kurt Berger and Paul A. Cohen represent the third generation of the family. One partner, Nathan Shulman, has been associated with the firm for almost 50 years, Ira M. Pike, another partner, has been associated with the firm for more than 40 years.

Herzfeld & Stern has always been well known in European financial circles, and has an office in Geneva, Switzerland. The firm's main office is at 30 Broad Street and it also has a branch office at 500 Fifth Avenue, New York City.

Charles Quine Joins Hill Richards & Co.

SAN FRANCISCO, Calif.—The investment securities firm of Hill Richards & Co. announced the association of Charles W. D. Quine as Resident Manager of its San Francisco office, 155 Montgomery Street, and his election as Vice-President and Director of the firm. Mr. Quine has lived in San Francisco since 1924, and has been a general partner of Kaiser & Co. for the past 10 years.

W. W. Jones & Co. Formed in New York

W. W. Jones announces the formation of W. W. Jones & Co., as brokers in state, municipal and revenue bonds for dealers and dealer banks exclusively. The new firm will maintain offices at 141 Broadway, New York City. Mr. Jones formerly was Manager of the municipal bond brokerage department of Mabon & Co.

New Hutton Branch

PALM SPRINGS, Calif.—E. F. Hutton & Company has reopened the branch at 170 North Palm Canyon Drive under the management of Albert L. Coffy.

New Talmage Branch

BROOKLYN, N. Y.—Talmage & Co. have opened a branch office at 1646 Pitkin Avenue under the management of Eugene Rosenfield and H. David Epstein.

The Stock Market Explosion

By ROGER W. BABSON

Mr. Babson lists as five "sticks of dynamite," which could set off the stock market explosion: (1) buying of "blue chips" by institutional investors; (2) tremendous building of houses; (3) greatly increased installment purchasing; (4) military expenditures, and (5) poor yields of stocks after payment of taxes. Urges as a way to prevent depression "Spend More Money on Advertising."

What has happened to our good friend President Eisenhower has been the match to set off the explosion which has been due for some time. Those of you who have followed this weekly column will remember that I have often noted five "sticks of dynamite" which were awaiting something to set them off, to wit:

Roger W. Babson

(1) *Buying by Investment Trusts, Pension Funds, and Institutions.* The money has come into these so fast that the fund managers felt they must invest it. Furthermore, they naturally turned to the biggest companies.

(2) *Tremendous Building of Houses.* This exceeds that of previous years. The money is well spent, both to house the owner and help the 27 industries which benefit from the building of every house. Home purchasers, however, should have been made to put up more money of their own, and not buy houses on shoestrings.

(3) *Greatly Increased Installment Purchasing.* I do not criticize the purchasing—even on installments—of automobiles, electric refrigerators, washing machines, modern kitchens, and other things which improve the efficiency of the home; but buying TV sets, with hardly a down payment, may be questionable.

(4) *Military Expenditures a Great Factor.* To the extent these are paid for by taxes, they are not too serious; but they cannot be depended upon. Furthermore, although necessary, the expenditure is uneconomic.

(5) *Poor Yields of Stocks After Payment of Taxes.* Except in the case of Pension Funds, Institutional Investments, and other non-taxable purchases, low yield may be the greatest factor. After most investors deduct the income tax from their dividends, the yield is altogether too small to run the risk of buying stocks.

Effect Upon Business and Employment

What the market will do from now on: I forecast that most major dips will go lower than the preceding dip. Yet, each dip in due time will be followed by an upward reaction. This latter will probably not reach as high as the preceding upward movements. What will really happen to the stock market will depend upon general business, which in turn determines employment. Employment determines retail sales, which supply the factories with orders, thus completing the economic cycle.

President Eisenhower's health will be a great factor in determining the immediate future of business. Many large undertakings have been held in abeyance pending a decision from President Eisenhower as to whether he will run again. This work will doubtless now be held up until it is known who the Presidential candidates will be. Perhaps this means that the contracts will not be signed until after the election, if they are signed for some years to come.

What the President Would Like to Do

Intimate friends of President Eisenhower and his wife have known that he does not like the details, the public speaking and entertaining demanded by the Presidency. He enjoyed being General of the Army where his work was largely confined to thinking and planning. Others carried out the details. No one opposed him or ignored his orders. We now know he will not run again. But I believe that he would have liked to be Secretary of Defense or Secretary of State or Chairman of the Security Board. His holding such a position would add greatly to the Administration and give the country faith.

When manufacturers and merchants telephone me asking what they can now do to prevent a business depression, I reply: *"Spend More Money on Advertising."* As stated above, future business and prosperity depend upon retail sales at the grass-roots level. To stimulate these sales, two things are required: More advertising and better employee relations. I hope that every businessman and wageworker will do his part along these lines during these critical weeks.

Thomas Graham Heads Louisville Sinking Fund

LOUISVILLE, Ky. — Thomas Graham, The Bankers Bond Co., Inc., has been re-elected President of the Board of the Sinking Fund Commissioners for seventh consecutive term. Merle E. Robertson, Liberty National Bank & Trust Company, was chosen Vice-President to succeed Lee P. Miller of Citizens Fidelity Bank & Trust Co.

Thomas Graham

New York Stock Exchange Weekly Firm Changes

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

Peter Darlington and Thomas W. Hill retired from partnership in Cosgrove, Miller & Whitehead Sept. 30.

Mahlon O. Bradley and Clayton B. Jones withdrew from limited partnership in Hornblower & Weeks on Sept. 30.

Nationalization's Balance Sheet in Britain

By PAUL EINZIG

Dr. Einzig, noting the 10th Anniversary of the first Nationalization Bill in Britain, assesses the gains and losses derived by the nation from nationalized industries. Says the Bank of England has barely been affected by Nationalization, but the railways have deteriorated, and conditions in the Nationalized coal industry are "thoroughly unsatisfactory."

LONDON, Eng.—Almost exactly ten years ago the Labor Government, which assumed office with a big majority as a result of the 1945 general election, introduced its first Nationalization Bill, providing for the nationalization of the Bank of England. It was followed by the nationalization of coal, transport, gas, electricity, civil aviation, and iron and steel. With the exception of the latter, and of road haulage transport, the industries nationalized by the Labor Government were left in public ownership by the Conservative Government.

Paul Einzig

The time has now come to assess the gains and losses derived by the nation from its ownership of these industries. As far as the Bank of England is concerned, the change has been negligible. Even before the Bank stocks were acquired compulsorily by the Treasury, the Bank of England did its utmost to carry out the policies determined by the Treasury. It is true, whenever the Governor of the Bank of England of the day had a stronger personality than the Chancellor of the Exchequer of the day, some of the Treasury's policies were strongly influenced by advice received from the Bank. But nationalization has not made any difference from this point of view. It is true, the Governor is now appointed by the Chancellor, and the Treasury is now legally in a position to dictate the Bank's policies and actions. In practice, however, the Chancellor is bound to listen to advice from the Governor and officials of the Bank, in the same way as he listens to advice from his own senior officials. From time to time the influence of the Bank's advice is distinctly recognizable in the Treasury's actions.

The Bank of England has barely been affected by its nationalization. While the Treasury has the right to determine the broad outlines of its policies, it does not interfere with day-to-day business. Most things are carried on as before. Relations between the Bank and the banking community are exactly the same as before. It is true, now the Bank is in a position, if instructed by the Treasury, to direct the banks to adopt certain measures, such as the cutting of credits. But even before its nationalization the Bank was well in a position to induce the banking community to follow its hints. So the balance sheet of nationalizations shows neither gains nor losses as far as the Bank of England is concerned.

However, the same cannot be said about the nationalization of the coal industry. Conditions there are thoroughly unsatisfactory. The output is inadequate, investment policy is short-sighted, labor relations leave much to be desired. Centralization has been detrimental to efficiency, and the National Mineworkers Union is firmly opposed to decentralization, for fear that it might become the thin end of the wedge of denationalization. Private owners would have made a much better job of it, if they had been allowed to sell the coal at economic prices. It is realized to an increasing degree that coal nationalization has been a costly failure. Rising production costs, declining output in spite of progress of mechanization, frequent strikes, have been the price the nation has to pay for the experience.

The picture is rather less unsatisfactory as far as gas and electricity are concerned. But, judging by the steep rise in gas and electricity charges, the change cannot be said to have brought any striking improvement.

The deterioration of the railways since their nationalization is only too obvious to anyone who is in a position to compare their present conditions with their prewar conditions. The service the travelling public receives is not nearly as good. It is hoped that, at the cost of considerable capital investment, conditions would improve, when the reconstruction scheme is completed. But this may take many years, and it will cost many hundreds of millions of pounds.

This brings us to the question of capital investment programs of nationalized industries. One of the main arguments in favor of nationalization was that, with the major industries under its control, the Government would be in a position of pursuing Keynesian monetary policy by regulating the trend of business and of prices with the aid of adjustments of its investment programs. The idea was that the capital expenditure of the nationalized industries, as that of the Government itself, should be increased during depressions and reduced during booms and inflations. In practice the investment policies of these industries have not been influenced to any noteworthy degree by the ups and downs of the British economy. Indeed the Treasury found it at times difficult to apply its policy of credit cuts as far as nationalized industries are concerned.

Nor has the Government been able to use the nationalized industries in the service of its effort to resist the rising trend of prices. Nationalized industries have found it even more difficult to resist excessive wage demands than private industries. Most of the major strikes occurred in nationalized industries, and the outcome has been usually the granting of the demands. The prices of the goods and services supplied by the nationalized industries are adjusted as a matter of course to each wages award. The spirit among workers in nationalized industry is far from satisfactory. They do not show any signs of willingness to exert themselves to ensure the success of nationalization.

Taking nationalized industries as a whole, it is difficult to escape the conclusion that the nationalizations have failed to justify themselves in the experience of the last ten years.

Course on Economics of Securities Business

The Investment Association of New York in cooperation with the New York University Graduate School of Business, for the fourth consecutive year, presents the course of lectures entitled, "The Economics of the Securities Industries."

This year outstanding university professors, prominent members of the investment banking fraternity, corporate executives active in finance will lecture on various topics pertaining to our business.

The course, which starts Oct. 6, is being given in the Divine Room of New York University at 90 Trinity Place. The program will include seven one hour lectures and will conclude with a panel discussion. The enclosed schedule lists the date, topic and speaker for each of these sessions.

Tuition of the course will be $20. The attendance will again be limited due to space on a first come, first served basis, with priority being given to members of the Investment Association. Non-members will be accepted subject only to available space and will be notified as soon as possible.

It is important that applications be filled out immediately and returned to: Mr. Edward B. deSelding, Secretary, The Investment Association of New York, c/o Spencer Trask & Co., 25 Broad Street, New York 4, N. Y.

Scheduled lectures are:

Thursday—Oct. 6: "The Outlook for Interest Rates," Dr. Marcus Nadler, Professor of Finance, New York University.

Monday—Oct. 10: "Distribution of Corporate Securities," Mr. Robert A. Powers, Smith, Barney & Co., New York University.

Wednesday—Oct. 19: "The Outlook for the Domestic Economy," Professor Martin R. Gainsburgh, Chief Economist, National Industrial, Conference Board and Adjunct Professor, New York University.

Wednesday—Oct. 26: Topic to be determined. Dr. Jules I. Bogen, Professor of Finance, New York University.

Wednesday—Nov. 2: "Municipal Bond Financing." Speaker to be announced.

Wednesday—Nov. 9: "Equity Financing via Convertible Debentures," Mr. John J. Scanlon, Treasurer, American Telephone & Telegraph Co.

Wednesday — Nov. 16: "What Lies Ahead in Wall Street," Mr. Charles B. Harding, Senior Partner, Smith Barney & Co.

Monday—Nov. 21: Panel Discussion: "Portfolio Management," Dr. Jules I. Bogen, Moderator Professor of Finance, New York University.

Edwards & Hanly Branch

JACKSON HEIGHTS, N. Y.—Herbert G. Edwards, partner in the investment firm of Edwards & Hanly, members New York Stock Exchange, has announced the opening of a branch office at 83-18 37th Avenue in Jackson Heights, L. I., N. Y. on Monday, Oct. 3. This will be the 5th Edwards & Hanly office on Long Island and the 4th branch office to be opened within the past year. The others are located in Hempstead, Huntington, Bay Shore and Valley Stream.

The new office will be fully equipped to handle complete brokerage service.

Resident partners in the office will be John C. Cronin, George M. Corning and Robert W. Terry, all of whom have been in the investment business for over 15 years.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has been on the constructive side, with a better tone in evidence, and this is attributed to a somewhat improved psychological attitude, along with a minor expansion in investment buying of these obligations. Also, the recent action of the equity market has not been unfavorable as far as the feeling towards the Treasury market is concerned. To be sure, the caution and uncertainty which has been so evident in the Government market has not been dissipated by any means, but it seems as though there is a tendency now to look at Government securities with a somewhat lessened amount of skepticism.

New Note Issue No Surprise

The Treasury has discontinued the weekly offering of $100 million additional of Treasury bills for new money raising purposes. The $2,750,000,000 of eight-months tax anticipation notes, as the large new money operation of the Government, appears to be the main reason for the ending of the Treasury bill money raising venture. Also the debt limit does not give very much leeway now for continued new money raising by the Government. The 2¼% tax anticipation note, just offered by the Treasury, was in line with expectations of the financial district. The heavy oversubscription of the 2¼s was no less anticipated.

There appears to be considerable opinion in the financial district that the future course of the Government bond market will depend in no small measure upon the future trend of common stock prices. There seems to be nothing very new about this kind of thinking because it appears to have been evident for some time that one of the important and significant factors in the credit restrictive operations of the powers that be, was the action of the equity market. The recent unfortunate illness of the President appears to have had a somewhat sobering effect upon the common stock market. The very sharp break in prices of equities which took place concurrently with announcement of the President's illness, was followed by a substantial recovery in quotations. At the same time, with the break in prices of common stock came a fairly substantial upward movement in quotations of Government obligations.

To be sure, part of the betterment in prices of Treasury securities was due to the marking up of quotations, with indications that not too much volume was involved. On the other hand, the improved tone in the Government market did bring in a certain amount of investment buying, especially in the most distant maturities.

Rally in Governments Heartening

The fact that the Government market has shown greater ability to rally is considered to be a favorable development, even though from time to time part of the gains registered were subsequently erased. Nonetheless, it is indicated that some of the caution which has been so evident in the Government bond market is not as strong as it has been. This does not, however, mean that a feeling of optimism has taken its place, because this is not the case, even though somewhat expanded commitments are being made in selected long-term Government securities.

Equity Market Key Factor

The opinion that the future action of equity prices will be very important to the coming trend of the Government bond market is based on the belief that a less certain common stock market will tend to postpone, for a time at least, some of the restrictive measures which could be taken by the monetary authorities. This might mean that the rediscount rate will stay at the current level of 2¼% instead of being pushed ahead again to 2½%. Likewise, it could be that the "prime bank rate" will remain at 3½% as long as the pressure on the money market is not increased by the powers that be.

On the other hand, a rising and active equity market will mean that the monetary authorities will not only keep the pressure on the money market, but there will most likely be added pressure until more of the things which they are endeavoring to bring about have become a reality.

3s of 1995 Regain Favor

Switches and swops continue to be important to the volume and activity in the Government market with reports that an increasing number of institutions are making tax adjustments in their portfolios. It seems though there is more of a tendency now to lengthen maturities in these switches. It is believed that this kind of operation will continue to gain momentum as time goes along.

There are evidences that the 3s of 1955 have been well taken by investors even though quite a few of these bonds showed up for sale when the 100 level was reached. It was reported that savings banks and insurance companies were the principal sellers of the 3s when quotations temporarily moved back to the cost price of this bond.

Ins. Savings Service

MIAMI, Fla.—Bernard Finchell is engaging in a securities business from offices in the Ainsley Bldg. under the firm name of Insured Savings Service.

Forms Inv. Secs.

DENVER, Colo.—Russell Salde is engaging in a securities business from offices in the Railway Exchange Building under the name of Investment Securities.

D. A. Zarlengo Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Dominic A. Zarlengo has opened offices at 3025 West Scott Place to engage in a securities business.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Irving G. Morgan and James C. Su-Brown have become affiliated with B. C. Morton & Co., 131 State Street,

Railroad Securities

Western Pacific

Although the overall market action of railroad stocks has left considerable to be desired so far this year the same can not be said for operations and earnings. Statistics on these points have been most impressive. As early as July cumulative net income for 1955 rose to roughly $490 million which matched the level of the like 1953 interval and represented an increase of some 73% over a year ago. Further improvement was registered in August. From here on, of course, comparisons with 1954 will be less spectacular but in relation to 1953 comparisons will be with a period of declining traffic. Some analysts are therefore quietly mentioning the possibility that net income for the full year 1955 may top the $902 million reported in 1953 which, in turn, was the best year in the industry's history. This added to the likelihood of a number of favorable dividend actions during the next couple of months is viewed as affording strong support to rail securities.

One stock that has been a big disappointment to its followers, but which has recently shown signs of reviving investment interest, is Western Pacific common. While it is still well below the year's high it had been, prior to the general break caused by President Eisenhower's illness, climbing steadily out of its rut. Analysts close to the situation are of the opinion that once the market as a whole settles down, further optimism would be well justified by the road's long-term record and prospects. In particular, analysts point to the exceptionally strong growth trend the company has enjoyed. Industrial development of the service area and contiguous territories has been an important factor in this growth. That this trend has not even yet run its full course is evident from the opening up of the huge Ford assembly plant on the company's lines in California which alone could mean more than $5 million in additional revenues.

Aside from the highly favorable traffic background, Western Pacific is among the most efficient railroads in the country. Consistently up until last year it had been numbered among that select group of carriers with a transportation ratio below 30%. Even with the rise to 31.6% last year the performance was well ahead of the industry average of 38.7% and in 1955 the company's ratio will probably again fall below 30%. Similarly, the company's pre-tax margin of profit has consistently been well up among the best in the industry despite a heavy property rehabilitation program. Contributing to this marked degree of efficiency are a relatively low passenger load, no extensive low density branch line mileage, a long average haul on freight, and a large proportion of bridge traffic which traditionally is highly lucrative. These are permanent considerations.

When Western Pacific came out of reorganization the status of the common stock was adversely affected by an issue of participating preferred stock. This was eliminated last year partially through substitution of income bonds and partly through redemption. It has been considered that this step vastly improved the prospects for an increase in the $3.00 annual dividend rate that has been maintained since the company emerged from reorganization and which is low in relation to the road's earning power. The road last year suffered not only from the economic readjustment but, also, from the ending of the Korean war, and earnings on the common (adjusted for the present capitalization) dropped sharply to $6.13 a share compared with $11.63 earned in 1953. There has been a good recovery in earnings so far this year and while Western Pacific will not be one of those roads reporting greater net in 1955 than in 1953 it is estimated that share results could well top the $9.00 level this year, with further increases anticipated from territorial growth in subsequent periods.

Bank of America Promotes Three

SAN FRANCISCO, Calif.—Promotion of three Bank of America executives to Assistant Vice-Presidencies was announced at the

Patrick R. Byrne   T. A. Griffinger

bank's San Francisco headquarters by President S. Clark Beise. The three, all of the Bond Investment department, are Patrick R. Byrne, Theodore A. Griffinger and Lawrence H. Prager.

Mr. Prager, who has a B. A. degree from Stanford University, has been in the municipal bond field since 1930. He came with the Bank's Bond Investment department in 1936 and was named head of the Municipal Bonds Trading section eight years ago.

Mr. Griffinger is a Princeton University graduate who entered investment banking in New York City in 1945 after serving as a Captain of field artillery in Europe during World War II. He joined Bank of America in 1948 and is assistant head of the Municipal Bonds division.

Mr. Byrne joined the bank in 1929 as a messenger and has been in the Bond Investment department for 21 years. He now is head of the Investment Service section. A native of England, he is a graduate of University College in Dublin, Ireland, and of the American Institute of Banking.

S. F. Exchange Wins Advertising Award

SAN FRANCISCO, Calif.—Standard & Poor's Corporation has again presented the San Francisco Stock Exchange with a Merit Award in its publication "Advertising in Action," it was announced by the Exchange.

The award was made for the Exchange's 1955 brochure, "Facts for businessmen planning 10 years ahead."

The Exchange received its first award in "Advertising in Action" for its pamphlet "Let's Look at Stocks and Bonds," published in 1951.

Cornelis De Vroedt Opens

ASTORIA, N. Y.—Cornelis De Vroedt is engaging in a securities business from offices at 3081 Forty-sixth Street.

Public Utility Securities

By OWEN ELY

Delaware Power & Light Company

Delaware Power & Light serves the city of Wilmington and vicinity with electricity and gas, and three counties of Delaware with electricity. Two subsidiaries provide electric service in almost all of the balance of the Delmarva Peninsula—so named because it includes areas in Delaware, Maryland and Virginia. The population of the area served with electricity is 462,000, and that with gas 208,000.

Major industries in the Wilmington area include—in addition to the huge duPont chemical enterprises—shipyards and carshops, and the manufacture of rubber, steel, paper and fibre products. The Peninsula (Delmarva) is largely rural, with food-processing and poultry-raising of importance. Wilmington is growing as a seaport, has good air transport facilities and is a defense center. The seashore resort areas are also growing rapidly.

Delaware P. & L. deserves to be included in the list of "rapid growth utilities." Recent revenues of over $32 million are about 2½ times those of 1945; gross for the first half of 1955 showed a gain of 10% over last year and the management expects this rate of gain to continue. Delaware is the fifth most rapidly growing state. The company's summer air-conditioning load had been growing rapidly, having jumped about 40,000 kw. from May to August this year, some of the increase being accounted for by the food packers. Hence the company decided to expedite its plans for a 75,000 kw. generating unit at Indian River in southern Delaware.

Revenues are currently about 13% gas and 87% electric. The company is now "back in the gas business," as President Cooper phrases it, and expects now to earn an adequate return on the gas rate base. The supply of gas this winter will be ample—25% more than last year—and the company will also have a modern standby plant with propane storage. Excess gas can be used as boiler fuel although the company would prefer to sell it at a profit for interruptible industrial use. The standby plant can now produce a type of gas equivalent in heating value to natural gas, making it available in emergencies and for peak shaving.

The electric division has also been greatly improved by completion last December of a 78,000 kw. unit at the Edge Moor Plant in Wilmington, increasing system capability by over 30%. New transmission facilities now provide a dual connection between Wilmington and the Vienna Station of the Maryland subsidiary, making it possible to transfer larger amounts of power between the northern and the southern parts of the property and thus improve the reliability of service. The company is now constructing two new plants—an $18 million unit in south Delaware and a special $22 million plant adjacent to the new $150 million refinery of Tidewater Associated Oil. This generating unit is being built for the Tidewater Co.'s use and Delaware P. & L. has a very favorable operating contract which virtually insures a 6% return on the investment.

Capitalization at the end of 1954 was as follows:

	Millions	%
Funded Debt	$57	49%
Preferred Stocks	19	16
Common Stock Equity (1,858,228 shares)	41	35
	$117	100%

While the company plans to issue $10 million bonds and $5 million preferred stock this year (probably early in December) this increase in senior capital should be balanced by an issue of common stock some time next year.

President Stuart Cooper in a recent talk before the Society of Security Analysts forecast earnings of about $2.25 a share for the calendar year 1955 (assuming that recent economic trends continue) as compared with $2.08 in 1954, $1.84 in 1953 and $1.75 in 1952. Share earnings are expected to continue on the upgrade. Favorable factors will be the termination of electric plant amortization in 1958, the small charge for gas plant being ended in 1962. Gas conversion costs are also expected to be fully amortized by 1958. Moreover, annual pension charges can be substantially reduced in several years.

Despite serving the industrial city of Wilmington and the adjacent area, only about 23% of the company's electric revenues is industrial, while 38% is domestic, 27% commercial, 10% municipal, etc. Industrial business is of the relatively stable type, hence the company's future growth should not be too much affected by business cycles. The company has sponsored several successful sales campaigns featuring larger power and gas consuming appliances, such as ranges, clothes dryers and air-conditioners. With annual domestic use somewhat below the national average, there is an opportunity to build up the use of appliances.

Despite further sales of common stock which may be required by the company's future growth, Mr. Cooper stated in his recent talk "we will continue to increase our share earnings. As a stockholder, I hopefully anticipate increased dividends."

At the recent price around 37, the present dividend rate of $1.50 affords a yield of 4.1%. The price-earnings ratio based on anticipated 1955 earnings of $2.25 is 16.4, only moderately above average.

Columbia Secs. in NYC

Columbia Securities Corporation has been formed with offices at 135 Broadway, New York City, to engage in a securities business. Offices are Louis Voso, President and Treasurer; L. M. Voso, Vice-President; Louis Voso, Jr., Secretary. Mr. Voso was previously with J. F. Gruber & Co. and Hunter Securities Corp.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

There has been reference here to the fact that, generally considered, a large proportion of the more actively traded fire and casualty insurance stocks showed only fair underwriting results for the first half of 1955; also that a decidedly better performance was reported in the investment end of the business for the same group of companies. The latter showing was based not alone on the increase from investments, but also on the appreciation in the period in the companies' assets. Indeed, 1955 may well be the second most favorable year the industry has ever experienced, so far as the companies' asset positions are concerned.

In the accompanying table of 26 fire and casualty companies of varying size, 12 show losses in statutory underwriting; and in all except about a dozen cases, those t at did show statutory underwriting gains registered only small ones. In all instances of statutory losses, the equity in the change in the premium reserve in the half-year acted at least as a partial offset. Only five companies showed a net loss on an adjusted underwriting basis.

It will be recalled that most insurance statistical services ascribe a portion of the unearned premium reserve for a given period to adjusted underwriting gain or loss. This portion is usually 40% for fire lines and a varying amount, usually between 30% and 50%, for casualty units. But the results for these companies, chosen at random, were not good for the 1955 first half except in a few instances.

While none of the 1955 hurricanes occurred in the first half, some losses from the 1954 hurricanes were in the 1955 first half results. Also, as has been noted, the first half having in it most of the winter months when losses are heavier, is customarily the less profitable half. And finally, there has been a trend toward lower rates in some large lines because of the favorable experience in these categories.

This year's hurricanes probably did materially less damage as a result of wind storms than as a result of floods. Flood hazards are not insurable, except on motor vehicles under some comprehensive coverage clauses, so it can be expected that the companies will not suffer the losses from these 1955 storms that they faced last year. One other favorable factor is that extended coverage rates are now beginning to be more realistic. This line has been a highly unprofitable one, a condition that must lead to correction via rate increases.

The place where the increase in portfolio values showed up best was in liquidating values. For all of the stocks here listed there was an increase in liquidating value, many of them quite sizable.

The indications are that, while the multiple-line companies are likely to be in the black in underwriting this year, the results for them may not be as good as some of the more recent periods. Dividends will probably continue on the meager side for most companies while volume of business pursues its rise.

FIRST HALF, 1955, EARNINGS

	Operating Results					Liquidating Value	
	Stat. Und.	Prem. Reserve Equity	Invest. Income	Fed. Taxes	Net Earns.	6/30/54	6/30/55
Aetna Insurance	—$0.49	$1.47	$2.72	$0.55	$3.15	$114.23	$121.10
Agricultural Insurance	0.44	0.08	1.26	0.61	1.17	64.38	68.27
American Insurance	—1.28	0.84	1.19	---	0.75	48.21	50.86
Bankers & Shippers	1.58	0.65	1.68	1.27	2.64	85.00	83.06
Continental Casualty	2.96	1.42	1.48	1.80	4.06	53.32	59.75
Continental Insur.	—0.72	0.69	2.64	0.26	2.35	127.52	138.56
Federal Insurance	0.97	0.36	0.66	0.68	1.31	35.72	38.09
Fidelity & Deposit	4.55	0.77	2.09	3.12	4.29	109.95	116.45
Fidelity Phenix	—0.82	0.77	2.85	0.31	2.49	144.98	158.44
Fire Association	0.05	0.50	2.06	0.37	2.24	85.36	90.54
Fireman's Fund	0.15	1.37	1.57	0.57	2.52	71.15	73.29
Firemen's Insurance	0.45	0.31	2.00	0.78	1.98	64.11	68.79
Glens Falls Ins.	—0.02	0.84	2.23	0.48	2.57	101.06	104.85
Hanover Fire	—0.12	0.21	1.51	0.12	1.48	72.69	76.57
Insurance Co. No. Amer.	—0.20	1.40	2.48	0.61	3.07	102.11	111.42
Merchants Fire	0.56	0.45	1.44	0.67	1.78	73.45	79.93
National Union	—1.61	0.31	1.66	+0.03	0.39	69.37	72.37
New Amsterdam Cas.	—1.22	2.27	2.71	1.19	2.57	86.50	88.66
New Hampshire Fire	—0.62	0.44	1.90	0.34	1.38	79.35	83.65
Northern Insurance	—0.14	2.77	2.64	0.13	5.14	122.71	135.25
Pacific Fire	1.34	0.55	1.64	1.08	2.45	85.65	90.29
Providence Washington	0.71	0.29	1.17	0.12	2.05	43.73	45.54
St. Paul Fire & Mar.	1.15	0.15	1.09	0.67	1.72	39.15	41.57
Seaboard Surety	2.34	0.43	1.27	1.62	2.42	73.17	77.48
Standard Accident	—0.74	2.32	2.17	0.24	3.51	87.87	90.41
U. S. Fid. & Guaranty	0.98	1.89	2.08	0.92	4.03	77.14	80.56

SOURCE: Alfred M. Best Company.

Continued from page 9

"The Antitrust Division Looks at Bank Mergers"

1935, and to 60.6% in 1954. From these figures, it seems clear, emerges a picture of steadily increasing bank deposit concentration in New York City.

This 1954 figure, I point out, takes into account the recent four large mergers of the Chemical-Corn Exchange, Chase-Manhattan-Bronx Trust, Bankers Trust-Public National, and National City-First National. At least one of these mergers, we are now investigating to determine whether a Sherman Act prosecution is indicated. From the same standpoint we are examining the recently proposed merger in Philadelphia of the Pennsylvania Company for Trusts and Banking and the First National Bank of Philadelphia.

Even though we may still have the power to move against banks under Sherman Act Section 1, and if stock is acquired by merger, under Clayton Act Section 7, our anti-merger efforts are nonetheless cramped by Clayton Act Section 7's failure to cover bank asset acquisitions. It makes little sense to me to tell the Department of Justice it has the statutory duty to move against bank mergers if the merger is accomplished by buying the stock of another bank, but that it has no such authority if the merger is accomplished by asset acquisition. Accordingly, this past session of Congress, on behalf of the Department of Justice, I supported legislation designed to plug this loophole. I realize, of course, as John J. McCloy, Chairman of the Board of Directors of the Chase-Manhattan Bank of New York, put it: "The impact of these mergers on the bank population has been offset to some extent by the establishment of new banks." I recognize further, as he emphasized, "these mergers in large part represent an adjustment of our banks to changing conditions and to changing needs within the nation's economy."[7]

Legislation Required to Apply to Bank Mergers

My support of this legislation, however, was based not merely on merger statistics but on the much more basic proposition that antitrust should apply to all business alike. Accordingly, I urged we should move slowly in providing special anti-trust treatment for banks. In the more than 60 years since the Sherman Act's passage no one has suggested that its provisions would not apply to banks as well as to all sectors of the nation's business,[8] not specifically exempted by Congress. Never was it urged that unamended Section 7 would not apply with equal force to banks and non-banking corporations. And, finally, in its 1950 amendment to Section 7, Congress reiterated prohibitions on stock acquisitions by banks, in the same manner as all other corporations. Against this background, I emphasize, my support for amending Section 7 is based in the prized American principle that laws should apply equally to all.

In this support, I note, several other Government agencies join with me. The Secretary of the Treasury, for example, in a letter to the House Committee, supports "the principle that the acquisition of one bank by another * * * should not be permitted if the effect of the acquisition may be substantially to lessen competition. It is no less important," he concluded, "to have competition in banking, when this can be done soundly, as it is in other fields of commerce and industry." Similarly, the Chairman of the Federal Deposit Insurance Corporation, emphasized: "We join with you in recommending that appropriate legislation on this subject should be enacted and, as hereinafter indicated, we heartily endorse it." Finally, the Chairman of the Board of Governors of the Federal Reserve System indicated, commenting on the proposal to plug the loophole: "This bill is intended—and we think rightly— to encompass within its provisions all types of bank mergers and consolidations, whether carried out under State or Federal merger statutes or effectuated through purchase of assets and assumption of liabilities." "The objective of this proposed legislation," he concluded, "the Board favors." Thus, a practically united front of interested Government agencies urges Section 7's standards be applied to bank assets and stock acquisitions alike.

This does not mean, however, that Section 7 enforcement could not be molded to fit the unique facts of banking life. First, I point out, firmly embedded in Clayton Act Section 7 is an exception for mergers involving failing corporations. As the House Committee reporting on amended Section 7 put it: "The argument that a corporation in bankrupt or failing condition might not be allowed to sell to a competitor has already been disposed of by the courts. It is well settled that the Clayton Act does not apply in bankruptcy or receivership cases. In the case of *International Shoe Co.* v. *The Federal Trade Commission* (280 U.S. 291)," the House Report continues, "the Supreme Court went much further."[9] The Court there reasoned that where the corporation acquired is "a corporation with resources so depleted and the prospect of rehabilitation so remote that it faced the grave probability of business failure * * * we hold that the purchase of its capital stock by a competitor (there being no other prospective purchaser), not with a purpose to lessen competition, but to facilitate the accumulated business of the purchaser and with the effect of mitigating seriously injurious consequences otherwise probable * * * does not substantially lessen competition or restrain commerce within the intent of the Clayton Act."[10] Likewise adopting this exception, the Senate Committee Report deemed this proviso would come into play when the acquired corporation is "heading in (the) direction" of bankruptcy.[11]

Also relevant is this Department's view of the *International Shoe* exception. Thus we have not prosecuted mergers where, because of either inadequate management, obsolete equipment, or a failing market, the acquired corporation's prospects for survival seemed dim. Gauging likelihood of future business success, of course, may involve different factors in different industries. Should Section 7 be amended, let me assure you the Department of Justice would pay great heed to each banking agency's judgment of a bank's chances to prosper. This anticipated pattern of Section 7's enforcement against bank asset acquisitions should go a long way toward meeting practical banking problems.

The recent report of the House Judiciary Committee on the proposal to so amend Section 7 provides strong support for this position. I think you would be interested in its exact language. It states, in part:

"In addition to the acquisition of a bank which otherwise would be faced with the possibility of failure, there are other circumstances in which, from a banking standpoint, the acquisition of a bank by another bank may be desirable; as, for example, where the acquisition is the most practicable means of dealing with a problem bank having inadequate capital or unsound assets or where the acquired bank has no adequate provision for management succession. Also, where several banks in a small town are compelled by an over-banked situation to resort to unsound competitive practices which may eventually have an adverse effect upon the condition of the banks, the merger of two or more of the banks may well be in the public interest. The same principle applies where there are not adequate banking facilities. These various situations are illustrative of the circumstances where the consummation of the transaction would not be contrary to the public interest.

"* * * the committee believes that the present bill should not be interpreted as prohibiting bank mergers in situations such as those described."[12]

The specific problems of mergers aside, I finally emphasize that at the heart of our antitrust laws are the highest intellectual and moral principles. These concepts, based on a firm and definite national policy, have endured with variations only in emphasis for more than a century. This policy is not stationary or static. Instead, within this core of belief is an immutable momentum toward the goal of free competition. After a century of testing, that policy today remains vital and vigorous. It underscores America's fundamental belief that a dynamic Republic can rest only upon the foundation of a free economy— and that economic freedom—like political liberty—belongs only to the vigilant.

7 Statement of John J. McCloy, Chairman of the Board of Directors of Chase-Manhattan Bank of New York, Hearings before Antitrust Subcommittee of the Committee on the Judiciary, House of Representatives, 84th Cong., 1st Sess. (1955), p. 18.

8 Transamerica Corporation v. Board of Governors of the Federal Reserve System, 206 F. 2d 163 (1953) cert. denied. 1953.

9 H. Rep. 1191, 81st Cong., 1st Sess. (1949); p. 6.

10 280 U. S. 291, 303 (1930).

11 S. Rep. 1775, 81st Cong., 1st Sess. (1949), p. 7.

12 H. Report 1417, 84th Cong., 1st Sess., pp. 5-6.

Smith Eastern Rep. For Transamerica

James A. Smith has been appointed Eastern Representative for Transamerica Corporation and its affiliates, it has been announced by Frank N. Belgrano, Chairman and President. The company, which controls a number of banks, insurance, real estate and manufacturing companies, has opened an office at 50 Broadway, New York City. Mr. Smith was previously an officer of Bank of America, with headquarters in New York City. He has been with Bank of America and Transamerica Corporation for 30 years.

James A. Smith

With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Erol R. Coleman, Eugene Hellinger, Philip P. Joachim and James Tisano are now affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Chemical Corn Exchange Bank of New York, has appointed Alfred Y. Morgan to its Brooklyn advisory board, it was announced on Sept. 30, by Harold H. Helm, President. Mr. Morgan is President of the White Rock Corp. (parent company located in Brooklyn, N. Y.) as well as of White Rock Corp. of Boston, White Rock Corp. of Chicago and of Miami.

* * *

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	2,904,650,566	3,009,760,216
Deposits	2,634,063,699	2,755,473,132
Cash and due from banks	723,899,789	817,338,631
U. S. Govt. security hold'gs	563,300,501	658,519,235
Loans & discts.	1,222,789,664	1,137,352,006
Undivid. profits	20.062,030	22,973,446

* * *

Miss Meta F. Taylor has been appointed Assistant Secretary of **Chemical Corn Exchange Bank of New York,** it was announced on Oct. 5 by the Board of Directors. Miss Taylor has been active in women's business and professional organizations. She has been serving as Secretarial Assistant to the President of the bank.

* * *

THE FIRST NATIONAL CITY BANK OF NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	6,703,126,941	6,855,988,459
Deposits	6,014,718,380	6,174,785,823
Cash and due from banks	1,457,015,975	1,629,936,191
U. S. Govt. security hold'gs	1,513,595,324	1,719,056,990
Loans & discts.	2,792,332,080	2,641,050,349
Undivid. profits	57,475,822	56,078,400

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	146,279,670	166,926,172
Deposits	108,419,882	128,833,278
Cash and due from banks	32,360,995	48,498,519
U. S. Govt. security holdings	79,689,289	86,045,779
Loans & discounts	4,367,796	3,156,405
Undivided profits	12,079,526	12,321,580

* * *

BANKERS TRUST COMPANY, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	2,585,410,304	2,644,380,603
Deposits	2,236,493,790	2,349,905,896
Cash and due from banks	572,550,905	622,057,577
U. S. Govt. security hold'gs	437,921,397	530,102,952
Loans & discts.	1,429,880,789	1,341,795,409
Undivid. profits	46,040,092	45,008,491

* * *

The election of Haldan E. Connor as an Assistant Vice-President of **The Marine Midland Trust Company of New York** has been announced by James G. Blaine, Chairman of the Board. Mr. Connor will be associated with the commercial banking division of the bank at the Main Office. He was formerly an Assistant Vice-President of the Irving Trust Company.

* * *

THE MARINE MIDLAND TRUST COMPANY OF NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	504,585,726	504,960,095
Deposits	455,440,310	457,614,958
Cash and due from banks	129,016,994	151,495,993
U. S. Govt. security holdings	114,425,928	110,201,019
Loans & discounts	241,263,952	230,918,949
Undivided profits	7,821,460	7,789,060

* * *

L. L. Colbert, President of Chrysler Corporation, and Robert G. Page, President of Phelps Dodge Corporation, have been elected trustees of **The Hanover Bank of New York,** the bank announced on Oct. 5. Mr. Colbert has been President of Chrysler since 1950 and a Director since 1949. He joined the company in 1933 when he became both resident attorney and a member of the operations committee. He was named a Vice-President of the Dodge Division in 1936 and President in 1946.

Mr. Page has been President and a Director of Phelps Dodge since 1947. He also is a Director of Bigelow-Sanford Carpet Company, and a member of the Mining and Metallurgical Society of America, the American Institute of Mining and Metallurgical Engineers, and the Bar Association of New York City.

* * *

GUARANTY TRUST COMPANY, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	2,998,587,697	3,002,716,477
Deposits	2,533,180,428	2,521,874,341
Cash and due from banks	627,019,873	603,084,329
U. S. Govt. security hold'gs	735,634,307	784,031,184
Loans & discts.	1,437,173,308	1,408,320,980
Undivid. profits	107,147,824	104,867,944

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	2,925,574,956	2,890,845,800
Deposits	2,667,938,507	2,630,549,643
Cash and due from banks	791,030,758	785,157,759
U. S. Govt. security hold'gs	758,495,911	823,837,655
Loans & discts.	992,177,250	919,756,686
Undivid. profits	45.281.587	43,361,846

* * *

J. P. MORGAN & COMPANY, INCORPORATED, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	796,321,245	830,322,246
Deposits	702,369,040	735,581,016
Cash and due from banks	187,735,376	196,211,003
U. S. Govt. security holdings	151,196,427	189,910,960
Loans & discounts	353,376,647	327,634,577
Undivided profits	13,398,030	12,892,911

* * *

BROWN BROTHERS, HARRIMAN & COMPANY, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	225,002,701	222,280,679
Deposits	191,553,768	189,222,695
Cash and due from banks	45,219,733	44,952,537
U. S. Govt. security holdings	48,295,413	49,643,542
Loans & discounts	65,059,610	59,041,445
Capital surplus	14,465,284	14,445,284

* * *

GRACE NATIONAL BANK OF NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	159,041,477	161,959,460
Deposits	135,724,883	137,311,222
Cash and due from banks	36,218,282	38,245,489
U. S. Govt. security holdings	45,587,842	50,063,433
Loans & discounts	57,938,505	58,972,821
Undivided profits	1,760,331	1,561,319

* * *

IRVING TRUST COMPANY, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	1,564,718,837	1,561,462,333
Deposits	1,388,553,094	1,386,031,314
Cash and due from banks	403,408,164	376,577,883
U. S. Govt. security hold'gs	318,888,642	342,969,009
Loans & disct.	723,410,121	709,720,418
Undivid. profits	21,772,660	20,831,714

* * *

THE NEW YORK TRUST CO., NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	781,191,535	800,103,832
Deposits	687,053,218	206,929,409
Cash and due from banks	187,098,911	202,130,924
U. S. Govt. security holdings	190,524,846	193,842,760
Loans & discounts	364,525,786	362,259,968
Undivided profits	8,085,714	7,523,232

* * *

THE BANK OF NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	517,786,008	494,484,246
Deposits	462,361,654	429,263,236
Cash and due from banks	159,937,017	133,878,429
U. S. Govt. security holdings	110,545,119	110,015,280
Loans & discounts	218,301,690	214,146,188
Undivided profits	6,525,743	6,295,558

* * *

J. HENRY SCHRODER BANKING CORPORATION, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	109,022,886	110,160,278
Deposits	74,432,737	72,810,395
Cash and due from banks	12,480,085	11,236,659
U. S. Govt. security holdings	45,795,451	43,300,331
Loans & discounts	22,515,121	24,928,948
Surplus and undivided profits	5,001,511	4,868,936

SCHRODER TRUST COMPANY, NEW YORK

	Sept. 30,'55	June 30,'55
Total resources	$69,000,737	$69,989,005
Deposits	62,186,375	63,084,596
Cash and due from banks	12,136,733	12,620,481
U. S. Govt. security holdings	40,568,336	41,800,729
Loans & discounts	15,369,891	14,554,247
Surplus and undivided profits	2,575,581	2,519,987

* * *

THE CHASE MANHATTAN BANK, NEW YORK

	Sept. 30,'55 $	June 30,'55 $
Total resources	7,060,591,615	7,421,809,650
Deposits	6,353,830,125	6,712,185,361
Cash and due from banks	1,700,348,708	1,808,126,521
U. S. Govt. security hold'gs	1,239,990,658	1,612,671,157
Loans & discts.	3,230,918,343	3,106,360,183
Undivid. profits	72,294,079	68,382,004

* * *

Bernard F. Hogan, President of **The Greater New York Savings Bank in Brooklyn, N. Y.,** died Sept. 26 after a brief illness. He was 70 years old. Mr. Hogan started his banking career with the **Title Guaranty & Trust Co.,** of which he became a Trust Officer. From 1920 to 1926 he was President of the F. C. Sauter Agency, real estate and insurance firm. Mr. Hogan resigned in 1926 to join The Greater New York Savings Bank as an Assistant Vice-President. He became a Vice-President in 1931, and President in 1934.

* * *

Charles G. Sposato, Vice-President of **The County Trust Co. of White Plains, N. Y.,** completed 35 years of service on Oct. 4. For 11 years prior to his present association, Mr. Sposato was with **The First National Bank of Mount Vernon.**

* * *

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

	Sept. 30,'55 $	June 30,'55 $
Total resources	132,952,977	131,024,379
Deposits	119,974,863	118,153,268
Cash and due from banks	12,273,275	13,821,392
U. S. Govt. security holdings	41,185,652	41,199,606
Loans & discounts	52,841,675	51,341,946
Undivided profits	1,712,145	1,728,672

* * *

Officers of **The First Pennsylvania Banking and Trust Company of Philadelphia, Pa.,** were elected at the organization meeting of the board of directors held on Oct. 3 shortly after the bank opened its 27 offices in the Philadelphia metropolitan area. The company came into existence on Sept. 30 when the merger between **The Pennsylvania Company for Banking and Trusts** and **The First National Bank of Philadelphia** became effective. William L. Day was named Chairman and William F. Kelly was elected President. William B. Walker, who was President of First National, was elected Executive Vice-President of the consolidated institution. Six Senior Vice-Presidents were elected, each of whom had served in that capacity with the merged banks. They are William F. Kriebel, Harold W. Scott, Albert W. Whittlesey and Robert A. Wilson, Pennsylvania Company, and Philip F. Coleman and Charles J. Gable, Jr., First National. All other officers of the merged banks were elected to the same posts they had held before, although various titles formerly held by some executives of The First National were changed to conform to those used by The Pennsylvania Company for the same type of services. All employees of the merged banks will be continued in their same position with The First Pennsylvania Company. Reference to the proposed merger of the two banking institutions appeared in our issue of Sept. 22, page 1182. The merged First National, it may be noted began operations in Philadelphia on July 11, 1863, under the first charter granted under the National Bank Act, signed by President Lincoln on Feb. 28, 1863. During its long history, the bank was involved in three important mergers — with the **Merchants Bank in 1910,** the **Centennial National Bank in 1925,** and the **Eighth National Bank in 1930.**

* * *

A consolidation which occurred under date of Sept. 17, united the **National Bank of Chambersburg, at Chambersburg, Pa.,** with common capital stock of $450,000, and the **Fort Loudon State Bank at Fort Loudon, Pa.,** with common stock of $25,000. Effected under the charter and title of the **National Bank of Chambersburg** the enlarged bank at the effective date of the consolidation had a capital stock of $475,000 in shares of 47,500 of common stock, par $10 each; surplus of $1,026,000, and undivided profits of not less than $176,013.

* * *

A stock dividend of $10,600 has resulted in increasing the capital of the **Peoples National Bank of Norristown, Pa.,** from $530,600 to $541,200, effective Sept. 15.

* * *

Announcement is made of the consolidation of the **First National Bank of Lynchburg, Va.,** and the **Lynchburg Trust and Savings Bank** under the title of the **First National Trust and Savings Bank of Lynchburg.** The consolidation became effective at the close of business Sept. 30.

* * *

The Board of Governors of the Federal Reserve System announce that the **Union Bank of Commerce Company of Cleveland, Ohio,** a State member, consolidated as of Sept. 19, under its charter and title with the **Commercial and Savings Bank of Berea, Ohio,** an insured nonmember of the Reserve System. The former head office and branch of the latter bank will be operated as branches by the continuing bank.

* * *

The First National Bank of Chicago announced on Sept. 29 that Raymond H. Becker, Vice-President, has been placed in charge of its bank and bankers division succeeding Herbert V. Prochnow. Mr. Prochnow has been granted a leave of absence from the bank at the request of Secretary Dulles who has recommended his appointment as **Deputy Undersecretary of State for Economic Affairs.** Mr. Becker has been with the bank since 1922. In his 20 years of experience as a lending officer to the grain, meat packing and food industries. Mr. Becker has travelled extensively throughout the country.

* * *

The capital of the **Mercantile National Bank of Chicago, Ill.,** has been enlarged to $2,200,000, from $2.000,000 as a result of a stock dividend of $200,000, the new capital having become effective Sept. 15.

* * *

A stock dividend of $500,000 has served to increase the capital of the **Barnett National Bank of Jacksonville, Fla.,** from $2,500,000 to $3,000,000. The enlarged capital became effective Sept. 19.

* * *

The Denver National Bank of Denver, Colo., increased its capital as of Sept. 9, from $2,000,000 to $3.000,000. The increase was brought about by a stock dividend of $500,000 and the sale of $500,000 additional stock (par $10), offered to stockholders on the basis of one new share for each four shares held.

* * *

FIRST NATIONAL BANK OF SALT LAKE CITY, UTAH

	June 30,'55 $	Dec. 31,'54 $
Total resources	108,712,782	119,106.028
Deposits	104,124,510	114,556,118
Cash and due from banks	27,915,340	31,557,411
U. S. Govt. security holdings	55,730,111	64,631,734
Loans & discounts	17,819,673	15,847,053
Undivided profits & reserves	2,338,272	2,299,911

* * *

An increase in the capital of the **Midland National Bank of Billings, Mont.,** from $300.000 to $750,000 was effected on Sept. 16 as a result of a stock dividend of $450,000.

* * *

D. Perry Hacker, Assistant Cashier and Manager of the Credit Department of **The Bank of California, N. A., at San Francisco,** will retire Sept. 30, after more than 40 years service with the bank, it is announced by Elliott McAllister, President. Mr. Hacker's duties as Credit Department Manager will be assumed by William S. Creighton, Assistant Cashier. During his banking career Mr. Hacker served as President of Banking Chapter, Credit Managers Association of Northern and Central California, Northern California Chapter, etc. Mr. Creighton was elected Assistant Cashier of The Bank of California Dec. 8, 1953. Prior to joining the bank in 1952, he was with the Chase National Bank of New York.

The Responsibilities of Leadership

By HOMER J. LIVINGSTON*

Retiring President of the American Bankers Association
President, First National Bank, Chicago

Mr. Livingston points out that leadership in banking requires not only sound and practical day-to-day operation of a bank, but also a comprehensive understanding of the economic system in which banking operates. Lists bankers' day-to-day responsibilities, along with their responsibilities of understanding fully our system of private property and free markets. Expresses confidence that the future of banking is in good hands, and says the challenge to banking leadership will be met.

Homer J. Livingston

Today my tour of duty as President of this Association ends. It has been a wonderful, stimulating experience—one that I shall always remember. My final act, before taking your leave and handing the gavel to my distinguished successor—the last privilege, if you will, of the office of the President of the American Bankers Association, is the opportunity afforded me now of addressing this Convention.

The past year has been one of extensive travel, and therefore it has been a hurried one. As I think back over it now, it is a kind of kaleidoscope of trains and tickets, planes and porters, buses and bellhops.

In thousands of miles of travel, I have crisscrossed this great country many times. I recall the New England hills, ablaze with autumn color; the touch of the soft, warm air of the South; the mighty mountains of the West; the blue Pacific and the Golden Gate; the fir-clad slopes and rolling wheat land of the vast Northwest; and the picturesque mesas, sunken deserts, and lonely cattle lands of the old Southwest.

I have fond memories also of making new friends and of enjoying the pleasure of renewing acquaintances and visiting with old friends. All of them—all of you—have been most gracious and hospitable, and I shall always be grateful to you for many kindnesses.

I should be remiss if I did not publicly acknowledge the great helpfulness of many persons. All the members of the A.B.A. staff have rendered splendid service and have assisted me tremendously in discharging these responsibilities. I am deeply indebted to them. Then there is Mrs. Livingston, whose willingness, graciousness, patience, and understanding have been so helpful. My thanks go also to all of you who have on committees and commissions, and in various ways, made your individual contributions to the work of the American Bankers Association. The American Bankers Association remains great because thousands of bankers in its membership welcome the opportunity to render unselfish service.

In the course of the last two years I have frequently spoken on a common theme—a thought to which I have devoted considerable time — namely the responsibility for leadership by the American banker in a free society. The single responsibility of the banker which rises above every other banking obligation is the responsibility to safeguard the funds entrusted to him by his depositors. In my judgment, a banker can do this only by bringing sound and superior management to his own bank. In no other way can he better serve his depositors, his community and his stockholders. Leadership in banking unquestionably requires a high degree of competence in the practical, day-to-day operation of a bank. But leadership today also requires a comprehensive understanding of the economic system in which the banking system of this country operates.

*Address of Homer J. Livingston, President of the American Bankers Association, before the First General Session of the 81st Annual A.B.A. Convention, Grand Ballroom, The Conrad Hilton, Chicago, Illinois, Tuesday Morning, Sept. 27, 1955. Mr. Livingston is President of The First National Bank of Chicago.

Day-to-day Responsibilities

Let us consider first some of the responsibilities the banker must discharge each day if he is to give his community the financial leadership it has the right to expect. Then we shall also consider the broader obligations of farsighted banking leadership.

Perhaps the **first** function of the banker after insuring the safety of the depositors' funds entrusted to his stewardship is the function of providing adequate and continuous credit to business, agriculture and individuals in his community. This responsibility at all times requires experience, common sense and good judgment. However, in this period of high economic activity, the responsibility of extending credit requires even greater judgment. Loan figures are now at an all-time peak. Under such conditions the banker must exercise restraint and extraordinary vigilance to do his part in keeping the economy sound and well-balanced. Now is the time for him to survey his loan portfolio and his requests for credit with great care.

Second, the administration of a bank's bond portfolio is also a daily responsibility of significant proportions. Almost one-half of the assets of our banks are invested in bonds, and over one-fourth of our gross income flows from our bond investment accounts. We need clearly to recognize the necessity for careful supervision of this account.

Third, another important responsibility is the need to strengthen our capital accounts in order to be able to absorb losses during periods of stress, and to provide credit in adequate amounts for the growth of business and industry in our communities. The growth of our capital accounts should not be haphazard. It should be planned far in advance.

Fourth, the task of training men for executive leadership and the whole problem of successor management is a responsibility that cannot be overemphasized. It is perhaps the most urgent problem in bank management today. A strong and continuing executive staff in a bank does not come by chance. It does not just happen. It is achieved by intelligent foresight, and in no other way.

Fifth, it is a major responsibility of the management and the directors to provide comprehensive and competent accounting and auditing controls. Banking history clearly shows the need for strict audit control and supervision within every bank. There is no good excuse for a lack of such control.

These, briefly, are some of the hard, practical responsibilities in the daily management of a bank. To overlook them is to fail to give a community good banking leadership.

Bankers' Need of Knowledge of Economics

But over and above these obligations there are other broad responsibilities. To illustrate, we have the responsibility of understanding fully our system of private property and free markets. It is one thing to pay lip service to the basic principles of our economic system. It is another matter courageously to stand for these principles in our communities. Our role in the economy, our experience, and our training not only qualify us for this leadership, but make us responsible for it. When we fail in such leadership, we fail in our economic stewardship.

We need also to have a thorough knowledge of the operation of the entire Federal Reserve System, government fiscal policies, and debt management. No banker today can properly discharge his complete responsibility to his shareholders, his customers, and his community without this broad knowledge.

The banker must likewise be thoroughly familiar with the various economic indicators which show the trends of business. This requires that he constantly study the businesses of his customers so that he is well informed.

If he is competent in the broadest sense, he also will have an intelligent understanding of international banking, finance, and economics. This will include a knowledge of the fiscal and economic policies of the major nations of the world. In a world in which distances are shrinking daily, every major economic factor abroad has its effect on the American economy.

Finally, the banker needs to be thoroughly aware of the far reaching economic and social implications of his business. He needs to know the part savings play in a free enterprise society. He needs to understand the impact upon the economy when we have changes in the nation's money supply. These are not merely terms for the classroom economist to understand. They are a part of everyday banking.

The banker today requires not only the technical ability to run a sound bank, but the broad knowledge to give his community intelligent financial and economic leadership. No matter how well he is qualified, no thoughtful banker can face the challenge of these responsibilities without having some sense of his own inadequacy.

The Past—A Guide to the Future

In banking, as in most human experience, the past tends to be a guide for the future. When we look back over the years, we find that in every single decade since the nation was founded, we have had some major problems. But despite these problems, the banking system has had a dynamic growth which has given those in it unusual opportunities. We cannot assume that the future will be different. As a matter of fact, we may rightly assume that in the years ahead we shall have vastly greater opportunities and increased responsibilities.

Look ahead only ten or twenty years. With our economy growing at the average rate of the past fifty years, what will your deposits be in ten years? Your loans? Your capital account? Will your physical facilities be adequate? Will you have a competently trained executive staff ready to meet your increased responsibilities? What is your bank doing about it today? What are your plans for the next five or ten years?

These are not problems some one else will have to worry about. These are problems that require decisions now by you and your associates.

Important as our responsibilities are, and formidable as our task is now, I am confident—confident that the future of banking is in good hands. My tour of duty as president of your Association provided me with the unusual opportunity to appraise at first hand the strength of our banking leadership today. This experience is the basis for my confidence. Bankers are aware of their responsibilities, and they are striving to discharge them competently.

Never before have we had such concentrated attention given to banking problems by thousands of bankers in study groups, conferences, schools, and discussions of all kinds.

The price you and I will have to pay in the years ahead for still greater achievements by our individual banks will be intelligent, hard work. But the rewards will be large.

I am confident that we shall meet the challenge of the future with banking leadership that possesses intelligence; vision; industry; and, above all, character.

Elected Directors

Reuben Thorson, General Partner of Paine, Webber, Jackson & Curtis, and George P. Kent, General Partner of E. F. Hutton & Company, have been elected Directors of Growth Industry Shares, Inc., bringing the number on the Board to 11.

Robert O. Willmore, Account Executive with Harland Allen Associates, Investment Manager, has been elected Assistant Secretary.

Beginning Oct. 3, the pricing of G. I. S. shares will reflect the three-for-one split effective Sept. 30, 1955.

A Strong National Economy—Foundation for National Security

By ROBERT CUTLER*

Chairman, Board of Directors, Old Colony Trust Company, Boston
Chairman, Trust Committee of The First National Bank of Boston

Former Consultant to the National Security Council asserts that the National Administration's outstanding achievement in the field of our national security has been its emphasis on the maintenance of an expanding economy, strong enough to support, not only the demands of military defense, but also of civilian growth and progress. Reveals work of the Planning Board of the National Security Council, and extols President Eisenhower's qualities as "our last best hope to steer away from crash and crisis."

I have been asked a serious question, which I would like to try to answer. The question is this: Now that six months have passed since I retired from my twelve - hour White House day, what as I look back seems from the viewpoint of our national security the most significant contribution of the Eisenhower Administration?


Robert Cutler

On this subject I think I have an informed view, and I believe I can speak that view without violating any Presidential confidence and without sounding either pontifical or political. Anyway, I'm going to try.

The outstanding achievement of this Administration in the field of our national security policy has been to change at the highest level the emphasis and direction of that policy. This Administration has positively recognized, and put into practice, a different concept. This different concept is: for the safety and survival of the Republic in the doubtful years that lie ahead, the possession of military might alone is not enough; of equal importance is the maintenance of an expanding economy, strong enough to support not only the demands of military defense but also of civilian growth and progress.

Let me try to state what we see as the twin pillars of the temple of freedom today:

(1) That the United States have in readiness a military capability to retaliate against an aggressor with such massive blows that he is deterred from aggression.

(2) That the economy of the United States be strong and vibrant enough soundly to underlie the defense of the free world—of which the United States is tne undoubted leader—and particularly that it be an economy which derives from a practicing democracy and not from a garrison state.

We believe that, in saving our free world, we must not lose it.

*An address by Mr. Cutler at the First General Session of the 81st Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 27, 1955.

I hope that this concept does not seem a truism: this concept that the United States must have a strong defensive posture and, at the same time and of equal importance, a strong economy. If it does seem a truism, I can say only that times change. There was a day when the part that America's economy plays in the survival of the free world did not seem quite as well understood.

I do not mean that the great policy papers of earlier years did not refer to the desirability of a strong American economy. Of course, they did. But I am speaking not of references, but of emphasis and direction. Most people are glad to declare that they are against sin, that they are members of a church, that they support the local community fund. But it may have been your experience that the emphasis and direction put into carrying out these declarations is often a different story.

In 1948 I was Special Assistant to James Forrestal, first Secretary of Defense, to help in presenting to the Congress his Supplementary Defense Budget. Mr. Forestal understood the emphasis and direction of which I have been speaking. In his talk to me and to the Congress, he struck a note, which I then tried to state in my own words, as follows:

"The productivity of the United States, as developed by our industrial and scientific initiative and genius, is our greatest asset and our greatest power. Here is an unparalleled event in world history: the culminating productivity of America.

"Our resources, such as coal, steel, wheat, cotton, and so on; our ability to produce and fabricate in mass quantities, because of the capacity of our managements and the skills of our laboring men and women; the inventive genius of our scientists; our vast transportation system—all these, taken together, make up a potential that overshadows the capabilities of the Communist regime. More than the atom bomb, this preeminent industrial productive ability of the United States is the bulwark of peace in the world.

"To the extent that we weaken or dissipate the enormous potential of industrial power that inheres in our American system, we invite despotic rulers to take the despot's last long chance and again plunge the world into war."

These seemed, and still seem, to me sound and wise ideas. But after 1948 there came times when America lost sight of this sober, calm course, this course steered as much by economic strength as by military strength.

It requires a quality that few possess to stick to such a course in times of alarm and of political opportunity. It requires a quality of calm balance, the product of experience and inner resources.

Building a Sound National Economy

To put and keep the vital importance of a sound national economy in proper perspective was no simple matter in January, 1953. For some years, America had been traveling along another road. There was a philosophy in the Capital, earnestly and often passionately held, which placed military security first and foremost without full weighing of cost. It was in my line of duty as Special Assistant to discuss and advance the new emphasis and the new perspective of which I have been speaking. The debates were long and torrid. In the acid bath of the Planning Board of the National Security Council, the Board of which I was chairman and through which all policy statements were worked over before submission by the Council to the President, we tested these conflicting views.

You will remember how the world looked at the dawn of 1953. The United Nations were engaged in bitter conflict in Korea. The stability of NATO was in doubt. The future of West Germany, the golden prize in the scales of the world, was teetering in the balance. The dark menace of Soviet Communism hung like a black pall in the free world sky. The United States debt was outtopping Mt. Everest and headed higher. The outgoing Administration had estimated that the Federal Government would operate for fiscal-year 1953 at a deficit of over $9-billion.

That was not an easy time to press for a strong national economy. It would have been easier to continue at the speed of crisis. It would have been easier to follow recommendations we found on our doorstep in January, 1953—recommendations to increase Federal defense expenditures by $20-billion over the staggering figures already in the fiscal 1953 budget and to be required by then-current programs performable in later years. But another way was taken.

The Transition

That was the way of keeping alive and vigorous the priceless principles of free, competitive enterprise and initiative, and—more than that—of keeping them growing and of developing new things and better methods of industrial accomplishment. That was the way of a great transition: the moving of people from working directly or indirectly for the government into jobs producing goods for the general public. Such a great transition takes time; it must be gradual, if it is to be prudent. During that great transition, Federal spending has been reduced by about $12-billion a year, federal deficits have been cut, taxes have been reduced, and a closer approach is constantly being made toward balancing of the federal budget.

I need not detail this story to a Convention of bankers. But let me say this. I want you to appreciate with me the inestimable value of having at the Cabinet table and at the Council table, week after week during my 115 weeks, the sound prudence and intelligent fortitude of a man like George Humphrey. I never knew Alexander Hamilton, but I know George. It was like a rock in the desert to have some one there, day in and day out, almighty clear and almighty strong, always alert and always vigilant to sustain the American economy, asking as to every project, however estimable: what will it cost? where will the dollars come from? if this project is to have priority, what other less important project can we give up or postpone?

To speak thus unreservedly of Secretary Humphrey's contribution is not to depreciate—or intended to depreciate — the preeminent and penetrating qualities of mind possessed by Foster Dulles, and by others of the President's principal advisers. Mr. Dulles and those others have their high and assured places in the galaxy, but it is George Humphrey that I want especially to praise before such a body as this Convention.

Perhaps you think I overstress how wonderful it seems to me that men can approach and deal with the nation's affairs in the same way in which each of us approaches his daily business. The nation's business seems pretty big, pretty impersonal, and pretty hard to get a firm, tight hold of. Yet it needs just the same common-sense approach you give to your daily work; and it needs that approach every day, every week, every month — a business and not an ivory-tower approach.

Coming fresh to Washington in 1953, we did not think that to put emphasis on a sound national economy was to put a dollar sign on the national security; and we don't think so now, for reasons I'm going to mention. It just seemed a horse-sense way to run the biggest undertaking in the world—especially when there wouldn't be any world to live in, if we didn't.

Planning for the National Security

I spoke earlier of that part of my duties as Special Assistant which comprised being Chairman of the Planning Board of the National Security Council. This is the body which prepares all policy statements for the Council's consideration. In the first 115 weeks of the Eisenhower Administration, we had 115 Council meetings and 334 Planning Board meetings, as compared to 90 Cabinet sessions in the same period. Several hundred national security policy statements —broad, specific, large, small— were processed through the Board, considered by the Council, and recommended to the President.

After I became Planning Board Chairman, we introduced into these national security policy statements an innovation. We wanted them to contain, where possible, not only the necessary factual presentation and the policy recommendations based thereon, but also a financial appendix in sufficient detail to indicate the magnitude of the policy recommended in terms of annual expenditure for the current, and future years. Was it a minnow, or a fish, or a whale? What would the policy cost to implement? These financial appendices were not binding; but they, and their enormously difficult preparation, were often illuminating. It seemed to me (just a kindly, old trustman) only proper and reasonable that a body operating at the very apex of the national government, in considering whether to recommend a national security policy to the President, should do so with some solid data as to what such a policy might cost our nation in dollars. The Council should act, not in a pleasant vacuum, but against a background of fiscal facts.

This added feature of our national security policy papers is no longer an innovation. It is now a standard operating procedure.

The Effect of the Policy

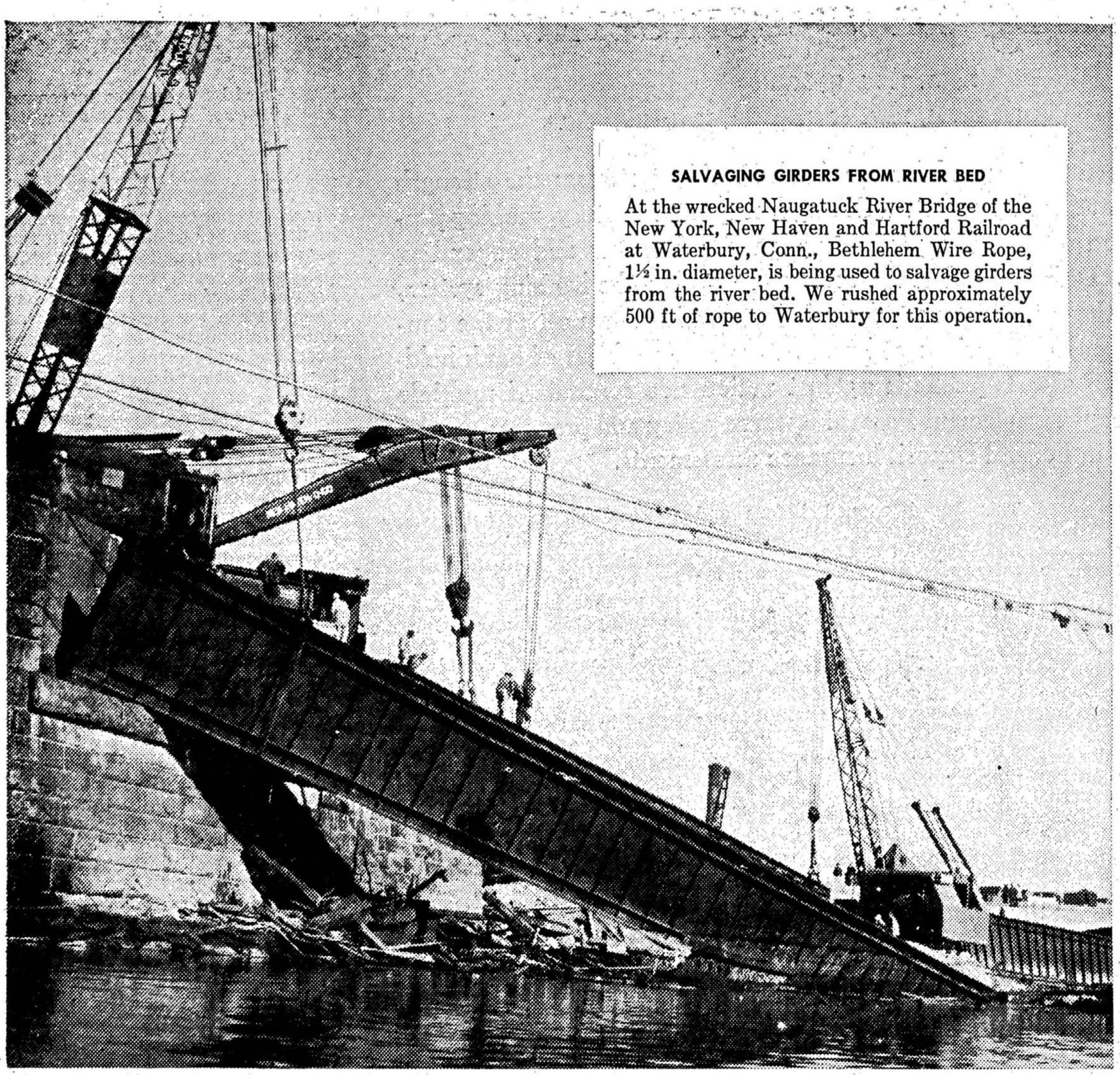
What has been the effect of placing this positive, enhanced, and equal emphasis on the strength of the national economy?

In the first place, a climate has been created and exists today in the United States which is favorable to the vitality and expansion of private enterprise. There is confidence in the air, and you know that confidence is a most important stimulant to business progress. People seem to feel that this Administration is really trying to steer by fixed stars that will not change. A truly strong economy has to be rooted in confidence in government, and this axiom is especially true in the free enterprise system. People are willing to take a long sea trip if they believe there is a strong hand on the tiller.

In the second place, the economies of the Free World countries are related necessarily and closely to the economy of the United States. A collapse in our business system, so ardently anticipated by the Soviets, would have been for Moscow a major victory, possibly a victory that might have overcome the Free World. But the collapse has not come. The prosperous, upthrusting vitality of United States enterprise has reflected a strength and a confidence in other peoples. Today the Free World countries are a better credit risk than the Soviet Satellite countries.

Lastly, there is one significant by-product of this bearing-down emphasis upon our national economic strength. That emphasis and its execution have tended to convince the world, on both sides

Continued on page 28

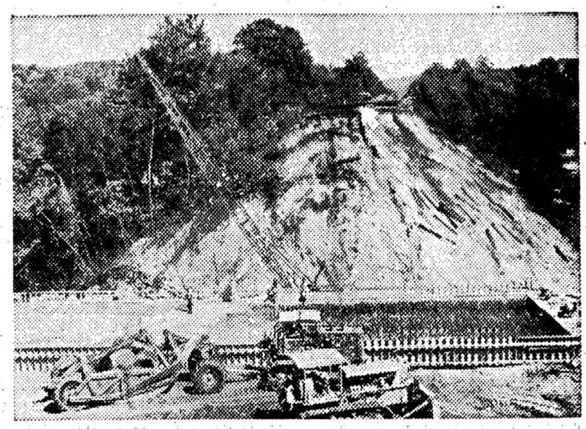


SALVAGING GIRDERS FROM RIVER BED

At the wrecked Naugatuck River Bridge of the New York, New Haven and Hartford Railroad at Waterbury, Conn., Bethlehem Wire Rope, 1½ in. diameter, is being used to salvage girders from the river bed. We rushed approximately 500 ft of rope to Waterbury for this operation.

TEMPORARY HIGHWAY BRIDGE ERECTED IN 11 DAYS

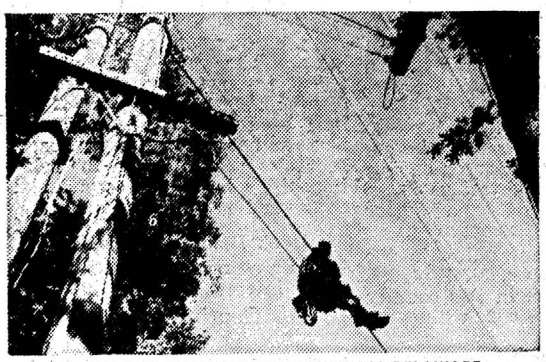
This 420-ft steel bridge, vital link between Stroudsburg and East Stroudsburg, Pa., replaces structure swept away by flood. The new bridge, for which Bethlehem furnished guard rail and 300 tons of H-piling, was erected in 11 working days.



NEW BOX CULVERT FOR BOSTON AND ALBANY R. R.

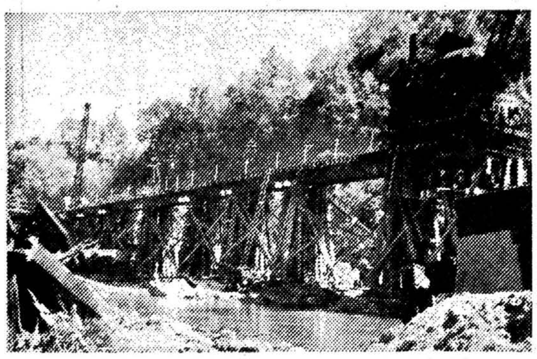
When dams gave way near Springfield, Mass., the torrent washed out 300 ft of high railroad embankment. Note tracks near top of picture. Bethlehem rushed 280 tons of fabricated steel reinforcing bars for new culvert, shown in foreground.

Steel Rushed to Flooded Areas Aids Reconstruction Task



STRINGING TELEPHONE CABLE ACROSS DELAWARE

Lineman strings cable over Delaware River to replace line destroyed by flood. The order for strand for this and other lines was phoned to Bethlehem August 19 at 11 p.m.; the strand was delivered the following morning, just after daybreak.



NEW RAILROAD BRIDGE NEAR STROUDSBURG, PA.

Construction workers pass half-way mark in erection of new 389-ft bridge on Lackawanna Railroad near Stroudsburg. As soon as first span is completed, work will begin on second span. Bethlehem is supplying structural steel and H-piling.

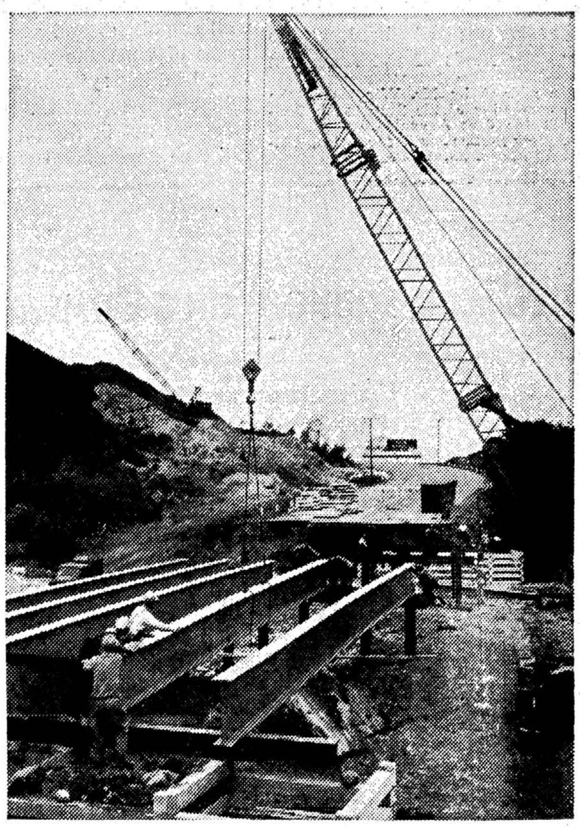
On Friday, August 19, even before the flood waters had started to recede, we began to receive urgent calls for steel. Soon it was clear that immense quantities of steel would be needed to relieve human distress and restore normal life and activities.

We saw that we could meet the acute need only by breaking into production schedules and utilizing the full facilities of Bethlehem plants and mill stocks. We were sure that any of our customers whose orders might be affected would approve our course.

So within a few hours the initial emergency shipments were on their way. Thousands of tons of structural shapes, piling, reinforcing bars and rails were rolled and rushed to the stricken areas. In some cases steel was rolled and in transit less than 48 hours after receipt of the order.

Shown here are a few examples of the widespread reconstruction in which emergency shipments of Bethlehem steel are currently being used. The total task of rebuilding will of course take many months to complete.

All major Bethlehem plants have shared in meeting the flood emergency. Our plant at Bethlehem, Pa., largest producer of structural shapes in this country, was itself a flood casualty, but as the plant got back into operation its output also was made available to render assistance in repairing flood damage.



NEW BRIDGE ON PENNSYLVANIA'S ROUTE 11

This emergency bridge will carry Route 11 over Spring Brook Creek, south of Scranton. The new bridge, built with Bethlehem H-piling and structural steel, will consist of four spans, with roadway accommodating two lanes of traffic.

BETHLEHEM STEEL

BETHLEHEM STEEL

Banking in a Democracy

By A. L. M. WIGGINS*

Chairman of the Board, Bank of Hartsville, Hartsville, S. C.

Prominent Southern banker and former ABA President stresses the strength and resiliency of our banking system during last quarter-century, making possible a prompt and adequate response to demands for new and expanding banking services. Defines "public interest" as related to the banking system, and says that, in the public interest, there is justification for most of the consolidations and branch extensions of banks. Discusses problem of bank holding companies, and asserts public is against nationwide centralized multiple banking. Urges banks implement Federal Reserve policy and proposes change in Federal Deposit Insurance assessments.

When I first addressed the State Bank Division of the A.B.A. in San Francisco in September, 1936, banking was beginning to recover from the world-wide financial and economic disasters of the early '30s. On that occasion, I stated that bankers were "willing and ready to correct any difficulties in the banking system which the exigencies of depression or the growing needs of the American people might indicate as needed" and that "the whole history of American banking has been one of growth and improvement and of servicing the most notable development of national life in all history. We are willing and ready to have this system weighed in the balance of fair public opinion."

A. L. M. Wiggins

In spite of the changes and financial pressures that result from wars, postwar and other adjustments, the American people expect the banking system to meet every essential banking need of government, of business and industry, of agriculture and finance, and of consumers as well. Whatever the requirements have been, the strength and resiliency of our banking system have made possible a prompt and adequate response to any and all demands for new and expanding banking services.

Behind this response have been a willingness and a desire on the part of bankers to meet the banking needs of the American people. Part of this willingness, no doubt, arises from an enlightened self-interest. We know that responsiveness of banking to serve the needs of the American people generates and promotes a dynamic economy under which every one prospers, including the bankers. There is, however, a more basic consideration which goes to the very roots of our democratic system of government.

To illustrate, I quote from my address to the American Bankers Association in September, 1944, as follows:

"We should keep constantly before us the realistic recognition that under democratic government, ultimately the will of the people prevails. The people will determine not only the kind of banking system we will have but the kind of economy that is to prevail in this country. The sovereign people are the final arbiters of our national life, and no manipulation of shrewd operators in government or in business can long succeed in any plans or programs that do not meet public approval."

The legislative history of banking in the national Congress and in the legislatures of the states completely confirms these observations. We must continue to evaluate banking, the banking structure, banking services, as well as policies and programs, in terms of what the public desires in a banking system. If bankers follow policies that the public decides are not in the public interest, then government will step in. This has happened before and will happen again. Banking has no choice but to bank on democracy and provide services and facilities that will merit support of public opinion. It has no other choice whereby the freedom of banking may be perserved as a part of our private enterprise system. If, therefore, we are to find solid answers to the current problems of banking, they must be weighed in the scales of public interest.

Banking in the Public Interest

In defining public interest as related to the banking system, we might ask what are the principal considerations?

(1) Banks occupy a more significant relationship with their customers and the business life of the areas they serve than do other business institutions. Banks are the custodians of the funds of the community. Banks are the financial arteries through which the life-blood of business flows. The health and well-being of the banks is a matter of personal interest and concern to every member of the community.

(2) Public interest requires that banks be financially strong, that deposits be unquestionably safe and at the same time available to depositors on demand. Whatever adds strength to banks is in the public interest.

(3) The customer looks to banks to meet his credit needs for business and for financing the purchase of both durable and consumer goods. In recent years, he has called on banks for increased participation in real estate financing. It follows, therefore, that programs of banks to increase their ability to meet the borrowing requirements of the people are in the public interest.

(4) The public expects good service in the performance of all banking functions and charges that are fair and reasonable, including interest rates on money borrowed. Savings depositors expect a rate of interest on deposits that bears a fair relationship to the return received by banks on their investment of savings funds.

(5) The public also expects banking to preserve a reasonable competitive situation. The public will not long accept a banking structure under which bank customers are "hemmed in" and are not permitted to choose among local institutions for banking services.

(6) The public not only expects but demands that the banking system as a whole operate in the interest of a dynamic economy and at the same time follow policies that contribute to maintaining reasonable monetary and credit stability.

Under this formula of public interest, we should examine the banking system, its structure and development, including bank mergers, branch banking, bank holding companies, and other forms of centralized control of multiple banking.

The Problem of Satisfactory Yardsticks

A study of the history of banking over the past twenty years shows that there is justification, in the public interest, for most of the consolidations, mergers, acquisitions, and branch extensions of banks that have taken place. Many of them have resulted in stronger institutions and a better and more convenient banking service to the public. However, all such developments were not necessarily good. The problem is to find satisfactory yardsticks that will measure the good and the bad. In one respect, it is difficult to find such a yardstick because of the wide variation in public opinion among the various states as to the policies that should apply in the control of multiple banking.

The American people, through Congress and through the legislatures of the various states, express in the law what they consider in the public interest with respect to the extension of branch banking. Characteristic of the independent viewpoint of the American people and of the varying needs in different states, the policies adopted by some states are diametrically opposite to the policies followed in other states. Fifteen states permit statewide branch banking, 20 states permit restricted or limited area branch banking, and 13 states either prohibit branch banking or make no legal provision for it. It is not a simple question as to whether branch banking is for or against public interest. The various states, through their legislatures, decide this question for themselves.

The record shows that in the 20 years since Dec. 31, 1934, the number of banks in this country has decreased 1,692 while the number of branches has increased 3,293. Many of the banks were converted into branches. In the past 5 years, the number of banks has decreased 327, while the number of branches has increased 1,887. Sixty per cent of the increase in the number of branches in the past 20 years has occurred within the past 5 years. In number, the greatest increase of branches has been within the limited areas of cities and counties. Many of these branches were established in response to demands for service on the part of people living in outlying sections of large cities where the use of drive-in banking has become increasingly popular.

It should be noted that during this 20-year period, the total number of all bank offices, including branches, increased only 8.4%, population increased 28.5% while bank deposits increased 400%. We should avoid having too many banks; but at the same time, banking facilities should be provided to meet the needs of the increasing population, either through the establishment of new banks or by the extension of branches.

On a national basis, there is uniformity in the law with respect to branch banking to the extent of an absolute prohibition of branch banking across state lines, both of national and state banks.

While most states have a definite policy as to branch banking, there are practically no state laws with respect to the ownership and control of banks by holding companies or otherwise. Some states that prohibit statewide branch banking have no prohibition or limitation on other forms of central control of multiple banking. There is practically no federal legislation on the subject except the anti-trust laws.

Legislative proposals have been before committees of Congress for a number of years, seeking to set up some restrictions on bank holding companies. There is increasing recognition that public interest requires consideration of the character of the ownership of banks. The importance of the public interest in the ownership of public service corporations has long been recognized by regulatory authorities as to railroads. It is also recognized in the relationships between commercial banks and investment banking.

Bank Holding Companies

It is now recognized that in the public interest, bank holding com-

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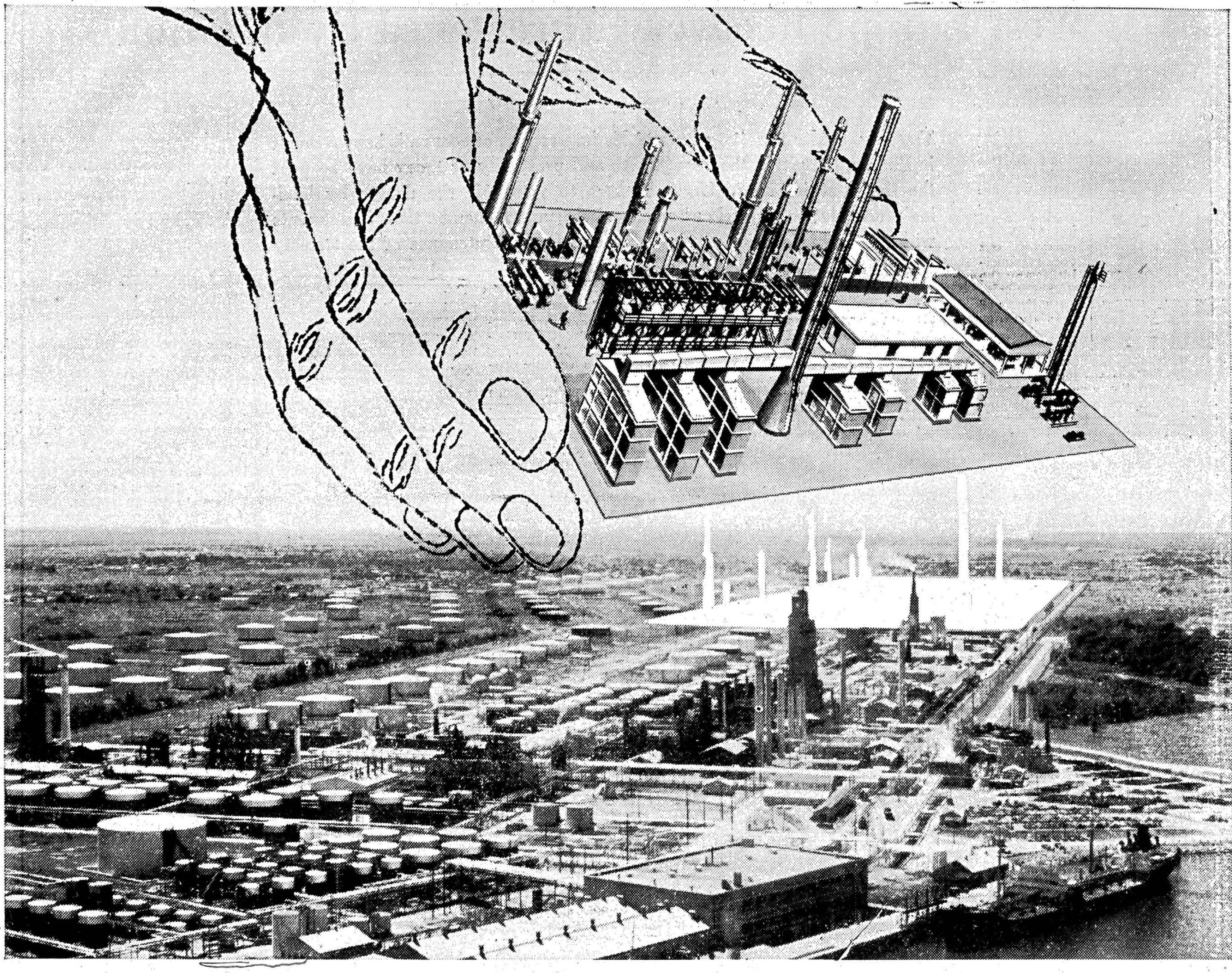
*An address by Mr. Wiggins at the Annual Meeting of the State Bank Division at the 81st Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 26, 1955.



West Europe Recovery Threatened By Inflation

By W. RANDOLPH BURGESS*

Under Secretary of the Treasury

Treasury Under Secretary reports his impressions of economic improvement in Europe, but warns the very growth and prosperity of today have brought the threat of inflation. Urges bankers to ward off the danger by lending prudently; to counsel customers wisely; and to handle their investments with a long-range point of view. Stresses firm maintenance of the stability of our currency.

I have the honor to bring you greetings and appreciation from the Secretary of the Treasury. One of the greatest satisfactions of service in our Department is the knowledge that we are being supported and assisted in carrying out our responsibilities by the understanding citizens of this democracy; and no group of citizens has been more helpful to us than the members of this Association, acting individually and through this body.

W. R. Burgess

The direct services you have rendered, and will, I am confident, continue to render, constitute an impressive list. They include continuing aid, both advisory and practical, in all public debt operations; the collection of taxes; and many other specific banking services. What you have accomplished in the promotion and sale of Savings Bonds is outstanding.

I am sure you would all agree, however, that, important as these specific transactions are, our major concern—yours and ours—is the great flow of economic movements, national and international, which are so closely related to peace and war and to prosperity and depression. It is in this area that understanding and good will between the government and the people become the key to our mutual well-being.

Today the broad picture of the economic life of this and the other countries of the free world is that we are still afloat on seas which shift with the tides of war, both hot and cold. While we, for instance, were still struggling back from the devastating effects of a terrible World War, we were hit by the massive requirements of Korea and the cold war.

As I have just returned from several weeks in Europe, including attendance at the meeting of the International Monetary Fund and the International Bank in Istanbul, I think it might be productive and enlightening to look at our present economic and financial problems through the eyes of our friends abroad.

The meeting of the Bank and Fund, which concluded 10 days ago, brought forth a cross-section view of the economies of the 58 member countries and revealed the economic position of the free world today. For a week, government financial men and visiting bankers from all over the world exchanged views with frankness and in detail. We learned the facts and, more important still, the opinions and the personalities behind them.

Economic Improvement

The outstanding conclusion to be drawn is that the free countries show a great improvement in their economic positions from this time last year, and are continuing their gains since the war. Production everywhere is now above prewar levels and, in many cases, is as much as 50% higher—even more in some instances.

One index of strength is the gain in reserves of gold and dollars. Since 1949, countries outside the United States (excluding Russia) have gained $11 billion in their basic reserves of gold and dollars. Of this, $2½ billion came from new gold production; the rest came from the United States, largely from the aid and military programs. This net outflow of dollars from the United States is the best measure of whether we have been a "good creditor." Over this period, we have greatly increased our imports of goods and services. We have supplemented this by an economic aid program; and, as this has diminished, by military assistance programs, which have been powerful elements in restoring the economic equilibrium as well as strengthening the defensive bulwark of the free nations.

Most of the European countries now hold substantial gold and dollar reserves: Germany, over $2-billion; France, $1.9-billion; Belgium, Holland, over $1-billion; Italy, $900-million. Some countries are still below what would be desirable for full liberalization of trade. The $2½-billion of the United Kingdom, which holds reserves for the whole Sterling area, is less than they feel to be advisable before making their currency fully convertible.

But the picture as a whole provides evidence that we are arriving at the turning point, where the countries of Europe have substantially recovered from war devastation and can henceforth stand on their own feet.

In his address to the Conference, Ivar Rooth, the Managing Director of the International Monetary Fund, was able to say:

"International trade is steadily approaching a much better pattern. Nearly all the great trading countries are able to pay their own way. For practical purposes, the currencies of several of these countries may be regarded as having almost *de facto* convertibility. This improvement in the world economy shows why it is possible to say that the conditions that necessitated the postwar transitional arrangements are passing away."

Here is great cause for satisfaction, and we in this country can and should take pride in such improvement for we have had an important share in bringing it about. This has been done partly by keeping our own affairs sound and making the dollar a secure and stable base for world financial order, and partly through our foreign aid program. Without our help, Europe and the other free countries could not have made anything like so rapid or so comprehensive a recovery.

Some may question whether our direct aid may not have been too great in certain instances, or sometimes continued too long. But I have no hesitation in saying that from an overall standpoint, American help was invaluable to restoring the free world to its present self-reliant status.

Inflation Threat

But now we must look on another side of the picture. The very growth and prosperity of today have brought the threat of inflation, and country after country has found it necessary to take steps toward ensuring continued stability. They know from recent tragic experience, the injustices and the depressing after-effects of inflation.

In some ways those countries which have been through the real inflation wringer understand the danger of inflation better than we do. They are therefore ready to accept the discomforts of high money rates, low bond prices, curtailed credit, and even controls, because they remember the bitter taste of inflation. Nevertheless, the responsibility rests most heavily upon us, for we are the lead horse. As the dollar goes, so go the rest of the world's currencies. Our economic vigor and stability undergird the economy of others.

Here is the problem today on which you and we must work together. We must see that prosperity does not blind us and turn our heads, does not lead us to overcommitments, or to excesses which will tip us over into a recession.

At such a time, your government has these responsibilities: to balance the budget, so that a deficit does not contribute to inflation; to keep a rein on government credit; to exercise wisely its legal powers over private credit. These are often unpopular activities; and in carrying them out, we need your support.

In the present situation, you in your turn have these difficult things to do: to lend money prudently, to counsel customers wisely; to handle your investments with a long range point of view.

But with good will and good judgment, and working confidently and constructively together, I believe we can deal successfully with today's problems, and assure continued and increasing well-being for the people of this country—and, in so doing, fulfill too our high role as leader and stabilizing force throughout the free world.

Over these recent years, your government has had the exacting duty of balancing the urgent requirements of national security in a storm-tossed world, with financial soundness. Fortunately the country has had the leadership in this critical time of a President who is one of the greatest military leaders in history and is also a strong believer in keeping the economy and the currency sound and strong. As a result of his wise leadership, our military might is today more powerful than ever before while at the same time the stability of our currency has been firmly maintained. These two objectives are not in conflict—they are supplementing each other in giving strength to our nation.

*Remarks of Mr. Burgess before the First General Session of the 81st Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 27, 1955.

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A Strong National Economy—Foundation for National Security

of the fence, that Uncle Sam is not the warmonger that the Communists loudly claimed. The United States has been withdrawing forces from the Far East. We have been cutting down the total number of our men under arms. We have abandoned the prior Administration's policy of building up our military forces toward a fixed D-Day in favor of a "floating D-Day." That is to say, we work toward a balance of forces and armament for defense that a free people is capable of sustaining and affording to sustain over as long a period of time as the need for such vast military defense continues.

About President Eisenhower

Now the policy that I have described was not adopted by President Eisenhower as one puts on a coat that can be shed in a time of political heat. He firmly believes that the vitality of the free world is dependent, for the nearby years at least, upon a strong American economy.

This belief will continue, because it is ingrained in and a part of him—just as much a part of him as his belief in, and observance of, the constitutional separation of powers among the executive, legislative, and judicial (a virtue somewhat overlooked in other days); just as much a part of him as his belief that, in a free-enterprise democracy, natural resources should be developed where possible by private interests (by private and public interests in partnership if need be); just as much a part of him as the belief which he shows in his daily life and his dealings with men: his belief that practice is more persuasive than precept; that what you are speaks louder than what you say; that the strong man cannot be provoked to talk back, to slug it out, to descend to a taunting opponent's level.

During my two and a half years in his service, I had as good an opportunity as most to observe the qualities which have given him that calm balance, which is our last best hope to steer away from crash and crisis and to keep our world at peace. Perhaps I can express simply a few of them.

One such quality is his tremendous confidence in the ability of Americans, released by government, to "do the job," to make and to do things. To this end, society should be fluid, affording to each individual a fair chance. In such a society, many of our frictions can disappear in an expanding economy, under which "my more" need not be "your less."

He believes that economic growth not only comes through change but also causes change. Therefore, a vital part of the government's role is to create conditions favorable to economic change and to resist efforts by any economic grouping in our society to use government to freeze the *status quo* for its particular advantage.

Above all, he has one consuming passion: to maintain this world at peace, lest civilization perish in the consuming flames of another general war. He will not be fooled by sweet, soft talk coming on a new recording out of Moscow, by the new-found "company manners" which were on display at the Summit Conference at Geneva. Nor will he be fooled by an illusion that security can rest upon military force alone, without the economic underpinning required to shore it up, steady and strong.

I suspect that there are some who will not subscribe to my thesis that this Administration is dedicated to a strong national economy, because this Administration believes such an underpinning is an absolute necessity for the survival of us Americans as free men and women. During the last few weeks, a familiar voice has been on the air once more. Many of the phrases used were like an old refrain that we had heard again and again and again—the "plundering of natural resources"; those two wicked whipping boys, "Wall Street and Big Business"; the need for the Party now out of power "to return the government to the people."

Well, I have an idea that there are a lot of other Americans who think that the people are kind of enjoying the government which they have been getting since 1953.

Let me paraphrase Abraham Lincoln, if I may: this Administration is doing the very best it can, and knows how to do, for all the people; if the end brings it out wrong, ten angels swearing we were right would make no difference; and if the end brings it out all right—which is what I most sincerely believe—what is said against this Administration won't amount to anything.

Now let me close on a different note — we private citizens who conduct great enterprises, in banking and in industry and in business, can play a big part in helping to make our national economy strong enough and vigorous enough to carry through the years ahead, without overexpansion or painful recession. To do our part, we must use some industrial and business statesmanship. The question is larger than merely this years sales and this year's profits.

The Secretary of the Treasury last April gave this sound advice:

"We have learned that when business begins to slacken—as a result of excessive inventory accumulation, overbuying by consumers, or for any other reason—an easy credit policy is helpful. The lesson that still needs learning is that credit restraint is equally necessary during periods of expansion, when the seeds of future trouble are sown. If we are to reach 1980 with our confidence undiminished, and with the economy continuing to operate at highest efficiency, restraints on credit may be needed just as often as easings of credit."

The Secretary was here speaking, not of governmental controls, but of voluntary self-discipline.

It is my certain belief that there lie ahead for America many, many free years in the sun, provided that America has the right leaders in government and in private enterprise as well. Those leaders will be right if they really understand that neither America nor the Free World will remain secure unless we build our defense on the rock of a strong and growing American economy.

Daniel Rice Installs Wire to Fairman Co.

CHICAGO, Ill. — Robert W. Strauss, Manager of the Trading Department of Daniel F. Rice and Company, 141 West Jackson Boulevard, announces the installation of a direct private wire to the trading department of Fairman & Co., Los Angeles, under the supervision of Richard R. O'Neil, and a connecting wire to the trading department of Stone & Youngberg, San Francisco under the supervision of John J. Quinn.

Daniel F. Rice and Company also has wires to their own offices and to Prescott & Co., Cleveland, A. G. Edwards & Sons, St. Louis, George K. Baum & Company, Kansas City, and Thomson, Kernaghan & Co., Toronto.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert M. Burns is now with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Green, Erb Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles G. Lowry is now with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Joins E. T. Moore

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — William G. Eisenmann has joined the staff of Elliott T. Moore, 4151 East Carson Street.

Aluminum Secondary Offering Completed

A secondary distribution of common stock of Aluminum Co. of America was made on Oct. 3 with the public offering by The First Boston Corp. and associates of 200,000 shares of the aluminum producer's stock at $78 per share. This offering was quickly oversubscribed. The stock sold represented a portion of the holdings of Arthur V. Davis, Board Chairman of the company, who will continue to own approximately 7% of the outstanding stock.

The company and its subsidiaries constitute an integrated producer of primary aluminum, from the mining and processing of bauxite to the fabrication of aluminum and its alloys into semi-finished and finished products. Total net sales and operating revenues for the six months ended June 30, 1955, amounted to $411,641,000 and net income was $36,027,000, equal after preferred dividends, to $1.72 per common share.

Capitalization of the company on Aug. 31, 1955, consisted of $308,350,000 in long-term debt; 659,909 shares of $3.75 cumulative preferred stock and 20,342,407 shares of common stock.

Associated with The First Boston Corporation in the offering are among others: Morgan Stanley & Co.; Blyth & Co., Inc.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Union Securities Corp.; White, Weld & Co.; A. C. Allyn & Co., Inc.; A. G. Becker & Co., Inc.; Central Republic Co.; Clark, Dodge & Co.; Hallgarten & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Laurence M. Marks & Co.; Paine, Webber, Jackson & Curtis, and Dean Witter & Co.

2 With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Margaret H. Howard and Robert D. Oakes have become associated with Mutual Fund Associates, 2101 L Street.

A Creed for Free Enterprise

By CLARENCE B. RANDALL*
Chairman of the Board, Inland Steel Company, Chicago, Ill.

After ascribing our economic ascendency to "a spiritual quality in the American people," prominent industrialist characterizes free enterprise as: (1) unlimited production and productivity, (2) an efficient system of distribution, and (3) a regenerative quality in terms of the creation of capital. Lists as the possible diseases of the free enterprise system: (1) failure to live up to the code of vigorous competition, (2) government subsidies, and (3) a high protective tariff. Warns free enterprise is "a gift of society" and can be taken away, if businessmen crop the fields without thought of maintaining fertility by putting something back in.


Clarence B. Randall

I have realized with dismay for some time that this awful moment would arrive. I have in my day faced one banker alone, bathed in perspiration, but suddenly to find oneself facing all the bankers of the civilized world in one room and to be expected to bare one's innermost thoughts is inhuman and cruel. That this should happen to me because I wrote a book! I think the fact of writing a book as a businessman is a strange enough phenomenon in itself to bear some explanation. I was sand-bagged into it by a very dear friend of mine whom many of you know, Ted Weeks of the "Atlantic Monthly," who caught me in an off moment and said: "You businessmen are forever yelling about free enterprise, and no one of you knows what you are talking about or has ever taken the time to try to tell the American people what you mean by free enterprise." He said, "This is your hair shirt, my friend. Put it on."

So I wrote the "Creed for Free Enterprise," and its sequel, "Freedom's Faith." I am getting in the commercial early. It has been one of the most rewarding experiences of my life. I can't tell you what it has meant to me. My first book is three years old, and not a week passes but what I get a letter from some total stranger, mostly, I admit, bawling me out and telling me what a sap I am to have said so-and-so on page 264, which I had forgotten I had said.

That first book has appeared in a French edition; a contract has just been let for a German edition; it has been printed serially in Australia. It is a very moving thing to me to sense, through my personal experience, the hunger there is in the world today to know what makes American free enterprise tick.

It is not likely that many of you will be sand-bagged into writing a book. I hope more men will. Businessmen ought not to boast of free enterprise without being willing to take the time to explain it.

The thing that is lacking in the life of the American businessman is a period of reflection and inner contemplation. I leave bankers out of this. Bankers are a world by themselves. You know more than we do in business about things, and I regard you as supermen. So I address myself to the ordinary, common variety of businessman.

We don't sit down and try to make up our minds as to the why of what we are doing. We rush from airplane to airplane and train to train; and we go home at night and tell our friends that we haven't had a vacation in five years and that we are working 16 hours a day, and are bearing the world on our shoulders, practically alone. We are so busy doing the immediate and the urgent that we never get time to think about the important.

Businessmen Need a Sense of Values

What the businessman needs most today, it seems to me, is a sense of inner values. He needs to know the purposes of his life. He needs to know the objectives towards which his life is moving. He needs to have his own sense of values by which he can determine his own achievements—because unless you know what you are trying to do, you can't keep score. At the end you don't know how you have done.

The businessman, above all, needs to understand his relationship to the world about him. We are, above everything else, a boastful group as businessmen. I have just come back from Europe on a steamer. You sit on the prom deck or in the bar of any steamer you may select and hear the American businessman sound off. The wife has dragged him over to Europe, much against his will. He has told her he would see the first half-mile of any museums that she should select. He has asked her to see things he wanted to see; but she said no, he would want to see things nobody ought to see.

He comes back pretty well fed up.

I shall never forget a year ago —this is not what I set out to say —a year ago my wife and I were on a steamer and at the next table to us were two Chicago businessmen who recognized my ugly face. They said, "Aren't you Clarence Randall?" I said, "Yes." A few minutes later I heard one of them lift his glass and say, "Joe, here's to us. We have dragged these damned women all over Europe, and we will soon be home."

Well, they tell you on the steamer how bad every country was they visited. Nothing did they find that was good. They are coming back to the good old U. S. A., and if the Statue of Liberty ever sees them again it will have to turn around.

Great big, wonderful United States! There isn't a man in the lot who can tell you precisely why the United States is great. We are wonderful. We are the hope of the world.

Economically we took the world through two wars. We are the people who gave General Alfred M. Gruenther, Supreme Commander, Allied Powers in Europe the backing to do the great job he has done in the world and is doing.

Source of U. S. Economic Greatness

Yet what is the source of that tremendous vitality and dynamism in our economy and in our way of life?

Surely it is not our natural resources. God was very good to this country in terms of raw material. But we haven't got a thing that isn't matched elsewhere in the world. I came into the steel industry through raw materials, and I used to think that the Mesabi Range was unique, but it isn't. Brazil has a deposit of iron ore as great, probably, as the Mesabi, and it lies almost undeveloped.

Why? It isn't just the rich farm lands that my friend Jesse Tapp (Chairman of A. B. A. Agriculture Commission) was talking about. There are probably just as good lands in the Ukraine as there are in Iowa. We used to think it was oil until the Near East oil came into production. Not along ago a very distinguished geologist told me he expected to live to see great oil deposits in most of the countries of Europe. The "have-nots" may soon have.

No, it isn't our natural resources, nor is it just the concept of freedom. The American Indian was free. He used the Mesabi Range iron ore to paint his face and had no concept of what to do with what God put on this Continent.

No, it is something in the hearts of men. It is a spiritual quality in the American people that is the very essence of our way of life. In this system of free enterprise we rely upon rewarding the individual in proportion to his effort, and surrounding him with a convenial atmosphere in which to work so that each man in our great country works with joy in his heart and hope in the future.

Free Enterprise Unique to the American Continent

This system of free enterprise really is unique on the American Continent. We share it with our friends across the northern border, but in the way that it is employed here it is not found all together elsewhere.

What are its characteristics?

First, of all, unlimited production and productivity; and those two words are not identical. But the businessman is so enamored and so infatuated by the glamor of our prodigious figures on production that he is apt to consider production the end of life, and, my friends, that's a fatal blunder.

Our country was great when the forebears who were mentioned in your resolutions were upon this earth. They had very few bath tubs and no televisions, and they produced Washington and Jefferson and the two Adamses and Madison. I suspect that if you took a scientific poll today and worked out a ratio of great men to the total population, our country today has a lower index of great men to population than existed before our modern technology had given us all their blessings.

If that be true, it is a sad commentary on our way of life, and it should give us pause. I regret to say that out of this vast world of production of which we are so proud, out of that background, very few great men appear on the national scene.

I think it may be because businessmen confuse production with the ultimate values in life. I say that increased production and productivity exists solely that men and women may pursue the good life. It is what you do after production that counts.

Surely, in every life there must be some ultimate value, some good that you are seeking on this earth, that you wish to pursue, and that is the ultimate. Production is important only as it makes that more possible.

The second unique thing about our free enterprise system is our method of distribution. Until you have come to know the economies of other countries, you may not fully appreciate how unique our system of distribution of goods is, and I make my bow here to the gentlemen of the advertising fraternity. I think that the advertising of merchandise has an important part in the development of the incentive that makes the free enterprise system tick.

The worker who parks his old jalopy alongside a new Chev wants a new Chev to park in the area. The woman who reads the advertisements wants Joe to put in some overtime or try to get a better job in order that she may achieve that particular thing that she desires, and that is important in our incentive system.

Regenerative Quality in Creation of Capital

The encouraging thing about free enterprise is its regenerative quality in terms of the creation of capital. Capital is formed in industry from the retention of earnings, and that is common around the world. But I think we sometimes fail to realize how unusual is our corporate form of organization and the equity method of accumulation for one enterprise the savings of a great many people.

I found this out during my mission to Turkey. There is wealth in Turkey, but it is not harnessed as ours is. The individual Turk wouldn't tell his brother, his sister, or his wife how much he is worth, let alone telling a certified public accountant. He puts it in land and sits on it; no nonsense about letting anybody else handle his property. That was brought home to me when I found that in the entire country of Turkey there wasn't a single certified public accountant. This is a unique contribution of America to the world, this fantastic method of gathering the savings of millions of people together in one media for common management.

Those are the three attributes that one might speak of quickly as recognizable.

Diseases of Free Enterprise

Now let us look at the other side of the proposition. There is no tree in the forest so strong but that there is some disease which will attack it. What are the possible diseases that can attack the free enterprise system and destroy it from within?

The first is the failure on the part of the businessman honestly to live up to the code of vigorous competition. Free enterprise and free markets must go hand in hand. They are the obverse and reverse of the shield. You cannot have free enterprise for long unless you have free markets. I say, that whoever takes any step which limits the corrective, policing effect of vigorous competition, that man does not believe in free enterprise.

A man who makes the discreet telephone calls to a competitor before he puts in the new price has taken an axe and laid it to the base of the stalwart tree, free enterprise; because the power to determine prices will never be allowed to stay long in private hands if he persists in that practice. Whoever tries that is asking for the nationalization, the socialization, that he so abhors.

I sometimes even wonder in my inner heart whether the businessman who sabotages the competitive system is not a greater enemy of our way of life than the Communists that he cries out against, because he does not understand free enterprise when he does that, and he is deliberately injuring it.

The second failure of the businessman who doesn't measure up to the responsibility side of free enterprise, which requires standing on your own feet, is the man who in one way or another seeks government subsidy.

The ingenuity of the American

*An address by Mr. Randall before the Second General Session of the 81st Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 28, 1955.

businessman in finding ways of getting money out of the government into his business and not get caught at it is infinite. They are extraordinarily resourceful. It takes many, many forms. One or two obvious ones will illustrate the point.

One which I happen to be strongly opposed to is the "Buy America" policy, which taxes all of the American taxpayers in order to funnel profits into the hands of certain corporations and into the areas where certain labor groups are employed. Reflect on the vast sums of money being spent on armament and other matters by the Federal Government.

Presently the policy is that a purchase of a commodity which is offered from the other side of the ocean should be accepted by our purchasing agents only if there is a 10% margin in favor of the foreign producer. Surely the great corporations of America can struggle along without a 10% edge over their foreign competitors. You, the taxpayers, are you quite willing to let the national budget take this more than 10% increase every year because the goods may not be bought in the lowest market but may be bought at such price as the American producers wish to put on it. It makes no sense to me.

The first or second cousin to this is the subsidy to shipping. I yield to no man in my desire to see our country have a sound merchant marine to the extent that we require it in war. I think the size of that fleet can be ascertained. I think the subsidy to support that fleet should be openly arrived at and publicly announced. I think it should be on the blackboard up there so that every taxpayer can see what it is. It is concealed in an indirect subsidy to shipping called "50-50" which requires that wherever American supplies move abroad half of them must be carried in American bottoms. Anybody who knows shipping knows that the nations of the world that we are trying to help and make strong as our allies depend on shipping to obtain the wherewithal to balance their trade with others. Take Denmark. I have just been in Denmark. It is a very sore subject there. Denmark and Norway have important merchant fleets, but we will not let them earn their way because we give an indirect subsidy at your expense to the American ship owner.

We did it even during the period of Marshall aid. I don't know how it is at your house, but at my house when we have something to give to the Salvation Army we let the Salvation Army come and get it. We do not hire a taxicab and send it down to the Salvation Army. But we didn't do that with aid. We wouldn't let them come and get it. We insisted that we take it to them in our own ships.

Large sums of money that were appropriated in aid, which you fellows kicked about, went not as aid to foreign countries but as aid to the American shipping industry. Personally, I think that is a questionable practice.

No High Protective Tariff Needed

Then—I must get in my favorite plug—it seems to me that it is direct sabotage of the enterprise system when an American business cannot operate without a high protective tariff. I won't labor this point, but reflect on it. I say that you cannot benefit one segment of the American people by a high protective tariff unless some other segment of the American people pays for it. You can, if you will, restrict the flow of Venezuelan oil to the United States. When you do that, what do you do? You make all of New England take a higher power cost, because its fuel will cost more. You take away from the state of New Jersey $25 million in sales of manufactured products which they ship each year to Venezuela.

I had the privilege of talking not long ago to the American Farm Bureau. I had a perfect field day on this subject. I said, "Of course, we want to preserve the farmer in Wisconsin in the state to which he has long thought he was entitled. To do that, we shut out dairy products from Holland. What does Holland do? Holland shuts out all flour milled from American wheat." I said, "You wheat farmers are picking up the check for the dairy farmers, only you don't know it. Does it make you happy?"

Then I said to two fellows from North Dakota (I will hit a lot of people here before I get through, so don't laugh too soon. You are apt to catch it next.) I said, "You farmers from North Dakota roared when oats came into the United States from Canada. You wanted them shut out. Canada said, "O.K., shut out the oats. Then we won't buy any citrus fruit from California." I said, "Are you fellows out in California quite happy to pick up the check for the farmers in North Dakota in order to maintain them in the state to which they have long thought they were entitled?"

I say to you, my friends, reflect on it. There is no way to protect one segment of the American people without damaging another segment. The ultimate payoff is with the consumer. The consumer is the forgotten man.

In my work in Washington I have faced representatives of the manufacturers associations of America, but nobody has come to see me on behalf of the consumer. The voice of self-interest is loud. The voice of the quiet, thoughtful citizen who pays the freight is not heard.

I am getting lathered up here. I didn't intend to.

Neglects of the American Businessman

Let me turn, therefore, to the next part of this approach to free enterprise. I have talked of the direct and obvious ways in which a businessman damages free enterprise. I want now to speak a few minutes about the neglects of the American businessman.

I have said in another context and I still believe that too many men in American industry think of free enterprise as a hunting license; as something they use to get what they want for themselves. Or, if I may change the metaphor, too many businessmen crop the fields of free enterprise without any thought of maintaining the fertility of the soil by putting something back in.

Free enterprise, recent history has taught us, is a gift of society. It didn't come from God. It is man-made. It is bestowed as a privilege upon men by free so-

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Situation Regarding the National Banks

By RAY M. GIDNEY*

Comptroller of the Currency

Comptroller Gidney reviews data regarding the National Banking System, and notes the progress of recent years. Comments on recent and proposed Federal legislation regarding national banks, and expresses approval of further regulation of bank holding companies. Is non-committal regarding additional legislation affecting bank mergers, but holds clarification of present law desirable.

Ray M. Gidney

At June 30, 1955, the total assets of national banks were $108-billion, down from $116-billion at Dec. 31, 1954, because of certain large mergers which took almost $7-billion of assets out of the national banking system, but less by only $854-million than the figures of June 30, 1954. Loans were 36.6% of resources; securities 40.7% (of which four-fifths were U. S. Government obligations); cash and due from banks 21.3%. The capital position continues to show improvement. Total capital accounts were $7.73-billion, or 7.82% of total deposits, not including valuation reserves of $593-million for loans. If this valuation reserve is added to capital accounts, the resulting total is 8.4% of total deposits. On June 29, 1935, 2,141 national banks reported Class A preferred stock (RFC) in the amount of $503,914,000. From records available in our office, this represents the peak in number of banks having outstanding preferred stock and the aggregate par amount of such outstanding. A few days ago, the last outstanding shares of R.F.C. preferred stock issued by national banks were retired. In recent years, national banks have been making important additions to their capital structures through the sale of additional stock. This process is continuing, with ready acceptance of the offerings by stockholders and the public. This is good, and taken together with the praiseworthy practice of retaining a high proportion of earnings as additions to capital funds, gives promise that our banks can and will maintain themselves in strong capital position. As above noted, the sale of additional capital has been very well received in practically every instance, and bank stock prices are in better relation to intrinsic values than over many recent years. This should be the case, for our banks have shown ability to maintain satisfactory earnings notwithstanding the growth of competitive factors and increases in costs of operation. We included in our 1954 annual report a tabulation of earnings, expenses, etc., for the years 1928, 1950, 1953 and 1954 to which I shall briefly refer:

*An address by Comptroller Gidney before the Annual Meeting of the National Bank Division at the 81st Annual Convention of the American Bankers Association, Chicago Ill., Sept. 26, 1955.

Earnings, Expenses, etc., of National Banks for the Years Ended December 31, 1928, 1950, 1953, and 1954

(* Indicates amounts in millions of dollars)

	1928	1950	1953	1954
*Total assets at close of year	$30,259	$97,240	$110,117	$116,151
*Total capital accts. at close of year	3,684	6,329	7,410	8,104
*Gross earnings	1,351	2,193	3,068	3,226
Per $100 of assets	$4.47	$2.26	$2.79	$2.78
Per $100 of capital funds	$36.69	$34.65	$41.41	$39.81
*Gross expenses	988	1,337	1,845	1,996
Per $100 of assets	$3.27	$1.38	$1.68	$1.72
Per $100 of capital funds	$26.83	$21.13	$24.90	$24.63
*Net earnings from operations	363	856	1,223	1,230
Per $100 of assets	$1.20	$0.88	$1.11	$1.06
Per $100 of capital funds	$9.86	$13.52	$16.51	$15.18
*Net asset losses or recoveries (including bond profits, etc.)†	—72	+26	—151	+149
Per $100 of assets	—$0.24	+$0.03	—$0.14	+$0.13
Per $100 of capital funds	—$1.96	+$0.41	—$2.05	+$1.84
*Taxes (income)	‡	256	466	532
Per $100 of assets		$0.26	$0.42	$0.46
Per $100 of capital funds		$4.04	$6.28	$6.56
*Net profits before dividends	291	626	606	847
Per $100 of assets	$0.96	$0.65	$0.55	$0.73
Per $100 of capital funds	$7.90	$9.89	$8.18	$10.46
*Cash dividends	195	230	275	300
Per $100 of assets	$0.64	$0.24	$0.25	$0.26
Per $100 of capital funds	$5.30	$3.63	$3.71	$3.70
*Retained earnings	96	§396	§331	§547
Per $100 of assets	$0.32	$0.41	$0.30	$0.47
Per $100 of capital funds	$2.60	$6.26	$4.47	$6.76

†Exclusive of transfers to and from reserve for bad debts and other valuation reserves on loans and securities but including net losses charged to these reserves.

‡Total taxes included with gross expenses. Income taxes not called for separately.

§Includes funds transferred to reserve for bad debts and valuation reserves less the amount of assets charged off against such reserve accounts. Includes $88 million in 1950, $33 million in 1953, and $106 million in 1954 transferred to effect a net increase in reserves for bad debts and valuation reserves. (Taxes would have absorbed a fair portion of these amounts had the transfers not been made.)

A Comparison with Year 1928

The figures for recent years compare favorably with those of the pre-depression year of 1928. While gross earnings per $100 of assets in the recent years were lower than they were in 1928, gross expenses also were lower, and net earnings from operations were almost as high per $100 of assets—$1.06 in 1954 against $1.20 in 1928. In relation to capital funds, they were much higher in 1954 than in 1928—$15.18 against $9.86. However, the figures are not strictly comparable, for income taxes were not shown as a separate item in 1928. Therefore, net profits before dividends may be a fairer measure of comparison than net earnings from operations. Income taxes in recent years have become a very important item in the operating statements of national banks. They totaled $256-million in 1950, $466-million in 1953, and $532-million in 1954. Net profits after taxes and before dividends were $.73 per $100 of assets in 1954 as against $.96 in 1928. But the comparison of net profits to capital funds is much more favorable to the later years, running $8.18 in 1953 and $10.46 in 1954 as against $7.90 in 1928. The average figure of 1953 and 1954 would be $9.32 per $100 of net capital funds. In these figures for recent years are included the net of funds transferred to bad debt and valuation reserves amounting to $88-million in 1950, $33-million in 1953, and $106-million in 1954. Additional income taxes would have had to be paid had the transfers not been made.

We note with approval that in recent years a larger proportion of net profits has been retained as additions to capital than was the case in the earlier period. I say this because we feel that it has been necessary, and is still highly desirable, to build capital funds to keep up with growth of deposit liabilities. However, we recognize that the market value of bank stock is influenced by dividend disbursements, and that bank management may well have this in mind in determining dividend policy. If a large portion of earnings is retained, new sales of stock may not be necessary; but if more generous dividend disbursements are made, it is usually easier to sell additional stock at good prices where that is desirable. We think the national banks have been doing a good job in building their capital by both methods.

Federal Legislation

In the field of federal legislation, we are pleased that Congress has enacted the important amendment to section 24 of the Federal Reserve Act which makes it possible for national banks to make amortized real estate mortgage loans with final maturities not exceeding twenty years, and to make amortized loans both in that class and in those with ten-year maturities up to 66⅔% of appraised valuation instead of 60% as previously. The legislation also extended from six to nine months, the maturity allowed for residential construction loans. We believe these changes will be helpful.

Three banking bills passed the Senate but did not receive action in the House of Representatives. They are:

(1) The bill for greater flexibility in number of examinations of national banks which will permit the Comptroller to waive one examination in each two-year period.

(2) A bill relative to the number of directors of national banks residing in the state within which the bank has its principal place of business or within a specified distance from the bank's head office, which would increase the distance from 50 to 100 miles and reduce the number who must reside within the state or prescribed limits from three-fourths to two-thirds.

(3) The bill making cumulative voting for election of directors of national banks optional instead of mandatory.

We favor the enactment of these bills and hope they will receive

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A Creed for Free Enterprise

ciety, and what society gives, society can take away.

I learned this the hard way in the steel industry. I had made many friends in the British steel industry through my work in earlier years for the government. All of a sudden those fellows found themselves out of business. They were working for the government. They had been nationalized; and it was a terrible shock to me.

So I say that this precious thing is a gift of society, and society can and will take it away if the businessman does not fully measure up to the social responsibility which he must assume if he is to have the privilege of working for himself.

What are those responsibilities?

Obviously, to maintain the American way of life. That means in the community to see that the area in which his plant is located is a good place for the young returning GI to bring up his family. That means support of the schools, the churches, the hospitals, all of the community services. Those are all a part of the price of doing business.

When a company goes into a new area where it has never had a plant it knows this. Right off the bat it builds theatres, churches, and schools; it brings in the visiting nurse, and so on. But when a plant is located in a great metropolitan center the need of the underprivileged is not so clear, and the man shrugs it off; and yet it is there. Because he shrugs it off, the community deteriorates.

Then there is the community obligation to higher education, on which I feel very strongly. Our whole way of life depends upon maintaining freedom in education. Industry has been slow to see that. We seek out the ablest young men we can find. We want young men of imagination, with creative quality, leadership, learning. We want those from the technical and from the liberal arts institutions because we must have both. Yet only recently has industry begun to sense that there is an obligation on it to maintain by direct corporate grants to the universities, the great institutions of learning upon which the whole American way of life rests, because from the universities comes the new leadership.

Then there is the relationship of the businessman to government. For two years I have flown each week between Washington and Chicago, devoting my time half-time to my company and half-time to my service on President Eisenhower's staff. I have learned much about the ways of businessmen. Not long ago I walked in my club and a fellow said, "Been away? I haven't seen you around lately." Then another friend said, "When are you going to get over this Potomacitis and get back on your job?"

Sitting in any train buffet car, after about the third highball, listen to the businessman tell what rascals they are in Washington; congenital nitwits, all of them; how simple it is to see what the right answer is.

And go over and tap that man on the shoulder and say to him, "My friend, only yesterday in Washington they were asking me if I knew a businessman who would come down and sign on and help solve the problems." Immediately you find you are in the presence of the indispensable man, a man whose presence at his company is essential to its preservation. Disaster stalks the country if that man should take his eye off the ball for one moment.

Most of the business world wanted President Eisenhower to be elected. Few have supported his policies. Reflect on that. There is an obligation on the businessman to take his part at the local level, at the state level, at the national level, in making our Republican form of government work. Before he condemns the nitwit, the bureaucrat in Washington—I am one of them now, I am sensitive—let him ask himself if he knows what he is talking about. I have found more dedicated, selfless men among the bureaucrats than I know in business. Saturday is the busiest day among the bureaucrats in Washington that I know. I see them at their desks at 6:00 o'clock Saturday afternoon when the boys back home are playing the 19th hole.

They are not all geniuses. God has been very, very careful about distributing genius, anyway. It is one of our scarcest commodities. But at least they are busy, and the businessman stays at home and tells them what a lousy job they are doing. I will take the bureaucrat on that basis.

New Walston Branch

CAMDEN, N. J.—Walston & Co., members of the New York and other leading stock and commodity exchanges, announce the opening of a new office at 120 North Broadway, Camden, N. J., under the management of Harry E. Strickler.

Morton N. Black, Charles B. Marple, David Levin, Donald M. Patterson and Carl T. Zimmermann will be associated with the new Camden office as registered representatives.

Walston & Co., one of the largest investment securities and commodity firms in the world, with offices coast to coast and in Switzerland, decided to open a new office in Camden to better serve the firm's growing list of clients in the rapidly expanding South Jersey territory.

Elected Director

Alan H. Rosenthal has been elected a Director of Guardian Mutual Fund, Inc. He is a Partner of the New York Stock Exchange firm of Rosenthal & Co., stock and bond brokers and investment advisers. Mr. Rosenthal has been in the securities business ince his graduation from Dartmouth College in 1929.

Prosperity, Policy, and Prudence

By C. CANBY BALDERSTON*
Vice-Chairman of the Board of Governors, Federal Reserve System

Federal Reserve Vice-Chairman, in commenting on the impact of the present prosperity, lists the factors which give effectiveness to policies required to convert a business decline into recovery. Says monetary policy itself can not restore prosperity or prevent depression unless there is a sound underlying financial structure. Sees restraint of unwise speculation as most pressing current problem, and cautions both bankers and business executives that they, together, have a joint responsibility with the Federal Reserve by exercising prudence and restraint in the present situation.


C. Canby Balderston

The momentum of recovery has been carrying business upward to record highs that are to be anticipated when a growing economy is booming. Now that prosperity is here, it should be enjoyed but not abused. So, it may be timely to ask what bearing the current advance may have upon future business prospects. For instance, is the rate of expansion inducing speculative giddiness among business men and consumers? Can the present pace be maintained and the period of prosperity be continued?

Although fluctuations are inherent in the nature of business, their amplitude may be subject to human control. One of the most significant of the available control devices is general, flexible, monetary regulation. My task is to explore its role as an antidote to business recession, and as a restraint upon inflation.

Since the recession of 1953 has now disappeared both here and abroad, it is worthwhile to examine the evidence as to the effectiveness of monetary policy in restoring prosperity. It is important to discover whether the skepticism is justified that easing credit to solve depressions is no more effective than "pushing on the end of a string." In the United States, a policy of active ease was followed by the Federal Reserve in the second half of 1953 and throughout most of 1954. Credit was readily available to meet the demand for sound loans. The availability of credit enabled liquidation to proceed in an orderly fashion. It has fostered subsequent expansion. The money supply increased mildly during the recession and sharply in the early stages of expansion. Monetary policy appears to have played an important role even though other factors contributed to the mildness of the recession and the prompt reappearance of recovery.

Our experience is in line with the results of similar monetary policies followed in the United Kingdom and in Continental Western Europe during the slight recession that followed the post-Korean boom. In most of these countries, the transition from overexpansion to stability was accompanied by a slight drop in output and employment. However, a new upward movement soon developed; and by the spring of 1955, industrial production nearly everywhere reached record levels: in the United Kingdom about one-fifth, and in some Continental European countries, such as Germany, as much as one-third higher than in 1952.

Four Factors In Increasing Credit Supply

The effectiveness of increasing the supply and availability of credit to convert a business decline into recovery seems to turn on the presence of four factors:

(1) An inherently sound business structure, unweakened by excessive speculation.

(2) Business confidence that additional credit can be put to constructive use.

(3) The existence of potential borrowers with sound credit standing. Their creditworthiness reflects the extent to which equities have been maintained.

(4) Fiscal actions favoring recovery, such as automatic tax reductions.

In short, monetary policy in itself cannot restore prosperity under all circumstances; but in a propitious climate like that of 1954, it can provide important aid.

This brings us to another question concerning the role of monetary policy that is of current significance both in Europe and in this country: Can general credit control restrain the speculative ebullience that causes recoveries to become bubbles or blisters and then to burst? If it is to succeed, what teammates does it need?

In recent months, financial stability has become endangered again in the United Kingdom and in some parts of Continental Europe, such as Scandinavia. These difficulties cannot be compared in magnitude with the inflationary pressures that made themselves felt in the early postwar years or during the Korean War; however, they have been serious enough to induce the countries involved to take quite drastic steps.

Recent British Experience

The recent British experience is particularly interesting. The United Kingdom twice raised its discount rate this year; moreover, it adopted measures to curb instalment credit and recently the Chancellor appealed to the commercial banks to reduce their advances. This tool of "moral suasion" is the more effective in the United Kingdom because its banking system consists of such a small number of large institutions. However, just when stability seemed about to be regained, the British transportation system was disrupted by railroad and dock strikes, with adverse repercussions on British external accounts.

The current situation in our own country, too, provides a severe testing for monetary policy. Now that business is prosperous and constantly making new records, the problem is to maintain prosperity by restraining unwise speculation.

Although monetary policy standing alone is not sufficiently potent to maintain stability, the strength and resilience of the American financial structure to withstand shocks, whether inflationary or deflationary, center around it. Its main purpose is to help provide enough credit and currency to foster a high utilization of the nation's physical resources, technical skills, and manpower without inducing inflation. Maintenance of the appropriate amount of credit and currency at a given time for given conditions is at the heart of the central banking problem. It is the supreme task of the Federal Reserve. In more concrete terms,

*An address by Vice-Chairman Balderston before the Annual Meeting of the National Bank Division at the 81st Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 26, 1955.

the credit and monetary authorities must furnish the reserves needed by the commercial banks to finance the economy at a high level of resource utilization without contributing either to inflation or deflation. The cost and availability of credit must guide the savings of the economy into constructive activities; the quantity of credit must reflect a rate of growth in the active money supply that is in keeping with the habits of the population in maintaining cash balances and with the growth in available resources. The problem of insuring growth without inflation involves a correct appraisal of the future rate of expansion that the economy can sustain. This appraisal needs to be made with as much precision as prophecy of future happenings will permit.

The Watchfulnes of the Federal Reserve

In order to be in a position to make the maximum contribution to stable economic growth, the Federal Reserve finds it necessary to keep informed on developments in all segments of the economy. This involves gathering and analyzing current data on credit, production and prices. It also involves keeping alert to longer range structural developments in banking and in the economy generally. That is a major reason why the Federal Reserve is conducting a business loan survey this year. Through increased knowledge of the lending practices of banks, small as well as large, and the types of customers served, the Federal Reserve will be in a better position to judge the impact of future economic developments on the credit and monetary system.

In curbing inflationary developments, appropriate fiscal and debt management policy is important. It includes, at all levels of government, budgeting that diminishes or eliminates deficits. It includes, in addition, debt management that is contrived to mop up funds that would otherwise go into ill considered expansion, while at the same time maintaining sufficient liquidity.

Another essential adjunct to general monetary controls in restraining speculative ebullience is attention by borrower and lender alike to the quality of credit. If a parody of Shakespeare be permitted, it is important that the quality of credit be not strained. To keep excessive optimism in leash requires prudent judgment, and is the overriding obligation, not only of business executives and of labor leaders, but of bankers in particular, for bankers have unusual opportunities to secure an overall view of the economic scene; and they possess exceptional experience and skill in dealing with risks.

The Cause of Former Financial Crises

In past generations, many forward movements that appeared to be solidly based were injured or destroyed by lack of sufficient caution and judgment to curb over-expansion and over-borrowing. Many of the great financial crises which have become part of our business tradition were the unhappy result of speculative excesses and a too exuberant granting and use of credit. It is superfluous to cite the historic cases of the bulbs of Holland, or the Mississippi bubble, or the railroad boom that preceded 1893, because many of you have personal recollections of more recent crises. There was the Florida land boom ending in 1926, and the overborrowing abroad that spoiled our foreign lending between the two World Wars, even though sound arrangements had been worked out initially between responsible governments and responsible banking houses. There was the stock market boom that was ballooned skyward by billions of dollars of credit until its sudden return to earth after October, 1929. There were the difficulties encountered by the plan to merchandise mortgages during the 1920's. This last example illustrates how a scheme calculated to meet a definite need (and which would have contributed to the financial advancement of its time) was spoiled by a too liberal appraisal of real estate values, and by the lack of appropriate amortization.

The Responsibility of Business Executives

Now I come to my principal concern: the quality of business decisions is important at all times, but especially so during prosperity. In short, the duration of the current expansion will be influenced by the quality of policy decisions now being made by business executives. I mean not only the business decisions made by marginal concerns, but also those by business leaders who are the banks' most valued customers. Unless their decisions reflect an objective appraisal of present and future trends, such credit as proves later to have been unwise will embarrass the bank and plague the borrower. What I am urging is that executives should risk neither too little nor too much; be willing to venture but still guard against unwarranted optimism. The problem, of course, is how to balance protection and risk; caution and daring; conserving and expanding; the safety of a strong cash position and the growth that borrowing makes possible. Even during this delectable prosperity, bankers and borrowers alike may be wise to watch cash position. To maintain its strength diminishes immediate earnings perhaps, but so does insurance of any kind. An appropriately liquid condition provides a buffer for the shocks of bad times — protection against bad luck or miscalculation. The time to fix the roof is when the sun is shining.

My overall conclusion as to the ability of general monetary policy to restrain inflation is that it is our best hope, but that it requires the collaboration both of fiscal policy and of such executive prudence as will maintain the quality of credit.

This conclusion may appear to beg the question unless the meaning of credit quality is made more concrete. Obviously, there is no formula by which a good risk may be differentiated from a poor one. Therein lies the art of extending credit. But some of my present concern may be reflected in the form of questions:

(1) Is credit being sought and extended for purposes tnat are primarily speculative rather than constructive? Is making a "fast buck" the objective rather than increasing the supply of goods and services?

(2) How long does it take the owner to obtain a significant equity in durable goods that are bought on time, in view of the rapid early depreciation of the goods and the costs of financing their purchase? If the terms of automobile paper are one-third down and 30 months to pay, the owner's equity at the end of one year is about 30% of the depreciated value of the automobile and somewhat more than 15% of the original value. If the terms are one-quarter down and 36 months to pay, the owner's equity at the end of a year is only about 10% of the depreciated value, and not much more than 5% of the original value. Suppose the borrower loses his job, or his sense of responsibility toward his obligations, especially if a price decline causes him to feel that he has no equity left and that he is "paying for a dead horse!"

(3) Is adequate liquidity being maintained by banks as well as by their borrowers?

(4) Are future growth, prosperity, and equity values being overly discounted?

(5) Are construction costs being raised unduly by too intensive activity in this segment of the economy?

It is probably not fruitful to attempt generalized answers to these questions. More important by far will be the answers reached by each banker and his customers as they make individual decisions. They alone are in a position to estimate accurately in advance whether a particular action seems prudent and sound. They, too, must await actual experience for confirmation; but if one observes the pageant of history, do not some guides appear that help to avoid blunders leading to future losses? Someone has said that hindsight should lead to insight and insight to foresight. Perhaps regret may be avoided if business executives ask themselves certain searching questions now before overexposure to the delightful warmth of prosperity leads to blisters.

With Sutro Co. Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Sydney Bloch has become affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

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Banking in a Democracy

panies should not be permitted to control and operate businesses that are not related to the banking business. Companies now owning both banking and nonbank related institutions or corporations should be required to divest their ownership of one or the other within a reasonable time. The same divestment should be required of chain banking and other forms of central control of multiple banking.

There is also recognition on the part of bankers and bank supervisory agencies that in the public interest there should be some degree of governmental control and regulation of the acquisition of banks by bank holding companies. Such a program is clearly called for.

The first question that arises is whether in the public interest there should be any further acquisition of banks by holding companies. So far as such acquisitions are limited to an individual state, the question is primarily one for the people in that state to determine. However, if the people in a state, through legislative action, prohibit the ownership of state banks by a holding company, the same prohibition should apply to the ownership of national banks in that state.

If a state should permit the acquisition of state banks by holding companies, then the acquisition of national banks in that state by holding companies should follow. The conditions or limitations under which a holding company may acquire the stock of any state bank in states permitting such acquisitions should be determined by the state banking authorities of each state. Similar authority should be vested in the Office of the Comptroller of the Currency with respect to national banks. Final authority for approval of the acquisition of banks by holding companies within a state where such acquisitions are legal should be vested in the Federal Reserve Board under a limited grant of authority. In no case should the Federal Reserve Board have the power to approve the acquisition of any state bank by a holding company over the objection of state banking authorities nor of any national bank over the objection of the Comptroller's office.

As is now the case with respect to branch banking, no approval should be given to the expansion of holding company banking across state lines. Holding companies should be required to secure charters in the states in which they operate and should not be permitted to acquire banks in other states. On the whole, holding companies have a splendid record in their operation of banks. They performed a valuable service in taking over and saving a number of banks during the depression period of the thirties. Simple fairness would dictate that holding companies owning banks across state lines should not be required to divest themselves of such ownership. However, future acquisitions across state lines should be prohibited by federal law. Such a policy would be consistent with that now applicable to branch banking across state lines. Although there are important differences among holding company banking, branch banking, and chain banking, all of them represent a consolidated or central control of multiple banking. The spread of any one or any combination of these forms of banking nationwide across the face of this country would spell the doom not only of the dual banking structure but of the chartered banking system itself.

Public Against Nationwide Centralized Multiple Banking

Preponderant public sentiment in this country is against nationwide multiple banking under central control, no matter what form it may take. The prohibition of the extension of holding company banking across state lines would be additional protection against the possible conversion of the American banking structure into a centralized nationwide system such as has happened in most of the large countries of the world.

Some duplication of regulation and administration may be the price of preserving our dual banking system and of maintaining some degree of control of policies with respect to the chartering and the operations of banks, but the price is cheap in terms of the preservation of checks and balances in the operation of our democratic system and in providing the flexibility under which the policies and operations of government respond to the will of the people. I can see no good reason why the same kind of cooperation that now exists among bank supervisory authorities, both state and federal, as to bank charters and branch banks should not be effective in the control and regulation of multiple banking through holding companies and otherwise.

One basic question of public interest that applies to the entire field of mergers, consolidations, branches, chains, and bank holding companies that should be a factor in the consideration by governmental supervisory agencies of any application for the acquisition of a bank or a branch is that of dominance or control of banking resources in the area served. The extension of credit is one of a bank's most important functions. Although banks are supervised by government agencies, there is no requirement that a bank must make loans to any and all applicants, nor is the rate of interest that a bank may charge on a loan fixed by law other than by the ceiling of the usury laws. This is not the case with such regulated industries as public utilities, railroads, etc. These regulated industries are required to provide their services for all who want them and at rates regulated by governmental bodies. Since banks are free to make or refuse to make loans and, except as influenced by competition are relatively free to fix interest rates, it becomes a matter of great public interest and concern that a potential borrower should have access to two or more banks.

Must Have a Competitive Banking System

In most cases of bank mergers, consolidations, acquisitions, and the establishment of branch offices in recent years, there has been no adverse competitive effect; and in many cases, there has been an enlargement and improvement of banking services made available to the public. On the one hand, the banking system must provide competitive banking services throughout the nation while on the other hand, it must avoid the multiplication of too many banks such as contributed to the banking difficulties of the early 1930's.

Whenever the concentration of banking control in any state or area becomes so great that the policies of one management can largely determine the availability of bank credit and the conditions under which bank credit may be obtained througout the state, or in any area, there is a serious question of public interest involved. Such concentration and control of vital power over the economic life of the people of any large area is neither in the public interest nor in the long term interest of the chartered banking system. It is not a question of size but of dominance. Unless the bank supervisory agencies restrain the growing dominance of some of the branch banking systems, holding companies, and chains, the U. S. Department of Justice will move into the picture. It is already knocking at the door. Additional authority and direction should be given to bank supervisory agencies, by legislation to deal adequately with this problem.

The possibilities of developments in dominant multiple banking in this country can have a serious impact on our national economy, on our banking system, and on public opinion as to the private ownership of the chartered banking system.

Our government has expressed the will of the American people in no uncertain terms in the statutory governmental policy declaration known as the Employment Act of 1946. This declaration requires all branches, instrumentalities, and agencies of the government of the United States to follow programs and policies that will provide maximum employment throughout the country. In this statement of the economic policy of this country, there is no reference to stable purchasing power, inflation, or deflation. However, the public has been led to believe that through the use of proper policies by government, our economic system can be made to function so as to provide not only full employment but an ever increasing standard of living and a continuing prosperity without substantial backsets and without serious inflation or deflation. I fervently hope that this objective may be realized.

Banks Should Implement National Monetary Policy

The public believes that the principal instrumentalities through which the policies of government in the control and direction of debt management, of credit, of monetary and fiscal affairs will become effective are the banks. Therefore, if there should be inflation or deflation in this country or a failure to maintain high levels of employment at ever increasing wages, the banking system will be charged with a large part of the responsibility.

It is inconceivable that banking would react otherwise than to implement the policies designed by government and the Federal Reserve System to stabilize the economy, to promote employment, and to minimize inflation or deflation. The general response of banking to changes in monetary and credit policies of government in recent years is a tribute not only to the enlightened leadership and direction of monetary and credit policies by the Federal Reserve System and the U. S. Treasury Department but to the statesmanship of bankers, and is evidence of their recognition of the duties and responsibilities of banking under democratic government.

The Federal Deposit Insurance Corporation

One institution in banking that the public considers paramount in the public interest is the Federal Deposit Insurance Corporation. Started in 1933-1934 with some misgiving on the part of the public and the bankers as a device for the protection of depositors against losses, the history and record of this Corporation have exceeded the expectations and even the hopes of its advocates in the effectiveness with which its objectives have been accomplished. It is an insurance system financed on a mutual assessment plan. Its liabilities are largely of a contingent character that are dependent upon the soundness of its member banks. The amount of its potential liabilities cannot be determined by any actuarial standard. The adequacy of its financial resources to meet future liabilities cannot be measured quantitatively. Its possible future needs must be measured in terms of the strength and soundness of its member banks and of the private enterprise system operating under democratic government.

The primary financial resources of the F.D.I.C. with which to meet its insurance liabilites are its reserves, which aggregated in excess of $1.5-billion on Dec. 31, 1954. In addition, it has current resources in its authority to assess insurance premiums against member banks of 1/12 of 1% of deposits annually, which assessment in the year ended Dec. 31, 1954, amounted to $144-million. In addition, it has investment income which aggregates more than $37-million per year. Thus, in addition to its reserves, the Corporation has an annual available income with which to meet losses and expenses in excess of $180-million.

The record of the F.D.I.C. in its 21 years of corporate existence has been phenomenal in the small amount of losses it has sustained from the insurance of bank deposits. Its deposit insurance losses for the entire 21-year period of its corporate existence have aggregated only $28-million, from which should be deducted interest and allowable return collected in the amount of $8.7-million, leaving a net loss on deposit insurance in the 21 years of approximately $19.2-million. The total net insurance losses for the 21-year period is, therefore, less than 1¼% of its present reserves. On an annual basis, net insurance losses have averaged less than $1-million per year or less than 6/100 of 1% of its present reserves. In terms of available annual income from assessments and from interest on investments, average annual net deposit insurance losses have averaged approximately ½ of 1% of annual income.

This astounding record of negligible insurance losses is a tribute to the sound operations of insured banks throughout this 21-year period. It is also a tribute to the sound policies of all bank supervisory agencies, state and federal, and to the effectiveness with which the F.D.I.C. has dealt with potential and actual difficulties of member banks. It is evidence of the strength of the dynamic American enterprise system operating under the freedoms of democratic government.

The resources of the F.D.I.C. in reserves on hand and in available income are, beyond question, far greater than any conceivable needs it may have. This is as it should be. The F.D.I.C. is the "Rock of Gibraltar" of the bank deposit structure, and the adequacy of its resources must be such that no possible question can be raised.

On the other hand, there can be no justification for continuing to pile up reserves from assessments against banks far and beyond any foreseeable need. It is my considered judgment that the resources of the Corporation have now reached a point where all further annual assessments against banks in amounts in excess of the current annual requirements of the Corporation to cover expenses and losses should be refunded to the banks.

Under the present assessment formula, the Corporation at all times has in hand an amount equal to one full year's assessment at the rate of 1/12 of 1% of deposits, which amount currently runs above $144-million per year. Any losses plus expenses of the Corporation in any year are chargeable against this $144-million of income before any amount may be refunded to the banks. It is inconceivable that any condition could arise, barring a complete collapse of our national economy and of our government, in which losses from insurance deposits in any year would require even a substantial part of the annual assessment of $144-million. The Corporation also has income from investments of $37-million per year to add to its reserves. The use of this investment income as additions to reserves should be continued but the excess of assessments against banks above amounts needed for expenses and losses of the Corporation represent an unwarranted accumulation of funds.

In addition to its own reserves and assessment income, the Corporation is authorized to borrow up to $3-billion from the United States Government to finance the acquisition of bank assets if a disaster of such proportions should occur as would require funds in excess of the reserves of the Corporation.

Many Banks Should Increase Their Own Reserves

Although there is no need nor justification for the F.D.I.C. to accumulate additional reserves from assessments against banks, it is desirable for many banks to increase their own reserves. While the capital accounts and reserves of all banks in the United States on Dec. 31, 1954, aggregated $18.6-billion against deposits of $212-billion, which is reasonably adequate for the banking system as a whole, there are many cases in which individual banks should increase their capital funds and reserves. Our fast growing population and the dynamic industrial development of the country in recent years have resulted in increased bank deposits in some areas and in some institutions in excess of their accumulation of bank capital.

For the entire banking system, however, while total deposits of all banks have increased in the past eight years 35%, capital accounts have increased in the same period 53%. In addition, reserves for losses during that period have been increased by approximately $1-billion. During the same eight-year period, insured commercial banks have put earnings into capital accounts of 32% more than the total amounts paid out in dividends. This is a fine record of adding strength to the banking system.

A Proposal Regarding the F.D.I.C.

I wish to submit a proposal which I am clearly convinced is not only in the interest of our banking system but is in the interest of the Federal Deposit Insurance Corporation and in the public interest. The plan I propose is for the F.D.I.C. to refund to the banks all assessment income to the Corporation in excess of the cost of operations and losses of the Corporation in any year. Sixty per cent of this amount should be used for the reduction of assessments as is provided under present law. The remaining 40%, which is now retained by the F.D.I.C. and added to its reserves, should be refunded to the individual banks and used by them for additions to reserves for losses. Instead of the F.D.I.C. using this 40% of net assessment to add to the contingent reserves of the Corporation, the individual banks would use these funds to increase their own reserves. These reserves should be against any losses, including losses in the liquidation of securities and fidelity losses in excess of amounts recovered from insurance as well as losses on loans. Banks would be required to charge all losses they might incur against such reserves to the extent that such reserves are adequate. However, it should be provided that charges should not be made against this reserve for losses on loans until the reserves set up under the bad debt formula, established pursuant to Section 166(c) of the Internal Revenue Code and rulings thereunder by the Internal Revenue Service, have been exhausted. This formula under the Internal Revenue Code for setting up valuation reserves against existing loans should be continued even though it provides only limited protection to a limited number of banks. Losses on loans should be charged against the valuation reserves permitted under the regulations of the Internal Revenue Service to the extent that such reserves are adequate. Any losses on loans in excess of the valuation reserves would be chargeable to the general reserves of the bank arising from the proposed change in the F.D.I.C. formula of assessment.

Under this formula in the year 1954, in addition to the 60% assessment refund of $81,752,500, insured banks would have received the amount of $54,501,666 for use as general reserves against losses in individual member banks.

The strength of the Federal Deposit Insurance Corporation rests not only on its own resources but on the strength of the member banks. Before the Corporation can sustain any loss as a result of its insurance of deposits in a bank, the bank itself must sustain a loss of: (1) its entire reserves, plus (2) its undivided profits, plus (3) its surplus, and plus (4) its entire capital. The strengthening of a bank's primary reserves and capital funds necessarily reduces the contingent liabilities of the Insurance Corporation. The net result of the proposed formula will be for individual banks to set up as primary reserves against losses the 40% of net assessment income now retained by the Corporation instead of these funds being used as additions to the reserves of the Corporation. The proposed change in the formula will not change the taxable income of the banks nor the income tax revenues of the Federal Government. The same 40% of net assessment income now retained by the Corporation and charged as an expense by the operating bank will continue to be charged as an expense of the individual bank. The credit will be to the bank's own reserves for losses instead of by the F.D.I.C. to its reserves. There is no question but that the needs of the banking system will be served better and the protection to the Insurance Corporation will be greater if funds are used to increase the primary reserves of individual banks than if such funds are added to the contingent reserves of the Corporation.

The reserves of the Corporation would continue to increase by the net amounts of investment income of the Corporation, which in the year ended Dec. 31, 1954, amounted to $37,323,214.

I submit this program for your consideration and in the hope that bankers and the bank supervisory authorities, including the officers and the directors of the F.D.I.C. and the Congress of the United States may, in a common effort, adopt it as being timely and desirable and in the public interest.

When I addressed this Division in 1936, I expressed the faith of American bankers in our banking system in these words: "As bankers, we believe in the American dual system of state and national banks. We believe that this American system is suited to the characteristics, the needs, and the aspirations of the American people. We believe that this American banking system has contributed more to the progress and development of this nation, to its rapid economic growth, to the high standard of living of its people, than any other banking system has contributed to any other nation in the world. We have accepted the minutest control of our banking institutions by government agencies, state and Federal, to an extent not attempted in any other great nation. We have everything to gain from a banking system that is sound, that is strong, that is serviceable, and that promotes the welfare of the American people; and we have everything to lose in defending any system that does not meet those requirements." Today, 19 years later, I reaffirm that faith and that belief.

These principles are as true today as they were in 1936. They have been tested throughout the intervening years under the stress and strain of World War II and the resulting financial and economic dislocations. The service of American banking to Government, to the American people, and to the maintenance and nourishment of our private enterprise system throughout these years constitutes the most brilliant chapter in all financial history. It is a record of the devotion of private interest to public good. It is our duty and responsibility as bankers to maintain that record.

Baltimore & Ohio RR. Financing Approved

The Interstate Commerce Commission has approved the issuance and sale and/or exchange of The Baltimore and Ohio RR. Co.'s $280,000,000 first consolidated mortgage bonds, according to an announcement by Glore, Forgan & Co., Halsey, Stuart & Co. Inc., and Alex. Brown & Sons who headed this financing. The new bonds are issued in three series: $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.

This formal authorization by the ICC clears the way for the final step in the company's overall debt consolidation program. This issue, which is the largest in the history of railroad financing, was underwritten by a group of nearly 200 banking houses.

During the period of the company's exchange offer, commitments had been received through sales and exchange for all of the $120,000,000 series C bonds. Some of the series A, 3⅞% bonds due Aug. 1, 1970 and series B, 4% bonds due Sept. 1, 1980, are still available, according to the underwriters, and are being offered at 99% and 98¾%, respectively.

J. Lane Donovan Joins Manley, Bennett & Co.

DETROIT, Mich. — Manley, Bennett & Company has announced that J. Lane Donovan is now associated with their sales department as a registered representative. In this capacity, he will devote his full time to all phases of security investment services.

Mr. Donovan is a life-long resident of Detroit, a graduate of Detroit University School in 1932 and Dartmouth College in 1936. Until recently he was connected with Gately Shops, Inc. as owner and merchandise manager.

The firm founded by Manley and Bennett in 1932 now has a sales force of 18 registered representatives. Offices are at 1100 Buhl Building.

Continued from first page

1956 Will Be a Year Of Normal Growth

idity, for unless some foolish mistakes are made, 1956 should be another good business year. It should not be a year of recession but one of normal growth. Now when I make that statement, I am not predicting that 1956 will bring a boom on boom, for 1955 will go down not as a year of normal growth but as a year when resurgence from a business recession was added to normal growth.

A Definition of "Normal Growth"

I suppose that right here I should give you our definition of "normal growth." Our country has had a long historic record of growth. This growth has been based upon persistent increases in population, productivity, and improvement in the standard of living of our people. Expressed in terms of gross national product this long term growth trend has averaged over the years between 3% and 4% a year. So for our purposes we consider a 3% to 4% increase in the gross national product as "normal growth." In our opinion, 1956, should be such a year.

Having stated our conclusion first, I would now like to discuss where we are today and then use the current environment as a springboard from which to plunge into 1956. To begin, let me state that this has been a civilian boom. It has not been generated by increased government spending or grants and loans abroad. The Federal Government has been a negative factor, for its expenditures are off about $4-billion.

Another fallacy that I think should be laid to rest is that this has been a durable goods boom, more particularly an automobile boom. Actually, the $14-billion increase in personal consumption expenditures has been fairly evenly distributed all long the line between durables, nondurables, and services.

Three major factors have brought about the current expansion in consumer spending. First, the increase in population has automatically raised the demand for goods and services. Second, the long range growth trend in the standard of living calls for an increase of 1½% to 2% per year in the consumption of goods and services. Third, the controls and high tax rates in force during the Korean War restrained this trend and caused to be built up a backlog of deferred demand. It may be said, therefore, that the increase in population will account this year for about $4-billion in consumer expenditures, the normal increase in the standard of living another $4-billion, with the balance of about $6-billion coming out of the backlog of deferred standard of living demand.

Consumer Spending a Cause of the Boom

While the consumer has been increasing his expenditures, business has increased its investments by $13-billion. Of this increase the inventory swing accounts for $7-billion. Inventories, as you know, follow a pattern of accumulation and decumulation. These cycles are very clearly observable and regular. The change in direction or swing is what has the real effect on business. For instance, a year ago inventories were being drawn down or decumulated at an annual rate of $3-billion, whereas this year they are being accumulated at an annual rate of $4-billion. Thus, so far as business activity is concerned, the effect is equal to the total of the swing. The combined result of the increase in consumer spending and business investment will raise the Federal Reserve Index of Industrial Production this year 10% above the level for 1954.

This increase of 10% in the Federal Reserve Index of Industrial Production is substantially above its long term growth trend. The reason for this fact is that in 1954 the index of industrial production fell substantially below its long term relation to gross national production. This relationship has been reestablished in 1955. In other words, the gain in industrial production from 1954 to 1955 has been part resurgence from a low level and part normal growth. We estimate that roughly 40% of the gain this year is normal growth, and roughly 60% is resurgence.

Problems of the Resurgence

The resurgence has created problems. It has been so rapid and strong. It is because of these problems that both the Administration and the Federal Reserve Board have been employing restraints on the economy. This has given ground to the fears expressed by many that business will go into a tailspin before very long. Le us look at these problems and appraise their risks.

The resurgence provided labor with a business environment in which it could demand and receive wage increases far beyond any possible comparable improvement in productivity. With consumer demand strong, business is passing on the increase in labor costs in the form of higher prices. Raw material prices have been low in relation to finished goods prices so as a reslt we have been experiencing a generally rising trend in prices this year. This trend has caused a revival of inflationary fears which violate the stable dollar objectives of the Administration.

Rising prices and active consumer demand have stimulated the accumulation of inventories. In the third quarter of 1954, inventories were being decumulated at an annual rate of $4.9-billion. During the current quarter, they are being accumulated at a rate of more than $5-billion. Our studies indicate that the rate of inventory change has a direct effect upon several elements that make up our economy. The trend, for instance, correlates very closely with the changes in the bill rate and with employment. If the changes in the inventory cycle can be controlled or moderated, the magnitude of a boom or correction can be limited.

In the past, an inventory swing from high to low has amounted to as much as $10-billion. This is equivalent to withdrawing from the economy more than 80% of the total value of housing construction or one-third of the present level of capital expenditures. This gives you some idea of how important the inventory situation is today and how closely it should be watched. I do not doubt that it is the greatest economic worry of the Administration. The inventory factor was the primary factor in the 1937-38, the 1948-49, and 1953-54 business recessions. In order to avoid a serious drop later, the rate of inventory accumulation has to be limited.

Out of the problems of rising prices caused by higher labor costs and the urge to accumulate inventories has come the Administration's and Federal Reserve Board's attempts to restrain the boom. The objective is not to kill the boom or throw business into a decline but to try to hold the increase in business activity in line with the normal growth trend. We are beginning to see a slowing down in the rate of expansion in personal consumption, industrial production, and the gross national product. They have not turned down, but the rate of increase is more temperate. This suggests that the policy of restraint is taking effect. Furthermore, with industrial production and the gross national product now back in balance with their long term growth trend, the situation should lend itself more readily to control.

By the closing months of this year, or early next year, the effects of Federal Reserve policy of restraint should be apparent. While I realize that one cannot be dogmatic where matters of money management are concerned, we think that in this instance there is a good chance of success. We believe that the boom in inventory accumulation which has not as yet reached the dangerous state will be curtailed and a sharp corrective decline in business avoided.

Now, What About 1956?

This brings us up to 1956. Why will 1956 be a year of normal growth and not one of recession? Why will business go forward next year but at a slower pace than in 1955? Principally because Federal Reserve policy will prevent dangerous excesses that require drastic correction, while increased population and the rising level of family income will sustain the growth trend. The forces of resurgence present in 1955 will be out, but the normal growth forces will persist. These are the fundamental reasons for our optimism, but there are other factors to be touched upon.

We estimate that for fiscal 1956 the Treasury will report a cash surplus of $2- to $3-billion. Assuming no change in taxes, the surplus in fiscal 1957 could amount to $5- to $7-billion. Such a prospect forecasts a definite possibility—in fact, I think I should say probability—of a tax cut next year. One dollar of tax reduction generates much more than a dollar of consumption, so tax relief is a very positive factor.

Capital expenditures are in a strong uptrend, with all indications pointing to continuation into 1956. The recent and prospective rise in labor costs demands increased productivity and assures increased expenditures for machinery and all kinds of devices designed to reduce production costs. Secretary Humphrey has based his demand for suspending accelerated amortization upon the expectation of no let-down in economic activity next year. We think that capital expenditures will be $2- to $3-billion higher in 1956 than in 1955. We must not forget that capital expenditures are one of the most potent forces in the economy. Like tax reductions, every dollar spent for capital investment by industry produces more than a dollar of consumption.

Another positive factor is that states and local communities are scheduled to spend much larger amounts on public works, roads, and buildings next year than this. Such expenditures will be $2- to $3-billion greater in 1956 than in 1955.

The full effect of wages and salary increases will not be realized until next year. Add to this a reduction in taxes, and an increase in disposable income is in prospect. We estimate that the consumer will spend between $260- and $265-billion next year as compared with $250-billion this year.

These are several of the positive factors supporting the expectation of continued growth next year. In addition, there are certain nonstatistical factors which are equally important. Once the trend of inventory accumulation begins to level off, the need for the Federal Reserve Board to continue its policy of credit restraint will be moderated. The direction, which has been toward increasing severity, will be tempered. While an immediate return to the easy money policy of last year is not anticipated, the modification will be enough to restore balance.

Then we should not overlook the definite and obvious desire of this Administration, particularly in an election year, to keep the economy growing. The first signs of weakness will see the government taking positive action such as demanding enactment of the highway program. We understand that other plans are being formulated which can be put into operation without delay should business turn downward.

The Outlook for Automobile Production

The principal worries today center around the outlook for automobile production, housing starts, and consumer credit next year. The boom in these fields has been so great that they have captured wide attention. To find an answer to these questions, we have conducted rather exhaustive research into the subject of the change that is taking place in the distribution of family income. The economic implications of these changes are far reaching. We all knew in a general sort of way that people are better off today than they were ten years ago, but it was not until we set down the figures and analyzed them that we discovered the full meaning of what has been going on. What we found gave us a better understanding of why the automobile industry will be able to sell over 7-million cars this year, why people will buy 1.3-million new homes, and why consumer credit is not at as dangerous a level as many believe. Here are the facts:

About 90% of the new automobiles, over 85% of the new homes, and between 75% and 80% of the electrical appliances, television sets, etc., produced are bought by families earning $3,000 and over a year. In 1946 there were in this country 15-million families with incomes of $3,000 per annum and over. This year there are over 35-million families in this group —an increase of 135%. The bigger spenders, of course, are in the group that earns $5,000 a year and over. What has been going on here? In 1946 there were only 4-million families in this group. Today there are close to 17-million, an increase of 325%. Next year (1956) the number of families earning $5,000 and over will increase by 1.5-million while the number earning $3,000 and over will increase over 2-million.

Effect of Wage Increases Will Come in 1956

Why do we look for such important increases in 1956? Because of a combination of two things: (1) The number of families will increase by almost 1-million. (2) The full effect of the substantial salary and wage increases granted this year will not be realized until 1956.

Now if you are a cynic you may say: "Sure, naturally the level has risen. We have had an inflation and have full employment." Well, since 1951 we have had stability in consumer prices; and yet the number of families earning $3,000 and over increased from 27-million to 35-million, or about 30%. Furthermore, in 1954 we had a moderate business recession and an increase in unemployment; but the number of families earning $3,000 and over actually increased 500,000. So I think our projections for 1956 rest on pretty sound ground.

Listen to what this dramatic improvement in the financial status of the consumer means to the automobile and building industries and to consumer credit.

We have found that between 15% and 17½% of the number of families in the $3,000 and over income group buy 90% of the new passenger cars sold. The percentage in 1955 will be about 17½%; but inasmuch as 1956 will not be a year of abnormal growth, the probability is that the percentage will be somewhat lower. However, even this conservative approach gives us a figure of between 6- and 6.6-million sales, to which should be added about 300,000 to 400,000 cars for inventory and export. Thus, automobile production next year should not be drastically below 1955 as many fear it will.

The anticipated decline will have an effect on the extension of consumer credit. The indications are that by early next year the rate of new credit extensions will just about match the rate of repayments. It is the gap between extensions and repayments that causes the pressure on credit, so the establishment of a balance will relieve the current stress on the money market that is attracting so much attention.

Another revelation of our study puts the rise and present level of consumer credit in a new light. We have found, I think, an answer to the frequently asked question of whether the rise of consumer credit is not dangerously excessive. We found that the rate of repayments on consumer credit correlated closely with the number of families in the $3,000 and over income group. Therefore, the growth trend in consumer credit is tied in directly with the growth trend in the number of families with incomes of $3,000 and more. As of now, the rate of repayments is in balance. New credit extensions are perhaps on the high side currently, but the excess is not nearly as great as many seem to think. The anticipated decline in automobile purchases next year will correct this distortion. So, in our opinion, the level of consumer credit is not a serious threat to the business outlook; and before many months pass, such excesses as exist will have been corrected in an orderly manner.

Housing starts this year will approximate 1.3-million. Of these, somewhere between 300,000 and 350,000 will have been for veterans. Under our present rules, a veteran may buy a new home for very little down and with a long term of years in which to pay off his mortgage. When our young men enter the service, they are little more than boys; and most of them, therefore, are unmarried. When they are discharged, they are mature men with the normal desire to marry and start a family. That means they want a home. They can obtain one quite easily if they have a job. So more than three out of every ten new veterans released from service this year are buying new homes.

Next year the plans call for releasing about 900,000 men from the armed forces. The regulations under which a home may be financed are a little tighter today than they were earlier in the year, but they are still liberal. Therefore, let us assume that the rate may not be quite as high next year. However, it still suggests that veterans will buy close to 300,000 new homes in 1956.

Between 1947 and 1954, the number of one- and two-family homes bought by families in the $3,000 and over income group fluctuated between 2½% and 3%. Using the lower figure and making a moderate allowance for homes bought by those earning less than $3,000, and adding multi-family units, the indications point strongly to a year in which between 1.1-million and 1.2-million housing starts will be made. While this estimate is lower than for 1955, it still is a sizable figure.

Thus, as in the case of consumer credit, so in the case of mortgage loan demand, I think we are rounding the peak. Next year, therefore, should see some decline in the demand for consumer credit and mortgage loans, thereby reducing the pressure on the money market and providing an additional justification for modification in Federal Reserve policy.

This leads us right into the subject of consumer savings. A moderate decline in both automobile and housing sales next year indicates an increase in the rate of consumer savings as a logical corollary. The savings figure includes instalment credit repayments, so if they are to be in balance with credit extensions, personal savings must go up. Also, we have the strong probability of lower taxes to take into account, to say nothing of the higher level of personal income resulting from wage and salary increases.

The rate of savings in the second quarter of 1955 was 6.6% of personal income. It seems to us that next year the increase in personal income and disposable income will be greater than the gain in consumer spending. Thus we look for an increase in the rate of savings. We estimate that personal savings will be higher by about $5-billion; in other words, up from $18-billion to $23-billion.

Commodity Prices in 1956

Up to now, I have not said anything about commodity prices next year. Prices are on their way up. Productivity cannot catch up with the increases in labor costs granted this year and anticipated next year. I am not suggesting anything like a runaway inflation, but I think you should be prepared for a further increase in the price level of about 2% for the year.

So we come to the end of the story, and it is time to pull all these ideas and projections together. What we arrive at is an estimate of gross national product for next year of about $400-billion, an increase of $15-billion or almost 4% above this year. In terms of industrial production, we estimate an average of about 143 in the Federal Reserve Index as compared with probably 137 for 1955, a gain of about 4%. Therefore, we say that 1956 will be a year of "normal growth"—a rate of growth less than the 10% growth experienced this year, but none the less a year of growth and not recession.

These comments apply to the year as a whole. What the fluctuations will be from month to month, or quarter to quarter, I do not pretend to know nor wish to speculate upon. That the year will be one of regular, even, progressive growth is improbable. As I have pointed out, gaps have been developing along lines that usually require correction. These are in such areas as inventory, farm prices versus industrial prices, and credit for housing and durable goods. Furthermore, the operations of the policy-makers, particularly in the field of money management, do not always work out as smoothly as is hoped. However, if in 1956 we get a really poor quarter, it will be because of the inventory situation more than anything else. This, however, would be a temporary matter. Therefore, regardless of intermediate fluctuations, 1956 on balance should be a good business year.

I have been very definite in the comments that I have made and have not pulled any punches. There is one qualification that I feel I must make. If next spring or summer President Eisenhower should declare that he is not a candidate for reelection, then confidence which has been so carefully nurtured by his Administration would receive a setback. The reaction could be pronounced for a time, with repercussions on business and capitalistic sentiment.

Well, that is my story. That you may find it helpful as you tackle your many individual problems is my sincere wish. It has been a pleasure to have participated in this Convention, and you have my heartiest good wishes for its success.

Survey Reveals Sharp Increase in Stock Buying By Institutional Investors

The volume of shares bought and sold by institutional investors on the New York Stock Exchange has increased sharply—by 59.7% —since 1952, Keith Funston President of the Exchange, stated in issuing the results of a special study.

Keith Funston

Findings of the study were based on a series of five market analyses, each covering two days selected in advance and going back to 1952, plus a detailed breakdown of institutional transactions on June 8 and 15.

The uptrend in institutional volume occurred despite substantial variations in total volume on the Exchange during each two-day period studied.

The new study, Mr. Funston said, analyzes for the first time the various types of institutional business handled by brokers, banks and trust companies. It also discloses the investment relationship of banks and trust companies with their institutional and individual customers.

Some other highlights of the survey include:

(1) Of 16 major categories of institutions for which data were made available, personal trust funds, mutual funds, estates, pension funds, closed-end investment companies and investment clubs accounted for about 65.2% of all institutional share volume.

(2) Life insurance companies, fire and casualty insurance companies and closed-end investment companies showed a decided growth in their share volume on the Exchange from 1952 to 1955. On the other hand, share volume by mutual funds showed a slight downward trend.

(3) Thirty-nine per cent of all institutional volume was in blocks of 1,000 or more shares. Transactions involving 500 to 1,000 shares accounted for 20.7% of all institutional share volume; from 100 to 500 shares, 36.9%; under 100 shares, 3.4%. These figures exclude orders handled by banks for individuals.

(4) More than one-third of all institutional volume of the Exchange was channeled to member firm offices through commercial banks and trust companies—the balance was handled directly by member firms of the Exchange.

Mr. Funston said the survey was made possible only by the close cooperation of leading banks and trust companies which provided data never before made available.

"The survey," Mr. Funston explained, "was made in large part to get basic data to determine how the Exchange could provide better facilities, or create more efficient procedures, for handling institutional transactions.

"The Stock Exchange," he added, "is usually regarded as a marketplace primarily for individual members of the public—and, to a large extent, this is true. This study, though, spells out the importance of our marketplace to such institutional investors as pension funds, life insurance, fire and casualty companies, mutual savings banks, mutual funds, personal trusts, estates, guardianships, investment clubs, educational institutions, religious foundations and profit sharing plans."

The study covered two days, June 8 and 15, when a total of 13,580,900 shares were bought and sold on the Exchange. Detailed reports were received on 12,083,000 shares, and 1,813,000 of these shares were classified as institutional volume.

Institutional transactions amounted to 15.6% of total share volume. On those same two days in June, public individuals dealing directly with member firms accounted for the bulk of all other share volume, or 59.2% of the total. Share volume for the accounts of Stock Exchange members, member firms and nonmember broker-dealers amounted to 25.2%.

On two days covered by a study in September, 1952, institutional volume totaled 1,135,000 shares. At the time of the next study, two days in March, 1953, institutional volume increased to 1,324,000 shares; in March, 1954, to 1,413,000 shares; in December, 1954, to 1,751,000 shares; and in June, this year, to 1,813,000 shares. These figures include transactions executed by banks for individual customers.

Share volume by personal trust funds accounted for 17.4% of all institutional volume on June 8-15. Ranking second at 13.9% were mutual funds; third, estates at 10.3%; fourth, pension funds at 9.5%; fifth, closed-end investment companies at 8.5%; and sixth, investment clubs at 5.6%. These figures again exclude orders executed by banks for individuals.

Life insurance companies bought and sold 17,600 shares on two days in September, 1952; the June study showed a total of 56,100 shares. Fire and casualty companies moved up from 32,100 shares to 62,600 shares and closed-end investment companies from 50,300 shares to 101,700. Mutual funds, however, dipped from 223,400 shares to 194,300 shares.

Securities Salesman's Corner

By JOHN DUTTON

The Market Break

This column will not deal with market opinions as such but rather tilt at a few windmills. Possibly there are some others who will agree with a few of the observations I will make this week. If enough of us in the investment business someday become concerned about these things an improvement in our public relations (long overdue) may be accomplished.

You will remember that during the Fulbright investigation there was a sharp market break, also the one last week, and the public press acted about the same both times. Headlines overemphasized the situation by announcing that billions in market values were wiped out, and if you were a member of the lay public the reaction could only be one of additional distrust of securities and investment in common stocks. "Those poor suckers who have bought stocks, Wall Street taking them in again," must have been on millions of uninformed minds as the news tickers ground out the startling news that a "huge crash" had hit us once again. This sort of distorted publicity, placed on the press wires and relayed in every city, town and hamlet in the county can materially impair public confidence in common stocks, a confidence that has taken years of patient advertising by investment firms throughout the country to create.

Someday, the responsible leaders of the investment business may get together with the leaders of the press and explain to them in cold printers ink that the millions of dollars of advertising they receive from the securities business is something they shouldn't regard so lightly. That kind of talk would bring some of the John Barrymore's of the fourth estate to their senses when they write about the "Stock Market."

To state that billions have been wiped out is a complete misrepresentation of the facts. Only a small one percent or less, of the total number of shares outstanding of many of the common stocks that had the sharpest market break during this last downward move in the market changed hands. Only the people who sold, lost or made money, only the transactions themselves count. The rest is all on paper. No one could turn over even ten percent of the outstanding common stocks of many of the market leaders in one day—there aren't that many buyers around. The papers should be more factual in reporting market movements.

We Are Gaining on Socialism

There is a large segment of our population who do not know why we are so prosperous or why creative capitalism is working in this country. There are men lurking in the shadows, and some right up front among the leftwing crowd in our political parties, who for one reason or another would seize upon any excuse to discredit "Wall Street." They don't have to go very far to find sympathizers. Regardless of our own particular interest in the work that we do, our connection with the investment securities business, all of us who appreciate the solid reasons for the success of "creative capitalism" in this nation, and also the vital importance of a strong public confidence in this system, should do our utmost to maintain a virile, healthy, public confidence in common stock investments; in orderly markets; in our corporations; and in our ability to supply the capital funds needed for the growth of PRIVATELY OWNED BUSINESS IN THIS COUNTRY. The leftists, the state socialists, the political schemers and demagogues, those who play upon the gullibility of the uninformed, are always busy telling their distorted tales.

The Battle Lies Ahead

Every conceivable method of educating and informing the lay public as to the reasons why our way of life, and our "creative capitalism," assure the best job of producing and distributing the fruits of our toil and the bounties of the good Lord, should be used constantly by speakers for business, by enlightened educators, by commentators who know the facts and who don't distort them for ulterior reasons or for selfish ones. And the politicians who have principle and courage should join us. Moreover, the press of this country should refrain from maladjusted, untrue, and highly historical reporting of the stock market.

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Situation Regarding The National Banks

favorable consideration in the House of Representatives.

On the important and controversial matter of the bank holding company bill, our views are set forth briefly in our annual report:

"The Comptroller of the Currency continues to favor bank holding company legislation which would provide federal supervisory control over expansion through the acquisition of banks and bank stocks and restraints on engaging in businesses other than banking. In the opinion of the Comptroller, such legislation should be reasonable and should place no arbitrary limitations on expansion within the banking field, but should leave the extent of permissible expansion to the discretion of the administering supervisory agency, which will be able to act in the light of conditions as they exist at the time action is requested. There should be no attempt to base restrictions on expansion on the laws of the various states dealing with branch banking, and there should be no geographical limitations written into the law.

"The legislation should be administered by a single supervisory agency, and there should be no veto power on its decisions in other agencies or in the state banking authorities. The legislation should specify, however, that the other federal supervisory agencies and the appropriate state banking authorities should be given an opportunity to comment upon applications affecting banks within their respective jurisdictions, and that their opinions should be considered by the agency making the final decision."

We are strongly against a provision which would give to the states authority to control who shall own the stock of national banks.

Bank Mergers

We believe that you are and should be interested in the matter of possible federal legislation relative to bank mergers and that you should give this matter your careful attention. The following is a tabulation which we submitted to the Anti-Trust Subcommittee of the House Committee on the Judiciary on May 17, 1955:

Data on Consolidations, Mergers, Purchases and Sales, and Conversions—1950 to May 1, 1955

No. of Banks	Type	Total Resources (Millions)	
64	National banks consolidated with and into other national banks	$935	
19	National banks merged with other natl. banks	953	
101	National banks purchased by other natl. banks	1,116	
184	Subtotal		$3,004
65	State-chartered banks consolidated with and into national banks	$1,451	
10	State-chartered banks merged with natl. banks	161	
117	State-chartered banks purch. by natl. banks	608	
192	Subtotal		2,220
50	National banks consolidated or merged with State-chartered banks	$7,464	
68	Natl. banks purch. by State-chartered banks	790	
118	Subtotal		8,254
*	State banks merged, consolidated, or purchased with or by other State-chartered banks	*	
494	Totals for absorbed banks in transactions involving national banks		$13,478
11	Natl. banks converted into State-chart'd banks	$132	
22	State-chartered banks convert. into natl. banks	235	

*Data not available to Comptroller.

This is a fairly large number of banks, yet the 494 institutions which have been absorbed represent less than 3½% of the total number of banks operating today. The importance of these transactions has been accentuated, of course, by the several larger mergers which were recently consummated in New York City, in which three national banks with total resources of over $6.9-billion were absorbed by other banks.

We have not undertaken to favor or to oppose mergers, consolidations, or purchases, as a matter of fixed policy, but have endeavored to weigh the merits of each individual case, and have given approval where we concluded that the merger was legal and fair to the stockholders of both institutions, and where we found no indication of detriment to the public interest.

Under the amendment of Aug. 17, 1950, sometimes called the "two-way street" law, our approval is required for a merger or consolidation where the continuing institution will operate under a national charter. Our approval is not required for consolidations or mergers where a national bank merges or consolidates with a state bank. Thirty-one states have passed legislation providing for such consolidations and permitting state banks to consolidate with national banks under national charter without the approval of any state official. It is now possible in those states for a national bank to leave the national system by consolidation, merger, or conversion, without the approval of the Comptroller of the Currency. The passage of this law permitted 60 consolidations of national banks with state banks under state charter from the time of its passage on Aug. 17, 1950 to Aug. 31, 1955. During the same period, there were 78 consolidations and mergers of state banks with national banks under national charter.

We think that a clarification of the law is desirable, and we have suggested that it be made by amendment of section 18c of the Federal Deposit Insurance Act, leaving the matter of approvals of bank mergers and consolidations in the bank supervisory agencies. It would not be our idea that any power of review which it possesses should be taken from the Department of Justice but it is our belief that primary jurisdiction should rest in the bank supervisory agencies. In approving consolidations and mergers which come before us, we have had in mind the principles set forth in Sec. 7 of the Clayton Act which records opposition to substantial lessening of competition or tendency to monopoly; and we have in some instances dissuaded interested parties from making formal applications. In general, it has been our observation that the mergers which have been consummated have not substantially lessened competition; but rather we find that in these present days, banking competition is more vigorous and keener than ever before. My memory carries back over fifty years of banking history, and my poses of observation have been favorable. My travels around the country in the past two years have confirmed the belief that banks are competing most actively to meet the needs of the banking public in the matter of facilities of all kinds, and particularly in making credit available to all types of borrowers. Also I find everywhere that there is important competition from other financing institutions—mutual savings banks in those states which have them, savings and loan associations, insurance companies, finance companies, and credit unions. It would seem that credit facilities are more readily available to borrowers, large and small, than ever before; that competition between banking institutions during recent years has increased, and is continuing to increase. This is a matter of great importance to our banking system, and I believe you should give it careful consideration and to see to it that your views are made known to those who will be considering the legislation.

I have been privileged to make a series of trips to different parts of the country, and am most grateful for the great kindnesses I have received on every visit, and the many courtesies extended. What I enjoy particularly is the opportunity to get better acquainted with bankers and banks. It is good to see at first hand the excellent character of our banking set-up, and to note the progress which is being made everywhere. As I said earlier, our banking system is something to be proud of. It is geared up to a high degree of activity and efficiency, and is doing a great job. In practically every city which I have visited, evidence of growth and progress are impressive, and even astonishing. The growth is truly amazing, and yet we know that it is a manifestation of the progress which the nation is making in applying its resources of manpower and productive machinery to our natural resources, to take care of a constantly growing population in a manner even better than that to which we have been accustomed.

What one sees in traveling is reflected in the statistical picture of our economic activities. Reviewing the Economic Indicators of August 1955, prepared for the Joint Committee on the Economic Report, it is noted that for most of the 32 items listed in the table of contents, peak figures are reported; e.g.:

Gross national product: $384.8-billion, a peak.

Total national income: $320.3-billion, a peak.

Total personal income: $301.2-billion, very slightly below the May 1955 peak.

Per capita disposable income: $267.1-billion, a peak.

Gross realized farm income, the one important exception: $33.3-billion, down 9.75% from a peak of $36.9-billion in 1951.

Gross private domestic investment at the annual rate of $60.9-billion, almost up to the peak of early 1951.

Expenditures for new plant and equipment: $28.3-billion, a peak.

Corporate profits at the annual rate of $42.5-billion, a peak.

Employment: 67.5-million, a peak.

Average hourly earnings in selected industries at or close to the peak.

Industrial production, Federal Reserve Index: 140, a peak.

New construction at an annual rate of $42-billion, slightly off from the peak of 1955.

Commercial bank loans and investments: $155.5-billion, slightly off from a peak of $156.2 of January 1955.

Consumer credit: $32.5-billion, a peak.

All of this reflects a state of remarkable activity which is pleasant to note and record. I have found some people in my travels who resent any effort to place any limits, restraints, or moderating influences upon an expansion of activity which they apparently believe knows no bounds. They are not the bankers, for bankers understand that there are limitations upon the speed which the economic machine can safely achieve, and that as it is well to keep credit extensions sound and well considered, it is also well to avoid excesses in business expansion. Credit must be available for sound projects and for the conduct of the tremendous business we are carrying on, but it should be furnished on a basis which is safe for the leader and beneficial for the borrower. Departure from sound credit hurts both parties and can lead to upsets in the general economy.

With such a high rate of activity, it seems obvious that this is a time to temper optimism with reasonable caution. I commend to you the words of the ancient Roman, Horace, who did a masterly job of expressing in verse a precept from which we all may benefit. In the closing lines of his Ode XVI, to Licinius, he wrote:

So wisely, when yourself
you find
Scudding before too fair
a wind,
Take in a reef or two.

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dent of the First National Bank of Chicago. Erle Cocke, Vice-President of the Board and Chief Executive Officer of the Fulton National Bank, Atlanta, Ga., was elected Vice-President, and George R. Boyles, Chairman of the Board of the Merchants National Bank of Chicago, was elected Treasurer for the ensuing year.

It was announced by Glen C. Mellinger, Chairman of the Association's Organization Committee, that 17,140 banks and branches were members of the ABA on Aug. 31, close of the Association year. Mr. Mellinger is Vice-President of The Detroit Bank, Detroit, Mich.

The membership is made up of 14,020 banks, 2,939 branches, and 181 members in foreign countries. During the past year, the Association's membership increased by 119 banks and branches. Included are over 98% of all the banks in the United States and over 99% of the nation's banking resources.

In 19 States and the District of Columbia, every bank is a member of the Association; and in seven States, only one bank is a non-member. The States with 100% membership are Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Louisiana, Maryland, Mississippi, Montana, Nevada, New Jersey, New Mexico, Oregon, Utah, Vermont, Virginia, Washington, and Wyoming.

The ABA has members in every State in the Union and in Alaska, Bermuda, Brazil, Canada, Cuba, France, French West Indies, Great Britain, Hawaii, Honduras, India, Japan, Mexico, Philippine Islands, Puerto Rico, Salvador, Tangier, Venezuela, and the Virgin Islands.

The New President's Acceptance Address

Upon his inauguration as President of the American Bankers Association, Fred F. Florence delivered the following remarks of acceptance:

"Ladies and gentlemen, in accepting the office of the Presidency of the American Bankers Association, I have a deep feeling of responsibility and humility. I appreciate the many manifestations of friendship, encouragement, and cooperation that you have so generously bestowed upon me throughout my banking career.

"The honor you have now conferred on me presents a rare and splendid opportunity for devoted service to our Association. I shall work devotedly with all of you to preserve and strengthen the finest traditions of American banking so our banking system can continue to make great and lasting contributions to the welfare of our nation.

"Our Association, consisting of more than 14,000 banks, represents the great mass of small and medium-sized banks as faithfully as it represents the larger banks. We must continue to advocate policies that warrant the support of every single bank — national and state—in every hamlet and in every city of our great nation. Our strength in providing constructive financial leadership lies in the unanimity and wisdom with which we act.

"The coming year will provide many tests for banking leadership. We must devote our efforts to the preservation and strengthening of those freedoms that have made our country the most prosperous in the world. We face the challenge of managing our affairs so as to retain and enhance the economic gains of recent years. We must conduct our institutions on a uniformly safe, solid, and constructive basis.

"Banking will keep pace with ingenuity in science and business. A strong and virile banking system will serve as a safe anchor to the business economy of our nation, as well as to our government. We shall maintain the enterprise and strength of American banking so as to meet adequately the financial requirements of our growing domestic economy, and also our responsibilities in the international sphere.

"1956 promises to be an eventful year for the American people and for American banking. Courageous and constructive financial leadership is essential if we are to realize fully our great potentialities. In this endeavor, bankers have a great responsibility. I have an abiding faith that they will discharge that responsibility with wisdom and with credit to American banking, and to our country."

President Eisenhower Wished Quick Recovery

The Convention adopted the following resolution at its First General Session at The Conrad Hilton on Sept. 26. A copy of the resolution is to be sent to President Eisenhower.

The resolution was presented to the Convention for the ABA's Resolution Committee by C. Francis Cocke, Chairman of the Board of The First National Exchange Bank of Roanoke, Roanoke, Va., Committee Chairman.

The 81st Annual Convention of the American Bankers Association is saddened by the news that the President of the United States has been stricken with a sudden illness.

We, the members of the Association, in general assembly, desire to express to President Eisenhower our faith in him. We entertain the hope, coupled with our prayers, that he may soon be restored to his usual good health.

Statement of the Economic Policy Commission

The Economic Policy Commission of the ABA issued on Sept. 27, a statement in which it pointed out that now is "a time for vigilance."

The text of the statement follows:

"We Americans are now enjoying exceptionally prosperous conditions. Our task for the future is to maintain prosperity and growth while at the same time avoiding further inflation.

"This should be our common central objective. If a reasonably stable economic growth can be achieved, every part of the population can share in the years ahead in the increasing benefits of our dynamic and tremendously productive economy.

"With the exception of some weakness in agriculture, our present prosperity is broadly based. The recovery and growth of the past year attest the strength and resilience of the economy. It is highly significant that this upswing occurred without drastic intervention by government.

"We know from past experience, however, that periods of prosperity often produce excesses that lead to trouble. At a time like this, it would be foolish to ignore potential trouble spots which could sooner or later endanger the stability and growth of the country.

"While no one can foresee what the future holds, there appear to be at present five principal areas in which trouble might develop: (1) in credit; (2) in business inventories; (3) in wages; (4) in the stock market; and (5) in Federal fiscal policies. Excesses in any of these areas could have serious consequences for the entire economy, especially if they were to occur in several areas at the same time.

"The efforts of the Federal Reserve authorities to prevent injurious credit expansion deserve commendation and the support of all groups in the community.

"Banks have special responsibilities in this area, not only to support the Federal Reserve's flexible monetary policy, but also to help to maintain the quality of credit. These responsibilities are shared by other types of credit agencies — governmental as well as private. Indeed, a large portion of the responsibility for avoiding unsound credit extension lies with governmental agencies and with nonbank lenders, especially in the fields of real estate and consumer credit.

"It is also a responsibility of banks and other lenders to counsel with prospective borrowers and to urge them to be prudent with respect to their borrowing and spending.

"Large changes in business inventories have frequently accentuated the fluctuations in our economy. This is something which the monetary authorities and the banks can influence only to a limited extent. During a period of marked prosperity, the avoidance of a disruptive inventory boom calls for self-restraint on the part of business management.

"Unwise policies with respect to wages can have seriously unstabilizing effects upon the economy. Management and labor share a responsibility to the public to avoid too rapid wage increases which would raise living costs for every one and could undermine economic stability.

"Excessive speculation in the stock market has on numerous occasions led to trouble for the entire economy. The developments of the past year emphasize the need for continuing to guard against a repetition of this familiar pattern.

"To contribute to the stability of the economy at a time such as this, the Federal budget should be showing a surplus. Over the coming year, numerous proposals will doubtless be made for slashing taxes and increasing government spending. In the interest of all the people, pressures which would lead to continued budgetary deficits during a period of high economic activity should be resisted.

"These are five areas that particularly deserve careful watching over the period ahead. But they are not necessarily the only ones. Others could easily develop.

"Vigilance, therefore, will be needed, not only with respect to these five areas, but with respect to all segments of the economy. In general, the problem is to avoid excesses. Today the main thing we have to fear is over-optimism.

"This is a situation that calls for prudence. We should all strive to keep our enthusiasms tempered with an admixture of realism and self-restraint.

"The times also require a sense of social responsibility on the part of those who shape policies in our economy. Bankers, business men, union leaders, and public officials should be constantly aware of the economic implications of their actions. The need is for statesmanship.

"No one can doubt the great

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promise of the American economy over the years ahead. We cannot expect that our economic progress will at all times be smooth. By exercising caution during prosperous periods, however, we can greatly moderate the swings in our economy.

"The time for vigilance, therefore, is now—now, and from now on."

The ABA Instalment Commission Reports

Philip Woollcott, Chairman of the Instalment Credit Commission of the American Bankers Association, reported to the Convention that there is nothing wrong with the instalment credit picture that reasonable self-restraint and careful selection of risks will not remedy. Mr. Woollcott, President of The Bank of Asheville, Asheville, N. C., stated: The Commission issued another of its periodic bulletins, "Timely Notes on Instalment Credit," to inform bankers and lenders in the field about developments affecting the soundness of this phase of lending.

"Under existing business conditions, easy credit and more extended terms have created some apprehension among governmental and banking authorities," the Commission said. "The battle against inflation being waged by the Federal Reserve Board has been moving from an easy money policy toward a more restrictive money policy. This effort to avoid further inflation deserves the support of all bankers, but it creates a dilemma for lenders. They are supporting a high rate of business activity, employment, and production on the one hand, and exercising restraint on the other hand; and they are trying to maintain confidence in themselves and in their borrowing public, yet at the same time warning against excesses. This is no easy task.

"Credit policies and terms should be intelligently determined after considering all the factors involved. In evaluating the borrower's or purchaser's standard of acceptability, the emphasis should be on the following five broad characteristics:

"(1) Character evaluation—good moral risk is of primary importance.

"(2) Vocational — stability of employment; earning capacity.

"(3) Financial — ability and willingness to pay.

"(4) Personal—stability of residence; marital status; number of dependents.

"(5) Loan characteristic—purpose; terms and collateral, if any.

"Lending policies should be geared to the ability and willingness of the borrower to pay and to making certain that true equity exists in any merchandise purchased. There is no need to tighten credit to good risks. It is almost impossible at this time to hold the extension of instalment credit to a rigid set of terms. Therefore, controlled flexibility appears to be the sound policy to follow, and relaxation of terms to meet unsound competition should be guarded against.

"During the past six months or so, the trend has been to 'stretch' out the terms on automobile financing on new cars. While long maturities may be justified on the basis of carefully selected purchasers, particularly with respect to direct bank automobile loans, such selectivity is not always possible when a dealer operation is involved.

"Whether extended maturities on new-car financing is sound is problematical. This factor will depend on the experience in the next year or so. As a matter of fact, new-car terms appear to be settling down to around one-third down-payment and 30 months to pay. But true equity related to the collateral value is of primary importance.

"We are now entering a model changeover period, and at the same time we are faced with dealer inventory of new cars at record levels. This does not promise an easing of the pressures to expand terms and to make credit easier. Promotion efforts will be fully as fantastic as they were last year. The 'blitz' sales technique will again be in evidence, perhaps in greater proportion than ever before. Therefore, this is the time to adjust our credit sights to make certain that the consumer is not under false illusions as to equity and ownership. Where transactions would overburden the individual with debt, they should be declined regardless of the terms involved.

"The inability to determine true selling prices of new automobiles has created considerable doubt as to the real equities in contracts purchased. Any attempt to establish correct retail prices that could be used as a guide would be futile because in most cases these figures are unavailable.

"In an attempt to arrive at true equities, the practice of the more experienced bank instalment loan operators and many of the finance companies is to adhere strictly to advances of 85 to 95% of the dealer's costs or factory invoice. The factory invoice seems to be the one stable item in this confused and chaotic price structure. When wholesale floor planning is involved, this does not present a problem for the lending bank, inasmuch as prices can be checked easily with invoices.

"A continued flow of instalment credit on a sound, constructive, and sensible basis will help maintain our economy on a high level. At the same time, all pressures to extend instalment credit on excessively liberal terms should be resisted. Our major responsibilities as bankers are to advise and to guide our customers and our communities in the sound use of instalment credit to the end that people maintain their credit and personal finances on a sound basis."

Resolutions Adopted

At its Second General Session held on Sept. 28, the Convention adopted the following resolutions:

"International Situation: We commend our nation's leaders for their unrelenting efforts to find peaceful solutions to international problems while resisting pressure for appeasement or for relaxation of our defense effort. The easing of international tension resulting from the Geneva meeting is welcome, provided we are not misled into thinking that the Communists have abandoned their objective of world conquest. The Free World should not for a moment let down its guard. The recent Atomic Energy Conference in Geneva demonstrated how, if men can learn to live together in peace, modern science and technology can open up vast stores of untapped knowledge for the enrichment of all mankind.

"World Leadership: History has taught that a nation is only as strong as its moral fiber. America today finds herself in a position of world leadership. An unprecedented ability to create material things has contributed to that leadership. Moreover, we must appreciate that this ability would never have reached fruition had our nation not been founded upon the principle of giving full expression to the dignity of man. To preserve that dignity we must place above material things the integrity and high moral purposes of the individual and the nation that inspired our founding fathers. Only in this way shall we be able to fulfill our responsibility of leadership, and impart a meaning to the word 'freedom' that the rest of the world can understand.

"Business and Credit Conditions: The present record-breaking prosperity affirms the vigor and resilience of our private enterprise economy. It is not being supported by large scale Federal deficits.

"In such a period, we should be alert to prevent inflationary excesses which lead to inevitable reactions later on. There has been a broad expansion in credit of all types in the past years, and there is evidence that inventory accumulation is taking place. It is important that these influences do not produce a rise in prices, or in wages not based on productivity gains, with a possible resumption of the wage price spirals which reduced the purchasing power of the dollar after the recent war.

"The policy of the Board of Governors of the Federal Reserve System has continued to demonstrate the flexibility essential to effective monetary management and has been adjusted promptly to changing conditions. It properly seeks to restrain credit excesses which could impair the stability and sound growth of our economy.

"Flexible monetary actions, while unpopular at times, are in the interest of all people and deserve public support. We endorse and support the monetary policies of the Federal Reserve System and do not believe they are restricting the availability of credit for the needs of business, agriculture, and consumers.

"Instalment and Home Mortgage Credit: A continuing flow of instalment and home mortgage lending is essential to a strong economy. We should recognize, however, that when credit terms become too liberal, they may prove troublesome and embarrassing to both borrowers and lenders and injure the health of the economy.

"Bankers have a responsibility to counsel with their customers in the use of instalment and mortgage credit. They should be concerned at all times with the quality of the loans which they make, and should lend only on such terms as will provide individual borrowers with proper equities in their purchases and enable them to maintain their finances and credit on a sound and sensible basis.

"Debt Management and Fiscal Policy: The Treasury has continued to handle its financing operations in a manner that has minimized interference with monetary policy and has avoided unsettling effects on the economy. At the same time, commendable progress has been made toward improving the structure of the Federal debt. We trust that the Treasury will continue to move in this direction as conditions permit.

"We recommend the substantial progress that has been made toward reducing government expenditures and balancing the Federal budget. We urge that the government continue to push vigorously in this direction without weakening our national security. At a time like this, when business is booming and inflationary dangers are present, our aim should be not merely to balance the budget but to achieve a surplus and reduce the Federal debt.

"Government Reorganization: The reports issued this year by the Commission on Reorganization of the government raise many important questions relating to the functions and operations of the Federal Government. The tremendous increase in the size and activities of our government over the last two decades has made it imperative for us to reexamine the operations, organizations, and policies of the government from time to time in the light of changed conditions and the appropriate roles of government and private business. The reports of the Commission should be evaluated, therefore, in an objective and nonpartisan spirit.

"Agriculture: Agriculture is undergoing fundamental changes which reflect readjustments of the basic forces of supply and demand for the output of our farms. Bankers are aware of this situation and fully appreciate their responsibility for helping to preserve the strength of this vital part of our economy.

"Many segments of agriculture are confronted with a "cost-price squeeze." Banks serving agriculture, therefore, must continue to play a constructive role in helping farmers to make the necessary adjustments. We are confident about the future of our agriculture, because that future rests upon the solid foundation of a growing domestic market and an improving technology that is the envy of farmers the world over.

"Savings: Over the years ahead we can foresee a growing demand for capital funds to finance outlays for plant and equipment, new homes, and public construction. Under our system of private ownership, these capital funds must come from the savings of the people.

"A major function and responsibility of banks should be the encouragement of thrift. This function will lose none of its importance in the years ahead. By continuing to promote thrift, the banks can help to assemble the capital funds that will be needed for economic growth, and can serve as safe depositories for the people's savings.

"Savings Bonds: The Treasury Savings Bonds program is particularly important today because it is essential to promote thrift in a period of record personal incomes. We pledge our continued energetic support for this program.

"Appreciation: The American Bankers Association has been fortunate this year in having as its President, Homer J. Livingston. His broad knowledge of banking and understanding of economic forces are recognized not only by bankers but also by leaders of industry and government. We are deeply appreciative of his devotion on behalf of banking.

To the other officers, the members who have served during the year on the Councils, Commissions, and Committees, and to the staff, we extend our thanks for their loyalty and zeal in carrying on the activities of the Association.

"The banks of this great city of Chicago have made our visit most enjoyable. No detail as to organization and entertainment

Heads of ABA Divisions and State Association Section

NEW ABA OFFICIALS

Gibbs Lyons is newly elected President of the ABA's *National Bank Division;* Earle A. Welch, President of the *Savings and Mortgage Division;* Robert H. Bolton, President of the *State Bank Division;* Richard P. Chapman, President of the *Trust Division;* and Oscar R. Mennenga, President of the *State Association Section.*

Gibbs Lyons

Earle A. Welch

Robert H. Bolton

Richard P. Chapman

Oscar R. Mennenga

has been overlooked. To our hosts we express our sincere appreciation.

"To the hotels, the press, and all others who have contributed to the success of this Convention, we extend our thanks."

New Division Presidents

The officers elected for the four divisions and the State Association Section of the American Bankers Association follow:

National Bank Division

President: Gibbs Lyons, President, First-Stamford National Bank & Trust Company, Stamford, Conn.

Savings and Mortgage Division

President: Earle A. Welch, Treasurer of the Meredith Village Savings Bank, Meredith, N. H.

Trust Division

President: Richard P. Chapman, President of The Merchants National Bank of Boston, Boston, Mass.

State Bank Division

President: Robert H. Bolton, Executive Vice-President of the Rapides Bank & Trust Co., Alexandria, Va.

State Association Section

President: Oscar R. Mennenga, Executive Manager, California Bankers Association, San Francisco, Calif.

Dr. Harold Stonier Made Dean of ABA Graduate School of Banking

Just prior to the ABA Convention, it was announced that Dr. Harold Stonier, Director of The Graduate School of Banking of the American Bankers Association, had been named Dean of the School by the Administrative Committee of the Association. Dr. E. Sherman Adams, Assistant Director of the School was advanced to the post of Director. As Dean, Dr. Stonier will continue as executive officer of the G. S. B.

Backgrounds of New ABA Top Officers

Thumbnail sketches of the new ranking officers of the American Bankers Association follow:

FRED F. FLORENCE
President

Fred F. Florence, President of the Republic National Bank of Dallas, Dallas, Texas, was born in New York City, but moved with his parents to Rusk, Texas, in infancy.

Mr. Florence entered the banking business in 1907 with the First National Bank of Rusk. He rose to Assistant Cashier of that bank, and in 1911 joined the American Exchange National Bank, Dallas, Texas. After a few months with that institution, and a short period as Cashier of the First State Bank, Ratcliff, Texas, he became Vice-President of the Alto State Bank, Alto, Texas, in 1912. In 1915, he was elected President of that institution. During World War I, he served in the Aviation Corps of the U. S. Army, and returned to Alto as President of the Alto State Bank, and as Mayor of the city.

In 1920, Mr. Florence became first Vice-President of the Guaranty Bank and Trust Company, Dallas, the forerunner of the Republic National Bank. He was elected President of the Republic National Bank in 1929.

Mr. Florence served as President of the Texas Bankers Association in 1936, and was President of the Dallas Clearing House Association for three terms. He is a past Director of the Association of Reserve City Bankers.

In the American Bankers Association, Mr. Florence was a member of the Committee on Banking Studies from 1934 to 1937; the Subcommittee on Taxation of the Committee on Federal Legislation from 1937 to 1941; the National Defense Loans Committee in 1941-42; and the National War Loans Committee in 1942-43; the Small Business Credit Commission from 1944 to 1950; and the Credit Policy Commission from 1950 to 1954, being Chairman from 1951 to 1954. He served a three-year term on the ABA's Executive Council from 1947 to 1950, a one-year term on the Administrative Committee in 1947-48, and as Association Vice-President in 1954-55.

Outside the banking business, Mr. Florence is a Director in a number of firms, including Missouri-Kansas-Texas Railroad Company of Texas, Lone Star Steel Company, Wyatt Metal and Boiler Works, Dallas Power & Light Company, Dallas Railway and Terminal Company, Chickasha Cotton Oil Company, and the Austin Bridge Company.

He is a Director and Treasurer of the State Fair of Texas; Trustee, Treasurer, and member of the Executive Committee of the Texas Research Foundation; member of the Executive Committee of Southern Methodist University; Trustee and Treasurer of the Southwestern Medical Foundation; Chairman and Trustee of St. Paul Hospital Advisory Board; Trustee of the American Heritage Foundation; member of the Board of Trustees of the United States Council of the International Chamber of Commerce; member of the Advisory Board of the Dallas Branch of the Salvation Army; and lifetime Dallas County Chairman of the National Foundation for Infantile Paralysis. He is a Director of the Dallas Citizens Council; past Director of the Chamber of Commerce; and Director of Texas Mid-Continent Oil & Gas Association; Dallas Community Chest; Dallas Grand Opera Association; Dallas Symphony Orchestra; Camp Fire Girls, Inc.; Boy Scouts of America, Circle Ten Council; and the Pilot Institute for Deaf.

In June, 1955, Westminister College at Fulton, Mo., conferred on him an honorary degree of Doctor of Laws.

Mr. Florence is married, has one son and one daughter, and makes his home in Dallas.

ERLE COCKE
Vice-President

Erle Cocke, Vice-President of the ABA, was born in Lee County, Ga., and is a graduate of the University of Georgia.

After engaging in banking, manufacturing, and farming for a number of years in Macon and Dawson, Ga., Mr. Cocke served as a State Senator in 1927-28. Subsequently he was Secretary-Treasurer and Executive Officer of the Board of Regents of the University System of Georgia and head of the Atlanta agencies of the Reconstruction Finance Corporation, Commodity Credit Corporation, and allied operations.

He joined The Fulton National Bank, Atlanta, as Vice-President in 1938. He became Executive Vice-President in 1942; President in 1945; and Vice-Chairman of the Board, Chairman of the Executive Committee, and Chief Executive Officer in November, 1954.

He has served on various committees of the Georgia Bankers Association and is a Past President of the Atlantic Clearing House Association. In the American Bankers Association, he was State Vice-President for Georgia of the Trust Division in 1943-44 and a member of the Credit Policy Commission in 1945-46. He has been a member of the Government Borrowing Committee since 1946 and Georgia State Chairman of the Federal Legislative Council since 1952. He was elected to a three-year term on the Association's Executive Council in 1952.

Outside of the banking field, Mr. Cocke is a Director of the Central of Georgia Railway Company, Atlanta Freight Bureau, the Henry Grady Hotel, and the American Forestry Association. He was National Vice-Commander of the American Legion in 1922-23.

Mr. Cocke is married and has a son and a daughter. He makes his home in Atlanta.

GEORGE R. BOYLES
Treasurer

George R. Boyles, the ABA Treasurer, is Chairman of the Board and President of the Merchants National Bank in Chicago, Chicago, Ill., is a native of that city and attended the School of Commerce of Northwestern University and the American Institute of Banking.

Mr. Boyles entered banking in 1907 with the First National Bank of Chicago. In 1912 he became an Examiner for the Chicago Clearing House Association; and in 1928, Executive Vice-President of the Lake View State Bank. In 1930 he became President of the Madison Kedzie Trust & Savings Bank, and in 1934 President and Chairman of the Board of the Merchants National Bank of Chicago, the position he now holds.

In the Illinois Bankers Association, Mr. Boyles served on a number of committees and as Vice-President in 1942-43 and President in 1943-44.

In the American Bankers Association, he was a member of the Executive Council from 1943 to 1946 and again in 1951-52. He was State Vice-President for Illinois in 1945; member of the Treasury Savings Bonds Committee from 1946 to 1952; and member and Chairman of the Nominating Committee in 1950, 1951 and 1952. He was a member of the Association's Administrative Committee in 1951-52 and was Chairman of the Committee on Federal Legislation from 1952 to 1955.

Outside of the banking business, Mr. Boyles is President of Palisades Park Properties, Inc.; and a Director of Webster-Chicago Corporation.

Mr. Boyles is married and has two children. He makes his home in Oak Park, Ill.

Next Convention in Los Angeles, Calif.

Before adjournment, the newly elected President announced that the 1956 Convention of the American Bankers Association will be held in Los Angeles, Calif. The dates for the Convention will be Oct. 21-24, 1956.

The last Convention of the ABA to be held in Los Angeles was in 1932.

At the 1956 meeting of the nation's bankers, the Los Angeles Clearing House Association will be hosts to the Convention.

Foster-Mann Opens

Foster-Mann, Inc. has been formed with offices at 40 Exchange Place, New York City, to engage in the securities business. Officers are Victor Foster, President; Herbert R. Mann, Vice-President; William Bennett, Treasurer. Mr. Foster was formerly with Graham, Ross & Co. Mr. Mann was with Merrill Lynch, Pierce, Fenner & Beane and Bache & Co.

Continued from page 3

Is The Bull Market Over?

Years ago, the normal fluctuations of wage and other costs on the one hand and consumer prices on the other, were mainly responsible for periodic economic readjustments. But with labor's new leading role today, it seems that the only way to readjust effectively is to raise prices. This suggests more inflation, which, reflecting the dollar's falling value, has prompted the bulls to buy common stocks as a hedge. Next year, we must not forget, is an election year and political promises will be made by both parties to all segments of our economy, including farmers, labor unions, our allies, the defense group and many other factions. In addition, if the Democrats happen to win the election next year, the prospects for more inflation would certainly be heightened.

Today's Bullish Credo

The bulls also believe we are in a long-term business uptrend. The see-saw action of higher prices with lower yields, followed by increased dividends and then higher yields will continue, so they claim. This will sustain the bull market for several more years to come, while earnings also are carrying higher. In order to emphasize further the virility of their six-year progeny, the bulls offer these additional points:

(1) Market sponsorship has been A-1, with the institutions still heavily invested in quality issues.

(2) Most of the purchases have been for cash. Securities so purchased have been "locked up"—withdrawn from circulation. This has reduced the available supply causing thin markets in a number of the higher priced issues. The great momentum of the September decline resulted from thin markets in the leading stocks.

(3) Investors are still reluctant to take profits for tax reasons. This undoubtedly has kept much stock "off the market" and has further reduced the floating supply. This was also quite noticeable in the last severe setback. Tax reduction in 1956, with a balanced budget in prospect, seems almost a certainty.

What else is bullish? Estimated earnings for 1955 on the Dow averages are approximately $38 a share, with dividend payouts estimated above $20. Jobs and personal incomes have hit a new peak. While investor confidence was badly shaken by the recent startling news, uncertainty centered more on the political outlook for 1956, than around business prospects. The chances of Mr. Eisenhower running for re-election seem pretty slim right now and guesswork about a successor will continue prevalent over the next few weeks and months. However, should the President decide not to run for health or other reasons, the news should be out before long, in time for the GOP to rearrange its ranks and election strategy. In other words, it is more bullish to have a withdrawal early, than late, if one is to be announced at all. Moreover, the present Administration will now be more anxious than ever for a favorable economic climate next year. Further substantiating the bullish view are these optimistic longer range factors:

(1) Census gains: every two months a city the size of Rochester is added to the population.

(2) A 15% to 16% increase in electrical consumption for 1955 and the excellent prospects for a further taming of the atom for civilian uses.

(3) The fruits of research. For example, the wonders to be derived from automation and electronics. Imagine the new status of the food industry when wood is convertible into food; when fruit, flowers, vegetables and meat can be kept fresh indefinitely by radiation. Also, what will the harnessing of solar energy mean to industry, and what upheavals will occur when structual steel is outmoded by stronger synthetic materials?

(4) Industry's larger productive capacity and modernization achieved since the war.

The Bearish Argument

These seem to be the major bull points. Meanwhile the bears argue that stocks are high now, but wait until the 2-year old business boom subsides. Presumably the backbone of the market rise has been confidence in President Eisenhower and his administration, and no one else can inspire such confidence. Any further boom momentum will be effectively regulated by tighter money, possibly higher margins and less liberal home loan mortgage terms. The rediscount rate has already been increased in successive jumps to a 20-year peak. The bears admit that extreme care will be used in an election year, and that restrictive measures instituted so far can just as easily be reversed, if necessary. However, history shows that tight money has preceded major setbacks in the market more often than not and, although such action may be delayed for six months or more, following this tightening policy, the bears only regard it as more "handwriting on the wall." They also believe that there will be a continued decline in automobile production and that the current building boom has reached the upper limits of its present potential expansion. They also point to a decline in farm prices and farm income during the boom.

I am not an economist, but anyone who is engaged in the work of market forecasting must endeavor, through constant reading, to keep abreast of current business news and all phases of international affairs, as they may affect the gyrations in the market place. There is considerable doubt that the economy can maintain present levels without benefit of continued heavy defense spending. In this connection, the more friendly Russian attitude suggests that arms output and defense expenditures may be further reduced, and the bears are dubious that civilian spending will be sufficient to absorb enough of this slack. Overseas, the increasing swing toward nationalization by minorities, with no solution presently apparent, has furthered this pessimism among the bears.

While the future is difficult to gauge or measure accurately, some bears also are taking comfort in the historical pattern of the market, which indicates that January, February and March are often periods of decline. Since 1900, the Dow-Jones industrials have reached their annual low 25 times during these months, compared with only 16 yearly highs achieved during the first quarter.

While seeking a solution to current problems, investors also are asking themselves this question: "Higher or lower for the immediate market?" I recently asked a friend what he thought the market would do. He said he hoped it would go further down, so he could buy some stock. This is the attitude of countless individuals today, and it is hoped that at least some were able to take advantage of the numerous attractive bargains offered during the last sell off. Although many have been on the sidelines for a long time awaiting such an event, some undoubtedly lowered their sights during the sharp reaction, hoping to buy in at a still further reduced level. Setbacks prior to the emotional September decline were too shallow, with each rally ending higher than the preceding top level. While it is never wise to rush hurriedly into the market, a too cautious policy is likewise imprudent, and many sideline investors are finding that the loss of dividend income for any length of time can be expensive.

The Contented Long Term Straddling

Straddling the fence between bulls and bears is the apparently contented, long-term investor, who feels he cannot afford to accept large paper profits this year for tax reasons. Moreover, until the recent, sudden news of the President's illness, he has not been able to point to any good reason to sell, with continued favorable business projected for the fall months, and higher dividends and extras on a number of stocks likely to be declared. Yet, admittedly, this is definitely a time of decision for the investor in common stocks. Perhaps this might be described best as a "betwixt and between" period for the investor. No longer is the stock market the undervalued segment of the economy it was two years ago. No comparable values or bargains exist, but there is still nothing real or tangible on the business horizon to induce long-term investors to sell. Since the investor is thus faced with such a condition, the best policy would seem to be to remain rather fully invested, keeping some cash reserve, while maintaining an alert attitude in the hope of uncovering as many new and promising situations in different fields as possible, and forgetting where the market is selling in terms of the various averages.

In other words (bullishness is still warranted on handpicked individual issues, and there is no reason to abandon long positions, except where a switch from one issue into another appears advantageous. The action of the misleading averages and the fact that they have been selling at historically high levels should be completely disregarded.

Now, after examining some of the economic, market and business factors, we come to the most difficult and baffling job of the forecaster. Before embarking upon this, I should like to mention one tool that I have found immensely valuable over the years in forecasting market trends.

It is generally conceded by students of security values that 75% of a given stock price is based upon such fundamental statistics as earnings and dividends, while the remaining 25% is based upon public psychology toward the securities markets in general, and the particular stock under consideration. I prefer to discuss and write about the stock market when public psychology is unfavorable, rather than when the optimism is somewhat shaken, but is still as strong as it is today. I have found over the years that economists, in forecasting general business conditions, usually have been more bearish than the general public, while security analysts generally have been more bullish. The latter group usually expect the market to sell higher than business justifies.

The Chart Tool

I use charts as a very valuable tool in my work of forecasting security prices, especially during periods of uncertainty. Charts help in measuring and analyzing the changing trends in the stock market, and in arriving at a buying or selling conclusion. Some individuals claim that the only thing charts will tell you is what has happened and what is currently happening. This is not true, as I have proved time and time again to my own satisfaction. A chart, properly drawn and interpreted, provides a means of measuring to a certain extent the amplitude and depth of a probable rise or decline in a stock. Actually, a chart is nothing more than a price pattern plotted on a paper, which reflects the judgment of willing buyers and willing sellers of a security. No single stock transaction escapes the vigilance of the ticker tape, and these total daily judgments do tell a story of the future trend of each stock.

I must concede that the most difficult part of reading a chart lies in its correct interpretation, and in this respect it is highly important to correlate the study of charts with basic fundamental statistics. Even though you do correlate all these various factors you are bound to make some errors in deduction, as you can never reduce to a mathematical formula anything so variable as the buying and selling of securities motivated by different human emotions, especially when sudden, unexpected, unfavorable news develops. It is mainly the teamwork between the chartist, now generally known as a technician, and the security analyst, especially in periods like the present, that results in the most successful forecasts and, of course, the most rewarding profits.

I have found in the past that most investment managers are increasingly interested in referring to technical data. Many maintain elaborate technical studies, but few admit using them. They do not always agree with the findings of the technician and many times they are right and the technician is wrong. We should try to use all the materials at our disposal in arriving at predictions on the market, and I can assure you that the buy and sell signals that are sometimes indicated from the study of charts are often well worth taking into account and following.

In attempting to answer the question: "Is the bull market over?" it should also be asked who is there today, who can predict with certainty the final peak for the Dow-Jones averages? The 485-490 D. J. industrial level has so far obviously marked a very important resistance top area. However, the best way to discuss this selective market is to get down to cases, and discuss the action of individual groups of stocks and present individual issues within each group that look interesting for higher prices.

Individual Group and Stock Selection

To illustrate this necessity for pin-pointing individual group and stock selection, it should be remembered that the textile, liquor, farm equipment, tobacco and motion picture stocks all reached their post World War II peaks in 1953, or earlier. But even within industries, we find great diversity. For instance, Hiram Walker is selling 38% above its 1951 high, while National Distillers and Schenley are selling 40% and 70% respectively, under their post-war highs. Similar discrepancies are to be found in ACF-Industries, as compared with New York Air Brake and American Steel Foundries in the railroad equipment group, and American Viscose, versus J. P. Stevens and Celanese in the textiles.

Railroads: Net income climbed 79% in the first half over comparable 1954 levels, so that full year earnings might even reach the postwar record of $902 million set in 1953. These earnings are overstated, however, to the extent of some $190 million by reason of tax credits arising from accelerated amortization permitted by the Treasury. In individual instances earnings are overstated by as much as 20%, but on average, such overstatement does not exceed 10 to 12%. Meanwhile, higher traffic volume, as a result of the business boom and closer expense controls are helping profits and in some cases, increased dividends may be expected by the year-end. Issues most favored for higher levels are: Great Northern (40); Western Pacific (61); Illinois Central (61); Chesapeake & Ohio (51); New York, Chicago & St. Louis (50); St. Louis San Francisco (30); Northern Pacific (69); Canadian Pacific (32); Gulf Mobile & Ohio (38); and Baltimore & Ohio (47).

Retail Trade: Total disposable income this year is expected to be about 5% greater than in 1954. Retail sales for the first half of 1955 were more than 7% above the like year ago total, and although the current quarter's gain may not be quite so large, final quarter results should benefit substantially from Christmas buying. The profit margins of general merchandisers have improved, arresting higher costs. Most department store chains have been expanding, which augurs well for future sales. The outlook for the group is still very promising. Favor: Associated Dry Goods (33); Allied Stores (59); Federated (72); May (39); Gimbel (25); and City Stores (22) for still higher prices. Crowley-Milner (10) has speculative appeal. Montgomery Ward (87) also indicates a higher price and should be held.

Oil: Wider profit margins and record increases in the consumption of petroleum products highlight this industry's position. A possible cut-back in imports — which could result in a further lifting of allowable production in Texas and other pro-rated areas, a potential increase in California crude oil prices and the contra-seasonal rise in gasoline prices along the East coast by a major supplier, are favorable factors in the current picture. Full-year results should be materially above 1954. A constructive attitude toward the group seems warranted, with emphasis on the leading, well-rounded international companies, which are strong domestically, and on the domestic producing and integrated companies having well-balanced operations. From a price point of view the following indicate higher levels: Richfield Oil (73); Atlantic Refining (37); Union Oil of California (49); Shamrock Oil (37); Sinclair (54); Royal Dutch (79); Anderson Prichard (48); Shell Oil (59); and Sunray Mid-Continent (23).

Aircraft: Unless defense orders expand, 1955 sales will remain generally the same as last year. However, the profit margins of individual companies may widen, because many planes are well along in production. Although Boeing and Douglas are major competitors for the commercial jet transports to be ordered by leading domestic airlines, both companies should receive their share of the business. Meanwhile, a serious letdown in defense spending seems unlikely. In many ways this group can be considered a peace, instead of a war group. Favor: Boeing (61); Douglas (68); Glen Martin (29); General Dynamics (53); Grumman (35); Lockheed (45); and North American Aviation (62) for still higher price levels. Garret (35) as an aircraft supplier is also recommended.

Paper: Paper statistics continue to make good reading. Plants are operating at or near capacity and prices have been firm and rising. Just recently, paperboard and corrugating material prices were increased about 5%. Paper use has become an important business barometer and with a high level of industrial activity predicted into 1956, the group should continue to do well marketwise. Top caliber issues such as Scott (68); West Virginia Pulp & Paper (46); and International Paper (104) are recommended for long-term holding. More speculatively, favor Marathon (31); National Container (20); and Robert Gair (28).

Automotive: Detroit sources now seem fairly well in agreement that 1956 may be another seven million car year. If so, General Motors and Chrysler stocks should still be held, although new purchases at this present level should be temporarily deferred. There is still no enthusiasm for American Motors and Studebaker-Packard, although they may have some merger potential. The predicted 1956 car volume should also guarantee profitable operations for the better grade auto parts companies, such as Bendix Aviation (47); Eaton (53); Thompson Products (46); Dana (48); Electric Auto-Lite (44); and Rockwell Spring & Axle (27) which all appear to indicate higher price levels. Houdaille - Hershey (15); National Automotive Fibres (18); Motor Wheel (30); and Motor Products (24) appear like good speculative purchases.

Radio and TV: The radio and television stocks for the most part are selling near their lows for the year, principally because of fears that their defense business may be curtailed. However, there now seems small probability that our Administration will cut defense contracts very much further and, as far as this industry is concerned, we expect to have considerable publicity this fall regarding color television. In my opinion, the climate for securities in this group from now on should be much better. The major manufacturers such as Sylvania (44); Radio (44); Philco (32); and Zenith (116), can be bought in further minor price setbacks. The most interesting speculations currently are Hoffman Electronics (22) and Admiral (21).

Electrical: General Electric (49) quite obviously, continues to be the leading issue in this group, particularly since Westinghouse Electric (59) reported such poor comparative earnings for the first half. However, much of the drop in earnings was due to price cutting in utility equipment. This now seems to have run its course and advise purchase of Westinghouse here for a substantial price recovery. The future of many of these issues is geared to automation and, in this connection, favor: Minneapolis Honeywell (56) and Cutler-Hammer (66). A specialized issue in this group is Federal Pacific Electric (15), whose earnings are increasing substantially.

Electronics: It is getting increasingly hard to segregate the electronic and electrical securities, but for purely electronic speculation I like Consolidated Electronics (31) and International Tel. & Tel. (27). The latter is not strictly an electronics company, but its growth potential seems to lie in that field, particularly with the development of its Tacan aerial navigation system.

Chemicals: Industry sales may reach new peak levels this year, with higher earnings also indicated. In the first half, sales and earnings of the eight largest chemical companies were 18% and 25% respectively, ahead of the comparable year ago results. Chemical stocks do not appear too high, relative to the general market. Since Dec. 31, the common stocks of these same eight companies advanced an average of about 26.6% in the market, versus a little over 20.2% for the Dow-Jones industrial average. At the present time, I favor retention of Olin-Mathieson (55); Dow Chemical (53); American Cyanamid (56); Air Reduction (35); Food Machinery (54); and Monsanto (45). Commercial Solvents (21) and Heyden Chemical (17) appear like interesting speculative purchases at present levels.

Gas: Increased demand for house heating and gas appliances is causing the natural gas industry to grow rapidly, and a further rise in consumption seems likely. Actual supplies are estimated to be many times larger than proven reserves of 211 trillion cubic feet. Substantial progress is being made toward the gasification of coal. I favor the following: Brooklyn Union Gas (33) for income; United Gas Corp. (30) for long-term growth; Mississippi River Fuel (27) for value and Eastern Gas & Fuel (13) as a good speculation.

Textiles: Industry prospects are quite encouraging. Inventories are reduced and order backlogs are above the levels of a year ago. Rayon yarn shipments are high with special emphasis on tire yarn. With sales uptrending and profit margins widening, it seems that the year-to-year improvement witnessed to date in the net income column will be maintained over the balance of 1955. This could mean higher dividends in some cases. J. P. Stevens (25); Beaunit (31); United Merchants (19); Lowenstein (26); and Burlington (17) seem best situated in this group for higher prices. Celanese (21) also looks like a good speculation at present level.

Drugs: New drug items should contribute importantly to industry results in 1955. The high level of disposable personal income is also a large factor. There is little difference between ethical and proprietary firms regarding higher sales and average earnings per share. Drug stocks have excellent growth and defensive characteristics. Increases in population, the substantial amount spent on research relative to sales and the opening of new fields for drug consumption, such as agricultural uses, further enhance the long-term potential. Abbott Laboratories (41); Bristol-Myers (30); Sterling (50); Merck (22); and Parke-Davis (38) appear especially attractive for purchase on minor price concessions.

Utilities: (Electric)—Output is running about 15-16% ahead of a year ago and long-term growth estimates are optimistic. By 1964, domestic power production may reach 1.04 trillion kwh—a 250% increase over the 1954 rate. Consumers Power (48); Ohio Edison (48); and Baltimore Gas & Electric (34) are favored for sound income and moderate growth. Montana - Dakota (27); South Carolina Electric & Gas (17); Oklahoma Gas & Electric (38); Tampa Electric (26) are attractive for greater-than-average growth.

Metals: Incoming orders for steel continue to exceed production capacity. It seems certain that 1955 will be an all-time high production year, with ingot output estimated at about 115 million tons. Leading steel issues are selling at 9-10 times the earnings visualized for this year. This is historically high for a cyclical industry, but steels have regained a strong investment following, and the ratio, while calling for caution, may not be regarded as too high. Leading issues should be held. Harrisburg Steel (31) a speciality producer and Vanadium Corp. (38), seem attractive. Others indicating still higher levels are Wheeling (58); Eastern Stainless (26); Allegheny Ludlum (53); and Colorado Fuel & Iron (28). The copper price situation is extremely confused. Although the price has retreated from above 50 cents a pound in London to 47 cents, it still is higher than the official U. S. price of 43 cents. Western Electric's announced intention of substituting aluminum for copper has upset sentiment in the copper market, and a strike at Anaconda's Chile copper mines has cut important supplies to this country. Since full year earnings of leading companies will be excellent, retention is advised, but caution is advisable in reaching for many of these issues at present price levels. General Cable (22) an important fabricator, is especially favored and Rhodesian Selection Trust (7) has speculative appeal. Zinc has advanced to 13 cents a pound and lead is in good demand at 15½ cents. This makes a combined price of 28½ cents, considered to be the Government's objective. Most producers do well at this level and there seems little chance the combined price will move immediately higher.

I favor St. Joseph Lead (49); American Smelting (50); American Zinc (19); and New Jersey Zinc (39) for higher price levels. Consolidated Mining & Smelting (37) and Hudson Bay Mining (64) are two of the most attractive Canadian lead-zinc producers. Aluminum producers are definitely favored for investment and the longer range outlook indicates substantially higher prices. Automobile companies are using more and more aluminum per car every year. For straight investment merit, Aluminium Ltd. (105) with earnings 24% above last year should be purchased and held.

Airlines: Passenger traffic in the airlines industry has been showing a very strong growth trend and indications are that this will continue. Accordingly, earnings in the industry are increasing. The outlook at the present time is rather promising. Recently some of the airline stocks have been depressed. I believe this is due in part to the reduction of transcontinental fares by leading domestic carriers and the talk of buying jet transports. Many wonder where the carriers will get funds to expand on commercial jet airliners. The companies themselves have stated that these purchases are about five years away and the funds will come from depreciation, retained earnings and some borrowing. Therefore, it would seem safe to assume that the reason for the poor market action of the group is more psychological than anything else. This group is attractive on a future earnings basis and leading issues should be retained. I favor: United Air Lines (37); American Airlines (23); Eastern Air Lines (47); National Airlines (23); Pan American World Airways (18); and Trans World Airlines (26) on periods of minor price setbacks.

Building: Home building has been little affected by tighter mortgage money. The recovery in August after a two month dip in June and July seems likely to extend through October. Cement and gypsum producers are in an especially preferred position with demand exceeding the supply. The over-all construction outlook continues to be attractive, with more schools, stores, churches and roads being required to accommodate an expanding and migratory population. I favor: National Gypsum (52); American Radiator (23); Celotex (34); Johns-Manville (81); Congoleum (22); and Certain-teed (25). Among the cements, Lone Star (63); Lehigh Portland (67); and Penn-Dixie (32) appear attractive for long term holding.

Motion Pictures: Earnings are projected higher for most major movie producers this year and some dividend increases are possible, yet movie stocks are still lagging behind other segments of the market. This may be due to the possibility of a decline in the—

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Is The Bull Market Over?

atre attendance, now that the
atre attendance, now that the
companies have started programing for TV, and also on account of questions about the value of their respective film libraries. Generally speaking, however, amusement stocks represent attractive values and appear worthy of purchase and retention at prevailing price levels: Loew's (20); Paramount (38); Columbia (24); and 20th Century (27) are the "quality" issues of this group. Further growth and appreciation is expected for ABC-Paramount (28) in the theatre-broadcasting field. Warner Brothers (19) also appears like an interesting buy at present levels.

* * *

The General Market Outlook

And now, as far as the general market is concerned, it does appear probable, in view of the far reaching and sobering implications of the news of the President's illness and the likelihood that he will not run again in 1956, that no immediate resumption of the uptrend will occur. However, there is good support on the Dow-Jones industrials at the 445-455 area and on the rails at 150-152 (the August low point), and especially at 435-440 on the industrials and 140-145 on the rails, which I do not believe will be reached. As stated above, the President is identified closely with the prevailing business prosperity. In a sense he has been the rallying point and cornerstone around which the business boom confidence of the past three years has been built. For this reason many consider his illness as damaging also to the favorable domestic and political outlook in 1956, but it takes a long time to destroy such confidence.

What all this means from the longer range economic and political standpoints is difficult, in fact impossible, to estimate as this article is being written. Much attention from here on will be devoted to consideration of a new Republican standard bearer and reviewing GOP chances at the polls next Fall. Quite obviously, no satisfactory solution will be forthcoming overnight, and perhaps the most uncertain part of this unfolding picture has been recorded in the market during the first two weeks. Many others believe that the adverse effects of the President's illness will be merely political in nature, and will not seriously impair the basic strength in the nation's economy.

Although technical work has not indicated a major distributional market top, and no important reversal signal has been registered by the main body of stocks, the general market was long overdue for a normal correction. Many blue chip issues were selling high on earnings. The recent laggard action of the rails, the formidable psychological barrier confronting the industrials at the 485,490 level, and finally the uncertainty and slightly bearish import of the latest news has now been pretty generally discounted marketwise.

Consolidation and Advance

As I project the market pattern ahead, this deep reactionary period of almost 40 points should be followed by another phase of consolidation and hesitation of from two to four weeks, and then another upward move lasting through the Christmas season into the new year. Of course, a failure of both averages to reach new highs after this period of reaccumulation would be a definite precautionary signal that the underlying trend would be changing from bull to bear, but at present this is not yet the case. However, another very critical examination of the whole market price structure will be quite necessary early in 1956.

It would appear that the greatest opportunities for profit lie in the secondary stocks, rather than in many of the high priced leaders, although I am fully aware that the latter group has been and still is the favorite with institutional funds and conservative investment buyers. Actually, there are many good value stocks still selling pretty low, and providing yields of over 5% with a fair amount of safety. A lot of discounting of higher earnings has been reflected in the prices of many blue chip securities, and it appears to me that the balance of 1955 will see a shift of leadership to many of the lighter blue chips. The spread in yield and price between the two groups has seldom been so wide, and this gap should be narrowed during the next few months.

The success of any investment program at this stage of the market depends on concentrating on those stocks in industry groups that will out-perform the averages in the period ahead. Selection will be more important than ever. While a new high on the averages is not foreseen for the balance of 1955, a continuation of this highly selective rotating market is certainly anticipated.

Augmenting the foregoing comments on various industry groups and individual issues within groups, I would like to draw attention to 20 miscellaneous issues not covered in industry reports that I favor purchasing for further price appreciation. They are as follows:

	Current Range
Carrier	50
Colgate Palmolive	53
National Distillers	20
Pittston	30
Deere	34
Chicago Corp.	23
U. S. Plywood	39
Underwood Corp.	35
Standard Packaging	26
American Can	42
United Fruit	53
United Biscuit	31
American Brake Shoe	39
Warner Lambert	37
Safeway Stores	46
Texas Gulf Sulphur	38
American Steel Foundries	33
International Harvester	37
Coca Cola	125
Pittsburgh Coke & Chem.	26

Hardy Co. to Give Investment Courses

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, announce inauguration of two informal courses for adults, one to be given in the afternoons and the other in evenings, on "Investment for Security and Income."

The evening course will start on Tuesday, Oct. 18, 1955 from 8:00 to 9:30 p.m. at the Hotel Delmonico, 502 Park Avenue. Subsequent evening sessions, of which there are nine in all, will be held on Mondays at the same place.

Afternoon sessions will start on Oct. 20 at Schwartz's Restaurant, 54 Broad Street, from 4:00 to 5:30 p.m.

Samuel C. Greenfield, lecturer and registered investment adviser, will conduct the sessions.

Inv. Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Everett H. Berrish, Emanuel Morningstar and Walter J. Raleigh have become affiliated with Investors Planning Corporation of New England Inc., 68 Devonshire Street.

Start Reducing Federal Debt Now!

"The Guaranty Survey," monthly publication of Guaranty Trust Company of New York, points out that despite the desire for tax relief, there is a strong case for debt retirement, when inflationary pressure is threatening to gain ascendancy.

The October issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, in an editorial article, entitled, "The Boom, the Budget and the Debt" states there could be no more logical time to make a start on Federal debt retirement than a time of business boom when inflationary pressure is threatening to gain the ascendancy.

"No one questions the desirability of tax reduction," the Survey states. With corporations paying more than half of their net earnings to the Federal Government alone, with rates on individual incomes also Federal alone) ranging from 20 to 91%, with numerous industries and their customers burdened by heavy and discriminatory excises, and with State and local tax rates high and rising, the need for tax relief is only too obvious.

"Yet there seems to be more than a possibility that the natural and legitimate desire for tax relief, combined with the special political pressures of an election year, may cause the equally strong case for debt retirement to be overlooked altogether. In some contexts, 'too much and too soon' can be worse than 'too little and too late.' Even from the tax standpoint, a long-range view emphasizes the desirability of debt repayment. The interest on the debt accounts for more than one-tenth of the total budget. This means an average annual charge of nearly $58 on every member of the noninstitutional population over 13 years of age. The cost of carrying the debt is a far from inconsiderable part of the tax burden. Debt retirement would contribute to future tax reduction. Conversely, too exclusive emphasis on tax reduction now, resulting in a continuation of deficit financing, would add to the future tax load.

"The question of debt retirement arises as a result of the comparatively favorable position achieved by the Federal Treasury—the best in five year. By dint of persistent effort, expenditures have been reduced from $74.3 billion in fiscal 1953 to $67.8 billion in 1954 and $64.5 billion in 1955. Meanwhile, business prosperity has yielded unexpected'y high tax revenue. Fiscal 1955 ended with a deficit $300 million below the January estimate, despite unanticipated expenditures of more than $1 billion.

"The revised estimates for fiscal 1956 show similar trends. Revenue is now expected to be $2.1 billion above the January estimate, while expenditures have been written up by $1.4 billion, mainly because of a prospective rise in the cost of farm price supports due to large crops. The net result is an estimated deficit of $1.7 billion, or about $700 million less than was forecast in January. This implies a very small surplus probably amounting to about $300 million, in the so-called cash budget, the Treasury's actual money dealings with the public, which is widely regarded as measuring the 'inflationary' or 'deflationary' impact of Treasury operations on the economy.

"The estimated deficit is equal to only about 3% of the total budget, and a further increase in tax receipts, a cut in spending, or a combination of the two could produce an actual surplus by the end of the fiscal year nine months hence.

"As for the debt, perhaps the most significant fact is that this is the first time in its history that the United States Government has let so much time go by without making a real effort to pay off at least a substantial part of one of its great war debts. Two-thirds of the Civil War debt was paid off. Three-eighths of the World War I debt was retired. By contrast, no appreciable payment against the World War II debt has ever been made, except the quick and easy repayment of funds borrowed at the close of the war but never spent."

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The Role of Gold in The Monetary Mechanism

recalculated. In the 17th Century it was considered desirable to set the mathematical genius of a Newton to work on this task. In our age we have been satisfied with slap dash methods.

Forces Operating on the Monetary Equation

But if anything is fixed at a given point some force is required to keep it fixed there. Indeed it is essential to have a clear idea of the forces which operate in any monetary system, for they represent the inner core of the mechanism of money. As money measures value and as no objective value exists, as therefore in measuring value both the measure and the object measured are in motion, it is the more essential to have a clear idea of the forces which enter into the equation.

The first of the forces operating in a metallic standard was that the issuing authority was prepared at all times to buy and sell the monetary metal at the same price. This is a very potent force making for the stability, which a measure of value requires. It would be quite useless, however, if the issuing authority used its political power in a manner which would jeopardize or reduce the attainment of that stability. It could so use its power if it prevented its subjects from making use of the forces making for stability. To make the mechanism work efficiently the subjects must have the untrammelled right to own, buy, sell, import or export the monetary metal. All these forces are essential to the mechanism of sound money and any detraction from them reduces the efficacy of the monetary machine. In fact if there is serious interference with these forces, there may be no money at all, but only *ersatz* money or promises to pay. There is such serious interference now in almost every country of the world and the world is in effect trying to subsist on a moneyless economy.

When these forces were eliminated the two sides of the equation soon parted company. The dollars and cents in which the price of commodities was expressed became paper money. As no great effort was required to produce it, one of the most important factors making for sound money, namely, the relative scarcity of the precious metals, disappeared from the field of currency. The price of gold was no longer expressed in terms of a scarce commodity but in terms of what became in some countries so common a commodity that it was a drug on the market. Nobody found any difficulty in understanding that when the German mark depreciated to billions to one, the old equation could no longer be maintained. But they had great difficulty in seeing that when it required 1½, 1¾ or 2 paper pounds or dollars to buy the same quantity of commodities as one gold pound or dollar had bought before, the terms of the equation were also drastically changed.

Now it is true that while it is not possible to roll a stone uphill if the gradient becomes too steep, it is nonetheless possible to do so if there is only a relatively slight gradient. Can this parallel be applied to the forces that maintain the equation between gold and paper money?

In 1916 a fellow student of mine, greatly daring, told me: "Holloway, I prophesy that we shall still see the value of the German mark fall to one penny!" Neither of us foresaw at that time that it would fall to a point difficult to express as a vulgar fraction. When the mark did in fact reach the point where it was worth only a penny, it should have been clear as daylight that no power on earth could ever push it back to the point where the same mark would again be worth 12 pence. We can disregard the subsequent plummeting although the post-first-world-war speculators in marks did not. The curious thing, however, is that when the British pound depreciated to less than 10 shillings it was still deemed possible to roll it uphill to its old station and to re-establish the equation which existed in 1914.

That attempt was made by Winston Churchill in 1925. We know the results. After years of deflation and depressed trade, Britain had to give up the vain struggle in September 1931. Sisyphus was beaten. Other countries followed during the next five years. The attempt to roll the stone uphill, even along a relatively slight gradient, had failed. The attempt to write up to higher values in gold the depreciated moneys which had been foisted on the community during the war and immediate postwar years proved to be a greater burden than the mechanism of production could bear. These were the years during which the forces necessary for the preservation of sound money had been placed out of action by government decree. Most people thought that raising the price of gold would launch a new inflation. They failed to understand that the inflation had already occurred, that it was impossible to reverse it, and that unless the measure of value were brought in line with the realities of the price level, a devastating deflation was the only alternative.

The Gold Standard After 1931

To those who are too young to understand this, I should point out that in 1931 the Gold Standard was still the rule. The forces which I mentioned above were working freely. An attempt was therefore made to force prices down to the point at which gold had been fixed. That inevitably meant that they had to suffer a heavy fall. And as the community lacks the suppleness which can tolerate a heavy fall of prices there was a disastrous depression.

The reason for this disaster is clear enough if we go on studying the forces which cause the monetary mechanism to operate. In a highly developed society the means of subsistence of the workers, the materials which they use and the tools with which they produce must all be advanced long before the finished articles produce the income which pays for all these things. Inevitably, therefore, debt is created. But debt is not money. It performs none of the real functions of money. It is not a measure of value. It is not a medium of exchange. It is not a store of value. It is only a representative of these, an agent of its principal—money. One of the prime confusions, one of the reasons why so many people lose the thread in discussions about money, is that we have got used to using the word "debt" and its partner, "credit" as synonyms of money.

As debt has inevitably to play a large role in any highly developed society we must examine what new forces are set to work when the forces which maintained the equation between gold and paper money are put out of action. What happens then is that the amount of paper money on the other hand increases very fast. Obviously the terms of the two sides of the equation change in value. As the first one—a given quantity of gold—is prevented by decree from exerting its usual force all debts must be expressed in the second. The number of units of paper currency which express a given debt therefore increases as the volume of paper currency increases.

Now as long as this continues without setting up countervailing forces it is all to the good of the debtor. He can settle his past debts by giving something which is ever getting more plentiful. In fact one has read of debtors in a period of rapid inflation seeking out their creditors and paying them off mercilessly!

But this process soon sets up new forces, both on the productive and on the distributive side. On the productive side it destroys capital. One need only think of the balance-sheet of a company carrying large quantities of machinery subject to heavy depreciation, or the large amounts of money derived from death duties and used for current needs to appreciate this.

On the distributive side it sets up no end of industrial disputes. It is curious how few people realize that all the production lost in such industrial disputes as are caused purely by the falling purchasing power of money is a direct result of a bad monetary mechanism. All that lost production is the price the community pays for working with a bad monetary mechanism instead of using the highly efficient mechanism of real money which has been developed through the ages.

When, however, we try to reverse the process—roll the stone uphill — when we try to restore the equation to what it was before one of the terms got out of hand, we inevitably increase the debtor's burden. In view of the large role that debt plays in the productive mechanism the effect of this new force is to put a heavy braking effect on the mechanism of production. If the amount of that force is great enough—or in customary jargon—if we deflate sufficiently far and sufficiently fast, we can bring the productive mechanism to an almost complete stop. This is what happened in the Great Depression and this is what will happen again if we try to roll the stone uphill, if we try to restore the equation by making the terms between gold and paper money match at the point where they matched before the war. We are therefore faced by the choice between bringing the price of gold into line with the vast quantities of paper money or facing a devastating depression, or going on with a bad and costly monetary mechanism for evermore.

"But" someone will object "you have not proved that managed money is bad money. You are tacitly assuming that mankind has found out all it can about a sound monetary mechanism. Is it not possible that monetary management can carry the age-old process of improving the monetary mechanism a stage further?"

It is a fair question which must be squarely faced.

Monetary Management

My analysis thus far has dealt with money as an instrument of production and as a component of distributive justice. Both of these aspects require as sound and unchanging a measure and store of value as possible to achieve maximum efficiency. Monetary management in effect claims that a higher *productive* efficiency can be attained if we treat the monetary mechanism not merely as a mechanism of production but also as an instrument of policy.

It does not indeed claim that a higher distributive efficiency is gained by management. Such a claim would be moronish fatuity in face of the fact that even the strongest currencies have lost half their value in a decade and that a system of managed money requires repeated readjustments of large and salary scales and such involved devices as escalation clauses in contracts. The managed moneyers could, however, claim that these adjustments are not beyond human ingenuity, and are worthwhile if they permit a higher level of productivity to be attained.

How is this higher level of productivity to be attained? "Simply," so the reply would run, "by causing enough pressure to be exerted on the demand side to ensure full employment. Labor won't keep, as they said in the 19th Century. Every day's labor that is lost because there is no demand for it is lost for all eternity. If we can keep the labor force of the world employed to its maximum by maintaining an effective demand for it all the time we may well gain in increased productivity much more than the cost of operating this vast management machine. We can maintain this demand by injecting more fiat money into the mechanism whenever this is required. To be able to do this however we must be freed from the discipline of a rigid standard of value. This increased productivity would also in a measure mitigate the injustice which the system commits in the field of distribution. We have, after all, in two decades of monetary management had no major depression in the principal industrial areas of the world and this should be counted to us for righteousness."

This is not my thesis. It is, in a highly simplified form, and shorn of jargon which would make it unintelligible, the quintessence of the argument of the managed moneyers. It is the position they will have to establish if they wish to hold the field against the proved excellence of the discipline of a rigid standard of value, since clearly the community does not put power into the hands of a group simply to enhance the honor and glory of that group. The examination of this thesis would lead us into so many bypaths of theory that it is obviously not to be attempted at the end of our already lengthy disquisition. As it carries us deep into the field of the chapters in our textbooks on Economics, generally grouped together under the heading "Distribution" I would, however, like to focus attention on a few of its implications.

Implications of Managed Money

I resist, at the outset, the temptation to dilate on the problem whether mankind is as yet sufficiently advanced in the moral sphere to operate a system of full employment. This would raise the question whether the large masses of mankind can or should be divested of the function of exercising responsibility and whether this function can or should, under a new dispensation of the division of labor, be vested in a limited number of managers. This would take us into the sphere of the boundaries between Free Enterprise and Authoritarianism and would carry us too far afield this afternoon.

There is, however, one implication of such transcendental importance in this theory of money that the full floodlight of enquiry should be focussed on it. If the money of the people is to be managed somebody must do the managing. From this follows the implication that sufficient power must be vested in the managers. A third implication is that such power must be used purely for the purposes of the end in view. It must not be prostituted towards any other purpose. A fourth implication is that the community must have sufficient confidence in the knowledge, and in the integrity and in the judgment of the managers to entrust such vast power to them. A final far reaching implication is that such a monetary system must inevitably be authoritarian since the timing and secrecy which are its essentials do not conform to the pattern of work of a deliberative legislature.

In one of the most pregnant sentences in all political philosophy Oliver Cromwell said: "We all believe in government by consent, but where shall that consent be found?" Describing the English Revolution of 1688, Lord Acton wrote: "For the divine right of Kings that revolution substituted the divine right of property owners." Must we now by consent create the divine right of managed moneyers?

I must confess, Mr. Chairman, that I have no belief that in monetary management we have found a better monetary mechanism. For me gold is liberty. If I can, as an individual, take refuge for my store of wealth, insignificant as it is, in a given quantity of gold, and have free disposal thereof, I have a safeguard against being dispossessed of my means without due process of law.

The late Harry Dexter White, who, more than any other man, built the present authoritarian defenses into the United States Treasury wrote in 1945: "The gold standard has repeatedly broken down under the strain of acute emergencies." (Foreign Affairs, January 1945). He was, of course referring to wars. Can it, however, be forgotten that in time of war many freedoms break down, the freedom of buying what one wants, going where one wants, saying what one wants, trading where one wants, and the greatest of all, the sanctity of human life. But when a war is over every civilized state which sets any store by individual liberty subjects all these matters as soon as possible to the due process of law. It seems to me that a monetary mechanism that would give the management freedom to take away the money of the people without due process of law is not only a denial of all rights of legislatures but a frontal attack on individual liberty.

Paul C. Rudolph, Others Join Morton On Coast

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Paul Rudolph has become associated with B. C. Morton & Co. Mr. Rudolph formerly conducted his own investment business in San Jose.

Jack L. Colbert, Gilbert B. Gabbert, Garland B. Hall, George L. Payne, James Pray, De Forest Riechard, David L. Schrader, Clarence R. Soderstrom, Hugh L. Torbett, and William P. Wright, all previously with Mr. Rudolph, have also joined B. C. Morton & Co.

Chicago Analysts to Hear

CHICAGO, Ill. — On Thursday, Oct. 13, E. S. Hann, Treasurer of Kennecott Copper Corporation will address the luncheon meeting of the Investment Analysts Society of Chicago to be held at 12:14 p.m. in the Adams Room at the Midland Hotel.

Continued from first page

As We See It

made progress in improving the prospect for enduring peace throughout the world, or at least among the major powers. The specter of another world war, this time an atomic war, so-called, is much less vivid to many minds. Of course, he gained immeasurably by succeeding in bringing the war in Korea to an end, or at the very least, to a prolonged, possibly indefinite armistice. It is also obvious that the gain elsewhere remains as of this date largely in the realm of attitudes and frames of mind—and hope—but the course of these affairs have made a deep impression upon many, if not most, men in the business world. And since so much of all this seemed to be the work of the so-called Eisenhower "charm" or personality, the news of his misfortune brought a definite shock on these accounts.

But the question remains, of course, whether some other man in Republican ranks could not carry on, or whether some leader in the Democratic party whose record is greatly different from that of General Eisenhower could not take up where a Republican Administration leaves off. The apparent friendliness of the present Administration, the competence of its staff members, and the apparent progress made abroad seem to have been important factors in the greatly improved business situation and in the persistent strength that the stock market has exhibited during the past two years. They have not been the only factors, but they have been important factors. If new hands are to go to the helm early in 1957, it is, accordingly of more than minor importance that they be able to command comparable confidence in the business community.

If, however, the inquiring mind goes further and more deeply into the situation, the truth soon emerges that the legislative program, and for that matter the administrative acts (apart from improved efficiency and some cleaning up) of the Eisenhower Administration have not been radically different from those of the Administration which preceded it. A major piece of work was undertaken and brought to completion in the field of taxation. Credit is to be given for this accomplishment, but the fact remains that the essentially New Deal concept of placing the lion's share of the burden upon business and upon wealthy individuals, leaving the great rank and file relatively untouched at least so far as direct and easily visible taxes are concerned, is about as fully exemplified in the present statute as in most of those that had preceded it for several decades past.

It was under a Republican regime and with the blessing of a Republican President that the so-called social security laws were extensively revised to add many billions to the future burdens of the taxpayers of the country—and to add to rather than substract from the degree of paternalism inherent in all the other similar so-called social legislation of the past quarter of a century. President Eisenhower has had a number of things to say about the "creeping socialism" embodied in such programs as that of the TVA, but all these projects are still in operation.

The burdensome securities acts are all intact, and no suggestion has been heard in Administration circles that relief from them be granted. They have already done untold damage to an essential branch of American business, and in consequence to American business in general. There has been a very moderate change in the farm subsidy system inherited by this Administration. It did not go half far enough, and now with an election coming up there is a discernible tendency to wince and relent and refrain. It is quite unclear whether this Administration in its present term will go so far as to revert to the older Democratically designed and inexcusable system of largesse, or whether it will or would go farther in this direction than a new Democratic Administration taking over in 1957. In any event, the farm program of the Eisenhower regime differs from that of his immediate predecessors in degree only.

And so we might continue, but nothing is to be gained by laboring the point. This Administration has been just about as much New Deal or Fair Deal as the Fair Deal Administration itself was. It has instituted a number of reforms and improvements, but it is still essentially a New Deal or Fair Deal program that it has evolved. Possibly, it is a little more toward the middle of the road than those of Roosevelt or Truman, but it is still traveling the same road and in the same direction. Certainly, if logic determines the course of business and the trend of business thinking, the cause of such changes as have occurred must, accordingly, be sought elsewhere.

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Why "Variable Annuities" Are Not in Public Interest

'33 Act, which is only a disclosure statute, and require that securities cannot be sold in the state without the prior approval of the Securities Commissioner. The purpose of this, among other things, is to protect the public from the sale of unduly speculative securities of companies which have little chance of success. The Securities and Exchange Act of 1934 was designed to regulate the business conduct and ethics of those who would sell securities. State laws, through their licensing of dealers and salesmen, are designed to accomplish the same purpose. Mutual funds are strictly regulated both by the Federal Government and state laws. In 1939 the State of New Hampshire adopted regulations known as the Q-3 Regulations, dealing entirely with the regulation of mutual funds. The following year, the Federal Government enacted the Investment Company Act of 1940. Many of the provisions of the '40 Act were contained in our regulations adopted in 1939.

I think you will be interested in the comments concerning the regulation of investment companies and the protection afforded to the public made by Mr. Lavita, Actuary of the Maryland Insurance Department, in a recent address before the Zone 2 meeting of the National Association of Insurance Commissioners. His comments are especially interesting since he is not connected in any way with the regulation of securities, but deals entirely with insurance matters. Here is what Mr. Lavita had to say on this subject:

"The Act that directly affects mutual funds in the third" (Investment Company Act of 1940). "Interested industry is represented by the National Association of Investment Companies and the National Association of Securities Dealers. Those organizations have in every way cooperated with the Securities and Exchange Commission in protecting the investor in every way possible in order that he know what he receives and that he periodically gets what he is entitled to, in the purchasing of mutual fund shares.

"(8) Now for the Investment Company Act of 1940. Here are a few salient features of the Act. It requires that funds register with the Securities and Exchange Commission. Full information with regard to investment policies must be furnished the shareholders. If there is to be any change in the nature of the investment policy of a fund, such change must receive approval of the shareholders. Investment bankers, etc., cannot constitute more than a minority of the directors. Management contracts are subject to approval by the shareholders. Unless approved by SEC, transactions between Mutual Funds and directors are prohibited. The issuance of senior securities is prohibited. Before offer shares of a mutual fund must have a minimum of $100,000 in assets. It cannot contract for a bank loan unless it has $3 in assets for each $1 of such loan. Portfolio securities must be held in custody of a bank. The auditing of official reports to shareholders (which reports must be made at least semi-annually) must be made by independent accountants and the stockholders must approve by vote, the use of a particular accounting firm. A fund cannot hold more than 10% of the securities of any corporation. A fund cannot invest more than 5% of its assets in securities of any corporation.

"(9). Sales literature must meet the approval of the SEC. With the cooperation of the National Association of Securities Dealers, SEC established what is known as 'statement of policy' whereby issuers and dealers would determine the types of sales literature forbidden under the Securities Act of 1933 and the Investment Company Act of 1940. Sales literature is held to be 'misleading' if it includes an untrue statement of a material fact or if it omits to state a material fact pertaining to the shares offered a purchaser. Sales literature would be construed to be misleading if there is any implication that an investor will receive a specified rate of return or a stable or liberal return. While it may emphasize the advantages of diversification of investments in its literature, it must also point out that there are market risks inherent in the investment. In stating the advantages of the redemption features of a fund, it must also point out that the value at redemption of the shares to be redeemed may be greater or less than the actual costs. Its literature cannot state that the investment in the mutual fund is as safe as investment in life insurance or government bonds, etc. It must exercise care in making comparisons between investment in funds and investment in other securities. The 'performance record' chart must be so prepared that no misleading references may arise. In fact, there is an actual standard chart worked out as a result of conferences between the National Association of Securities Dealers and SEC, which chart is used by mutual funds. Even in the use of the expression 'dollar averaging,' the investor's attention must be called to the fact that he may incur a loss if he terminates his investment program when the redemption value of his total shares is less than the cost. Unless the fund states in its literature the getting-in cost or the load, the literature must contain the following language:

"'There is a sales charge to the investor included in the offering price of the shares of this company. For details thereof and other material information, see the prospectus.'

"If sales literature in any way encourages the investor to switch from one fund to another, the literature must include the following language:

"'Switching from the securities of one investment company to another, or from one class of security of an investment company to another, involves a sales charge on each such transaction, for details of which, see the prospectus. The prospective purchaser should measure these costs against the claimed advantage of the switch.'

"When a salesman makes an offer of shares to a prospective buyer, he must provide him with the piece of literature furnished by the fund known as a 'prospectus.' This prospectus contains many of the facts which the mutual fund has furnished the Federal Government under the provisions of the law. It names the officers and their respective financial connections and gives a financial statement of the fund. It describes the manner in which the net asset value is computed and also the load and how the redemption value is calculated. It also states the investment policy of the fund and gives other pertinent material as provided by law. It will thus be seen that in the whole matter of mutual funds there is strict regulation by the Federal Government to protect the purchaser."

Variable Annuities—A Concern of Securities Regulation

I hope you don't feel it was presumptuous to go into such detail concerning securities regulations, with which you are undoubtedly as familiar as I. However, when you consider that insurance companies selling a common stock interest in the form of a variable annuity might well be exempt from all of these regulations, the concern of the securities administrators and my reasons for appearing in opposition to the variable annuity bill in New Hampshire becomes readily apparent. The bill in New Hampshire and bills introduced in certain other states do not, within themselves, contain the provisions for the protection of the public which are contained in state and Federal laws with respect to the purchase of mutual fund shares and other securities. At a meeting of the Executive Committee of the NASA held in New York in May of this year the following statement was adopted:

"The Executive Committee of the National Association of Securities Administrators, assembled in New York on May 11, 1955, after considering proposed legislation which would permit the issuance and the sale of variable annuities by insurance companies, is of the opinion that the absence of legal safeguards provided by Federal and state statutes could prove to be very detrimental to the investing public. This conclusion is arrived at by reason of the basic similarity of the variable annuity plans to the sale of securities which must be made under various Federal and state blue sky laws and regulations. The effect of such legislation would be to deprive a large segment of the investing public in variable annuity plans of the safeguards imposed on the securities industry for the protection of its investors. In view of the above, the committee feels that it would be inopportune for any state to approve such enabling legislation before exhaustive study by the National Association of Insurance Commissioners and the National Association of Securities Administrators."

Dual Aspect of the Variable Annuity

I believe that cooperation is necessary between the securities administrators and insurance departments if insurance companies are to be permitted to sell variable annuities. This is because of the dual aspect of a variable annuity. It may well be that variable annuities will be supervised by both the Securities and Insurance Departments. In an informal letter from a staff member of the SEC to the proponents of variable annuity legislation in New York State, it was indicated that even though certain aspects of the operation might come under the control and regulation of the Insurance Department, its operations might also be subject to the laws administered by the Securities and Exchange Commission. Certainly any proposed variable annuity legislation should contain the protective features of the securities laws and should require the delivery of a prospectus, the pertinent provisions of the Investment Company Act of 1940 and state securities laws dealing with these problems.

Because of the dual nature of variable annuities, there is a question as to whether or not insurance agents should also be licensed under the securities laws before selling such annuities and whether insurance agents should be permitted to sell both variable annuities and regular life insurance. I believe the use of the word "annuity" should not be permitted because of its connotation of fixed-dollar guarantee which the public associated with this term. Mr. Lavita, who in his address was talking from an insurance standpoint, raised a number of these questions with respect to variable annuity contracts, and a great many more dealing primarily with insurance problems.

We all know that common stocks do provide a hedge against inflation and a protection against loss of purchasing power. However, in the one-year period, May, 1946 to May, 1947, common stock prices declined 23%, while the cost of living increased 19%. In the three-year period, May, 1946 through June, 1949, common stock prices declined 24% and the cost of living rose 29%. It is for this reason that mutual fund literature, in talking about the cost of living, is required to point out that the cost of living and common stock prices at times have gone in opposite directions. When you consider that annuity payments consist primarily of a return of principal and that the amount of payments will depend upon common stock prices, these figures point out the necessity that the public have all the safeguards and information in purchasing variable annuities that they now enjoy in purchasing common stock interests in other forms.

I don't want to leave any impression with you that this protection is necessary because insurance companies may be dishonest, any more than I would say that the protection is needed because investment dealers are dishonest. Certainly if the protection is needed in one case, it is needed in the other.

Many Join H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—A. Harry Caplan, Richard F. Canton, John J. Coveney, Aaron Dangel, Harry N. Kaplan, Hyman B. Pave, John R. Pickering, Ralph Radlo, Louis P. Schultz and Evelyn R. Sessler have joined the staff of H. L. Robbins & Co., Inc., of Worcester. All were formerly with John G. Sessler & Co.

Form Cavalier Secs.

WASHINGTON, D. C.—Cavalier Securities Co. has been formed with offices at 1010 Vermont Avenue, N. W. Officers are B. Leland Tanner, President; Herbert Wechsler, Vice-President; Lillian Oser, Secretary; Bernard Lubcher, Treasurer.

Harold E. Aul

Harold E. Aul, 58, of Georgetown, Conn., a leading figure in the investment company industry, died Oct. 1 at St. Vincent's Hospital, New York, after a recurrent illness from which he had suffered during recent months.

Mr. Aul since 1942 had been Vice-President in charge of investment management of Calvin Bullock, Ltd., New York, and his connection with the firm dated since 1934. Currently he was one of the firm's three executive Vice-Presidents. His affiliation with investment banking dated from 1920. Previously he had been Assistant Treasurer of American Republics Corp. and Vice-President of a privately owned investment company.

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How Shall We Deal With Labor Union Monopolies?

ernor of a state and upon the President of the United States. Behind them stand the armed forces of the states and the nation. It is the duty of these forces to preserve the people of the United States and their liberties not only from foreign aggression, but also from domestic violence and anarchy.

There was once hope that, when the labor organizations obtained greater strength in numbers and better legal protection for their legitimate activities, they would cease to use organized violence to accomplish their ends. It was the belief of many friends of labor, such as myself, that the legal and economic disadvantages of the unions furnished excuses for criminal conduct which would disappear when a genuine balance of economic power made collective bargaining a two-sided business. Unfortunately, we have seen, as collective bargaining has grown so one-sided as now to be collective coercion, labor unions insist on retaining and using the supplemental weapon of personal violence to enforce their demands.

Without disregarding a long line of extensive and vicious uses of criminal force, let me refer to three recent examples, no one of which carried with it any possible justification for the crimes with which union demands were supported.

In a strike against the Southern Telephone Company, property was damaged extensively and individuals assaulted with a recknessness and frequency which made absurd the protests of union officials that they did not condone such wrongdoing.

In a strike against the Louisville-Nashville Railroad, bridges were dynamited and burned, individuals were assaulted and homes terrorized, in aid of a strike maintained by the so-called conservative railway unions.

In a long strike against the Kohler Company in Wisconsin, the CIO people have been guilty of every sort of terrorism, resulting in the death of at least one man, wholesale injuries to others, and much destruction of property. In addition, city authorities have been so intimidated that it has been impossible to deliver supplies needed by the Kohler Company not only through Sheyboygan, but also through the large port of Milwaukee, Wisconsin.

It seems incredible, in a country where men are sent to jail constantly for street fighting, or stealing, or destroying property, that great, so-called "respectable" organizations of labor are permitted to carry forward openly campaigns of violence and terrorism to support themselves in exercising an economic power which, even without accompanying violence, is so great as to make collective bargaining almost a mockery.

Urgent Needs for Legal Action to Restrain Compulsory Unionism

Turning aside from the obvious need to prevent labor unions from increasing their monopoly power through wholesale and wilful violations of the criminal law, let me call attention to two urgent needs for legal action to restrain this growing despotic power. First, is a legal restraint on compulsory unionism. Second, is a clear, enforceable limitation on the exemption of the unions from the Sherman Anti-Trust Law.

Compulsory unionism is an evil which has grown into vast size and consequence in recent years. In earlier times there was some defense under some circumstances for a union demand for a closed shop. Unions were struggling under legal handicaps and against an employer bargaining power which heavily outweighed their own. It was not unreasonable for a union, having obtained recognition and a contract with an employer, to wish to insure itself against immediate competition with non-unionists. It was not unreasonable for an employer sometimes to feel that he would have better relations with an entirely unionized force, and would have protection against competing unions or minority factions, if he made a closed shop contract with the prevailing labor managers.

But as the unions grew in size and extended their bargaining from single employers to regional groups and ultimately to all the substantial employers in an industry, the establishment of a union closed shop began to invest a strong union with entirely too much coercive power over, not only a regional group of employers, but over an entire industry. Thus, as we moved into the era of national strikes, with the paralysis of entire industries doing infinite harm, it became evident that the closed shop was such a menace that it could no longer be tolerated.

In this situation arose the pretense of a compromise with sound principle in the acceptance of what is called the union shop. The only good feature of the union shop is that an employer is permitted to seek employees outside of the ranks of union members. But the vital wrong in the union shop is that under such a contract every employee must, willy-nilly, become and remain a member of the union after he is employed. This means that countless liberty-loving persons who for one reason or another do not want to join a union are compelled to do so in order to earn a living.

The stock union argument, that the union represents all the employees, works for their benefit and should be supported by them, is a travesty upon individual liberty. The unions impose upon their members, by dues and assessments and otherwise, a host of obligations to support the union policies and activities which go far beyond the narrow field of bargaining over wages and working conditions.

The unions have become the political spokesmen for their members, and, despite minor legal limitations, they are able to use the funds contributed by their members to support public policies, social and political programs and propaganda, with which a large part of their membership may entirely disagree.

It is an outrage that an American citizen should be compelled to be a member of a political organization to whose policies and programs he is opposed. It is an outrage that a free American should be compelled to join and to support and to submit to the discipline of any private organization to which he does not wish to belong. The United States Constitution and the Constitutions of all the States carry with them guarantees of civil rights which are flagrantly violated by compulsory unionism.

There are today 18 states which forbid all forms of compulsory unions. Although the union shop contract is tolerated in the Taft-Hartley Act, there is a saving clause permitting the enforcement of these contrary state laws.

One of the major drives of the unions today is to repeal and to stop the extension of these state laws. It should be a vital part of the political thinking of all American citizens to extend the prohibition of compulsory unionism in both federal and state laws. This is one method of dealing with the growing labor union monopoly which is obvious and practical.

Labor and the Anti-Trust Acts

Heretofore I explained how the improper exemption of labor organizations from prosecutions under the anti-trust acts has grown. The remedy for this evil is clearly that pointed out in the Supreme Court opinion to which I referred. A definite limitation of the exemption of the labor unions should be enacted by Congress.

All that is necessary is to write in plain terms a new definition of what the federal law means in exempting labor unions from the anti-trust acts when "lawfully carrying out the legitimate objects" thereof.

If I had the drafting of such a law, I should define the word "lawfully" to include only peaceful, orderly activities, but not "any uses of fraud, force, violence or intimidation or any conspiracy to violate or to prevent enforcement of any law of the United States or of one of the several states."

In addition, in order to release the shackles placed on the federal courts by federal statutes as interpreted by the Supreme Court, there should be a provision in the law that nothing in the Clayton Act or the Norris-La Guardia Act should restrict the jurisdiction of a federal court to issue an injunction against a labor organization, or its members or supporters, against conduct which is found to be not "lawfully carrying out the legitimate objects" of such an organization.

Of course nothing which has been suggested in the way of dealing with the growing labor union monopolies can be made effective except through political action which must be based on a widespread re-appraisal of the social value of and the public service rendered by labor unions.

There has grown up in this country an enormous body of public opinion which, despite their many abuses of power, always comes to the support of labor unions in critical conflicts. These unions are rightly regarded as institutions which can be fostered to serve worthy purposes. But there have been terrifying revelations in thousands of pages of testimony regarding the evils perpetrated by many unions under criminal, subversive or reckless leadership. Certainly no one can read these official records of organized crime, extortion and disloyalty without realizing that legal prevention and restraint of the growth and inevitable abuse of such private powers are urgently needed.

The leaders of organized labor are ambitious human beings. They will not voluntarily abandon powers of public influence and private profit that grow greater every day. They will continue to expand their powers until their abuse and their menace to the public welfare become so great that something in the nature of a revolutionary struggle will be necessary to relieve the American people from the domination of the latest autocracy which threatens internally to destroy our constitutional form of government and our constitutional liberties.

It would be far better for the American people to begin today to take away from the labor unions the special privileges and despotic powers which are undermining our industrial health, while this can still be done without a conflict approaching the intensity and cruelty of a civil war. Such a political struggle would be a bitter battle, but one which would greatly serve the American people to reduce the menace of foreign aggression as well as to halt the spread of intolerable domestic lawlessness.

Chase Manhattan Bank Makes Appointments

James M. Irvine has been appointed Vice-President in charge of the Chase Manhattan Bank's Garfield Branch, Fifth Avenue at 23rd Street, J. Stewart Baker, President, announced. Mr. Irvine, who has served on the official staff at various branches of the bank, has been with the bank for more than 41 years.

New appointments at the head office were: Norwell F. Burgess and Gould R. Kardashian, Assistant Vice-Presidents; Nicholas J. Santora, Assistant Treasurer; William H. Adams, Wainwright Holt and Henry R. Thiesing, Corporate Trust Officers, and B. Lyle Appleford, Jr. and John T. Shea, Assistant Staff Counsels.

In New York City branches, John B. Dunlap, Robert L. Herd and Robert Whytock were appointed Assistant Vice-Presidents and John C. Donlin and Frank X. Kissane, Assistant Treasurers. Enrique Real was appointed an Assistant Manager at the Panama branch.

Ira Haupt Offers Servo Securities

Ira Haupt & Co. and associates yesterday, (Oct. 5) offered $600,000 6% convertible subordinated debentures due Oct. 1, 1975 and 110,000 shares of common stock of Servo Corp. of America. The debentures are priced at 100% and the common stock at $5 per share. Of the total common shares being offered, 80,000 are being sold for the company and 30,000 shares for the account of a selling stockholder.

The debentures will be convertible into common stock at prices ranging from $6 per common share on or before Oct. 1, 1959 to $9 per share after Oct. 1, 1971 to maturity. The debentures will be redeemable at prices descending from 105% to par. Sinking fund redemptions will be made at prices from 104% to par.

Proceeds to be received by the company from the sale of the debentures and the 80,000 shares of common stock will be used for plant relocation and consolidation, expansion of equipment, increased development and research, development and distribution of civilian products, and for additional working capital.

Servo Corp. of America is engaged principally in the business of manufacturing various items of electronic automation equipment, automation testing equipment and radio communication and navigation instruments. The company has also continued its emphasis on engineering and research services and today maintains a relatively large staff of highly skilled engineering and technical specialists.

Other members of the underwriting group include: Francis I. duPont & Co.; Johnston, Lemon & Co.; Shearson, Hammill & Co.; Walston & Co.; Clayton Securities Corp., and Warren W. York & Co., Inc.

R. A. Fay Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Richard A. Fay is conducting a securities business from offices at 5757 Franklin Avenue.

E. H. Hansen Co. Formed

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — Elmer H. Hansen is engaging in a securities business from offices at 104 South Bright Avenue under the firm name of E. H. Hansen & Co.

Continued from page 5

The Immediate Outlook For the Money Market

are available on the same terms as double A's.

The tendency of investors in a rapidly rising bond market to lower quality requirements in order to build up yield is familiar to us all. In the current bond market we are now relearning another forgotten lesson, namely, that the quality curve also flattens out when the demand for cash is great and sellers become more aggressive than buyers.

Call Loan Situation

Still another indication that the money markets of the 1950's have, thus far, differed greatly from those of the 1930's, is a little incident which was featured in the financial press last month. When the rediscount rates were being increased and bank prime rates were being stepped up, one leading New York bank made the headlines when it called $20 million of call loans. Apparently, to present-day financial writers, as well as to the younger generation of investment men, when a bank calls its call loans, it's news!

Now, my earliest training in the financial field was in the negotiation and placement of call loans and time loans. In fact, that was the field in which our present investment banking firm of Salomon Bros. & Hutzler got its start. In those days, and, as I recall, right up into the depression, calling call loans was a routine matter. It certainly wasn't regarded as news. Of course, with the onset of the depression, everything slowed down to a walk, including the securities markets and the call loan market. And we all became so accustomed to the dragging economic pace of those years that ever since we have tended to regard it as normal.

This little incident of a call of call loans being regarded as headline news serves to illustrate how deeply implanted in our thinking the economic thought patterns of the great depression still remain today. I submit that such depression-born habits of thought ought to be revised in the light of the quickened tempo of economic events, for what they define as the economic norms may no longer be valid economic yardsticks should our present high level economy be able to maintain its pace.

To apply this thought concretely, let me review some very recent money market history. Back in 1953, when interest rates suddenly rose very sharply, some investment men with a long term trading turn of mind passed up the high-grade issues then coming to market with 3¾% and 3⅞% coupons and, instead, purchased seasoned issues with 2¾% and 3% coupons selling at a considerable discount. To do this, of course, they usually had to give up several basis points in yield. They reasoned, however, that this investment tactic would prove to be cheap insurance against future refundings when the interest rate picture changed again, and that it would, moreover, eventually result in a substantial appreciation in the prices of bonds not held down by nearby call prices. This reasoning, as you all know, has been amply borne out by subsequent money market events. Now the question arises, for most of this year bond prices have been under steady downward pressure, and yields, especially on new issues, have gradually been rising. Therefore, would similar investment tactics in today's bond market produce equally good results? Prior to last Monday's drastic stock market decline my feeling was that such tactics might not work out so well in the future. My reasoning was, of course, that if the money market conditions of the past year were to be continued, then the price of money couldn't be expected to ease that much. Now with the stock market sell-off I am not so sure. Today a quick return to easy money doesn't appear as remote as it did last week. At this point I should like to review some aspects of the present money market and the general economy.

The Money Market and the General Economy

The money market does not exist in a vacuum. What takes place in it is the result, not only of fiscal developments, but of economic and political conditions as well. The credit policies of the Federal Reserve authorities, and the debt management policies of the Treasury, are now, and very properly, subordinated to the over-all well being of the national economy. Moreover, since the burden of maintaining economic balance is a very heavy one, and any failures in this respect are sure to draw prompt, merciless and even unjustified criticism, the monetary authorities are usually quick to adopt anti-deflationary measures, but very reluctant to do anything which might not only drastically curb a boom but, in the process, lead us into a decline in business activity and employment. In the past, whenever business activity turned down after credit restrictive measures were adopted by the monetary authorities, they have been subjected to severe criticism, not only by politicians, but by many bankers and businessmen, as well. Some here may recall the bitter criticism to which the Federal Reserve Board was subjected after the collapse of commodity prices in the 1920's. Many of you may remember the criticism leveled at the Federal Reserve Board after the decline in business activity in 1937. And I am sure that all of you are familiar with the maledictions heaped on the Board, as well as the Treasury, when, in 1953, they adopted credit restrictive measures in order to maintain economic equilibrium and a sound dollar.

It is not surprising, therefore, that this time the authorities have proceeded with the application of credit restraints very cautiously. Moreover, such restraining moves, since the precipitous actions of 1953, have been made with great skill. Consequently, in the light of what we know of the history of the application of credit restrictive measures, I believe we may safely assume that any hint of a slowdown in business activity will result in prompt financial counter-measures to ease the present restraints.

Now let's look at another angle of the matter. During the past few years, for the first time in a generation, our people seem to have regained the confidence, and the will to achievement, which was the outstanding characteristic of our country prior to the great depression. The pioneer spirit which built a continental civilization out of the vast North American wilderness has again come to the fore. I believe the reasons for this renewed spirit of confidence and desire for progress are based, at least in part, on the following considerations.

The people at large, in spite of political attacks, have developed great confidence in the present Administration. I believe this confidence is justified. In the field of foreign affairs, this Administration has brought to an end the war in Korea, a war which sapped the natural resources of our country, involved huge human and material expenditures, and a war which was not, to put it mildly, particularly popular with many people. This Administration has also been successful in easing international tensions elsewhere in the world. As a result, the danger of war has receded and there is an abiding faith that war can be avoided. Naturally, the elimination of the prospect of major hostilities in the foreseeable future was bound to have a favorable impact on popular psychology.

Turning to the domestic field . . . I believe the people at large have such a full measure of confidence in this Administration that they are convinced it can, and will, if necessary, arrest any decline in business activity by prompt and appropriate action. I think this popular confidence has a solid foundation in fact. This Administration, as a domestic counterpart to its accomplishments in the foreign field, has reduced Federal expenditures, and lowered taxes. People are looking forward, next year, to a further curtailment in expenditures and a further reduction in taxes.

This wave of confidence, naturally, has helped business activity in general . . . and the securities markets in particular. Unfortunately, the grave news which we received last week-end concerning the health of the President has jarred the arch of this growing confidence at its very keystone. Regardless of whether or not the stock market was, or was not, in a technically vulnerable position, the precipitous decline with which it first greeted the bad news from Denver bears witness to the extreme importance of this intangible but highly potent economic factor we call popular confidence.

You all know what has happened in the years since the present Administration came into power, and what has happened in the stock market in the last few days since the President's health has become a matter of public concern.

You and I know full well that sustained strength in the stock market has a favorable influence not only on the spending of individuals but on that of corporate enterprise as well. We know, too, that the reverse is also true. The lessons of the depression, as I said a moment ago, have not been forgotten.

So, along with sustained strength in the equity markets have come substantial increases in consumption expenditures. And capital expenditures of corporations are currently estimated to be running at a rate 4% higher than a year ago. Moreover, this favorable psychology has caused many individuals to mortgage their future in order to satisfy present needs and desires, with the result that by the end of August, this year, the volume of consumer credit had risen to nearly $32 billion. In addition, the volume of mortgages, and commercial, agricultural, and industrial loans has also increased materially.

Popular confidence in this Administration has been great and the wave of optimism which that confidence has engendered has had a powerful influence on our economy, with the result that we have had the greatest peacetime boom in our history. Perhaps you may remember that, a few years ago, ex-Vice-President Henry Wallace proclaimed that 60 million jobs was the long-term goal which the American people would achieve some day in the distant future. Today, total employment is over 65 million and the number of unemployed is less than 2½ million.

In the wake of the stock market decline, and the shock to public confidence which touched it off, at least in part the question becomes—will the wave of optimism and popular faith in the future, which have been so beneficial, continue? There is only one honest answer to that question—only if the policies which created it can continue to be maintained. That, in turn, involves a political prediction. And you know as well as I do what the election returns have repeatedly done to the most painstaking and scientific public opinion polls—so, on this question, I'll beg off!

Now, because economic conditions greatly influence conditions in the money market, the outlook for money rates will depend, in large measure, on how long the high level of economic activity will be sustained. If business activity is maintained at peak levels, interest rates should, normally, hold at present, or even slightly higher, levels. Bear in mind, however, that two considerations will continue to operate to put a ceiling on any further advances. One is the fear of upsetting the economy, and the behavior of the stock market this week will certainly have done little to ease this fear. Quite the contrary—it may have intensified it. The other is the political fear of the ill effects of too great an increase in the cost of carrying the public debt.

If business activity should slacken, then money rates would normally be expected to ease. Right now, even if business activity continues at peak rates, money rates may ease a bit, anyway, for seasonal and psychological reasons, but hardly to the extent of touching off a jet propelled price markup in the bond market such as occurred in 1953.

Here let me outline the contentions of the two main schools of thought concerning the outlook for business: That is, those who believe that the present rate of economic activity will continue, and be even higher next year; and those who believe that it will slow down, and, perhaps, be followed by a minor decline, somewhat similar to the slumps which occurred in 1948-49, and 1953-54.

The Business Outlook

Those who maintain that the rate of business activity will be higher in 1956 than in 1955 argue that wages are increasing and that a further increase will take place when the minimum wage goes from 75 cents to a dollar; that construction continues at a high level; that public works are large; that taxes will be lowered next year; and that, in an election year, nothing is ever done to interfere with prosperity. All this may be true, but, if our wave of optimism begins to ebb as a result of recent events, if business grows apprehensive and capital expenditures are curtailed, much of this reasoning will have to be revised. Those who argue that business activity may ease off reason as follows: Private indebtedness has increased at a rate which cannot be maintained indefinitely; that the rapid increase in debt has resulted in placing greater purchasing power at the disposal of people than ever before, and this, in turn, has resulted in more spending than can comfortably be maintained; that should people decide to repay part of this debt, and should such repayment exceed total new borrowing, then, obviously, the demand for goods will decline. An additional cause for concern is the continuing decline in farm income despite huge government expenditures to maintain farm prices. This school also contends that a large part of the pent-up demand for all goods and services has already been met and that, as consumer credit is already very large, the volume of sales of heavy goods may not be as great in 1956 as it has been this year. However, should public confidence survive the rude shocks of the past few days, much of this pessimism may prove to be unwarranted. Finally, it is argued, money is tight and bond prices have declined. Interest rates have risen. The Federal Reserve rediscount rate today is 2¼%, the highest in more than 20 years. Bank prime rates have risen and may rise still more. Also, the availability of bank credit has been curtailed. But on this score I can only say that, should economic need arise, money rates can, and probably will be eased so fast that no one need feel constrained to curtail activity simply for fear that credit restrictive measures will be continued into a declining economy.

That, roughly, is, I believe, the reasoning followed by the contending schools of thought. Which will prove to be correct, I won't attempt to guarantee, for I make no claim to be a prophet. I'll leave that to the slide rule boys. I base my stand on what I see coming across my desk, and, up until now, what I have seen has made me optimistic on the business outlook. Popular confidence in the future, however, is, under certain circumstances, almost as fragile as it is important to our economy. So until I have had sufficient time to arrive at an informed judgment of the effects on confidence of the shocks of the last few days I'm going to play it cautious and reserve judgment.

Outlook for Money Rates

Now, as to the outlook for money rates. The demand for credit is strong and the monetary authorities have been following a credit restrictive policy. As a consequence, banks can replenish reserves either by selling bonds at a loss in the open market or by borrowing from the Federal Reserve Banks. When they elect the latter course, however, they may find that, if they have been warehousing mortgages, or financing transactions not considered economically sound under present conditions, their welcome at the discount window is as restrained as the restrictive policies I have mentioned. Here again, however, the events of the past week, if they succeed in slowing down the economy, will also promote a change of pace and direction on the part of the monetary authorities. The Federal Reserve will continue to do everything in its power to maintain a sound economy and a sound dollar, and, it can be presumed, is prepared to move in any direction called for by economic events. Thus far this year policy has, of necessity, been restrictive, but it has been pursued much more cautiously than in 1953, and its effect on the bond market has been nowhere near as drastic. In the immediate future the demand for money hinges on whether or not popular confidence and business optimism survive the jolt they got from the stock market decline. If they do, the demand for money will continue great, and, consequently, money will remain tight, and interest rates will trend upwards, unless and until the monetary authorities decide that the high level of business activity constitutes no threat to our economic equilibrium and portends, not a boom, to be followed by a bust, but is rather a normal concomitant of an era of economic expansion.

Here I should like to observe that the present restrictive policies of the Reserve authorities, while consistent and steady, are, for that very reason, not constant. Therefore, there are bound to be times when the market will give the appearance of ease. Right now, for example, the Reserve Board must take into account the fact that the current heavy demand for funds is partly seasonal in character and is due, therefore, to sound economic need. Now is the time when crops are harvested and processed. This requires money. Now is the time when merchants and manufacturers are preparing for the

Christmas season, and this requires credit. It goes without saying that the Reserve authorities will furnish the reserves needed to meet these necessary economic requirements. On the other hand, if the stock market sell-off touches off a chain reaction and the economy falters, that may provide the incentive for the Reserve Banks to go beyond the point of merely easing money seasonally. However, such conjecture may be premature, or even uncalled for. For the present, in my opinion, unless a drastic economic decline sets in, money rates are likely to remain fairly firm, and interest rates are not likely to show much change. This, of course, means that bond prices, especially of short maturities, are apt to stay at today's level rather than to move upward. Long bond prices may behave more bullishly. However, I don't wish to imply, in any manner, shape, or form, that a repetition of what happened on the upside in long bonds late in 1953 is at all likely under existing circumstances. At no time this year has any sector of the bond market, least of all the Government bond sector, ever been even remotely chaotic. While the bond market, as a whole, has been relatively thin, it has also been very orderly. And even if a reversal in the trend of bond prices should get under way this year, I expect it would be orderly and moderate.

Putting this problem in the frame of reference of the bond dealer . . . right now the crest of the present money market stringency may not yet have been reached, unless the action of the stock market tops it out. The new issue calendar of scheduled bond offerings is still building up. Nevertheless, and aside from the stock market's behavior, the long-term bond market seems to be showing signs of being close to bottoming out. The new issues don't go out the window on the first day of trading, but they do keep moving, and, eventually, clean up. Perhaps short-term rates may still have substantial but brief spurts upward. Eventually, however, they will probably taper off, if only because of seasonal influences and, when they do, I think it will be the signal for an improvement in long-term bond prices.

I have already stated that I believe we are in an era of long-term economic expansion, if popular optimism and business confidence can be maintained. Tightening money rates may have insured us against inflationary excesses. The firming of rates, if this thesis is correct, won't of itself stop the expansion. But, on the other hand, when money eases again, it will certainly help quicken the economic tempo, for, as previously observed, an era of dynamic economic expansion needs huge amounts of credit, and, the more favorable the rate of interest, the faster the pace.

The High Demand for Capital

It is a moot question in my mind, however, whether whatever easing of funds may be in prospect will be of sufficient magnitude to meet all demands should the high rate of economic activity continue. I think most of you will agree that the rate of increase of contractual savings, that is, the savings in pension funds, life insurance companies, etc., will be well maintained. But for that very reason we may ask ourselves whether the same can be said of the rate of increase of voluntary savings if optimism continues to prevail? Another question which occurs to me is, "Will the revival of popular interest in the equity market divert some savings in the voluntary category away from accustomed channels?" That interest certainly got a terrific shock last Monday. As people grow to feel more secure because of pensions, guaranteed annual wages, etc., as they grow to rely more on such contractual nest eggs, and less on voluntary savings, will they spend more and save less? If taxes are eased, will the great numbers of our people save or spend the additional dollars reclaimed from the Collector of Internal Revenue? I have a feeling that consumption expenditures for the visible future will be pretty well maintained and that, consequently, the demand for goods and services will be kept at a high level. Again, of course, this hinges on popular optimism and business confidence. Theoretically, there is a saturation point. Actually, human needs and desires have a way of growing when the appetite is whetted and when they are made effective with cash or credit, as they are today, and may continue to be in the coming election year. There is good reason to believe that such demand will continue to be great, if fears for the economic outlook do not nip them in the bud.

Early this year, our firm released a forecast on the probable demand for, and supply of, long-term funds, which was the result of deliberations annually undertaken by a group of institutional investment officers meeting with one of our partners. This forecast predicted that the demand for such funds would be in excess of their supply. Thus far, this forecast has been correct, and I believe it will prove to be as valid for the final quarter as it has been for the first three quarters of the year. An excess of demand for funds over supply is typical of periods of economic expansion. I have already voiced my view that our economy is launched on a period of long-term economic expansion, barring certain developments. If this is correct, and the clouds hovering on the economic horizon fade away, then prudent easy money policies may prove unable to do more than alleviate a long-term upward trend in interest rates. But easy money is a relative matter anyway. Not so long ago, the 2½% rate on long term, publicly traded United States Treasury bonds was regarded by many as sacrosanct. Today, although 3% is the going rate for such credit, the sun still rises in the east, and sets in the west, and prosperity is at an all-time peacetime peak.

Prosperity, it is evident, depends not so much on minor changes in the price of money, as on effective demand for goods and services, and on popular confidence in the future. I would not be surprised if confidence in the future persisting, the price of money gradually continues to advance. As a matter of fact, such an advance might be one way of helping to stimulate voluntary savings, and so aid in bringing about a balance in the demand-supply equation for long-term funds.

I will be very greatly disappointed, however, if, at this auspicious juncture in our economic history, we, as a people, fail to avoid the pitfalls of false economic doctrine and so fail to pursue the bright promise of economic abundance for all. I think that, once we succesfully surmount the obstacles besetting our path today, we face a future of boundless economic opportunity; that under such circumstances changes in the price of money will be gradually upward; that the influence of such changes may be mildly deflationary on bond prices, the downward trend of which may be cushioned, from time to time, by brief appearances in the money market of the ghost of the late depression, the easy money ladder of interest rates. But don't let such appearances disturb you. Money is going to continue to be in demand because, economic circumstances permitting, the American economy is going places. I am firmly convinced that it presents to all of us an opportunity unlimited.

Halsey, Stuart Group Offer Utility Bonds

Halsey, Stuart & Co. Inc. and associates yesterday (Oct. 5) offered $10,000,000 of Pacific Power & Light Co. first mortgage bonds, 3⅝% series due Oct. 1, 1985, at 101.377% and accrued interest, to yield 3.55%. The group won award of the issue at competitive sale on Oct. 4 on a bid of 100.64%.

Net proceeds from the sale of the bonds, together with funds received from the separate sale of 30,000 shares of its Serial Preferred Stock, and with cash on hand and other funds, will be applied by the company toward its construction program for 1955 and 1956 and for retiring bank borrowings, incurred in connection with the temporary financing of the construction program. These bank loans are not expected to exceed $2,000,000.

The bonds will be redeemable at general redemption prices ranging from 105.01% to par, and at special redemption prices receding from 101.38% to par, plus accrued interest in each case.

Pacific Power & Light Co., with its principal executive office in Portland, Ore., is an operating utility engaged primarily in the business of generating, purchasing, transmitting and selling electric energy in the states of Oregon, Washington, Wyoming, Montana and Idaho. Other services supplied by the company are steam heating service in three communities, telephone service in 10 communities and water service in eight communities. Of the company's total operating revenues for the 12 months ended June 30, 1955, approximately 95% was derived from electric service.

In an unaudited report for the year ended June 30, 1955, total operating revenues of the company were shown at $41,815,000 and net income at $8,202,000.

Other members of the offering group include Baxter, Williams & Co.; Gregory & Sons; Stroud & Co., Inc.; Weeden & Co. Inc.; New York Hanseatic Corp.; Wm. E. Pollock & Co. Inc.; Ira Haupt & Co.; Heller, Bruce & Co.; Thomas & Co.; and Foster & Marshall.

Household Finance Offer Underwritten

Household Finance Corp. is offering to its common stockholders of record Sept. 30, 1955, the right to subscribe on or before Oct. 17, 1955 for 341,380 additional shares of common stock (no par) at $24 per share on the basis of one new share for each 20 shares held. The offering is underwritten by a group of investment bankers headed by Lee Higginson Corp., White, Weld & Co. and William Blair & Co.

The net proceeds from the stock sale are to be used to reduce short-term bank loans incurred within one year under the company's established lines of credit to provide additional funds for lending to customers in the usual course of business.

Household Finance Corp. is one of the largest organizations engaged in the consumer finance (small loan) business. On June 30, 1955, its outstanding customer notes receivable amounted to $407,963,436, representing 1,426,753 loans, with an average balance due per customer of $286. At June 30, 1955, there were 669 branches in the system, located in 456 cities of 32 states and 10 Canadian provinces.

W. L. Robertson Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William L. Robertson is engaging in a securities business from offices at 2283 Locust. Mr. Robertson was formerly with Waddell & Reed, Inc.

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The State of Trade and Industry

far surpassed the total of 5,509,000 automobiles built during entire 1954.

Near-peak 1955 weekly programming at all Ford Motor Co. divisions, and a sharp upswing in operations at Chrysler Corp., gave 1956 car models a substantial 52.3% of total United States auto production last week, "Ward's" stated.

Ford Motor Co. had 18 plants docketed for Saturday assembly, while all Chrysler divisions except DeSoto kept two shifts active the past week.

Meanwhile, Chevrolet slashed activity more than 50% in the week in anticipation of model switchover, while Buick was shooting to better the 20,000-unit mark for the first time in its history. Pontiac leads the way in 1956 model production among General Motors divisions as it began to construct new cars on Tuesday, Oct. 4.

American Motors, said "Ward's," was in its final week of 1955 model manufacturing last week, while Packard began 1956 output. Studebaker also ceased 1955 model assembly the past week.

The downswing in Chevrolet activity caused a 6% drop in United States car scheduling last week to 138,705 units from the 147,197 recorded the week before.

United States truck production rode an even keel the past week with an estimated output of 23,920, "Ward's" noted, just a shade under the previous week's 24,086 total.

"Ward's" estimated total United States automobile production for September was 462,800 units. The breakdown: General Motors — 280,300 (60.6%); Ford — 134,600 (29.1%); Chrysler—37,500 (8.1%); American Motors—5,100 (1.1%) and Studebaker-Packard—5,300 or 1.1%.

Steel Output Scheduled at a Fractionally Lower Rate This Week

Steel buyers are clamoring to get on order books for first quarter delivery, but producers are cautious in taking orders, "Steel" magazine reports the current week.

Some producers are taking orders for only one month of the first quarter, while others have not opened their books. The mills are cautious because they want to see how much carry-over they'll have. Further, they want to avoid overbooking in the first quarter.

The mills hope they can be fairly current at the turn of the year and are counting on fourth-quarter shipments being bigger than order intakes. Automobile producers, expecting sales of 1956 models to start off fast, want all the steel they can get for fourth-quarter delivery. Shipments should be big if the mills can keep up production pace.

Buyers of 21 industrial components are also looking ahead to the first quarter. In "Steel's" regular quarterly survey of inventories and deliveries, half the industrial component buyers believe they'll be better off inventory-wise three months from now. One in 10 thinks he'll be worse off because stocks are too low.

Currently, this trade paper adds, three-fourths report difficulty getting one or more items, 5% more than last quarter. The toughest items to get deliveries on are anti-friction bearings, malleable iron and steel castings, forgings, air and hydraulic cylinders and some electrical equipment.

The production of steel ingot and castings for 1955 will surpass 1954 output within 10 days, "Steel's" figures show. Preliminary figures for the first nine months put production at 85,700,000 tons, only 2,600,000 tons short of production for all of 1954. Output is running 2,300,000 tons a week.

September output of 9,800,000 tons was highest since May's 1,300,000 tons. In the week ended Oct. 2, production maintained the same rate as in the preceding week—96% of capacity, this trade paper states.

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 96.5% of capacity for the week beginning Oct. 3, 1955, equivalent to 2,330,000 tons of ingots and steel for castings as compared with 97.0% of capacity and 2,341,000 tons (revised) 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 93.8% and production 2,264,000 tons. A year ago the actual weekly production was placed at 1,692,000 tons or 71.0%. 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 Turns Slightly Downward the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 1, 1955, was estimated at 10,627,000,000 kwh., according to the Edison Electric Institute.

This week's output increased 129,000,000 kwh. above that of the previous week, when the actual output stood at 10,756,000,000 kwh., revised; it increased 1,469,000,000 kwh., or 16.0% above the comparable 1954 week and 2,213,000,000 kwh. over the like week in 1953.

Car Loadings Decline Mildly In the Week Ended Sept. 24

Loadings of revenue freight for the week ended Sept. 24, 1955, decreased 3,189 cars or 0.4% below the preceding week, according to the Association of American Railroads.

Loadings for the week ended Sept. 24, 1955, totaled 819,025 cars, an increase of 108,810 cars, or 15.3% above the corresponding 1954 week, but a decrease of 684 cars, or 0.1% below the corresponding week in 1953.

U. S. Car Scheduling Declined 6% Last Week As Activity at Chevrolet Slowed Up

New 1956 model output in the automotive industry for the latest week, ended Sept. 30, 1955, according to "Ward's Automotive

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The State of Trade and Industry

Reports," and near-peak 1955 weekly programming at all Ford Motor Co. divisions, plus a sharp upturn at Chrysler Corp. gave 1956 car models 52.3% of the total auto output.

Last week the industry assembled an estimated 114,785 cars, compared with 123,109 (revised) in the previous week. The past week's production total of cars and trucks amounted to 138,705 units, or a decrease below the preceding week's output of 8,490 units, states "Ward's."

Last week's car output declined below that of the previous week by 8,324 cars, while truck output decreased by 166 vehicles during the week. In the corresponding week last year 64,115 cars and 16,912 trucks were assembled.

Last week the agency reported there were 23,920 trucks made in the United States. This compared with 24,086 in the previous week and 16,912 a year ago.

Canadian output last week was placed at 4,850 cars and 753 trucks. In the previous week Dominion plants built 3,929 cars and 680 trucks, and for the comparable 1954 week 2,129 cars and 954 trucks.

Business Failures Edged Upward Slightly the Past Week

Commercial and industrial failures edged up to 186 in the week ended Sept. 29 from 171 in the preceding week, Dun & Bradstreet, Inc. reported. The toll was slightly lower, however than in the comparable weeks of 1954 and 1953 when 192 and 189 occurred respectively. Failures remained considerably below the prewar level, or down 30% from the 1939 total of 264.

Failures involving liabilities of $5,000 or more increased to 155 from 141 last week but they did not reach the toll of 162 a year ago. Small failures with liabilities under $5,000, edged up to 31 from 30 in both the previous week and the similar week of 1954. Sixteen of the failing concerns had liabilities in excess of $100,000 as against 14 a week ago.

Wholesale Food Price Index Moved Moderately Higher the Past Week

Following the slight dip of last week, the Dun & Bradstreet wholesale food price index rose moderately to stand at $6.28 on Sept. 27, as against $6.25 the week before. The current number contrasts with $6.71 at this time a year ago, or a drop of 6.4%.

Aiding in the past week's advance were higher quotations for flour, wheat, corn, rye, oats, barley, bellies, lard, sugar, cottonseed oil, prunes, steers and lambs. Down in price were hams, coffee, eggs and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Lifted In Past Week To Highest Level Since Early In February

A mild steady upward movement the past week lifted the Dun & Bradstreet daily wholesale commodity price index to the highest level since the early part of last February. The index closed at 279.45 on Sept. 27, comparing with 277.95 a week earlier, and with 274.73 at this time last year.

Grain markets were firm and higher last week with most grains scoring substantial gains over a week ago.

Trading on the Chicago Board of Trade was featured by a daily-limit rise of 10 cents a bushel in soybeans last Thursday with prices reaching the highest levels in some time. Buying was sparked by the belief that the carry-over will be much smaller than expected a month ago along with reduced marketings and unwanted rains which retarded harvest operations in many sections of the Midwest. Advances in wheat and other grains were largely influenced by reports concerning price supports and the belief that any moves affecting farm prices, particularly in a Presidential year, will be on the constructive side. Volume of trading in grain and soybean futures expanded sharply on the Board of Trade last week, with daily average sales totaling 65,500,000 bushels, against 40,900,000 the previous week and 47,100,000 last year.

Trading in hard wheat bakery flours was spotty with activity restricted to emergency purchases of Springs by bakers and jobbers cut off from regular suppliers due to the strike of grain handlers at Buffalo which is now in its sixth week. Mill protection against a 15-cent per cwt. advance on advertised brands of cake flours failed to attract any appreciable bookings.

Despite prospects of increased consumption due to cooler weather, manufacturer interest in the spot cocoa market remained at a low level.

Warehouse stocks of cocoa totaled 218,026 bags, down from 231,743 a week ago and compared with 113,931 bags at this time last year.

Prices for green coffee developed some weakness at the weekend, influenced by reports that Brazil had devalued the coffee dollar from 37.06 to 40 cruzeiros and that the rate would henceforth be revised on a monthly basis. Lard values were firmer with some buying influenced by strength in soybeans and grains. Market receipts of hogs showed a seasonal increase and prices were mostly steady to lower for the week. The movement of fresh pork was slower despite recent price reductions. Both steers and lambs scored slight advances for the week.

Following early easiness spot cotton prices turned upward and finished moderately higher than a week ago.

Bullish factors included growing pressure for rigid high supports next season and reports of increased activity in some cotton gray goods.

Early weakness was influenced by the announcement that the government will offer up to 1,000,000 bales of short staples for export at competitive prices after Jan. 1. Reported sales of cotton in the 14 markets continued to increase and totaled 293,000 bales, against 223,300 the previous week. Inquiries from foreign sources were light and sales for export continued in small volume.

Trade Volume Aided By Cool Weather and Extensive Sales Promotions

Consumer buying was somewhat stimulated in the period ended on Wednesday of last week by cool weather and extensive sales promotions. There was a slight increase in retail trade and the total dollar volume was moderately above the level of the corresponding period last year.

Downtown and suburban business centers reported increased consumer interest in Winter merchandise.

The total dollar volume of retail trade in the week was 1% to 5% 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 —1 to +3; East 0 to +4; South and Southwest +1 to +5; Midwest and Northwest +2 to +6 and the Pacific Coast +4 to +9%.

Substantial gains were reported by retailers of household furnishings last week with volume well above the comparable 1954 level.

Furniture sales rose considerably. There was an increased call for bedroom suites, living room furniture and wrought iron dinette sets. Refrigerators and electric stoves were popular major appliances with volume in television sets and radios showing noticeable expansion.

There were slight gains in apparel sales last week. Consumers sought women's Winter coats, better dresses and sportswear. Jewelry and handbags were among the most popular accessories. Volume in men's topcoats increased, while interest in men's suits declined slightly. Haberdashers reported higher neckwear and dress shirt sales. Sales of back-to-school wear continued high and steady.

Retail food buying was sustained at a high level a week ago. The total dollar volume was moderately above the level of the same period last year. Shoppers were interested in frozen fruits, vegetables and juice concentrates. Fresh meat sales mounted considerably, while poultry sales decreased moderately.

There was an upsurge in coffee buying and grocers reported moderate increases in cocoa sales.

The dollar volume of wholesale trade expanded slightly last week. Total wholesale orders were moderately above the corresponding 1954 level. Buyer attendance at the major wholesale centers rose noticeably and there was a greater interest in Winter merchandise.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Sept. 24, 1955, advanced 3% from the like period last year. In the preceding week, Sept. 17, 1955, a rise of 4% was registered above that of the similar period of 1954, while for the four weeks ended Sept. 24, 1955, an increase of 7% was reported. For the period Jan. 1, 1955 to Sept. 24, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week showed a gain of about 6% over the like period a year ago, due largely to cooler weather which spurred sales of women's and men's apparel.

According to the Federal Reserve Board's index department, store sales in New York City for the weekly period ended Sept. 24, 1955, declined 4% below that of the like period of last year. In the preceding week, Sept. 17, 1955, a decrease of 6% was recorded. For the four weeks ending Sept. 24, 1955, an increase of 1% occurred. For the period Jan. 1, 1955 to Sept. 24, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

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Confidence, Incentive, Initiative —Fourth Dimension of Economics

get together these days, it is almost a certainty that one of the subjects discussed will be the trend in our national population and its implications.

According to the Census Bureau, our population will increase about 50 million during the next 20 years as compared with a growth of some 35 million in the past two decades. This anticipated increase is the equivalent of adding five new States to our nation with populations the size of New York, New Jersey, Pennsylvania, California and Texas.

A combination of past economic free-wheeling and our growing population is already making itself felt in many areas of the nation. While billions of tax dollars were being poured into various social programs, we were accumulating a shortage of classrooms in our public schools—a shortage that was estimated at more than three hundred thousand needed clossrooms 18 months ago. In the same manner, our failure to maintain our vital highway system will have to be paid for at today's, and tomorrow's, higher construction prices.

There are presently about 60 million automobiles, trucks and buses on the move in America. According to certain conservative estimates, industry is going to have the task of producing some 90 million new vehicles during the next 20 years alone.

The present capacity of my own industry, steel, is equal to a little more than 15 hundred pounds for every man, women and child in the nation. A population increase of the proportions I have mentioned would require a steel capacity 30% greater than at present, just to maintain this 15-hundred-pound ratio.

There is no question, that of all our accomplishments, the one envied the most by others is our industrial know-how, our industrial potential. We have openly displayed it to the nations of the world for decades, yet while many have tried, none has been able to equal it. And it is possible that none shall, for it is in essence a product of great numbers of people willing and able to risk capital in a political climate which recognizes the importance of the fourth dimension of economics—confidence, incentive and initiative.

The application of these intangibles of the fourth dimension has been developed to a high point by business leadership in this nation, and such know-how is frequently used to great advantage by our national government. We are witnessing an intensified effort in certain quarters to cast doubt and suspicion, sometimes by innuendo, at other times by outright assertions, on the businessman who answers the call to government service. This unjustified and obviously biased viewpoint is based apparently on assumptions by certain politicians that just as they do not put the nation above their party, neither can businessmen put the nation's welfare above their own personal business interests.

I am sure, however, that all fair-minded Americans hold that the best interests of our nation will continue to motivate the majority of our business leaders. And I believe that an effort toward tolerant understanding between those responsible for our political climate and those entrusted with our industrial progress is more in keeping with the spirit of America.

Industrial Potential Measured By Productive Manpower

Frequently today we hear individuals discussing the teeming billions of people who populate the earth and the vast resources of manpower which these billions of individuals represent. But let us consider the industrial potential of the United States translated into manpower figures. The results are astounding.

One employee in a manufacturing plant in Pennsylvania, with electric power operating his tools of production, is capable of performing the work of almost 250 men in any part of the world where physical effort is the principal form of energy. And we have 13 million production workers in manufacturing industries in this nation.

Now, I am not a statistician, but if my mathematics are correct, this energy available to our manufacturing employees is equivalent to 3¼ billion people working only with their hands, or ¾ billion more than the entire population of the world. This figure here should be enough.

But a farmer, sitting astride his tractor on a Kansas wheat field, surrounded by other mechanical equipment and modern chemical aids, is more than a match for 12 times his number in all of Asia. And there are some 5½ million farms in America.

One truck driver, with just one average-size truck, can haul as much freight in a year's time as 2,000 Chinese coolies. And we are a nation possessing almost 10 million motor trucks.

And one operator, using modern earth-moving equipment which can dig and move 35 tons of earth at one time, can do the work of 600 men with wheelbarrows and shovels.

Beyond this, our present steel industry, operating at full capacity for just one week, can turn out enough steel ingots to make 2½ million wheel-type tractors, or more than a million automobiles, or almost 16 million modern refrigerators.

Norway, Sweden, Italy, France and Great Britain together could not produce enough electricity to supply the annual needs of America's manufacturing industries alone. And all of these nations, plus Russia, Canada, Western Germany and Japan, could not produce sufficient kilowatt hours to meet our total national requirements.

There is no doubt that the industrial potential of the United States is the most potent ultimate force in the world today. The job ahead is not only to maintain and expand it, but to preserve its economic integrity, and assure ourselves that its virility is not weakened by unsound and untried theories or the introduction of discredited ideas.

Your job and my job—the job of every citizen of this land—is to keep this great creative system of ours intact, for it alone stands before all the world as a bulwark against any would-be aggressor.

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)	Oct. 9	§96.5	*97.0	93.8	71.0
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 9	§2,330,000	*2,341,000	2,264,000	1,692,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 23	6,671,350	*6,684,200	6,684,800	6,183,650
Crude runs to stills—daily average (bbls.)	Sept. 23	¶7,404,000	7,471,000	7,582,000	6,999,000
Gasoline output (bbls.)	Sept. 23	25,426,000	25,954,000	26,611,000	23,975,000
Kerosene output (bbls.)	Sept. 23	2,061,000	2,097,000	2,044,000	2,280,000
Distillate fuel oil output (bbls.)	Sept. 23	11,131,000	11,505,000	11,307,000	10,461,000
Residual fuel oil output (bbls.)	Sept. 23	8,066,000	7,342,000	8,027,000	7,469,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 23	151,805,000	152,165,000	154,698,000	151,145,000
Kerosene (bbls.) at	Sept. 23	36,254,000	35,726,000	34,093,000	38,212,000
Distillate fuel oil (bbls.) at	Sept. 23	142,814,000	141,229,000	129,794,000	125,571,000
Residual fuel oil (bbls.) at	Sept. 23	46,932,000	46,700,000	46,459,000	57,235,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 24	819,025	822,214	791,977	710,215
Revenue freight received from connections (no. of cars)	Sept. 24	681,043	661,927	652,918	602,418
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 29	$266,042,000	$432,958,000	$330,296,000	$233,851,000
Private construction	Sept. 29	154,320,000	285,305,000	166,329,000	110,581,000
Public construction	Sept. 29	111,722,000	147,653,000	163,967,000	123,270,000
State and municipal	Sept. 29	74,646,000	127,830,000	144,631,000	103,199,000
Federal	Sept. 29	37,076,000	19,823,000	19,336,000	20,071,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 24	9,630,000	9,970,000	9,730,000	8,262,000
Pennsylvania anthracite (tons)	Sept. 24	602,000	562,000	304,000	623,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 24	121	125	111	118
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 1	10,627,000	10,756,000	10,706,000	9,158,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 29	186	171	215	192
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 27	5.174c	5.174c	5.174c	4.801c
Pig iron (per gross ton)	Sept. 27	$59.00	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Sept. 27	$44.83	$44.17	$43.83	$30.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 28	44.175c	43.475c	40.925c	29.700c
Export refinery at	Sept. 28	44.950c	43.450c	40.800c	30.625c
Straits tin (New York) at	Sept. 28	96.750c	97.375c	95.875c	93.250c
Lead (New York) at	Sept. 28	15.500c	15.000c	15.000c	14.750c
Lead (St. Louis) at	Sept. 28	15.300c	14.800c	14.800c	14.550c
Zinc (East St. Louis) at	Sept. 28	13.000c	13.000c	12.500c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 4	95.45	95.47	94.71	99.98
Average corporate	Oct. 4	107.62	107.44	107.27	110.52
Aaa	Oct. 4	110.88	110.70	110.52	115.43
Aa	Oct. 4	109.42	109.06	109.06	112.37
A	Oct. 4	107.80	107.44	107.27	110.52
Baa	Oct. 4	102.63	102.80	102.63	104.48
Railroad Group	Oct. 4	106.21	105.86	106.04	109.06
Public Utilities Group	Oct. 4	107.98	107.80	107.80	110.88
Industrials Group	Oct. 4	108.52	108.52	108.16	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 4	2.84	2.84	2.89	2.50
Average corporate	Oct. 4	3.30	3.31	3.32	3.14
Aaa	Oct. 4	3.12	3.13	3.14	2.88
Aa	Oct. 4	3.20	3.22	3.22	3.04
A	Oct. 4	3.29	3.31	3.32	3.14
Baa	Oct. 4	3.59	3.58	3.59	3.48
Railroad Group	Oct. 4	3.38	3.40	3.39	3.22
Public Utilities Group	Oct. 4	3.28	3.29	3.29	3.12
Industrials Group	Oct. 4	3.25	3.25	3.27	3.06
MOODY'S COMMODITY INDEX	Oct. 4	406.9	410.5	407.8	404.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 24	256,104	246,613	249,364	211,305
Production (tons)	Sept. 24	293,667	290,350	283,218	246,383
Percentage of activity	Sept. 24	102	104	99	92
Unfilled orders (tons) at end of period	Sept. 24	585,767	635,802	589,665	369,305
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 30	107.09	106.94	106.61	105.70
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Sept. 10	1,019,676	975,702	975,290	706,904
Dollar value	Sept. 10	$58,281,736	$53,550,016	$51,612,834	$33,251,350
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 10	857,024	802,475	785,375	691,548
Customers' short sales	Sept. 10	4,288	4,916	5,881	12,092
Customers' other sales	Sept. 10	852,736	797,559	779,494	679,456
Dollar value	Sept. 10	$44,083,755	$39,503,986	$41,053,005	$30,060,985
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 10	222,880	218,400	203,660	192,840
Short sales	Sept. 10				
Other sales	Sept. 10	222,880	218,400	203,660	192,840
Round-lot purchases by dealers—					
Number of shares	Sept. 10	416,080	391,870	403,730	244,550
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	Sept. 10	464,230	504,440	393,310	314,040
Other sales	Sept. 10	10,045,810	8,953,150	8,742,810	7,410,270
Total sales	Sept. 10	10,510,040	9,457,590	9,136,120	7,724,310
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 10	1,287,840	1,203,870	1,206,010	861,570
Short sales	Sept. 10	217,460	213,010	180,900	160,590
Other sales	Sept. 10	1,069,280	963,280	979,190	739,380
Total sales	Sept. 10	1,286,740	1,176,290	1,160,090	899,970
Other transactions initiated on the floor—					
Total purchases	Sept. 10	255,550	247,650	238,530	264,560
Short sales	Sept. 10	26,650	12,300	16,900	21,050
Other sales	Sept. 10	283,650	213,630	252,480	236,300
Total sales	Sept. 10	310,300	225,930	269,380	257,350
Other transactions initiated off the floor—					
Total purchases	Sept. 10	450,725	422,060	361,472	257,015
Short sales	Sept. 10	130,150	134,700	75,580	31,070
Other sales	Sept. 10	763,834	594,527	398,810	303,167
Total sales	Sept. 10	893,984	729,227	474,390	334,237
Total round-lot transactions for account of members—					
Total purchases	Sept. 10	1,994,115	1,873,580	1,806,012	1,383,145
Short sales	Sept. 10	374,260	360,010	273,380	212,710
Other sales	Sept. 10	2,116,764	1,771,437	1,630,480	1,278,847
Total sales	Sept. 10	2,491,024	2,131,447	1,903,860	1,491,557
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 27	111.3	111.4	110.5	109.7
Farm products	Sept. 27	89.0	*89.4	87.9	92.7
Processed foods	Sept. 27	101.7	101.8	101.0	104.5
Meats	Sept. 27	83.9	84.0	82.7	86.5
All commodities other than farm and foods	Sept. 27	118.0	117.9	117.1	114.5

*Revised figure. ¶Includes 793,000 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
BUILDING PERMIT VALUATION—DUN & BRADSTREET, INC.—215 CITIES—Month of August:			
New England	$26,701,188	$35,850,949	$25,670,175
Middle Atlantic	83,729,672	86,472,098	66,518,279
South Atlantic	48,792,221	43,126,426	43,941,690
East Central	134,650,663	99,477,175	95,260,081
South Central	87,218,703	88,042,577	82,991,813
West Central	36,567,802	36,510,587	34,352,176
Mountain	27,080,748	27,733,918	23,528,662
Pacific	111,088,125	81,305,000	86,894,954
Total United States	$555,829,122	$498,518,730	$459,157,830
New York City	41,436,766	38,060,345	30,841,192
Outside New York City	$514,392,356	$460,458,385	$428,316,633
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of July (millions of dollars):			
Manufacturing	$43,920	*$43,779	$43,437
Wholesale	11,900	11,800	11,800
Retail	23,400	23,200	22,400
Total	$79,200	$78,800	$77,600
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Sept. 1 (running bales)	1,388,380	------	1,694,792
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of August	717,227	566,640	667,762
In consuming establishments as of Aug. 27	1,210,483	1,398,862	1,026,808
In public storage as of Aug. 27	9,752,138	9,501,877	8,442,227
Linters—Consumed month of August	141,156	127,213	112,447
Stocks Aug. 27	1,425,823	1,504,880	1,470,221
Cotton spindles active as of Aug. 27	19,136,000	19,147,000	19,271,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Aug. 27	22,292,000	22,247,000	22,714,000
Spinning spindles active on Aug. 27	19,136,000	19,147,000	19,306,000
Active spindle hours (000's omitted) Aug. 27	9,293,000	7,546,000	8,583,000
Active spindle hours per spindle in place August	464.7	397.2	429.1
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-49 Average=100—Month of August:			
Sales (average monthly), unadjusted	86	76	82
Sales (average daily), unadjusted	81	*78	81
Sales (average daily), seasonally adjusted	105	108	105
Stocks, unadjusted	114	105	*113
Stocks, seasonally adjusted	117	116	115
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of August:			
All manufacturing (production workers)	13,249,000	*12,988,000	12,418,000
Durable goods	7,556,000	*7,523,000	6,890,000
Non-durable goods	5,693,000	*5,465,000	5,528,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	107.1	*105.0	100.4
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	156.0	*151.5	134.8
Estimated number of employees in manufacturing industries—			
All manufacturing	16,772,000	*16,491,000	15,822,000
Durable goods	9,570,000	*9,525,000	8,820,000
Non-durable goods	7,202,000	*6,966,000	7,002,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Aug.:			
Seasonally adjusted	140	*139	123
Unadjusted	140	*131	123
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE—Month of August (000's omitted):			
Ordinary	$2,548,000	$2,386,000	$2,076,000
Industrial	540,000	528,000	536,000
Group	557,000	647,000	381,000
Total	$3,645,000	$3,561,000	$2,993,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of July (millions of dollars):			
Inventories—			
Durables	$24,532	*$24,457	$24,011
Non-durables	19,388	*19,322	19,420
Total	$43,920	*$43,779	$43,431
Sales	26,763	*27,111	23,209
MONEY IN CIRCULATION—TREASURY DEPT. As of Aug. 31 (000's omitted):	$30,319,000	$30,244,000	$29,892,000
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of June	2,861	2,457	2,339
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Aug. 15:			
Unadjusted—			
All farm products	233	237	245
Crops	228	238	247
Food grain	214	222	225
Feed grain and hay	178	190	202
Tobacco	437	435	446
Cotton	277	271	272
Fruit	213	235	228
Truck crops	211	223	228
Oil-bearing crops	246	257	286
Livestock and products	237	237	244
Meat animals	251	261	278
Dairy products	249	242	238
Poultry eggs	191	178	172
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of July (000's omitted):			
Savings and loan associations	$953,058	$1,024,394	$733,724
Insurance companies	161,068	173,619	155,437
Bank and trust companies	472,218	516,078	371,240
Mutual savings banks	168,363	171,343	141,487
Individuals	282,826	300,776	250,762
Miscellaneous lending institutions	425,313	449,323	374,295
Total	$2,462,846	$2,635,533	$2,026,945
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of August (000's omitted):			
Exports	$1,261,000	$1,266,700	$1,156,000
Imports	973,000	885,000	825,000

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.
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.
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.

Aeco Corp., Beverly Hills, Calif.
Sept. 19 filed 1,245,000 shares of common stock (par 10 cents) to be offered for subscription by common stockholders on a share-for-share basis. **Price**—To be supplied by amendment. **Proceeds**—To repay borrowings; for exploration and development of oil and gas properties and further acquisitions. **Underwriter**—None, offering to be made on a "direct communication" basis by brokers.

★ **Agricultural Leaders Foundation, Inc.**
Sept. 21 (letter of notification) 5,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For legal and accounting expenses; payment and work on real property; machinery and equipment; and reserve. **Office**—53 2nd St., Yuma, Ariz. **Underwriter**—None.

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.

★ **Allied Publishers, Inc., Portland, Ore.**
Sept. 19 (letter of notification) 3,500 shares of 10% preferred stock (par $10) and 3,500 shares of common stock (par $1), to be offered in units of one share of preferred and one share of common. **Price**—$15 per unit. **Proceeds**—For working capital. **Underwriter**—None; units to be offered through officers and directors.

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.

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 Can Co.
Sept. 21 filed 392,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters** — Morgan Stanley & Co. and Clark, Dodge & Co., both of New York. **Offering**—Expected today (Oct. 6).

★ **American Hide & Leather Co., Lowell, Mass.**
Sept. 28 filed $2,426,500 of its 5% convertible subordinate debentures due Oct. 1, 1975 and 609,193 shares of common stock (par $1) to be offered in exchange for outstanding 48,530 shares of 6% cumulative preferred stock on the basis of $50 of debentures and 2¼ shares of common stock for each preferred share. The remaining 500,000 shares are under option to certain persons at $4 per share. **Underwriter**—None.

★ **American Motorists Insurance Co. (10/25)**
Sept. 30 filed 200,000 shares of capital stock (par $3) to be offered for subscription by stockholders of record Oct. 25, 1955, on the basis of one new share for each five shares held. **Price**—$8 per share. **Proceeds**—For general corporate purposes. **Office**—Chicago, Ill. **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.

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.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

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.

★ **Basin Natural Gas Corp., Aztec, N. Mex.**
Sept. 19 (letter of notification) 750,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—109 W. Caco St., Aztec, N. M. **Underwriter**—Columbia Securities Corp., New York, N. Y.

• **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.

★ **Big Chief Urainum Co., Pueblo, Colo.**
Sept. 20 (letter of notification) 1,500,000 shares of non-assessable common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 441 Thatcher Bldg., Pueblo, Colo. **Underwriter**—Investment Service Co., Denver, Colo.

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 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."

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.

★ **Brodie (Ralph N.) Co., San Leandro, Calif.**
Sept. 20 (letter of notification) 21,400 shares of capital stock (par $1). **Price**—At an aggregate not to exceed $300,000. **Proceeds** — To certain stockholders. **Office**—Alvarado & West Ave. 137, San Leandro, Calif. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Bureau of National Affairs, Inc.**
Sept. 16 (letter of notification) 500 shares of common stock to employees only (no par). **Price**—$32 per share. **Proceeds**—For operating expenses or other obligations. **Office**—1231 24th St., N. W. Washington, D. C. **Underwriter**—None.

★ **Burlington Industries, Inc. (10/19)**
Sept. 29 filed $30,000,000 of subordinated debentures due Oct. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans which were obtained for the purpose of acquiring the stock of Ely & Walker Dry Goods Co. **Underwriter**—Kidder, Peabody & Co., New York.

California Consumers Corp., Los Angeles, Calif.
Sept. 21 filed 52,942 shares of capital stock (par $10) to be offered for subscription by stockholders on the basis of one new share for each share held. **Price**—$15 per share. **Proceeds**—From sale of stock, together with other funds, to be used for payment of 5% sinking fund mortgage bonds due Dec. 1, 1955. **Underwriters**—J. S. Strauss & Co. and Lawson, Levy and Williams, both of San Francisco, Calif.

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.

Central Maine Power Co.
Sept. 16 filed 505,719 shares of common stock (par $10) to be offered for subscription by the holders of common stock and 6% preferred stock of record Sept. 30 at the rate of one new share of common stock for each five common shares held and one share of new common stock for each 6% preferred share held; rights to expire on Oct. 19. Employees will have the right to subscribe for up to 20,000 of the unsubscribed portion. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Harriman Ripley & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc.

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.

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.

★ **Chromalloy Corp. (10/17-21)**
Sept. 29 (letter of notification) 133,100 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For equipment, working capital, etc. **Office**—109 West 64th St., New York 23, N. Y. **Underwriter**—S. D. Fuller & Co., New York.

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.

★ **City Discount Corp.**
Oct. 4 (letter of notification) $150,000 of 7-year 12% debenture bonds dated Oct. 10, 1955 and due Oct. 10, 1962. **Price**—At par (in denominations of $500 each). **Proceeds** — For working capital. **Office**—427 Flatbush Avenue Extension, Brooklyn, N. Y. **Underwriter**—None.

Clad (Victor V.) Co., Philadelphia, Pa.
June 17 (letter of notification) 120,000 shares of common stock (par 25 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and workmg 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.

★ **Color Corp. of America, Los Angeles, Calif.**
Sept. 23 (letter of notification) 27,500 shares of common stock (par $1). **Price**—At market (estimated at $1.75 per share). **Proceeds**—To Benjamin B. Smith, who is the selling stockholder. **Office**—11801 W. Olympic Blvd., Los Angeles, Calif. **Underwriter**—Francis I. duPont & Co., Los Angeles, Calif.

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.

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. (10/10-14)**
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.

• **Continental Production Corp. (10/11-12)**
Aug. 29 filed $8,700,000 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.

Copperweld Steel Co. (10/10)
Sept. 20 filed 230,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—From sale of this stock, together with $5,000,000 to be borrowed privately and retained earnings, will be used to finance a $12,000,000 modernization and expansion program. **Underwriters**—Dillon, Read & Co. Inc. and Riter & Co., both of New York.

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.

★ **Coro, Inc.**
Sept. 19 (letter of notification) 12,000 shares of common stock (no par) to be offered to employees under an incentive restricted stock option and purchase plan. **Price**—At 85% of the mean between the high and low quotation at which the common stock shall have been sold on the American Stock Exchange on the date of the granting of the option, which expires on Nov. 16, 1955. **Proceeds**—For general corporate purposes. **Office**—47 West 34th Street, New York, N. Y. **Underwriter**—None.

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.

Cuban American Oil Co.
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. **Office**—Dallas, Texas. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Texas.

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.

★ **Deerfield Gas Production Co., Wichita, Kan.**
Sept. 30 this company, together with Kearney Gas Production Co., filed 935,999 units of beneficial interest in Hugoton Gas Trust, to be made by means of warrants to be issued to common stockholders of Kansas-Nebraska Natural Gas Co., Inc., and its eligible employees. **Price**—$4 per unit. **Proceeds**—For retirement of indebtedness secured by first mortgages; balance for payment of obligations and expenses of the two companies in liquidation and for liquidation distribution to stockholders. **Underwriters**—The First Trust Co., of Lincoln, Neb. and Cruttenden & Co., Chicago, Ill.

★ **Delta Minerals Co., Casper, Wyo.**
Sept. 20 (letter of notification) 600,000 shares of nonassessable common stock (par five cents). **Price**—50 cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—223 City and County Bldg., Casper, Wyo. **Underwriter**—The Western Trader & Investor, Salt Lake City, Utah.

Detroit Steel Corp.
Aug. 30 filed 503,155 shares of common stock (par $1), being 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. Portsmouth Steel Corp., owner of about 24.4% of outstanding stock, will purchase any unsubscribed shares. **Price** — $12 per share. **Proceeds** — To help retire RFC note. **Underwriter** — None.

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 nonassessable 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.

★ **Dixon Chemical & Research, Inc. (10/19-20)**
Sept. 28 filed $2,250,000 6% first mortgage bonds due 1975 and 225,000 shares of common stock (par $1) to be offered in units of $500 of bonds and 50 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For construction of plant, etc.; for acquisition of Dixon Chemicals, Inc.; and for working capital. **Office**—Clifton, N. J. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Dome Uranium Mines, Inc., Denver, Colo.
July 12 (letter of notification) 1,300,000 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. **Un-**

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NEW ISSUE CALENDAR

October 6 (Thursday)

Southern New England Telephone Co.____Common
(Bids 11 a.m. EDT) 130,410 shares

October 7 (Friday)

Rochester Telephone Corp.____________Common
(Offering to stockholders—may be underwritten by The First Boston Corp.) 195,312 shares

October 10 (Monday)

Commonwealth Life Insurance Co._______Common
(Eastman, Dillon & Co.) $300,000

Copperweld Steel Co.________________Common
(Dillon, Read & Co. Inc. and Riter & Co.) 230,000 shares

Craig Systems, Inc.__________________Common
(Hemphill, Noyes & Co.) 175,000 shares

Pepsi-Cola Bottling Co. of Long Island Inc.______________________________Common
(Johnston, Lemon & Co.) 300,000 shares

Southwestern Financial Corp.__________Common
(Offering to stockholders—underwritten by Rauscher, Pierce & Co. and Russ & Co.) 770,000 shares

Splendora Film Corp.________________Common
(J. H. Lederer Co., Inc. and McGrath Securities Corp.) $600,000

Uranium Technicians Corp.____________Common
(Ackerson-Hackett Investment Co.) $300,000

October 11 (Tuesday)

Continental Production Corp.____Debens. & Com.
(First of California Co.) $8,787,000

Spray Cotton Mills__________________Common
(Bids 3 p.m. EDT) 2,610 shares

October 12 (Wednesday)

Consolidated Freightways, Inc.__________Common
(Blyth & Co., Inc.) 100,000 shares

Market Basket _______________________Common
(Eastman, Eichler & Co.; William R. Staats & Co.; and First California Co.) 75,940 shares

October 13 (Thursday)

Louisville Gas & Electric Co.___________Common
(Offering to stockholders—underwritten by Lehman Brothers and Blyth & Co., Inc.) 160,000 shares

Rio de Oro Uranium Mines, Inc.__________Common
(Tellier & Co.) $450,000

October 17 (Monday)

Life Companies, Inc._________________Common
(Equitable Securities Corp. and Rauscher, Pierce & Co.) 340,000 shares

Kordite Corp._______________________Common
(George D. B. Bonbright & Co.) 130,000 shares

Nortex Oil & Gas Corp________________Common
(J. R. Williston & Co.) 200,000 shares

Resistoflex Corp.___________________Preferred
(Bache & Co.) $500,000

Southern Bell Tel. & Tel. Co.__________Debentures
(Bids 11 a.m. EDT) $30,000,000

Trans-National Uranium & Oil Corp.____Common
(Garrett Brothers, Inc.) 1,200,000 shares

Yellowknife Uranium Corp.____________Common
(Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc.) $1,500,000

October 18 (Tuesday)

International Resources Fund, Inc.______Common
(Kidder, Peabody & Co.) $17,250,000

Lau Blower Co.______________________Common
(A. C. Allyn & Co. Inc.) 205,000 shares

Minute Maid Corp.__________________Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $8,000,000

United Aircraft Corp.________________Preference
(Offering to common stockholders—underwritten by Harriman Ripley & Co. Inc.) $24,346,900

Worcester County Electric Co.__________Bonds
(Bids to be invited) $8,500,000

October 19 (Wednesday)

Burlington Industries, Inc.____________Debentures
(Kidder, Peabody & Co.) $30,000,000

Dixon Chemical & Research, Inc.___Bonds & Com.
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $2,250,000 bonds and 225,000 shares of stock

National Consumer Finance Corp.________Preferred
(Van Alstyne, Noel & Co.) $500,000

National Consumers Finance Corp.______Common
(Van Alstyne, Noel & Co.) $1,200,000

New York State Electric & Gas Corp.______Bonds
(Bids 11 a.m. EDT) $15,000,000

New York State Electric & Gas Corp.____Common
(Offering to stockholders—underwritten by The First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane) 303,407 shares

October 20 (Thursday)

Houdry Process Corp.________________Common
(Paine, Webber, Jackson & Curtis) 40,000 shares

Seaboard Air Line RR.________Equip. Trust Ctfs.
(Bids noon EDT) $6,555,000

October 24 (Monday)

International Metals Corp.______________Common
(Gearhart & Otis, Inc.) $400,000

October 25 (Tuesday)

American Motorists Insurance Co.________Common
(Offering to stockholders—no underwriting) 200,000 shares

Pacific Gas & Electric Co.______________Preferred
(Probably Blyth & Co., Inc.) $25,000,000

Wisconsin Natural Gas Co.______________Bonds
(Bids to be invited) $2,500,000

October 26 (Wednesday)

Long Island Lighting Co._______________Bonds
(Bids 11:30 a.m. EDT) $15,000,000

October 28 (Friday)

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 9 (Wednesday)

United Gas Corp._____________________Bonds
(Bids to be invited) $20,000,000

November 15 (Tuesday)

Marquette Cement Manufacturing Co.____Common
(A. G. Becker & Co. Inc.) approx. 250,000 shares

New England Tel. & Tel. Co.___________Debentures
(Bids to be invited) $30,000,000

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

December 14 (Wednesday)

New Jersey Bell Telephone Co._______Debentures
(Bids to be invited) $25,000,000

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derwriters—R. L. Hughes & Co., Denver, Colo. and G. W. Allen & Co., Cheyenne, Wyo.

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.

Eagle Rock Uranium Co., Salt Lake City, Utah
Sept. 19 (letter of notification) 30,000,000 shares of non-assessable common stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—214 East 5th South, Salt Lake City, Utah. **Underwriter**—Valley State Brokerage, Inc., Las Vegas, Nev.

● **Eastern Life Insurance Co. of New York**
Sept. 20 (letter of notification) 5,239 shares of common stock (par $5.50) being offered for subscription by stockholders of record Oct. 1, 1955 at rate of one new share for each 10 shares held; rights to expire on Nov. 15, 1955. **Price**—$35.50 per share. **Proceeds**—For expansion and working capital. **Office**—386 Fourth Avenue, New York 16, N. Y. **Underwriter**—None.

☆ **Electro Refractories & Abrasives Corp.**
Sept. 27 (letter of notification) 10,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Sept. 30 on the basis of one new share for each 14 shares held; rights to expire on Oct. 26. **Price** — $16.50 per share. **Proceeds**—For working capital. **Office** — 344 Delaware Ave., Buffalo 2, N. Y. **Underwriter**—None.

★ **Elkhart Packing Corp., Elkhart, Ind.**
Sept. 20 (letter of notification) 25,000 shares of 6% cumulative preferred stock being offered by directors to a selected group. **Price**—At par ($10 per share). **Proceeds** — For general corporate purposes. **Office** — 3535 Hammon Ave., R. R. No. 1, Elkhart, Indiana. **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.

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.

★ **Evergreen Amusement Corp., Washington, D. C.**
Sept. 20 (letter of notification) 50,000 shares of 6% cumulative participating class B common stock. **Price**—At par ($1 per share). **Proceeds** — For retirement of debts and improvement of drive-in theatre. **Office**—c/o Donald C. King, Pres., 2216 Nichols Ave., S. E., Washington, D. C. **Underwriter**—None.

Fairway Uranium Corp., Salt Lake City, Utah
May 23 (letter of notification) 275,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—2320 South Main Street Salt Lake City, Utah. **Underwriter** — Eliason, Taylor, Cafarelli Co., Las Vegas, Nev.

Farm Family Mutual Insurance Co., Albany, N. Y.
June 28 filed $1,500,000 of 5% debentures to be offered directly to members of the American Farm Bureau Federation and to State Farm Bureau Federations and local organization. **Price**—At 100% of principal amount (in denominations of $250 each). **Proceeds**—To provide company with necessary funds to comply with requirements of surplus to policyholders under New York and other state laws. **Underwriter**—None.

★ **Financial Industrial Fund, Inc.**
Oct. 3 filed 37,500 Systematic (Periodic Payment) Investment Plans and 8,000 Cumulative (Fully-Paid) Investment Certificates. **Office**—Denver, Colo.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office**—Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Fowler Telephone Co., Pella, Ia.
May 6 (letter of notification) $260,000 of 4% first mortgage bonds, series A, due May 1, 1975. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To retire existing debt, acquire Northwestern Bell properties in Leighton, Ia., and for conversion of both exchanges to dial operation. **Underwriter** — Wachob-Bender Corp., Omaha, Neb.

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.

General Guaranty Insurance Co.
Aug. 26 (letter of notification) 50,000 shares of common stock (par $2.50) being offered for subscription by stockholders of record Aug. 25, on the basis of one new share for each two shares held (with an oversubscription privilege); rights to expire on Oct. 15. **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.; Grimm & Co., New York City; Beil & Hough, Inc., St. Petersburg, Fla.; and First Florida Investors, Inc., Orlando, Fla.

Gibraltar 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, has withdrawn as underwriter.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **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.

★ **Handy & Harman**
Sept. 30 (letter of notification) 7,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For general corporate purposes. **Business**—Dealers in silver and gold bullion, specie and bonds. **Office**—82 Fulton St., New York 38, N. Y. **Underwriter**—None.

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 being 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; rights to expire on Oct. 10. **Price**—To stockholders and employees, at par ($20 per share); and to public, at prevailing market price $28 per share on Aug. 22, 1955). **Proceeds** — For expansion and improvement. **Underwriter**—None.

Homasote Co., Trenton, N. J.
Sept. 26 (letter of notification) 30,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share) and accrued dividends. **Proceeds**—For improvements and general corporate purposes. **Office**—Lower Ferry Road, Trenton, N. J. **Underwriter**—W. E. Wetzel & Co., same city.

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 Oil Co., Ltd., Calgary, Canada
Sept. 26 filed 1,500,000 shares of class A stock and 3,793,-231 shares of class B stock, which are to be offered in exchange for Federated Petroleums, Ltd. common stock on the basis of one share of either class A or class B stock in exchange for each two Federated shares. Stockholders will vote Dec. 6 on approving acquisition of assets of Federated.

Houdry Process Corp. (10/20-24)
Sept. 22 filed 40,000 shares of capital stock (par $10). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y.

● **Household Finance Corp.**
Sept. 9 filed 341,380 shares of common stock ($9 stated value) being 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**—$24 per share. **Proceeds**—To reduce bank loans. **Underwriters**—Lee Higginson Corp. and White, Weld & Co., both of New York; and William Blair & Co., Chicago, Ill.

★ **Howard Cooper Corp. of California, Eureka, Calif.**
Sept. 23 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—2616 Broadway, Eureka, Calif. **Underwriter**—None.

★ **Hughbanks, Inc., Seattle, Wash.**
Sept. 26 (letter of notification) 10,000 shares of $1.25 cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—To increase working capital. **Office**—Dexter Horton Bldg., Seattle, Wash. **Underwriter**—None.

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.
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 Atomic Devices Corp.**
Sept. 28 (letter of notification) 12,000 shares of common stock (par $10). **Price** — $25 per share. **Proceeds**—For working capital. **Office** — 216 Hutchinson St., Hightstown, N. J. **Underwriter**—None.

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 Metals Corp. (10/24-28)**
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Resources Fund, Inc. (10/18)
Sept. 23 filed 3,000,000 shares of common stock (par one cent). **Price**—$5.75 per share. **Proceeds** — For investments. **Business**—To invest in U. S. and foreign securities in the natural resources field. **Underwriter**—Kidder, Peabody & Co., New York.

★ **"Isras" Israel-Rassco Investment Co., Ltd.**
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each) payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter**—Rassco Israel Corp., 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.

★ **Kearney Gas Production Co.**
See Deerfield Gas Production Co. above.

Kidde (Walter) & Co., Inc.
Sept. 7 filed 53,700 shares of common stock (par $2.50), being 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 on Oct. 13. **Price**—$16 per share. **Proceeds**—For working capital and to reduce short-term debt. **Office**—Belleville, N. J. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York, N. Y.

★ **King Bros. Productions, Inc., Hollywood, Calif.**
Sept. 21 (letter of notification) 100,000 shares of common stock (par $1). **Price**—At market (estimated at $2.75 per share). **Proceeds**—For production of motion pictures and in connection with business generally. **Office**—8383 Sunset Blvd., Hollywood, Calif. **Underwriter**—None.

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.

● Kordite Corp., Macedon, N. Y. (10/17)
Sept. 21 filed 130,000 shares of common stock (par $1), of which 80,000 shares are to be offered by the company and 50,000 shares by Richard M. and Howard J. Samuels, President and Vice-President, respectively. **Price**—To be supplied by amendment (around $13.75 per share). **Proceeds**—To finance development of business and for general corporate purposes. **Underwriter**—George D. B. Bonbright & Co., Rochester, N. Y.

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.

★ Lau Blower Co., Dayton, Ohio (10/18-20)
Oct. 4 filed 205,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — A. C. Allyn & Co., Inc., Chicago, Ill.

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.

★ Lewisohn Copper Corp., Tucson, Ariz.
Sept. 22 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To drive a tunnel and other expenses incident to mining operations. **Office**—128 N. Church St., Tucson, Ariz. **Underwriter**—George F. Breen, New York, N. Y.

Life Companies, Inc., Richmond, Va. (10/17)
Sept. 19 filed 418,656 shares of common stock (par $1) and 4,081 shares of convertible preferred stock (par $25), of which 340,000 shares of common stock are to be offered publicly; 60,000 shares of common are to be offered for subscription by officers, directors, employees and agents of this corporation, Atlantic Life Insurance Co., The Lamar Life Insurance Co., and others; and 18,656 common shares and the 4,081 preferred shares are to be offered by company to holders of common stock of Atlantic Life on the basis of 64 shares of common and 14 shares of preferred for each outstanding share of Atlantic common plus $15. **Price**—For the 400,000 shares of common stock to be sold to public and employees, will be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Equitable Securities Corp., Nashville, Tenn., and Rauscher, Pierce & Co., Inc., Dallas, Texas.

Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) to be offered for subscription by present stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering, after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds**—For expansion and working capital. **Underwriter**—None.

● Link-Belt Co., Chicago, Ill.
Aug. 12 filed 134,433 shares of common stock (par $5) being 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. The exchange offer will expire on Oct. 19, unless further extended.

Little Mac Uranium Co.
Sept. 12 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—440 West 3rd North, Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

★ Long Island Lighting Co. (10/26)
Sept. 27 filed $15,000,000 of first mortgage bonds, series H, due 1985. **Proceeds**—For construction program and reduction of bank loans. **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 at City Bank Farmers Trust Co., New York City, up to 11:30 a.m. (EDT) on Oct. 26.

Louisville Gas & Electric Co. Ky. (10/13)
Sept. 22 filed 160,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Oct. 13 at the rate of one new share for each 10 shares held; rights to expire on Nov. 1. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers and Blyth & Co., Inc., New York.

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.

★ Magna Theatre Corp., New York
Sept. 29 filed 110,000 shares of common stock (par five cents) to be offered for subscription by common stockholders of record Oct. 26 at the rate of one new share for each 20 shares held. **Price**—$5 per share. **Proceeds**—To pay interest on outstanding 6% debentures, and for general corporate purposes. **Underwriter** — The United Artist Theatre Circuit, Inc. of New York.

Market Basket, Los Angeles, Calif. (10/12)
Sept. 21 filed 75,940 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For new equipment and other general corporate purposes. **Underwriters**—Bateman, Eichler & Co. and William R. Staats & Co., both of Los Angeles, Calif.; and First California Co., San Francisco, Calif.

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.

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.

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.

★ Mining Associates, Inc., Reno, Nev.
Sept. 28 (letter of notification) 198,450 shares of capital stock, of which 111,750 shares are to be exchanged for a like number of shares of capital stock (par $1) of Nevada Uranium Co. on the basis of one-for-one; and the balance will be sold for cash. **Price** — At par ($1 per share). **Proceeds** — For expenses incident to mining operations. **Office** — 139 N. Virginia St., Reno, Nev. **Underwriter**—None.

★ Minute Maid Corp. (10/18)
Sept. 28 filed $6,000,000 of 4% subordinated debentures due Dec. 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To Clinton Foods, Inc., who had received $17,300,000 of said debentures in partial payment for the assets of Clinton's Snow Crop Division. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York; and Newhard, Cook & Co., St. Louis, Mo.

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.
Sept. 7 filed 486,881 shares of capital stock (par $100), being 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 Consumer Finance Corp. (10/19)
Sept. 28 filed 50,000 shares of convertible preferred stock. **Price**—At par ($10 per share) and accrued dividends. **Proceeds**—To repay bank loans. **Office**—19 River St., Stamford, Conn. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ National Consumer Finance Corp. (10/19)
Sept. 28 filed 200,000 shares of class A common stock (par $1). **Price**—$6 per share. **Proceeds** — To selling stockholders. **Office** — 19 River St., Stamford, Conn. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (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**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

New Mexico Copper Corp.
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. **Office**—Carrizozo, N. M. **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.

★ New York Business Development Corp.
Sept. 28 filed 10,000 shares of capital stock (no par). **Price**—$100 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Albany, N. Y. **Underwriter**—None.

New York State Electric & Gas Corp. (10/19)
Sept. 21 filed $15,000,000 of first mortgage bonds due Sept. 1, 1985. **Proceeds**—To reduce bank loans. **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 up to 11 a.m. (EDT) on Oct. 19.

● New York State Electric & Gas Corp. (10/19)
Sept. 28 filed 303,407 shares of common stock (no par) to be offered for subscription by common stockholders of record Oct. 18 on the basis of one new share for each 10 shares held; rights to expire on Nov. 3. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane.

Nortex Oil & Gas Corp., Dallas (10/17-21)
Sept. 16 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase certain oil and gas properties and leasehold interests; for drilling and development costs; to pay off $450,000 promissory notes; and for general corporate purposes. **Underwriter**—J. R. Williston & Co., New York.

Ohio Valley Airways, Inc., Cincinnati, Ohio
Sept. 13 (letter of notification) 70,000 shares of class A common stock (par $1). **Price**—$3 per share. **Proceeds**—To purchase and equip three helicopters. **Underwriter**—Westheimer & Co., Cincinnati, Ohio.

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.

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 South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

★ Pacific Gas & Electric Co. (10/25)
Oct. 4 filed 1,000,000 shares of redeemable first preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To retire short term bank loans and for construction program. **Underwriter**—To be filed by amendment (may be Blyth & Co., Inc., San Francisco and New York).

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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.
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 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.

★ **Paddock Of California, Los Angeles, Calif.**
Sept. 28 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — For liquidation of bank loan and working capital. **Office**—8400 Santa Monica Blvd., Los Angeles, Calif. **Underwriter**—T. R. Peirsol & Co., Beverly Hills, Calif.

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.

★ **Park Enterprises, Inc., Aberdeen, S. D.**
Sept. 26 (letter of notification) 5,000 shares of class B common stock (no par). **Price**—$10 per share. **Proceeds**—For construction costs and improvements. **Office**—313 Citizens Bldg., Aberdeen, S. D. **Underwriter**—None.

Pelican Uranium Corp., Salt Lake City, Utah
May 25 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—688 East 21st South, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La., and Salt Lake City, Utah.

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.

● **Pepsi-Cola Bottling Co. of Long Island, Inc. (10/10)**
Sept. 20 filed 300,000 shares of common stock (par 25 cents), of which 80,000 shares are for account of company and 220,000 shares for account of Russell M. Arundel, President. **Price**—To be supplied by amendment. **Proceeds**—To retire indebtedness; and for general corporate purposes. **Office**—Garden City, N. Y. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

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% noncumulative 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.

★ **Postal Life Insurance Co., New York**
Sept. 29 filed 145,500 shares of capital stock, of which 100,000 shares are to be offered for subscription by stockholders at the rate of two new shares for each share held and 45,500 shares are to be sold for account of selling stockholders. **Price**—At par ($2 per share). **Proceeds**—For working capital, and other general corporate purposes. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill., and New York, N. Y.

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.

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.

★ **Rare Earth Mining & Exploration Corp.**
Sept. 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—908 American Bldg., Seattle, Wash. **Underwriter**—None; sales to be offered through certain officers and directors.

Real Estate Clearing House, Inc.
Sept. 14 (letter of notification) 270,000 shares of 7% cumulative preferred stock (par $1) and 135,000 shares of common stock (par five cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$2.05 per unit. **Proceeds**—For working capital, etc. **Office**—161 West 54th Street, New York, N. Y. **Underwriter**—Choice Securities Corp., 35 East 12th Street, New York, N. Y.

★ **Republic Benefit Insurance Co., Tucson, Ariz.**
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

★ **Republic Electronic Industries Corp.**
Sept. 26 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Business**—Manufacturers of precision electronic test equipment. **Office**—31 West 27th St., New York City. **Underwriter**—Keene & Co., Inc., New York, N. Y.

Resistoflex Corp., Belleville, N. J. (10/17)
Sept. 27 filed 20,000 shares of convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — For leasehold improvements, equipment and other expenses in connection with the leasing of a new plant at Roseland, N. J. **Underwriter** — Bache & Co., New York.

★ **Rextab Laboratories, Inc., Reno, Nev.**
Sept. 21 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For machinery, labor, materials, advertising and working capital. **Office**—140 N. Virginia St., Reno, 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.
Sept. 2 filed 125,714 shares of common stock (par $12.50) being offered for subscription by common stockholders on the basis of one new share for each 3½ shares held as of Sept. 22; rights to expire on Oct. 6. **Price** — $29 per share. **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 Jacinto Petroleum Corp., Houston, Texas**
Sept. 20 filed 500,000 shares of common stock (par $1). **Price**—$15 per share. **Proceeds**—For payment of short term loans and other indebtedness; and for general corporate purposes. **Underwriter**—None, sales to be made privately through officers of the company.

★ **San Juan Racing Association, Inc., Puerto Rico.**
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of nonassessable 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.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

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.

Sayre & Fisher Brick Co., Sayreville, N. J.
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York City.

★ **Shenandoah Gas Co., Lynchburg, Va.**
Sept. 19 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To James L. Carter, President, who is the selling stockholder. **Office**—315 Krise Bldg., Lynchburg, Va. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

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

Sinclair Oil Corp.
Sept. 23 filed 200,200 shares of common stock, to be offered to certain officers and other employees of the company and of certain of its subsidiaries pursuant to options granted on April 14, 1954, under the company's amended stock purchase and option plans. **Price**—$14.25 per share.

Smith-Dieterich Corp.
Sept. 15 (letter of notification) 17,355 shares of common stock (par $2.50) to be offered for subscription by stockholders of record Sept. 14, 1955 on the basis of one new share for each five shares held. **Price**—$5.50 per share. **Proceeds**—To repay certain loans and for working capital. **Office**—50 Church St., New York, N. Y. **Underwriter**—None.

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.

Southern Bell Telephone & Telegraph Co. (10/17)
Sept. 28 filed $30,000,000 40-year debentures due Oct. 15, 1995. **Proceeds** — To repay advances from parent, American Telephone & Telegraph Co., and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 17.

★ **Southern Berkshire Power & Electric Co.**
Sept. 19 (letter of notification) 1,220 shares of capital stock to be offered for subscription by minority stockholders on the basis of one new share for each two shares held. An additional 13,964 shares will be purchased by New England Electric System, the parent, which now owns 27,928 shares (91.965%) of the outstanding shares and has offered to purchase the holdings of all minority stockholders at $25 per share (including 2,256 shares or 7.43% owned by New England Gas & Electric Association. The balance of the shares is held by 11 holders. **Price**—At par ($25 per share). **Proceeds**—For new construction. **Underwriter**—None.

★ **Southern Co. (11/1)**
Sept. 30 filed 1,507,303 shares of common stock (par $5) to be offered for subscription by common stockholders of record Nov. 1 on the basis of one new share for each 12 shares held; rights to expire on Nov. 22. Warrants are expected 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, Thalmann & 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.

★ **Southern Discount Co., Atlanta, Ga.**
Sept. 16 (letter of notification) $250,000 of subordinated 5% debentures, series G. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—For exchange for outstanding debentures and working capital. **Office**—724 Healey Building, Atlanta, Ga. **Underwriter**—None.

Southern Mining & Milling Co., Atlanta, Ga.
Sept. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Offices**—Healey Building, Atlanta Ga., and 4116 No. 15th Avenue, Phoenix, Ariz. **Underwriter** — Franklin Securities Co., Atlanta, Ga.

● **Southern New England Telephone Co. (10/6)**
Sept. 21 filed 543,209 shares of capital stock (par $25) to be offered for subscription by stockholders of record Sept. 28, 1955 in the ratio of one new share for each nine shares then held; rights to expire on Oct. 28. **Price**—$33 per share. **Proceeds**—To repay advances from American Telephone & Telegraph Co. (owner of 24.01% of the outstanding stock). **Underwriter**—None. **Bids**—In connection with the above offering, American Telephone & Telegraph Co. is inviting bids to be received up to 11 a.m. (EDT) on Oct. 6 for the purchase from it of the 1,173,696 rights to purchase 130,410 shares of stock of Southern New England that it will receive. Probable bidders: Blyth & Co. Inc.; White, Weld & Co.; Putnam & Co.; The First Boston Corp.; Salomon Bros. & Hutzler.

● **Southwestern Financial Corp. (10/10-14)**
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 (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For purchase of machinery and equipment; and for the working capital and general corporate purposes. **Office**—Dallas, Texas. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas; and Russ & Co., San Antonio, Texas.

★ **Southwestern Oil & Uranium Corp., Grand Junction, Colo.**
Sept. 21 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—Grand Junction, Colo. **Underwriter**—None.

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 (10/10)**
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.

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.

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.

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.

Sweetwater Uranium Co.
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

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.

★ **Templeton & Liddell Fund, Inc.**
Sept. 30 filed 9,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Englewood, N. J.

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 Oil Producing Co., Inc., Dallas, Texas
Sept. 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to oil activities. **Office**—Republic National Bank Bldg., Dallas, Texas. **Underwriter**—Watt Securities Co., Inc., 42 Broadway, New York, N. Y.

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.

Trans-National Uranium & Oil Corp. (10/17)
July 1 filed 1,200,000 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.

Travelfares, Inc., Seattle, Wash.
Sept. 14 (letter of notification) 100,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

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.

★ **Trilon Oil & Mining Co., Inc.**
Sept. 23 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For oil and mining activities. **Office**—1406 Mile High Center, Denver. Colo. **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 Gulf Oil & Mining Corp.
Sept. 9 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—510 Colorado Bldg., Denver, Colo. **Underwriter**—Honnold & Co., same city.

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 Aircraft Corp. (10/18)
Sept. 27 filed 243,469 shares of convertible preference stock (par $100) to be offered for subscription by common stockholders of record Oct. 18, 1955 on the basis of one preference share for each 20 shares of common stock held; rights to expire on Nov. 1. **Price** — Not to be less than par value. **Proceeds** — For general corporate purposes. **Underwriter**—Harriman Ripley & Co. Inc., New York.

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 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.

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. (10/10)**
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**—Ackerson-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.

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.

★ **Warrior Mining Co., Birmingham, Ala.**
Sept. 29 (letter of notification) 6,000,000 shares of non-assessable common stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office** — 718 Title Guarantee Bldg., Birmingham, Ala. **Underwriter**—Graham & Co., Pittsburgh, Pa. and Birmingham, Ala.

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.

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.

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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 Natural Gas Co. (10/25)**
Oct. 4 filed $2,500,000 of first mortgage bonds due 1980. **Proceeds**—To repay bank loans; for property additions and improvements; and to reimburse treasury for capital expenditures already made. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc ; The First Boston Corp. and Robert W. Baird & Co. **Bids**—Expected to be received on Oct. 25.

● **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 on the basis of one new share for each five shares held. **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. Letter to be withdrawn. Full registration probably to be filed in two to four weeks covering 20,819 shares to be offered to stockholders on a one-for-four basis.

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 up to 11 a.m. (EDT) on Oct. 18 at company's office, 441 Stuart Street, Boston 16, Mass.

★ **Wyton Oil & Gas Co., Newcastle, Wyo.**
Sept. 29 filed 254,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To August Buschmann, of Seattle, Wash., and members of his family. **Underwriter**—None.

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. (10/17-21)**
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.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares off class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

Prospective Offerings

★ **Atlas Plywood Corp.**
Sept. 28 it was announced company plans to issue and sell additional debentures and subordinated debentures. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Underwriter**—May be Van Alstyne, Noel & Co., New York.

Barium Steel Corp.
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.

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.

★ **Chicago, Rock Island & Pacific Ry.**
Sept. 29 the company sought ICC approval of an issue of $2,952,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. **Bank Loan** — Bank loans, totaling $100,000,000 were granted company on Oct. 4 to run to Oct. 9, 1956.

Consolidated Freightways, Inc. (10/12)
Sept. 21 it was reported that company has applied to the ICC for authority to issue and sell 100,000 additional shares of common stock. **Proceeds** — For acquisitions and new equipment. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Craig Systems, Inc.
Sept. 26 it was reported company plans early registration of 175,000 shares of common stock, of which 50,000 shares are to be sold for the account of the company and 125,000 shares for account of certain selling stockholders. **Underwriter** — Hemphill, Noyes & 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.

First National Bank, Dallas, Texas
Sept. 14 it was announced stockholders will vote Oct. 5 on approving the offering to stockholders of record Oct. 5, 1955, the right to subscribe for 200,000 additional shares of capital stock (par $10) on the basis of one new share for each 10 shares held. **Price** — $30 per share. **Proceeds**—To increase capital and surplus.

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 (about 60,000 shares). **Underwriter** — Hallowell, Sulzberger & Co., 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.
Sept. 19 it was reported a public offering of class A non-voting common stock is expected between Oct. 15 and Nov. 15. It is said that the stock to be sold will be the bulk of 3,089,908 shares now held by the Ford Foundation. **Price**—In March last, it was reported that the offering price was expected to be around $60 per share.

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.

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.

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.

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.

● **Marquette Cement Manufacturing Co. (11/15)**
Sept. 30, W. A. Wecker, President, announced that the company plans to make a public offering of approximately 250,000 shares of new $4 par value common stock about the middle of November. **Proceeds**—To finance a portion of its $16,000,000 expansion program. **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).

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.

New England Telephone & Telegraph Co. (11/15)
Sept. 20 it was announced company plans to issue and sell $30,000,000 of 36-year debentures. **Proceeds**—To repay temporary borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Glore, Forgan & Co. **Bids**—Expected to be received on Nov. 15.

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 Jersey Bell Telephone Co. (12/14)**
Sept. 30 it was announced company has petitioned the New Jersey P. U. Commission for authority to issue and sell $25,000,000 of new debentures due 1955. **Proceeds**—For expansion program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Shields & Co.; Kuhn, Loeb & Co.; White, Weld & Co. **Bids**—Expected to be received on Dec. 14. **Registration**—Planned for Nov. 18.

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.

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.

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.

● **Republic National Bank of Dallas (Texas)**
Oct. 5 stockholders of record Oct. 4, 1955 were given rights to subscribe for an additional 187,500 shares of capital stock (par $12) at the rate of one new share for each 12 shares held; rights to expire on Oct. 24. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Walker, Austin & Waggoner, The First Southwest Co. and Dallas Rupe & Son, all of Dallas, Texas.

Rye National Bank, Rye, N. Y.
Sept. 27 stockholders of record Sept. 22 received the right to subscribe on or before Oct. 31 for 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.

Scott Paper Co.
Sept. 20, Thomas B. McCabe, President, announced a major financing program will probably be undertaken by next spring. No decision has yet been reached as to the precise type, amount or date of financing. Stockholders approved proposals to increase the authorized common stock to 40,000,000 shares from 10,000,000 shares and the authorized indebtedness to $150,000,000 from $50,000,000.

★ **Seaboard Air Line RR. (10/20)**
Bids will be received up to noon (EDT) on Oct. 20, at the office of Willkie Owen Farr Gallagher & Walton, 15 Broad St., New York 5, N. Y., for the purchase from the railroad company of $6,555,000 equipment trust certificates, series P, to be dated Nov. 1, 1955 and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ **Siegler Corp., Chicago, Ill.**
Sept. 20 it was announced that the company plans the sale of additional common stock (par $1) and bank borrowings to finance the proposed purchase of all of the outstanding stock of Holly Manufacturing Co. of Pasadena, Calif., for $3,000,000 cash. The transaction must be closed by Dec. 15, 1955 (subject to extension to Jan. 15, 1956). **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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.

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. (11/9)**
Sept. 28 it was reported that company plans to issue and sell $20,000,000 of first mortgage bonds. **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). **Bids**—Expected to be received on Nov. 9. **Registration** — Planned for around Oct. 11.

★ **United Insurance Co. of America, Chicago, Ill.**
Oct. 3 it was reported that an offering of from 350,000 share to 400,000 shares is expected, partly for selling stockholders. **Underwriters**—May be R. S. Dickson & Co., Charlotte, N. C., and A. C. Allyn & Co., Inc., Chicago, Ill.

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.

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.

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.

Our Reporter's Report

The cleavage in thinking of potential borrowers was clearly discernible this week in the moves made by interests in need of funds. Two large tax-exempt borrowers, the New York Thruway Authority, and the Allegheny County (Pa.), Sanitary Authority, seemingly became reconciled to the idea of a higher plane of money rates.

But the huge Consolidated Edison Co. of N. Y. which has been waiting for many months to enter the debt securities market with a large offering, decided on the use of a $100 milion short-term credit to tide it over. Evidently those who make financial policy for the big utility are still inclined to regard the current firmness in money as temporary and a passing phase.

The Thruway Authority which, in July, turned down a single bid for an offering of $125 million of state-guaranteed bonds, and the following month borrowed $50 million on short-term notes, has decided to come into the market with serial bonds for the latter amount.

At the time the Authority turned down the bid for the larger issue, it was the opinion of bankers that the agency could have redrawn its plans and received more satisfactory terms by splitting the total into several issues.

Allegheny County has arranged a $100 million bank loan, repayable through sale of long-term bonds over a four year period, to enable it to go ahead with construction it has charted. It will take the bank loan and put it into government securities as collateral to be drawn against as funds are needed to pay contractors, accepting a ½% higher rate on that part of the accommodation.

Thruway Bonds

The rank and file in the underwriting fraternity will be watching with more than usual interest when the Thruway Authority opens bids for its newest offering on Tuesday.

It was recalled that the bid which it turned down for the larger offering in July figured out to a net borrowing cost of 2.789%. Since that time the money market has become progressively firmer.

True, the total of bonds now to be offered figures out to only 40% of the originally planned issue and will mature serially. Nevertheless, interest in the situation runs high at the moment.

New PEGS Moving Well

Dealers reported a good demand for the new debentures put on the market yesterday for the Public Service Electric & Gas Co. although it was noted that no big names appeared among the prospective purchasers.

The company received a high bid of 101.54 for the $35 million 20-year loan, to carry a 3½% interest rate. In all four bids were received, all fixing the same coupon.

The winning group priced the debentures for reoffering at 102.173 for an indicated yield of 3.35%. Carrying a high credit rating, the bonds appealed widely, particularly in view of the fact that little or nothing in the way of new offerings is in sight for several weeks ahead.

Long Look Ahead

Bell System affiliates, or at least some of them, take a long look ahead when figuring their capital needs. New Jersey Bell Telephone Co., for example, is planning for its requirements through to June, 1957.

It has applied to the State Public Utilities Commission for permission to obtain $100 million of additional capital between now and that time, noting that since the war's end it has put $565 million into improvements and new facilities.

The financing now in the preparatory state would include $25 million in 40-year debentures and $75 million in new common stock.

FHLB Notes on Market

The Federal Home Loan Banks are offering today (Oct. 6) $325,000,000 in two series of consolidated notes due on March 15 and July 16, 1956, Chairman Walter W. McAllister, Federal Home Loan Bank Board, announced.

The consolidated notes, which are the joint and several obligations of the Federal Home Loan Banks, are issued to refund $120,000,000 in series F consolidated notes, maturing Oct. 17, 1955, and to assist member associations of the Federal Home Loan Bank System in meeting their seasonal needs. Because of the nature of mortgage financing, especially of new homes, there is a three- to five-month time lag between the time a savings and loan association agrees to finance a home mortgage and the actual disbursement of mortgage funds. "Since new home construction is most active during the summer months, actual disbursement of mortgage funds is highest during the fall season," said Mr. McAllister. "To assist in meeting heavy demands for mortgage funds during this period, member associations borrow from their Federal Home Loan Bank, and repay such loans during the winter and spring months when construction activity is normally slower because of colder weather," he added.

The two new series will carry interest coupons at 3% on one series of $200,000,000, maturing March 15, and 3⅛% on the other series of $125,000,000, maturing July 16, 1956.

Both issues are priced at 100%. A nationwide selling group of securities dealers is participating in the offering.

Gibraltar Mortgage Stock at $1 a Share

Vickers Brothers, New York City, is offering publicly 237,883 shares of class B common stock of Gibraltar Mortgage Co., at par ($1 per share).

The proceeds from the sale of these securities are to be used to retire $39,768 short-term notes, to carry $144,900 additional accounts receivable, $33,649 for future contingencies, and the remainder for general corporate purposes.

Gibraltar Mortgage Co., 101 North Andrews Avenue, Fort Lauderdale, Fla., was organized in Florida, on Oct. 30, 1953. A branch office is maintained at West Palm Beach, Palm Beach County, Fla. The company also owns a life and casualty insurance agency located in Hollywood, Broward County, Fla. Recently, the company has organized another mortgage company which has its place of business in Pompano Beach, Fla.

The company anticipates the expansion of its business into other areas, through the opening of other branch offices and through the organization of other mortgage companies as the assets of the company permit further expansion.

The principal function of the company is that of a mortgage broker wherein the company negotiates mortgage loans principally on real property for individuals. These loans include construction and building loans; repair and improvement loans and loans to purchase improved real estate as well as the usual straight mortgage loan. It also to a much lesser extent negotiates loans on personal property. Although a majority of these loans are negotiated with private lenders, the company also acts as broker in placing loans with some Federal Savings and Loan Associations in South Florida.

In addition to its principal function of negotiating loans as a broker, the company also services mortgages owned by others for a fee and is engaged in buying and selling mortgages. Since all mortgages purchased are bought at a discount, the profit, if any, is made in the resale of these mortgages.

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Observations . . .

with the most advancing and the most declining issues, are forecast the preceding September by a large group of financial writers and lay clients. In the 1953 contest, with the D-J at 264, 60% of the forecasts were bullish. In 1954, with the D-J advanced to 343, the percentage of bulls increased to 65%. And this year, with stock prices at a new peak of 472, the bullish contingent rose again to a new high of 70%. Thus, that "trend" of the crowd's psychology is pursued again on the evident assumption that the higher the market, the more likely is it to rise further!

And, incidentally, the uncertainty of prediction is reflected in the divergence displayed by the contestants. Their expectation of the forthcoming year-end price now typically ranges all the way from 330 to 600. And in the issue selection contest, some stocks as Chrysler, General Motors and the leveraged Tri-Continental Warrants are picked for both the most advancing-est and declining-est stocks!

Mutual Funds

By ROBERT R. RICH

THE AXE-HOUGHTON weekly business index has declined slightly since Aug. 27, when it reached an all-time high record. Steel ingot production has continued to advance, and miscellaneous and lumber loadings are higher, but automobile production has declined, owing to model changes, and electric power production is down from the August peak caused partly by the extensive use of air-conditioning.

Automobile production is now recovering from the changeover curtailment, and fourth quarter production is expected to be high.

August new car registrations, unadjusted for seasonal variation, may have reached a new high record. Preliminary figures indicate, at any rate, Axe reports, that retail sales were high enough to bring about a substantial reduction in dealers' stocks, so that the problem of clearing out 1955 models will probably turn out to have been less difficult than predicted by some writers.

Another favorable development, Axe's study notes, is the continued advance in business activity in foreign countries. Their have been many times in the past when this country was little affected by conditions elsewhere, but that is obviously not true today. The British for example, are buying American steel—it used to be the other way around.

Our coal exports are increasing. The pattern of international trade is changing if not expanding.

John Ahbe Named D. G. Sales Officer

John L. Ahbe, previously Regional Manager for the southeastern states, has been appointed Vice-President and Director of Sales of Distributors Group, Inc., sponsors of the mutual funds of Group Securities, Inc.

Mr. Ahbe has had extensive experience in the mutual fund field, at both the wholesale and retail levels. He previously held the post of Manager of the Florida offices of Harris, Upham & Co., and earlier headed his own investment firm in Palm Beach.

Mr. Ahbe, who will make his headquarters in New York, served as Director of the Palm Beach County Red Cross. He holds the rank of Lieutenant Colonel in the U. S. Army Reserve, Military Intelligence. He attended Lafayette College, Easton, Pa.

Ernest Williams has been appointed as Vice-President and Wholesale Representative for Incorporated Investors and Incorporated Income Fund. Williams, who formerly headed up Scott, Horner & Mason's mutual fund department and recently has been associated with Hugh Long & Co., will cover Maryland, District of Columbia, Virginia, Tennessee, North Carolina, South Carolina Georgia and Florida.

He graduated from Washington & Lee in 1938, served as a Lieutenant in the Navy during the war and has been associated with the investment company business for the past six years.

Mr. Williams is a director of the First National Trust and Savings Bank of Lynchburg and also the Durham and South Carolina Railroad. He will make his headquarters in Lynchburg, Va.

Hugh W. Long Starts Monthly Sales Bulletin

A new service for investment dealers and salesmen was inaugurated this week with the publication by Hugh W. Long and Company, Inc. of a monthly information and sales bulletin devoted to the four Long-sponsored mutual funds — Fundamental Investors, Diversified Investment Fund, Manhattan Bond Fund, and Diversified Growth Stock Fund.

The bulletins are designed to provide news of all dividend declarations by these funds, with the publication date scheduled to coincide with usual dividend declaration dates. Information in the form of a table summarizing distributions, offering prices and changes in net asset values of the funds also is included.

Selling ideas and other customer relations tools, from the Sales Workshop of Hugh W. Long and Company, are due to be regular features of the bulletin. The first issue announces availability of an advertising mat designed for dealer use, which has been pre-tested for effectiveness in producing investor inquiries.

Vance Sales Top Cash-Ins During Market's Break

During the period beginning Monday, Sept. 26 and extending through 2 p.m. on Wednesday the 28, sales of new shares of the group of mutual investment companies for which Vance, Sanders & Company is principal underwriter amounted to $2,697,716 compared with redemptions of $1,883,191, the firm reported.

The funds included in this tabulation, with aggregate net assets of more than $1,250,000,000, are Massachusetts Investors Trust, Boston Fund, Massachusetts Investors Growth Stock Fund, Canada General Fund (1954) Limited and Century Shares Trust.

For Massachusetts Investors Trust, the largest mutual fund in the country, net redemptions on Monday were approximately $1,030,000, or about 1/10 of 1% of net assets, Vance, Sanders & Company stated. On Tuesday, when the New York Stock Exchange recovered about a third of Monday's loss, net sales of new shares of Massachusetts Investors Trust exceeded $1,237,000.

About two-thirds of the redemptions of this trust's shares on Sept. 26 represented liquidation by a single investor, it was pointed out by Henry T. Vance, senior partner of the underwriting firm.

"At the time this large block of shares was redeemed," he observed, "specialists in a number of prominent stocks had been unable even to arrange an opening bid on the New York Stock Exchange. Yet this shareholder was able to liquidate his shares at once, in a single transaction, at their net asset value at the time.

"More impressive even that this demonstration of the advantage to a large shareholder of the mutual fund redemption privilege, however, is the fact that fund shareholders generally did not rush to liquidate during the Monday break. On the contrary, many of them contributed to the heavy buying of shares Tuesday.

"Recent events fully confirm previous experience and demonstrate that mutual fund shareholders are not unduly concerned about intermediate swings in stock prices, but are primarily interested in the long-term results of an ownership interest in leading American industries," Mr. Vance stated.

Wellington Sales At Monthly Top

Gross sales of Wellington Fund in September were the largest for any September in the 26-year history of the fund, A. J. Wilkins, Vice-President, announced.

Sales for the month were a record $6,675,871, a gain of 32½% over sales of $5,040,705 in September, 1954.

The record September sales brought volume for the nine months of 1955 to $50,153,779, a record figure, and compared with $45,904,293 in the first nine months of 1954, a gain of nearly $4¼ million.

Mr. Wilkins reported that the substantial gains in sales of Wellington Fund in September in the face of the turbulent securities markets during the latter part of the month again emphasizes investors' confidence in the stability of mutual funds like Wellington.

Discussing the market decline of Monday, Sept. 26, Mr. Wilkins stated that liquidations of Wellington Fund shares that day represented less than 1/10th of 1% of the fund's total net assets. On the following day, Tuesday, Sept. 27, Wellington Fund's sales were the fourth highest of any single day in Wellington's history. "New investments in Wellington continued strong through the remaining days of the month," Mr. Wilkins stated.

National Begins Monthly Withdrawal Plan for Investors

National Securities & Research Corporation, sponsors and managers of the National Securities Series of mutual investment funds, have announced a new investment plan known as the "National Monthly Withdrawal Program," effective Wednesday of this week.

"This new Program," explained H. J. Simonson, Jr., President of National Securities & Research Corporation, "provides the means by which an investor with $10,000 or more in one of the National Securities Series, who wants more money than is available from the current income return from such investment, may arbitrarily elect to use the principal to the extent needed in excess of net investment income.

"The fixed amount of the cash remittance selected will be paid the Program owner, or whoever is designated, either monthly or quarterly at dates selected by the investor. In order to partially offset the invasion of principal, all income distributions and any capital gains are automatically reinvested at net asset value in additional shares of the National Securities Series held by the Program owner."

In any investment of accumulated savings, it was said, a carefully planned Program should be evolved only after a "searching analysis has been made of the financial worth of the investor, the investor's age, intended objectives and the amount available for investment."

"It is only following such an analysis by a reputable investment firm," Mr. Simonson said, "that the appropriate National Securities Series and the logical amount of periodic remittance may be determined so that the Program owner may derive the maximum benefit over the years."

The National Securities Series now have combined total net assets in excess of $250,000,000.

Canada Fund Reports Assets At $65 Million

Canada General Fund (1954) Limited, one of the largest Canadian investment companies owned predominantly by United States investors, reports total net assets at a new high of $65,616,751 at the close of its fiscal year on Aug. 31, 1955.

Net assets per share amounted to $11.64 compared with $10.63 on May 31 and $9.25 when the present fund started operation on Sept. 1, 1954. There were 5,637,242 shares outstanding, owned by more than 26,000 shareholders, at the end of the fiscal year.

In the annual report, Henry T. Vance, President, points out that:

"Your fund commenced operation with net assets of $30,064,500 and 3,250,200 shares of its stock outstanding. Last November, the former Canada General Fund, Inc., which was supervised by the same management group and was under the same sponsorship as your fund, was merged with the present fund, adding $20,961,670 of net asset value for which there were issued 2,258,985 shares of Canada General Fund (1954) Limited. Continuous public offering of the shares began on Jan. 18, 1955."

Noting that "since the two funds have been merged it seems appropriate to review the record of both funds since the original offering date on Aug. 1, 1952," Mr. Vance observes that:

"An original investment in 1,000 shares of Canada General Fund, Inc., with a net asset value of $9,260 on Aug. 1, 1952, increased 54.8% to a net asset value of $14,370 on Aug. 31, 1955 after adjustment for a 1953 capital gain distribution and after reflecting the 1954 merger."

The annual report lists holdings of stocks of 91 Canadian companies in 18 industry classifications and includes a section discussing each of the industries, in which the management outlines reasons for its belief that the growth prospects for business and development of natural resources in Canada compare favorably with the United States.

The report also includes a section relating to the tax advantage which ownership of the fund's shares provides for United States investors.

Steel Shares Changed to Metal

Managed Funds, Inc. has changed the name of one of its mutual fund offerings from Steel Shares to Metal Shares, Hilton H. Slayton, President, announced. At the same time, he announced that dividend dates for Metal Shares have been changed to February, May, August and November.

The name change was effected to dramatize a broadened investment program for Metal Shares to cover all metals, from aluminum to zirconium.

Over the past two years, Managed Funds, Inc. has broadened the investment scope of its various industry classes to bring about a more complete coverage.

Until now the most recent development in this investment policy came last July when Managed Funds' Electrical Equipment Shares became known as Electric Shares. At that time, its investment program was expanded to include electronics and atomics.

Closed-End News

The Adams Express Company announced that the net asset value of its common stock at Sept. 30, 1955, before giving effect to the two-for-one stock split, is estimated at $58.13 per share.

After giving effect to the two-for-one stock split, this amount is equivalent to $29.06 on the 2,643,960 shares to be outstanding. The corresponding net asset value on Dec. 31, 1954 was $51.53 per old share or $25.76 after adjustment for the 100% stock distribution. Its holding of American International Corporation, a majority-owned subsidiary, is included at net asset value at both dates.

American International Corporation announced today that the net asset value of its common stock at Sept. 30, 1955, before giving effect to the two-for-one stock split, is estimated at $36.03 per share. After giving effect to the two-for-one stock split, this amount is equivalent to $18.01 on the 1,876,000 shares to be outstanding. The corresponding net asset value on Dec. 31, 1954 was $32.40 per old share or $16.20 after adjustment for the 100% stock distribution.

Petroleum Corporation of America announced today that the net asset value of its common stock at Sept. 30, 1955 is estimated at $35.61 per share compared with $32.29 at Dec. 31, 1954.

General American Investors Company, Inc. reports as of Sept. 30, 1955 net assets were $60,327,029. After dividends of $742,329, the increase for the nine months was $1,878,137.

Net assets, after deducting $5,993,000 preferred stock, were equal to $30.18 per share of common stock on the 1,800,220 shares outstanding as compared with $31.99 on June 30, 1955 and $29.14 on Dec. 31, 1954.

Net profit from the sale of securities for the nine months was $1,031,655. Net income from dividends, interest and royalties for the period, after expenses and state and municipal taxes, was $824,787.

Wellington Dividend

Wellington Fund is making its largest dividend distribution to shareholders with $3,495,893 going to more than 150,000 holders.

The dividend covers the payment of 20 cents a share in distributions from net investment income and is being mailed to holders of record Sept. 9, 1955.

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The Security I Like Best

are booked to capacity for the next year.

For the first six months of 1955, Symington-Gould earned 53c, and Wayne Pump $1.12 per share. The outlook for the next 12 months is excellent. Estimated 1955 earnings are: Symington-Gould, $1 to $1.25, and Wayne Pump $2.50 to $3.

Taking into consideration that Symington-Gould has long term debt of $1,480,000 and common stock outstanding of 1,012,984 shares; while Wayne Pump has long term debt of $626,000 and 431,958 shares of common stock, the leverage of increased earnings which seem indicated for both companies should have an effect on the value of Symington-Gould's stock and its earnings. Based on the current price of 8¾, the current yield of nearly 6% should be a modest appraisal of the true future worth of the stock.

Self-Sustaining New Car Market Forecast

October issue of the First National City Bank of New York's "Monthly Bank Letter" points out the period of high income and employment since World War II has created a demand for cars, and once a family reaches a level to purchase a new car, it tends to buy its subsequent cars new rather than used.

In an article entitled "The New Car Market for Automobiles," the October issue of the "Monthly Bank Letter," issued by the First National City Bank of New York, foresees a development of a self-sustaining new car market.

According to the article:

"The market for new cars is, of course, the most important part of the automobile market from the standpoint of industrial production and economic activity generally. In the period of sustained high income and employment which has prevailed almost without interruption since World War II, there appears to be building up what might be called a self-sustaining new car market. Once a family reaches the economic level at which it can purchase a new car, it tends to buy its subsequent cars new rather than used. A recent survey by 'U. S. News and World Report' showed that four out of five of the cars traded in by persons buying new cars in 1954 had also been bought new. Two-thirds of these new car buyers had owned their previous car only three years, and 92% of the cars traded in had been owned five years or less. An equally large proportion planned to trade in their 1954 car within five years.

"This idea of a regular turnover of new cars by a steadily growing sector of the population was expressed at a National Industrial Conference Board economic forum by George P. Hitchings, Manager of the Economic Analysis Department of the Ford Motor Company, in November, 1954:

"'The fact that we have sold in the six-year period, 1949 through 1954, an average of 5,250,000 cars a year to domestic customers sets in motion automatically the forces to produce in the next 6-year period a total that large or larger, because most of the new car buyers come from the people who own cars six years of age and under.

"'The problem in any one year, of course, is what proportion of people owning cars in this age group will trade in for new cars.'

"When and whether these car owners decide to trade in for a still newer car (and used car owners decide to upgrade to a new car) depends upon many factors, including general economic conditions, automobile style changes, income levels, and shifts in family living patterns. One very important element in these decisions is the trade-in allowance an owner can obtain for his old car. Here the growth of demand and the rate of scrappage exert their indirect effect on the new car market through their influence on used car prices and hence on trade-in allowances.

"Approximately nine out of ten new car sales add an additional car to the used car market through trade-ins, direct sales, or otherwise. The prices at which the used car market absorbs these additional cars reflect, on the one hand, the increase in demand from people purchasing cars for the first time and, on the other, the reduction in supply through scrappage. At the same time, as in most free markets, the price level has an important effect on both new demand and scrappage.

"New demand may be stimulated by attractive prices and model changes, as in the current year, or by other factors, including such unpredictable events as the scare-buying following the start of the Korean War. In the long run, however, it arises from household formation, the growth in the population of driving age, and trends in the level and distribution of income. As outlined by Mr. Hitchings before the Joint Congressional Committee on the Economic Report in February, 1954:

"'Growth in total car ownership occurs because of (1) increase in the number of households and (2) increase in ownership per household. Household growth currently amounts to about 2% a year. Car registrations per household have moved up from the reduced level of 66 per 100 households in mid-1946 to 90 in mid-1953. This does not mean, of course, that 90% of the households own a car. It merely represents the number of cars divided by the number of households. Some households own more than one car, and some cars are owned by businesses or were in used-car inventories of car dealers. There will be further growth in ownership per household, but it will be closer to the long-run average annual rate since 1929 of 0.8 per 100 households than the 3.4 rate of the postwar period.'

"On this basis, new demand would normally average about 3% per year, or in the neighborhood of 1.4 million cars. An important part of this demand is the growth of 2-car families, now estimated to be over 10% of all families."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Uncle Sam, who is fussing with the idea of going into the flood insurance business, has already had some experience with a form of insurance which is in some respects similar — insurance against crop losses through the Federal Crop Insurance Corp.

As a matter of fact, Norman P. Mason, Federal Housing Commissioner, already had Crop Insurance in mind when he noted in the original press release sounding the call for "a move to devise government-backed insurance which will give financial protection to people suffering loss of real property as a result of flood damage."

This same press release referred to "the present government crop insurance program which has operated successfully, even showing a surplus in recent years."

Mr. Mason indicated he had some arrangement in mind similar to his Federal Housing Administration in which lending risk or insuring risk is underwritten by the government. Crop insurance, on the other hand, is a risk which the government undertakes all by itself, without the intermediary aid of business.

Federal crop insurance through the Crop Insurance Corp., first went into effect in 1939. While Congress provided for such a benefit, it did so with little apparent enthusiasm, for it was unwilling initially to commit much money to the project. Due to reduced funds, including administrative appropriations, the Crop Insurance Corp., did not do too extensive a business in its earlier years. In 1939 and 1940, the corporation took on wheat only. By 1941 it took on cotton.

Put In Liquidation

However, in its earlier years, CIC, which before 1944 offered nation-wide coverage, ran into the same apparent attitude among prospective beneficiaries that will confront any flood insurance scheme that is not a 100% subsidy. It is the attitude which has, in the opinion of private insurance companies, made flood insurance unfeasible. Those who don't need it don't want to buy; those who do need it are the ones who take it on, and they are the greatest risks.

So by the time the Crop Insurance Corp. had taken steady losses year after year in terms of "indemnities" or outpayments greater than premium income without including administrative overhead, Congress in one of its rare moods got disgusted with the deal and voted to put CIC into liquidation. For one whole crop year, 1944, the Crop Insurance Corp. was out of business.

Revived On Different Basis

However, it is most verboten for any subsidy, no matter how unsuccessful, to be ever finally murdered by Congress, so the thing was revived again with the crop year 1945, but on a different basis.

This different basis looks and smells somewhat like a private business approach toward assuming risks. The new basis was entitled "experimental." That it was, plus also cautious.

CIC surveys every county and every part of a county as to its production history in relation to the crops insured, before underwriting any risk in any county. CIC has the power to be subjective in writing up insurance. It can charge a higher premium in an area with a higher risk history of crop losses. It can charge a lower rate in areas where the data show fewest years of poor crops.

CIC can even refuse insurance to a farmer no matter how good his land is, if his production history is one of crop failure. In other words, it's not like public education as are most governmental enterprises, open to fair and foul beneficiaries alike; it is more like Lloyd's.

Furthermore, the thing is proceeding on a genuinely experimental basis. Instead of offering insurance on an entire crop, nationwide, as initially, the insurance is only available in counties whose production histories CIC has had time to study and monkey with. All in all, there are only 803 counties in which CIC writes insurance on one or another kind of crop.

CIC is experimenting. In several counties it has undertaken, to see how it works out, the use of multiple-crop insurance on the same farm. The experimental approach is typified by the chariness with which CIC now takes on new fields of prospective loss. Just this crop year 1955, for instance, CIC is experimentally handling in only a few counties its first attempt at insurance on the major soy bean crop. Next year it will experiment cautiously and inexpensively with barley in a few other counties.

Losses Incurred In Most Years

Throughout most of its history, the Federal Crop Insurance Corp. has taken losses. Without counting appropriated funds for overhead administrative costs—just premium income versus "indemnities" or outpayments — showed a cumulative loss of approximately $93.4 million, through 1946.

However, in four years CIC paid out less in losses than it collected in premiums, by a total (in round numbers) of $5.4 million in 1947; $6.1 million in 1948; $1.5 million in 1950; and almost $600,000 in 1951. These figures are on a crop year basis.

Thereafter, with the dry spells of 1953 and 1954, the corporation took losses of $4 million and $6 million, respectively.

Loss Nearly $144 Million

Thus the Crop Insurance Corporation beginning with 1939 and continuing through the crop year 1954 had aggregate operating losses of $103.4 million, and four years of "profits" totaling $13.6 million, or a loss of $89.8 million without figuring in the overhead cost of this government's insurance company.

However, the overhead costs of this "insurance company" were paid out of the Treasury. The cumulative total of administrative expenses for CIC from 1939 through 1954 was some $54 million. With the excess of indemnities just under $90 million, this brings the total loss through last year to $144 million, and this is still exclusive of a couple of loss years not herein detailed. It is also exclusive of the cost to the Treasury of interest on its "investment" in FCIC.

Administrative costs are running at an annual rate of about $6 million. Thus in only two years were operating surpluses close to or slightly exceeding overhead costs.

Of course, many Federal agencies can lose a great deal more than $144 million in 15 years of operations. It is not known whether this is the concept which FHA Commissioner Mason had in mind in terming Federal crop insurance a successful operation.

Scope Small

There is another aspect of the crop insurance scheme that may have a bearing on flood insurance. This is that the number of farmers out of the $5\frac{1}{4}$ million of farms in the United States that have taken an interest in crop insurance has been small. CIC's annual business has as a rule never amounted to more than the $40,648,000 taken in premium income in 1947, and for years since then has generally been smaller.

So unless Congress or the Eisenhower Administration jumps into flood insurance with something which is a big whooping subsidy, it probably won't amount to a great deal.

Public Works Money Is Immediately Available

One of the little noted changes in the Democratic housing legislation was to skip the appropriations process in the matter of setting up the Housing and Home Finance Agency in the business of being a source of funds for financing local public works, such as sewer, water, and gas distribution systems.

This amendment provided that the $100 million of loans authorized for this purpose can be borrowed by the HHFA Administrator directly from the Secretary of the Treasury. Under the Housing Act of 1954—passed by the previous and Republican Congress — funds for reviving this old RFC function could not be disbursed except to the extent appropriated by Congress.

Barter Deals Are Growing

There are two stories in the figures on the barter deals of the Commodity Credit Corp. whereby surplus agricultural commodities in the hands of the government are swapped for foreign materials, many of them basic, many strategic.

The first story is the amount CCC has revealed that it has made contracts for sale of surplus commodities "with an export value," it says, of $282 million in fiscal 1955. This compares with similar contracts for $110 million in the first five years CCC has had barter power.

A second story is the amount of materials being acquired for the war-time minimum strategic stockpile, the "long range" stockpile, and the "supplemental stockpile" of the Foreign Trade and Development Act of 1955.

Of this $282 million of materials to be acquired, all but $22.3 million is for one of these three categories of stockpiles.

[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

Business Man's Bookshelf

Charting Steel's Progress — 72-page illustrated booklet of iron and steel industry statistics — American Iron and Steel Institute, 350 Fifth Avenue, New York 1, N. Y. (paper) single copies on request.

Equity Capital for Small Business Corporations — Memorandum prepared by the Small Business Committee of the Investment Bankers Association — Investment Bankers Association of America, 425 13th Street, N. W., Washington 4, D. C. (paper) 25c (quantity prices on request).

Executive Development in Banking — American Bankers Association, 12 East 36th Street, New York 16, N. Y. (hard covers).

Putting Words to Work: What Business Has Learned About Writing — Professor Herbert C. Morton—Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. (paper) on request.

Rats for Research — Booklet describing the Snell-Supplee colony of albino rats for research and testing — Public Relations Department, Foster D. Snell, Inc., 29 West 15th Street, New York 11, N. Y. On request.

Staff Role in Management: Its Creative Uses—Robert C. Sampson — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth) $4.

Structural Shop Drafting — Vol. III—American Institute of Steel Construction, 101 Park Avenue, New York 17, N. Y.—$3.

Survey of International Trade Theory — Gottfried Haberler, translated from the German by W. Michael Blumenthal—International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper) single copies on request.

West Virginia Statistical Handbook 1955 — James H. Thompson, Editor—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. (paper).