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EDITORIAL

As We See It

One of the most interesting and, we venture to hope, one of the most encouraging developments of the voting last week was the increased disposition on the part of the rank and file to turn thumbs down on further borrowing by state and local governments. Both of the major parties have been busily engaged for the past week or 10 days finding in the election returns something or other which presaged victory for them next year. Such speculation we gladly leave to the politically minded. A great deal more interesting to us is the fact that of the dollar amounts of bonds proposed, the voters rejected around two-thirds. A number of "explanations" have been forthcoming, and a very considerable effort to prove that this action on the part of the voters does not mean just what it appears to mean or may mean.

It is our ardent hope that it means all that is claimed for it in any quarter—and more. There are those who are fully convinced that the returns last week strongly indicate that the public is turning away from the recklessness of recent years in borrowing and spending vast sums of money for many kinds of doubtful projects. The time has come, so these reasoners believe, when politicians can no longer rely upon a variant of the alleged assertion of Harry Hopkins and expect to spend and spend, borrow and borrow and elect and elect. The somewhat saner attitude of some of the leading figures in Washington, Democratic and Republican, may have begun to have a salutary effect upon the public mind. It is a consummation devoutly to be wished.

But at the very best it can be but a small

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Funds Grow Cautious

By HENRY ANSBACHER LONG

Selling of common stocks predominated during previous quarter, as Funds' defensive positions were generally strengthened. Electric utility, natural gas and insurance equities favored on balance along with auto parts, machinery, paper and drug issues. Selling concentrated in electronic and electrical equipment shares, non-ferrous metals, rails, metals, textiles and foods. Management policy was divided regarding the oil, chemical, building, steel and merchandising groups.

For the first time in five years, dating from the period following the outbreak of war in Korea, the number of investment companies selling common stocks on balance has exceeded purchasers. Of the 65 funds surveyed during the third quarter of this year, 27 sold junior equities on balance and 21 increased commitments while the remainder just about matched their transactions on either side of the market. Due to the fact that purchasing was more concentrated in several of the larger open-end companies, actual purchase transactions topped sales by a slight margin and over-all dollar holdings of common stocks increased, but as has been emphasized repeatedly, these surveys are primarily concerned with management opinion, unweighted by company size, since this is the primary interest of the longer term investor.

Henry A. Long

Other facets of quarterly operations accentuate the cautious attitude toward common stocks. Almost three-quarters of the companies surveyed increased their holdings of cash and governments, which was also somewhat of a record over the last several years. Thus, with the open-end companies or mutual funds making record-breaking sales of their own shares to the investing public, only slightly more than a quarter of this new money invested in *balanced fund* assets was used for common stock purchases, and the corresponding figure was 35%

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The Present Position Of the Stock Market

By G. M. LOEB*

Partner, E. F. Hutton & Company

Author, "The Battle for Investment Survival"

Mr. Loeb, contending "the tide of life favors equities," expresses view "the stock market is going up." Reviews stock market situation, and says it is not so much a question of buying stocks now, but what stocks to buy. Lists several desirable issues.

On the train coming up, I read the latest issue of "Newsweek." It features a full color picture of Harlow Curtice on the cover. He is the boss of the biggest and most profitable enterprise in the world. The story inside tells why. He is forever selling. His optimism is boundless. He says "At General Motors we don't have any bad years. We have better years. Then good years. Then better years." Mr. Curtice operates on the well substantiated theory that standing still is the surest way of rolling backwards. What is more, two years ago Mr. Curtice's courage in confidentially announcing a billion dollar expansion program played a major part in restoring business confidence. I think investors, and we in the security and banking business can learn a great deal from Harlow Curtice and General Motors.

G. M. Loeb

Take what he says about standing still being the surest way of rolling backwards. I believe that. I learned that many years ago. And that is why I always say that if an investment is not at the same time a good speculation, it is not a good investment at all. To put it another way, any investment that does not promise to increase in value will, in time, surely decrease in value. It will not stand still.

I know I was not asked up here to talk about the

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*An address by Mr. Loeb at the Luncheon Meeting of the Bond Club of Buffalo, Buffalo, N. Y., Nov. 9, 1955.

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 39.

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.)

ERNEST E. BLUM
Vice-President,
Brush, Slocumb & Co. Inc.,
San Francisco, Calif.

P. R. Mallory & Co., Inc.

We see many good things ahead for P. R. Mallory & Co., Inc. At present, a blue-chip among Over-the-Counter Market stocks, I foresee the day when it will be a leader on the stock exchange and much better known to the investing public than it is now.

Ernest E. Blum

Mallory is characterized by high-quality. Its customers are General Motors, American Telephone & Telegraph, General Electric, Radio Corporation of America and a long list of similar giants of industry. Likewise, much of its growth has been based on consistent quality of products rather than on competitive pricing. The managing heads of the business are high-grade men, prominent in civic affairs of their communities, and thoroughly saturated with confidence in a bright future for their company.

Mallory makes components for use wherever electricity is at work—its electrochemical, electromechanical, electronic and metallurgical products are essential parts of the electric and electronic devices that permit modern living. More specifically, its lines include capacitors, batteries, rectifiers, resistors, switches, contacts, resistance welding electrodes, vibrators, and other similar items. These products are used in aircraft, automotive, communication, electrical, electronic, household appliance, metal, public utility, radio, television, transportation, and general industrial fields. Many items are high-precision and are made on customer order with corresponding reduction of inventory risk. Certain parts, for example, contact points, are insignificant in the price of a finished product, such as an automobile or an airplane. At the same time, top-notch functioning of these parts is essential to good operation. Thus, perfection of quality of the component is of great importance, overshadowing price considerations.

The specialty metals needed for products often had to be developed, which naturally brought the company into metallurgical fields, including the interesting new techniques of powdered metallurgy. Of particular importance in metallurgy is the half-ownership of Mallory-Sharon Titanium Corporation, of which Sharon Steel is the other parent. Mallory-Sharon has developed unique melting methods, permitting the production of titanium alloys that have unusual heat and corrosion resistance. Production of titanium is a two-step operation, the first being separation of the metal from its ore, the result being "sponge" titanium. Mallory-Sharon does not participate in this part of the operation, but rather buys its sponge from Dow Chemical, du Pont and even from Japan. Mallory-Sharon adds alloying metals to the sponge, which is then compressed into electrodes. These are vacuum double melted into ingot form, and then the ingots are rolled or otherwise formed into mill products. The alloying process is a critical one, and Mallory's skill in this field has helped the titanium subsidiary in developing its specialized techniques, which are unique in the titanium industry.

Two of the unusual features of the process are: (1) Mallory-Sharon can use scrap titanium without detriment to its alloys, and (2) it permits uniformity of product to a degree unequalled in the industry. Combining high strength and light weight, titanium is perhaps today's fastest growing metal. Mallory-Sharon is shooting for 20% of the market, so the potentials are large. Some close observers of the company are of the opinion that Mallory could sell its interest in Mallory-Sharon, at the present time, for about $10,000,000, or $10 per share of common. There is, however, no thought of selling, as sizable earnings are being made now, about two and a half years ahead of estimates. The prime objective now is to bring down the cost of titanium alloys, so that large potential markets will become available. Thus, earnings of Mallory-Sharon may not rise in a smooth curve, but nevertheless, may attain much larger proportions in the next several years. Any sound appraisal of P. R. Mallory stock must give weight to the present and potential value of the titanium subsidiary.

Research is an integral and continuous part of the operation, necessary because the multiplicity of products involves obsolescence, especially in the fast-changing electronic industry. Mallory's research has been productive—it developed the Timer Switch for automatic washing machines, dishwashers and driers; the Mercury Battery for hearing aids, portable radios, photo-flash cameras and many defense applications; the vibrator which made present-day automobile radio possible; the Dry Electrolytic Capacitor used in television, radio, air conditioners and refrigerators; Elkonite, a new metal with high electrical and thermal conductivity—and many other metallurgical and electronic products. The long-term policy of appropriating about 4% of sales to research and engineering should insure a steady flow of new products and improved methods. The trend toward automation opens up many new uses for the company's engineering skills and products.

The management set-up is worthy of comment. There are ten operating divisions, each under a competent manager with considerable latitude and responsibility; top executives concentrate on top matters only. This decentralized type of organization is used in the largest American corporations, and has been installed at Mallory (at substantial expense during recent years) to handle properly a much larger volume of business than the current rate. This is evidence of long-term planning toward future growth.

Financial structure consists of about $6,000,000 unsecured serial notes held by an insurance company, followed by 138,000 shares of 4½% preferred, each share convertible into approximately one and a half shares of common. Commencing December, 1955, a sinking fund is to retire 4,500 shares of preferred each year; in anticipation, sufficient stock has been bought to cover sinking fund requirements through 1957. Common stock outstanding is about 934,000 shares, reflecting a 50% stock dividend paid in September of this year. Stock dividends are not uncommon, 20% having been paid in 1950 and 25% in 1952.

Following is a tabulation of sales, earnings, and dividends, adjusted to the number of common shares now outstanding:

	Sales (000)	Earned per Share (Adjusted)	Dividends per Share (Adjusted)
1936	$ 4,803	$ .68	$ .06
1941	12,475	.91	.31
1946	18,708	.92	.46
1951	45,438	2.09	.73
1952	53,443	2.06	.67
1953	70,874	2.49	1.13
1954	54,630	.80	1.33

It is readily apparent that something happened in 1954 to interrupt the enviable growth of sales and earnings shown previously. The "something" was three-pronged—(1) serious labor trouble for the first time in the company's history, (2) a let-down in many of the industries comprising Mallory's customers, (3) failure of the UHF television market to live up to expectations. The surprising thing was not that earnings were low, but that the year showed any earnings at all. Our conclusion is that 1954 was an unfortunate year, and in no way altered our longer-range view of the situation. Management showed its confidence by continuing the regular dividend through the period of trouble, the rate being $2 on the then outstanding stock.

In happier contrast, look at the picture today. Worker productivity is at a high level, and management-employee relations appear excellent. Earnings snapped back to $1,626,530 in the first nine months of 1955 against $521,043 in the similar 1954 period. Current estimate for the full year is around $2.25 a share, on the presently outstanding stock, which is now on a regular $1.40 dividend basis. Sales are expected to show a 20% increase and reach the $62,000,000 level this year. Looking ahead, both sales and earnings are likely to increase in 1956.

Another factor, sometimes overlooked, is that the corporation's investment in its associated companies in Canada, England, and Australia, as well as in several

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This Week's Forum Participants and Their Selections

An Analysis of the Outlook For Long-Term Interest Rates

By ROY L. REIERSON*
Vice-President and Economist
Bankers Trust Company, New York City

Dr. Reierson, after discussing factors relating to the rise in bond yields, says the trend is nearly over, and he expresses view that in decade ahead long-term interest rates will fluctuate around recent levels. Holds higher investment demands will be met by current savings, and concludes "present prospects still point to continued firmness in interest rates until there is evidence of some easing in business."

For some time, the belief has been gaining ground that we face a sustained secular rise in long-term interest rates. Some observers, relying upon the historical pattern of interest rate movements in earlier decades, express the belief that beginning about 1946, we embarked upon a 20- or 30-year era of rising interest rates. Others are of the opinion that large and increasing demands for investment funds will run ahead of savings and tend to push interest rates upward. Still others hold the view that chronic inflationary pressures will erode the public's willingness to place its savings in fixed-income securities, with higher interest rates the inevitable result. Finally, the point is made that interest rates have firmed in several foreign countries and that in many countries interest rates are well above the levels that prevail in the United States.

Roy L. Reierson

These considerations indicate some of the factors that could conceivably have some bearing upon the outlook. In addition, however, the course of interest rates over the years ahead is likely to be affected by numerous other forces—many of them complex, some even contradictory. The record of the broad past, the changes in the economic environment in more recent years, present economic trends and—last, but assuredly not least — Government policies all need to be taken into account before even a general opinion can be ventured regarding the future of interest rates.

The Long View

Based upon long-run trends, forecasting the course of long-term interest rates might admittedly seem to be a fairly simple task. The historical record of almost a century shows that such rates have followed a trend fairly persistently over several decades. Thus, from 1870 to 1900, the direction of long-term rates was steadily downward while for the first 20 years of this century, the trend was toward higher rates. During the following quarter century—that is, from 1920 to 1945 — the general movement of long-term rates again was toward ever lower levels, interrupted only by the credit crisis of the early 1930's. The end of World War II seems to have marked a low point; since then, rates have risen perceptibly. Taking our cue from the past, therefore, we might be tempted to conclude that we are in the midst of another sustained rise in long-term rates.

Despite this seeming ease of prediction, however, forecasts regarding long-term interest rates actually are fraught with many pitfalls. A classic example of failure was recounted by Professor Rose in his study of investment management published in 1923. He related how in 1899—that is, at a time when interest rates had just about reached their low point in a 50-year cycle—a large number of leading bankers, business executives and Government officials were queried as to their views regarding the 20-year outlook for interest rates on long-term obligations. The overwhelming majority of about 70 respondents expected rates to average between 3 and 3½%, which was around the level then prevailing; nary a one foresaw the steady rise that began at the turn of the century and that was to carry long-term rates to well above 5% in 1920.

In searching for clues to the future, some importance is frequently assigned to the fact that history shows some broad similarities between the movements of commodity prices and of interest rates; in general, sustained periods of receding interest rates have witnessed declining price trends, while rising rates have been accompanied, by and large, by a firming of the commodity price index. Unfortunately, however, this relationship by itself does not simplify our task, since the future trend of commodity prices may be no less difficult to forecast than the course of interest rates. Furthermore, the relationship seems to be quite broad and loose, so that the two trends have at times been at variance for several years. Consequently, even if the general relationship between commodity prices and interest rates were to prevail in the future, this would not be too helpful in appraising the outlook for long-term interest rates.

Nor does the view that an era of economic expansion must be accompanied by a rising trend of

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*An address by Dr. Reierson before the American Institute of Real Estate Appraisers, New York City, Nov. 8, 1955.

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*See "Funds Grow Cautious" by Henry A. Long starting on Cover Page.
† Column not available this week.

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The Economy's Dependence on Consumer and Housing Credit

By JAMES K. VARDAMAN, JR.*
Member, Board of Governors
The Federal Reserve System

Federal Reserve Governor discusses the growth of consumer credit and finds the typical instalment borrower today is not an improvident man with small income, since 60% of American families now use consumer instalment credit. Says consumer credit has a more influential impact on the over-all credit structure today than any other form of credit. Finds housing credit also a social as well as a financial problem, and upholds the "amortized mortgage" and liberal mortgage terms as in the public interest.

The ease with which the American people have changed by peaceful means the social pattern and economic policies of their country without changing the basic form of its government should be a source of great pride and confidence to all of us.

J. K. Vardaman, Jr.

After 168 years of hard usage, the Constitution and Bill of Rights are still intact, remarkably alive and steadfast in sustaining the concepts of individual freedom which they cradled. Our Government continues to maintain an effective separation of its three primary divisions, legislative, judicial, and executive, with each properly jealous of its own prerogatives.

Within this constitutional framework, however, there have been constant adaptations in our concepts of citizenship, of the freedom of the individual, and of the entitlements of all people to share the necessities and luxuries of life. Through constitutional procedures as well as economic change, the ordinary individual today has privileges and opportunities of which he hardly dreamed in the early days of our Government. He enjoys educational and health benefits, unemployment and old age security, physical comforts, mechanical luxuries, and dietary delicacies that were not even figments of imagination to the great numbers of our people during the early years of the Republic.

These changes have been brought about by a comparatively rapid process of public opinion generating public demands which have been satisfied at the national level by successive Congresses through legislative enactment. It seems a routine American custom to belittle the Congresses in session during one's lifetime. But those who take time to study our political history are forced to the conclusion that on the whole our Congress has been composed of patriotic, wise, and farsighted individuals. They have been and are today, typical representatives of the American people. More often than not they are a distinct credit to the people and to the Government.

Having been in and out of Washington for more than 50 years and having worked on the inside of about a dozen sessions and observed about 25, I have much more faith in these Congressional bodies than many people have. Far from becoming discouraged and embittered by the weakness of a few individual members, my faith in Congress as an institution has been confirmed and strengthened.

I am going out of my way here to express this considered opinion of Congress in the hope that, when some enactments are proposed in the next decade which I feel sure will be proposed, that memory of this evening may cause you to pause and think before speaking or acting. If you do, I believe you will be objective, impersonal, and wise in your conduct and analysis. Try to help the Congress instead of condemning the few individuals who propose offending measures. Remember, they are probably just as sincere as we. And undoubtedly they are much better informed than we as to what the people want.

Two Changes in Our Credit System

Let's talk briefly about one area of prospective enactment which may be prompted by two changes in our credit system, changes that have been most upsetting to our traditional notions of proper personal financial arrangements and which seem destined to affect further the relations between our Government and the individual citizen. As with most other adaptations that have brought about an extension of the role of Government, these changes have developed gradually among the people. And like other changes in the past, a point of development will be reached when their public interest aspects will have to be recognized by the Congress.

It may be interesting to note here that nearly all major changes in financial customs effected by Congress in the last 40 years—especially those from which the economy has derived greatest benefit — have been opposed by bankers. A banker since 1920 and a banker's lawyer before that, I know whereof I speak.

Bankers are not always wrong even though they usually, and quite naturally, dislike any change in the *status quo*. When the Congress had before it such questions as the establishment of the Federal Reserve System, the Federal Housing Administration, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, opposition by bankers was widespread, loud, and long.

It is to be hoped that bankers will continue to oppose any change in the *status quo* that looks suspicious or unsound to them. Opposition and critical analyses usually prove helpful in the drafting of far-reaching legislation and is especially important where effects of the enactments on the people will be lasting. Therefore, I say to you, keep up your guard; continue fighting for what you think is right. Let nothing go by unquestioned. Of one thing you may be certain—if the legislative proposals are good for the country and are really required and demanded, they will eventually be enacted into law whether we oppose or favor.

I say this because the American people who hold the ultimate destiny of this country in their own hands are today better educated, have a clearer understanding of their Government, and are in a stronger position to demand and accomplish what they want from Government than ever before. In today's environment, no political party or Administration can ignore for long the well formed, definite demands of the people.

The Rise of Consumer Credit

As in politics, where the people have largely superseded party bosses, so in the credit field individual buyers and borrowers have largely superseded the production man and the banker as the initiator of credit, both as to type and amount. The individual consumer has become the dominating influence in our entire credit structure. Today, his short-term, instalment and mortgage obligations account for approximately 45% of all private debt.

Thirty or more years ago when the idea of consumer credit began to dawn on buyer and retailers, financing facilities for fulfilling their needs were almost nonexistent. Commercial banks either failed or refused to anticipate the rising demand. As a consequence of this failure, small loan companies, Morris Plan Banks, industrial banks, credit unions, and sales finance companies came into being. Almost before we knew it, there developed a full-fledged industry outside the commercial banking field, rendering helpful service to borrowers who were not welcomed at most commercial banks. The service was constructive, even though oftentimes performed at a cost excessive to the individual borrowers, with a resultant excessive profit to the lender.

By the late Thirties, the consumer credit industry had become well organized and was dominated by a wise, alert, and responsible leadership. And, in 1945 on returning from four years' overseas duty with the Amphibious Navy, I was much encouraged by

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*An address by Mr. Vardaman before the 8th District Group, Georgia Bankers Association, Valdosta, Ga.

The State of Trade and Industry

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

Industrial production for the nation as a whole, in the period ended on Wednesday of last week, showed moderate expansion and exceeded by a considerable margin the corresponding level in 1954. With the exception of copper and aluminium, it was reported that materials were in plentiful supply.

On the employment front, it was noted that claims for unemployment insurance dropped fractionally, with the apparel, leather and food processing industries the chief sources of new seasonal employment.

First claims for unemployment insurance rose by 18,900 to 193,300 during the week ended Nov. 5, the United States Department of Labor reported.

The department's Bureau of Employment Security noted the increase in first claims was due primarily to seasonal lay-offs in construction and food processing and curtailment of lumber activities in the Northwest due to bad weather. In the like week of 1954, initial claims for jobless pay totaled 266,400.

In the week ended Oct. 29, the total of workers drawing jobless pay dropped by 200 to 780,900. This compared with 1,446,000 a year earlier.

The steel shortage is even worse than it appears on the surface —and that's pretty bad. The scramble for steel has developed into a grim life-or-death struggle for many consumers, states "The Iron Age," national metalworking weekly.

Despite everything the mills are doing to step up production, the situation is deteriorating. Steel is where you find it for companies large or small. And that includes high-cost conversion, buying from so-called steel brokers and barter deals.

Lack of steel is imposing a limit on what many companies can produce, thus restricting the amount of business they can accept. For them and others, steel procurement is the worst nightmare since the Korean War, declares this trade weekly.

Conversion deals involving thousands of tons are kicking around the country looking for a home. Products involved include sheets, plates and bars. Some mills have about all the conversion tonnage they can handle. They are expensive for the consumer, but nevertheless the better of two evils when the alternative is to slow down or shut down a production line.

For the company that wants to make a conversion deal, ingot costs range up to $100 a ton or slightly less than double the regular mill price. Slabs, second step in the steel production cycle, are going for $110 F. O. B., compared with the mill price of around $68.50. By the time the steel user gets the sheets he needs, he has paid a price that has no resemblance to the going mill price, declares this trade authority.

The growing volume of conversion tonnages is posing a threat to efforts of the mills to hold down steel scrap prices. Mills knee deep in conversion include electric furnace shops and other producers who will require heavy tonnages of steelmaking scrap grades. To obtain their requirements, they will be inclined to bid up scrap prices.

Higher scrap prices in turn increase the pressure on finished steel prices. Several mills have already pointed to high cost of scrap as one of several factors that forced them to increase prices of some steel products. If scrap prices go through the roof during the coming winter, as some fear, more companies may be forced to take another look at their finished steel price structure, "The Iron Age" concludes.

Automobile production in the United States last week, the second highest in history, climbed to within 3.7% of the 216,629 all-time high logged in the period April 25-30 last, "Ward's Automotive Reports" declared the past week.

The weekly publication counted 208,633 car and truck completions in domestic plants, a 7.8% gain over last week's 193,561. The same week of 1954 netted 138,233 vehicles.

Daily and Saturday overtime at virtually all companies pushed car output alone to 181,230, a point shaded only by the April 25-30 peak of 184,279.

Of this week's car output, "Ward's" said, General Motors Corp. took 50.3%, Chrysler Corp. 18.1%, Ford Motor Co. 28.2% and remaining producers 3.4%, witnessing the first return to market shares recorded prior to 1956 model changeover.

The return to normal scheduling closed out the most successful model cleanup in history, with September-October dealer new car sales averaging 44% more than a year ago.

With General Motors Corp. reporting 231,283 new car sales

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Observations . . .

By A. WILFRED MAY

SOME NOTES ON FAMILY PLANNING*

(with a bow to Mr. Woodward)

Estate planning, and non-planning, constitute another investment area where psychological factors exert marked influence. In the formulation of both the procedural and the investing phases involved in the passing-on of securities realistic scrutiny should be applied.

A. Wilfred May

Wisdom for the parent as well as the child is called for. Too often is logical transfer of a parent's wealth stalled by his clinging to his money as his subconscious symbol of continuing authority and power. Too often the purse-string represents the last tie preserving his emotional security in relation to his offspring. Too often does unwillingness to face the prospect of eventual death cause inexcusable neglect on the part of one otherwise completely efficient.

Heir Conditioning in Advance

For the benefit of the property's recipient, as well as for the conservation of the capital involved, some "bite," or instalment, method of transferring substantial wealth, is advisable. The instalment method embodies the double advantage of minimizing the psychological upset from sudden acquisition of unaccustomed wealth, and of affording adequate time to the presumably less experienced offspring for getting his financial feet wet. Before the parent's death, this affords the opportunity for investment training and guidance under his active supervision, which should be maintained under the status of availability for advice rather than of actual control.

There are other advantages of specific material nature, in transferring money before death. In usual circumstances, it is sound and practical for property owners, who are in position to do so, to follow a consistent gift-making program for the benefit of their children. This affords sizable tax savings, on both income and principal. The income from the property that is donated is transferred from the top tax bracket of the donor-parent, and instead is taxed at the presumably lower bracket of the receiving-child. And even more important is its effect on estate levies. Unless the gift is made less than three years before the donor's death, and thus in contemplation of death, it is removed from his taxable estate. While there is a tax on gifts, there are liberal amounts exempted, and even on taxed amounts, the levy is far less. This is evidenced in the following table comparing the tax on the transfer by inheritance with that via the taxable gift.

AMOUNT	ESTATE TAX (After Exemption)	GIFT TAX
$50,000	$7,000	$5,200
100,000	20,000	15,000
250,000	65,700	49,275
500,000	145,000	109,000
1,000,000	325,000	244,000

Smaller gifts escape taxation altogether. An individual may annually give tax-free to any number of individuals $3,000 each, and additionally $30,000 during his lifetime, given whenever and in whatever instalments he chooses. Husband and wife together may similarly give double these amounts; with the privilege of this being actually the husband's money and the wife merely giving formal assent (by signing the donor spouse's gift tax return). Thus, a married couple may give up to $6,000 per year to each child, plus a lifetime total of $60,000, either from their separate funds or from the funds of one with the approval of the other. On any gift from husband to wife, only one-half is subject to gift tax.

If stock constitutes the gift, since the date when the donor acquired the stock is taken as the recipient's purchase date, the donor avoids his payment of capital gain which would accrue in the case of a money gift bought with the proceeds of his sale of securities. (In the case of a loss, there are certain limitations not permitting the taking of the loss by the donee arising from the drop in value while the donor held the property.)

Also in providing for relief from psychological and investment shortcomings on the part of the heir *after* the parent's death, the instalment or "bite" method can be utilized. That is, the trust may provide for gradual payments of principal by specified percentages at various ages—gradualism being beneficial for both the emotions and the financial training of the recipient. (Because of certain mechanical tax problems, these

***This is the fifth instalment in a series summarizing lectures by the author in the course, "Your Investment Problems Today," at the New School for Social Research.**

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Yardsticks in the Evaluation Of Common Stocks

By JULES I. BOGEN*
Professor of Finance, Graduate School of Business
New York University

Dr. Bogen discusses the various yardsticks that can be applied to the evaluation of common stocks; such as earnings per share; price-earnings ratios; and other measurements. Reviews the objective tests and their applicability, and relates these tests to past and current conditions. Compares trend of stock and bond yields. Concludes, stock prices are today "not too high statistically in terms of current profits," but warns corporate profits are vulnerable to a cyclical decline in business. Stresses the impact of higher quality of profits.

One of the most common questions asked today is: Are common stock prices too high?

The Dow-Jones industrial average is 100 points higher than it was a year ago. It is 200 points higher than it was two years ago. It has doubled in the last five years.

Dr. Jules I. Bogen

Historically speaking, stock prices are very high, far higher than they have ever been before. But one can point out that the United States has undergone a fabulous expansion, plus a great inflation of commodity prices, in the last decade and a half. The Gross National Product, the value of all the goods and services produced by the American economy, has increased more than fourfold since 1940. The wholesale price level has increased by more than 120%. And so one could argue that the fourfold rise in industrial stock prices since 1940 has been justified by expansion and by inflation. This rise in stock prices, which looks so spectacular in the perspective of history, can thus be described merely as a catching up with changed economic conditions.

Professional investment advisers and analysts can be satisfied with neither of these vague approaches to an appraisal of present stock prices. An objective yardstick is provided neither by mere historical comparisons nor rough analogies with economic growth.

There are two objective yardsticks that one can apply in judging the level of stock prices. They are prospective earnings per share and the prospective price-earnings ratio.

Current earnings largely justify the rise of some 100 points in the Dow-Jones industrials over a year ago. Corporate profits, as reported by the Department of Commerce, are running 25% higher than a year ago. The price-earnings ratio is only slightly higher, according to the last computation in the Federal Reserve Bulletin. Industrial stock prices today average 12.5 times earnings. A year ago, the ratio was about 12 times. In the past year, the rise of stock prices has merely mirrored increased earnings. Earnings are valued very little more highly today than they were a year ago.

But the yardstick for appraising stock prices must be future, not past or current, profits. What is the outlook for corporate profits today?

Net profits this year are approximately $21 billion for all corporations. One way to judge whether profits at this level are stable is to compare them with past profits.

Corporate net profits in 1939 were $5 billion. In the boom year 1929, all corporations had profits of $8.3 billion. Today, they are $21 billion. Is that high or low?

Again we must have a yardstick to judge by, and one good yardstick is the relation of profits to national income. Profits are one share of national income, the share that goes to the owners of business. Over the years, that share should be relatively stable, rising in periods of prosperity and declining in depressions.

In 1929, a boom year like the present, net profits were 9% of national income. In 1939, a relatively depressed year, profits were 7% of national income. This year, profits are a little over 6% of national income!

Net profits are not high in relation to national income. Just the reverse. Profits after taxes represent a considerably smaller percentage of national income than in the boom year 1929. They are even smaller, as a share of national income, than in a relative depression year like 1939.

But taxes are very much higher on corporate income than in 1929 or 1939. Profits before taxes were 11% of national income in 1929, 8% of national income in 1939, somewhat over 12% this year. Hence, maintenance of the current level of net profits is dependent in considerable part on the ability of industry to shift a part of today's very high tax burden to buyers of goods in the form of higher selling prices, as it has been doing.

Another objective test of the prospective profits trend is the relation of profits to sales. Sales, as measured by the Gross National Product, are up more than fourfold since 1940. Net profits after taxes are up more than fourfold, from $5 billion to $21 billion. So profits after taxes have barely kept pace with sales.

Again, however, profits before taxes have gone up more than sales. They are six-fold the 1940 volume, with the Gross National Product four times as large. In the relation of profits to sales, pre-tax profits have gone up more than proportionately; profits after taxes have gone up less than proportionately.

Profits are the residual element in national income, what is left after material, wage and other costs are deducted. Hence, profits tend to be more sensitive to changes in business than other shares of national income. We must expect profits will be quite sensitive to cyclical fluctuations in business, even of mild character, although they should share in long-term growth of the economy and national income.

The high level of corporate taxes will affect the impact of business recessions on profits in the future. When half of profits go to the government in income taxes, a decline in earnings before taxes will be shared half by the government and half by business. But it also becomes much more difficult to shift part of the tax burden to the buyer of goods and services when business conditions turn less favorable.

An objective appraisal thus indicates that, so long as the economy remains prosperous, the current level of profits is stable, but profits before taxes are relatively high, and in the event of a business decline pre-tax profits could decline quite substantially. Tax reduction could provide a partial offset.

The Price-Earnings Ratio

The price-earnings ratio of common stocks may change as much as the level of profits.

In 1929, common stocks sold at more than 16 times earnings. In 1950, common stocks sold at seven times earnings. At the present time, stocks sell at about 12.5 times earnings.

When common stocks go from 16 times earnings to seven times earnings, profits can remain the same and yet common stocks will drop by more than 50%. When they go from seven times to 12.5 times earnings, earnings can remain the same but common stock prices will go up by over 50%. We must weigh the forces affect-

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*A talk by Dr. Bogen at the Finance Forum conducted by New York University, New York City, Oct. 26, 1955.

Housing Credit Controls Only Temporary

By ALBERT M. COLE*
Administrator, Housing and Home Finance Agency

In discussing the large responsibility of builders and lenders in the over-all task of maintaining and raising the standard of living, Mr. Cole explains reasons for the recent institution of housing credit curbs. Says these curbs will be eased as soon as the inflation peril ends, and action to this effect will be taken before any "depression could get started." Concludes, the temporary moderate check on home building "does not alter the good housing picture all across the country."

Though I am scheduled to address you on housing, I want to talk, first of all, about cooperation. It is a suitable subject for a number of reasons.


Albert M. Cole

In the first place, the more than six thousand savings and loan associations in the United States for the most part are cooperative institutions, acquiring their capital exclusively from the savings of its members, employing it basically for the advantage and protection of its members. Every association, by its very nature, cooperates with individuals outside its membership as well as with those inside—with home buyers, home builders, home suppliers, and the real estate dealers. Every association cooperates, in effect, at least, with the municipal authorities, with the city planners, and with private groups concerned with the advancement and improvement of their community. There is, in fact, no single endeavor of the individual savings and loan association that does not call for cooperation in some form or other.

Next, the savings and loan associations cooperate in a regional way. Periodically they come together, in various parts of the country, to discuss problems and to search for better and more efficient ways of serving their individual communities. There is constant interchange of ideas among them.

On the national level, there are two very large associations — the older and bigger of which I have the pleasure of meeting with here in Miami today. The members of each of these associations cooperate among themselves to the same ends as inspire the regional groups, though their respective scopes of activity and influence are wider. And I have also observed substantial cooperation between the U. S. Savings and Loan League and its younger colleague. I find it difficult to think of the two as rivals or competitors—for the points of common interest and identity of purpose far exceed any possible points of conflict.

To sum up, the 6,000-odd savings and loan associations are all bound together to provide the greatest single source of capital for that fundamental institution, the American home. You, all of you together, by your several activities, are joined in the massive two-fold operation of funding a goodly portion of the nation's savings and putting it safely, profitably, and constructively to work. Your activities over the past century and more, ever increasingly, have served as foundation stones and, with others, made possible the building of the American economy to its unexampled present height.

But though you are occupied with an indispensable work in the cooperative enterprise of producing more than a million homes a year, you, along with the banks and builders and suppliers and realtors, are at the same time doing something even more important. Your function extends beyond the building of homes for the more prosperous and includes helping to make your country a better place for all of the people who live in it.

That objective is not only desirable in itself, as a meeting of community social responsibility. It is an absolute necessity. And for the most selfish of reasons.

I would like to discuss some of these reasons, first, in their application to the strictly domestic situation—that is, as they concern the United States alone — second, as they apply to the world situation. You will find that the two situations are inseparably tied together.

I repeat that your essential function—and it is true for all of us, whether in private industry or government — is to build this country so that it will be a better place for all. If we are to succeed, we must begin by curing the disease of our cities — the blighted areas and the slums that are caused by blight. All the forces of the home building industry cannot keep up with the need for decent dwelling places unless slums are systematically uprooted and blighted neighborhoods systematically restored.

I repeat also that this is an absolute necessity. It is based on clear economic facts. Slums and blighted areas are tax consumers. Slums breed vice and crime. Slums are fire spots. Slums are destructive of material and human substance. They are intolerably wasteful in every way.

We cannot afford to waste any of our resources, least of all the human one. And the place to begin the conservation and full utilization of that most valuable resource is in our cities, where four-fifths of our people live. I will return to the subject of urban renewal a little later.

The Conservation of Our Resources

Now I want to relate this conservation of all our resources to the national and world situations. Just four weeks ago, in this same city of Miami, Secretary of State Dulles outlined to his American Legion audience his appraisal of American assets in the search for a decent and enduring peace. These included, (1) formidable armed power to deter and resist aggression; (2) coöperation, in the form of mutual security alliances, with 44 nations in all parts of the world; (3) fundamental moral principles that identify the United States with renunciation of military force except for defense, and with such policies as helping other countries achieve material improvement while enjoying the blessings of liberty; and (4), which Secretary Dulles termed the chief asset, the economic productivity of the American people.

Today we are producing goods and services at the rate of nearly $400 billion a year. This is the highest rate in our history, and it is three times as great as the annual production of Soviet Russia.

This is why the Soviet leaders

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*An address by Mr. Cole at the Annual Convention of the U. S. Savings and Loan League, Miami, Fla., Nov. 8, 1955.

Shopping for Shopping Shares

By IRA U. COBLEIGH
Enterprise Economist

Some seasonal reactions about department store chains, and a general discussion about the relative attractiveness of their equities at current levels.

The most popular common stock holdings of 50 closed-end investment companies, and over 150 mutual funds, usually referred to as the "Favorite 50," presents, in the Autumn of 1955, a startling revelation. There is only one merchandising or department store chain issue listed on this top drawer roster; and that one stands. I believe, at number 32 on this special sort of investment hit parade. Are you prepared to guess what company it is? Huh? Or would you rather complete this sentence and apprehend that it's Sears Roebuck? So much for the $64 billion question. That answer only goes to point up what many of us knew all along, namely: (1) that department store shares are not the most popular ones, and (2) that they are, by no means, the speculative darlings of this season's board room "aficionados."


Ira U. Cobleigh

So let's take a little time out today to review the department stores—before we spend an eighth of a year's pay in them, doing our Christmas shopping! What's going on among the retail big boys? Which ones present the best stock buying opportunities?

To answer that we have to go back a bit and look at some of the problems big retailers had to overcome, postwar. The first and biggest one was, obviously, suburban migration. Ranch houses, split level homes and the blossoming of whole new towns on erstwhile potato fields really posed problems. The suburbanite was in no mood to drive into the congested big city, "rassel" for a parking space, and be jostled by the multitudes in a monolithic downtown emporium. Suburbanites sought to shop where they live—and since their number (and buying power) was legion, smart merchants swiftly caught on. There are now about 550 new major shopping centers mostly built postwar; and most of them feature, or include, a major department store branch. All of them are dedicated to supplying easy and adequate parking facilities. Most of our big merchants have climbed aboard this shopping center deal—Gimbel's (Sak's Fifth Ave.); Sears; Stern's; Allied; B. Altman's; Federated, etc.

Those who didn't play the outfields, especially ones like Marshall Field, spent millions improving city stores—escalators, decor, air conditioning, and acquiring alongside parking facilities; and of course the traditional stress on vast and diverse, on-the-spot, immediate delivery, merchandise. Panoramic purchase and one-stop shopping were accented.

A second major department store problem was the discount house. Cut-rate cash sales, especially in appliance outlets, were disturbing. The answer to this threat has been (1) reduction of wholesale discounts, to make retail prices more realistic, (2) refusal to handle or at all events, to plug, merchandise where manufacturers gave discounters a special break, (3) stressing of store responsibility for merchandise (and returns) and long repute for fair dealing, and (4) improved advertising and displays (discounters can't afford big advertising outlay, or broad display; they'd go broke if they did).

The third problem of the big merchants has been in personnel and management. Postwar pay scales for sales and clerical help had to be upgraded to compete with industrial wages; and salesmanship had to be taught anew after years of mere order taking.

Big name stores began to run out of in-family top talent. Macy's is a good example of this. Merchandise-minded gentlemen bearing the Wanamaker name are getting scarce, too. A derivative management problem was buyers. Should the big downtown buyers shop for suburban stores? Many of them misfired because the suburban branches are space shy, and what would go well sprawling in windows, or spacious counters midtown, would never see the light of day in the outskirts. Further, should old-time buyers be given the control, in unfamiliar semi-rural outlets, or younger and newer people, who might better sense the buyers' wishes, but lack seasoned judgment in inventory accumulation?

These managerial problems have been knotty but the top units in retailing have solved them in two ways: (1) by extensive and comprehensive training for store leadership and (2) by incentive systems calculated to exhort and challenge personnel to best effort. For example, at Sears Roebuck the Profit Sharing Pension Fund owns over 6½ million shares of company common (before recent split); and 120,000 employees participate in it. As a result, the *esprit de corps* at Sears is excellent.

While there can be no hard and fast rules as to whether department stores should be downtown or suburban, a few big units, or many and diverse smaller outlets, certain investment criteria can be culled by observing actual operating results. For instance, good stores should earn at least 10% of book value; they should pay out around 60% of net in dividends; and their common stocks are usually cheap at nine times earnings and dear above 15 times; cheap on a 6.25% yield, and dear below 4%. These ratios are, of course, by no means absolute; but they do give you background for value judgment in this field.

Now let's get a little more specific. We haven't space for complete analysis of many companies but we do know that 1955 is going to be a big merchandising year, 6% to 8% above 1954; and that many corporate store equities have been neglected, or at all events haven't caught on like the motor, coppers, aluminums and rails in our present market symphony.

For a top choice here we'll go back to the beginning of this piece and string along with the experts on Sears Roebuck. It hit the suburbs "fustest with the mostest." The stock has just been split 3-for-1. It was split 4-for-1 in 1926 and 4-for-1 again in 1945. Physicists define momentum as the tendency of a body to continue in the direction in which it has been going. Well, Sears has been going well and has a lot of momentum. At 112 (old shares), Sears can defend its right to appear on the best store share shopper's list.

Associated Dry Goods is a many splendored thing with a fine stable of department stores led by the renowned Lord and Taylor. Christmas shoppers in New York have for years reveled in Lord and Taylor's seasonal window displays; and the L and T repute for quality, well styled merchandise and sleek branches sets the pace for its prosperous stablemates, which include Hahne & Co., Newark, N. J.; J. N. Adam & Co., Buffalo, N. Y.; Powers Dry Goods, Minneapolis, Minn.; Stewart & Co., Baltimore; and J. W. Robinson Co. in Los Angeles, Beverly Hills and Palm Springs. Associated Dry Goods common at 32½ yielding over 5½% on a $1.80 dividend has a lot of substance.

Mercantile Stores, an aggregation of smaller units, 20 full size department stores and 34 junior stores, has top flight management, a dynamic growth curve, and fine geographic spread hitting some fast moving cities—Denver, Seattle, Louisville, Duluth, Kansas City, Toledo, Cincinnati, and Hamilton, Ontario. Mercantile has a bonus plan shared in by more than a quarter of personnel, and has increased its sales by more than 110% in the past 10 years. Mercantile common yields well (5.82%) at 24 and should also wear well.

Gimbel has been a bit erratic as a postwar performer but now looks on quite solid grounds. It plays both sides of the street. It has in Sak's Fifth Avenue, a carriage trade name and a plush elite clientele, and fine earning power, both in its Fifth Avenue emporium and its White Plains mink-type mart. Altogether there are 10 flourishing Sak's Fifth Avenue Stores.

For the lower bracket shopping multitudes, there are Sak's 34th Street, and Gimbel stores in New York, Pittsburgh, Philadelphia, Milwaukee; and a Westchester branch strategically located, and zooming.

Here in the Gimbel picture, you see a retailing giant that may rack up $350 million in sales this year; and bring new cheer and joy to common shareholders by net of above $3 and a dividend above the $1 that has been delivered per annum since 1947.

Gimbel common, like so many other departmental equities, had a big bulge in 1946. It sold then above 50 (equivalent for present stock). Since then it has plowed back above $13 a share and, in logic, could be regarded as intrinsically more sturdy than it was nine years ago. Price of 27 indicates a fatter dividend in prospect.

We couldn't begin to cover them all today. Federated is an authentic blue chip; Allied is the biggest department store chain with a management team that always has its backfield in motion; and May Department Stores seems to be upgrading its earning power. Penney is good in all departments.

What with full employment and high levels of personal income ($7 billion more disposable income in 1955) department store commons have a lot of earnings' durability and considering attractive yields, peppy managements, solid book values and unbloated market prices, the shares of certain ones should not be ignored by income-seeking investors. We may have a White Christmas this year, but the big stores are all going to be well in the black.

Join Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Lionel Bell, Harry J. L. Frank, Jr. and A. Archie Nedelman have become associated with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Joins Davidson Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Larry G. Fisher has become connected with Davidson & Co., 155 Sansome Street, members of the San Francisco Stock Exchange.

"We Are in the Pink of Condition"

By HON. SINCLAIR WEEKS*

Secretary of Commerce

Asserting "business never was better," Sec'y Weeks paints a pleasing picture with statistics relating to the national economy. Ascribes situation to: (1) heavy private spending, and (2) sound financial policies. Holds, however, "we must watch carefully the quality of credit and be aware of a possibility of a moderate price rise." Reveals the Administration has programs designed to encourage steady, long-term economic growth.

How Are We Doing?

The economy is in the pink of condition. Inflationary pressures are less than a few months ago. Business never was better. Workers never had it so good. Old Man Prosperity "just keeps rolling along."

Sinclair Weeks

The pessimist no longer is a pin-up hero. The momentum of the current expansion and its diffusion throughout the economy have silenced most of yesterday's croaking ravens of doom.

For example: today we are releasing through the press the latest statistics on spending for new construction. They show a slight seasonal decline from $4 billion in September to $3.9 billion in October. But a significant fact is that this sum is 11% **above** last year's October figures, which were the all-time record for that month.

Moreover, our estimates indicate that total expenditures for new construction in 1955 will reach about $42 billion, an increase of 10% above last year's record.

Very soon we will publish the October employment figures. Preliminary estimates reveal another sizable increase in jobs. An assuring fact is that the number of adult workers—the "breadwinner" class, 25 years of age or over—reached an all-time record high.

It should be a very Merry Christmas for retailers. The prospect is that stores will have the best Christmas sales in history.

Manufacturers sales in September were higher than ever before. The same is true of retail sales. Manufacturers' backlog of unfilled orders amounted to $52.6 billion at the end of September, up $800 million during the month.

The average weekly earnings of production workers in manufacturing have advanced sharply. The latest figure, for September, is $77.90 — almost $10 above the weekly average for the whole of 1952—and those wages are in **real** dollars not **inflated** dollars. The hourly earnings of the same manufacturing workers also broke all records in September, reaching a new high of $1.90 per hour.

Personal income is at a rate above $300 billion per year — a record. Personal consumption expenditures have risen from $218 billion in 1952 to a current annual rate of $256 billion.

True, because of long-standing difficulties, farmers on the whole have not yet received their fair share of the expanding prosperity, even though agricultural employment is higher than last year; per capita farm income is 10% higher than in 1950; and many farmers are earning good pay in non-agricultural jobs.

A few labor surplus localities still are troubled by chronic, economic illness of many years standing.

But, as you know, vigorous new practical measures are being undertaken by the Administration to tackle both the farm problem and the area development problem. The probability of approaching sound solutions in both cases is enhanced by the fact that the national economy is so strong and the Administration is determined to do something.

I repeat, no generation of Americans ever has been blessed with such general prosperity as we are right now. The pioneers' dream of "gold in them thar hills" is coming true almost everywhere.

How Did We Get That Way?

It seems to me that if you want to find the secret of America's unprecedented prosperity, you need only look to Denver, Colorado, and to Dwight D. Eisenhower.

In my opinion, the biggest factor in the upsurge of business activity and employment is the confidence which the American people have in their President. They have confidence in the unlimited economic potential of the United States market and in the power of the free, private enterprise system. They are confident that the conduct of public affairs is soundly designed to promote the general welfare.

(1) **Private Spending**—Among the many factors that have made 1955 a smash hit year is private spending — the direct result of confidence.

Certainly it was not increased Federal Government spending — induced by taxes and national debt—that boosted economic activity. It was **private** spending of widely distributed income.

Between the second quarter of 1953 and the third quarter of 1955, Federal spending declined $15 billion while spending by other sectors of the economy increased by $37 billion. Federal spending in the third quarter of this year was $3 billion below the annual rate of the second quarter of 1954. But the rate of consumer spending increased by $19 billion, private investment by around $15 billion, and spending by states and municipalities by $3 billion.

Instead of relying on paternal Washington to expend huge sums to prime employment, private citizens, encouraged by government, did it themselves.

(2) **Sound Financial Policies**—Another factor in creating confidence is the soundness of the financial policies of the Administration. This generation had previously experienced the results of policies that caused serious inflation and depreciated currency.

But this trend has been checked. The cost of living, which had doubled during the preceding 15 years, has shown a change of less than 1% in the past three years. The consumer price index stands at about the same level as in the summer of 1954.

Every dollar in today's wage boosts is worth a whole dollar. The American people know that their pensions and their savings are protected because, at long last, the dollar is stable—in fact, it is the soundest currency under the sun.

Where Do We Go from Here?

American business has confidence in the future of America—and is investing money in support of that faith.

Every three months business reports to us its anticipated outlays for new plant and equipment.

The Korean War, of course, caused a marked expansion for additional defense production. But right now in this peace economy, we find that the rate of spending for capital investment for the last half of this year is likely to set an all-time record. The upturn in business spending this year seems to me not only the result of confidence engendered by good business, but also a major contribution to its continuance.

The Committee of Technical Consultants of the Business Advisory Council, composed of 14 leading economists from various important industries, a couple of weeks ago reported to me as follows—and I quote:

"Currently your technical advisors, apparently like most of their conferees, believe **pretty unanimously that 1956 will show a higher rate of activity than 1955.**

"Some members do foresee a modest slide-off in the second half of 1956, following an inventory build-up, but still with each quarter higher than in the corresponding quarter of 1955. Others, however, doubt that the second half of 1956 will show any decline."

To sum up: Of course, we must watch carefully the quality of credit and be aware of the possibility of a moderate price rise. But Federal finances are in fine shape and the Administration has programs, ready for Congress, designed to encourage steady long-term economic growth. The Administration never has hesitated in using sound, indirect controls designed to halt excesses or to prop up sags.

Confidence is high; income after taxes is at an all-time high; the desire for a higher standard of living is keener than ever.

American men and women are able and willing to plan, spend, borrow, and work hard to earn the income for the kind of living they want. And that spirit will continue to scale new peaks of prosperity.

You can sell savings bonds to a people with such an abiding faith in the future of the United States.

*An address by Sec'y Weeks at the Annual National Savings Bond Conference, Washington, D. C., Nov. 4, 1955.

Dealer-Broker Investment Recommendations & Literature

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

Airlines — Bright Prospects — by John H. Lewis — Reprinted from "Trusts and Estates Magazine"—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

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.

Chemical & Pharmaceutical Industry—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Farming and Atomic Energy — Bulletin — National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

Foreign Exchange Quotations — Folder listing current currencies of 137 countries throughout the world—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, 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.

Year End Tax Savings Possibilities—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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Air Reduction Co. — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Nopco Chemical Co.**

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

American Window Glass Co.—Analysis—Weill, Blauner & Co. Inc., 120 Broadway, New York 5, N. Y.

Argus Cameras, Inc.—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 an analysis of **Eastern Airlines, Inc.** and a list of selected **Convertible Preferred Stocks.**

Barium Steel Corp.—Data—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y. Also available in the same bulletin are data on **Fargo Oils, Ltd.**

Basic Atomics, Inc.—Circular—J. F. Reilly & Co., Inc., 42 Broadway, New York 4, N. Y.

Black & Decker Manufacturing Co. — Bulletin — Reynolds & Co., 120 Bradway, New York 5, N. Y.

California Quicksilver Mines, Inc. — Bulletin — Leason & Co. Inc., 39 South La Salle Street, Chicago 3, Ill.

Campbell Chibougamau Mines Limited—Analysis—Burns Bros. & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Capital Airlines Inc. — Memorandum — Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Collins Radio Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Thomas Industries, Inc.**

Colorado Fuel & Iron Corp.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

Dixie Cup—Brief analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available in the same survey are data on **Douglas Aircraft, Fire Association of Philadelphia, General Telephone, Ohio Oil** and **Transamerica Corporation.**

Douglas Aircraft Co.—Memorandum—Dean Witter & Co., 632 South Spring Street, Los Angeles 14, Calif.

Equitable Credit Corp. — Bulletin — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Federal Pacific Electric—Analysis—Maltz, Greenwald & Co., 1441 Broadway, New York 18, N. Y.

Federation Bank & Trust Co. — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

W. R. Grace—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief analysis of **Philco Corporation.**

Gulf Coast Leaseholds, Inc—Circular—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 6, N. Y. Also available is a circular on **Pacific Uranium Mines Co.**

Hoffman Electronics — Bulletin — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Jefferson Electric Co.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Liberty Loan Corporation—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Manning, Maxwell & Moore, Inc.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Massey-Harris-Ferguson Limited — Analysis — R. A. Daly & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Monterey Oil Co.—Memorandum—J. Barth & Co., 404 Montgomery Street, San Francisco 4, Calif.

National Electric Welding Machines Company — Analysis — Aetna Securities Corporation, 111 Broadway, New York 6, New York.

National Starch Products Inc. — Analysis — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Pittston Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Polaroid—Report—Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is a bulletin on **Zenith** and **Shoe Corporation of America.**

Polypastex United. Inc.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

Schering Corporation—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Sumitomo Metal Industries — Analysis in current issue of "Weekly Stock Bulletin" — Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is a brief analysis of **Kawasaki Steel Corporation.**

Time Inc. — Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, Northwest, Washington 5, D. C.

U. S. Industries, Inc. — Analysis — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

United States Lithium Corporation — Card Memorandum — Julius Maier Co., Inc., 15 Exchange Place, Jersey City 2, N. J.

Wachovia Bank & Trust Co.—Memorandum—R. S. Dickson & Co., 30 Broad Street, New York 4, N. Y.

Bankers Trust Company Group Awarded $159,791,000 Commonwealth of Mass. Bonds

A group comprising 239 banks and investment houses and headed jointly by Bankers Trust Company, The Chase Manhattan Bank, The First National Bank of Chicago, The First National City Bank of New York, Lehman Brothers, The First Boston Corporation, and Phelps, Fenn & Co., on Nov. 16 submitted the best bid for Commonwealth of Massachusetts serial obligations totaling $159,791,000 embracing 11 separate issues created for various purposes. Maturities of the various issues run from 1956 to 2005.

The group is reoffering the bonds at prices scaled to yield from 1.50% to 2.60%, according to maturity.

The group bid par for $156,291,000 of the bonds maturing 1956-1985 bearing a 2.30% coupon and $3,500,000 maturing 1956-2005 as 2½s. Major purposes include highway improvements, veterans' services, hurricane and flood relief, metropolitan water district and state office building.

Members of the group include: J. P. Morgan & Co., Inc.; Guaranty Trust Co.; Halsey, Stuart & Co. Inc.; Chemical Corn Exchange Bank; Blyth & Co., Inc.; Harriman Ripley & Co. Incorporated; Smith, Barney & Co.; Salomon Bros. & Hutzler; Goldman, Sachs & Co.; Continental Illinois National Bank & Trust Company of Chicago; Harris Trust & Savings Bank; The Northern Trust Company.

Glore, Forgan & Co.; C. J. Devine & Co.; Kidder, Peabody & Co.; Drexel & Co.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Beane; The Philadelphia National Bank; Union Securities Corporation; White, Weld & Co.; The First National Bank of Boston; Mercantile Trust Company, St. Louis.

The First National Bank of Portland, Ore.; Seattle-First National Bank; Ladenburg, Thalmann & Co.; Bear, Stearns & Co.; Blair & Co., Incorporated; L. F. Rothschild & Co.; Shields & Company; F. S. Moseley & Co.; Stone & Webster Securities Corporation; A. C. Allyn and Company, Incorporated; Coffin & Burr, Incorporated; Equitable Securities Corporation; Dick & Merle-Smith; American Trust Company.

B. J. Van Ingen & Co. Inc.; Hornblower & Weeks; Barr Brothers & Co.; Lee Higginson Corporation; Estabrook & Co.; Wood, Struthers & Co.; Paine, Webber, Jackson & Curtis; Adams, McEntee & Co., Inc.; The Boatmen's National Bank of St. Louis; Carl M. Loeb, Rhoades & Co.

Los Angeles Bond Club Sports Luncheon

LOS ANGELES, Calif. — The Bond Club of Los Angeles will hold its 4th Annual Sports Luncheon on Thursday, Nov. 17, at the Biltmore Bowl.

This well-known annual event will present an impressive roster of personalities from the world of sports, including Football Coaches Red Sanders and Jess Hill, Baseball Manager Fred Haney, Brooklyn Dodger star Duke Snider, Olympic Diving Champion Sammy Lee, and former National League Umpire John Reardon. Master of Ceremonies Braven Dyer will also introduce Athletic Directors Willis Hunter, USC, and Wilbur Johns, UCLA, and many others.

Bond Club members and their guests will hear reviews and forecasts of America's great sporting events of 1955. Mario Chamlee will sing.

Chic. Analysts Announce Coming Programs

CHICAGO, Ill. — The Investment Analysts Society of Chicago have announced the following meetings scheduled for December and January:

On Dec. 1, Joseph S. Wright of Zenith Radio Corporation will talk on "Pay-as-you-see-Television."

On Dec. 15, a panel discussion will be held on "What's Ahead for 1956?" with John K. Langum, Business Economics, Inc., Edward P. Rubin, Selected American Shares, Inc., and William W. Tongue, Jewel Tea Company, Inc., as participants.

On Jan. 12 a Midwest Forum will be held, consisting of two forums in the afternoon followed by dinner. Principal speaker will be Grover W. Ensley, Staff Director of the Joint Committee of the Economic Report.

Federated Plans Branches

WORCESTER, Mass. — Federated Plans, Inc. has opened a branch office in the Jenkins Arcade Building, Pittsburgh, under the direction of John F. Donahue and in the Hurley Wright Building, Washington, D. C. under the management of Paul M. Warren.

Towne & Skinner With John G. Kinnard & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Roy S. Towne and Evelyn M. Skinner have joined the staff of John G. Kinnard & Company, 133 South Seventh Street. Mr. Towne was formerly with Midland National Bank of Minneapolis and prior thereto with Harris, Upham & Co.

Form Nat'l Savs. Research

WASHINGTON, D. C. — Elmer R. Bohannon has formed the National Savings Research Institute with offices at 2146 P St., Northwest, to engage in a securities business. Mr. Bohannon was formerly connected with B. C. Morton & Co.

Problems of the Independent Telephone System in Next Decade

By DONALD H. CAMPBELL*

President, United States Independent Telephone Association

Stressing the dynamic nature of the telephone business, Mr. Campbell foresees future devices and improvements that will tax human credulity. Lists as telephone problems in next decade: (1) rising costs, (2) a backlog of necessary plant extension at high prices, and (3) the serious consequences of economic depreciation and the erosion of telephone property investment.

The main reason we of the Independent telephone industry must continue strong in our internal organization to meet the demands of the future, is to be found in the dynamic nature of the business in which we find ourselves. We all know that America is a fast growing country and that the history of our own industry shows that the passage of time has always placed upon us a growing demand for service far exceeding mere population growth. There is no reason to believe that it will be otherwise in the future.

D. H. Campbell

Your Association will continue to help you, as it has in the past, to set up the long range programs which will be necessary to meet the challenge of the future. I should like to refer briefly to two recent examples of the work of the Association in this regard. One was the launching of a national advertising program; the other was the adoption of a new emblem, placing all of us in the industry under a new, single, recognizable symbol.

With respect to the advertising program, your Board of Directors has it under constant study. They believe that the high quality advertising messages in magazines of nation wide circulation are making new and better friends for our companies. They believe you will feel the practical results of this organized public relations effort in many ways. For example, they suggest you will feel the effects of the program when you seek new capital for plant expansion from financial people and when you approach regulatory bodies for rate relief. They believe you will feel it in improved employee relations, and in the community and service area levels in dealing with the general public.

With respect to the service emblem, as you know, there is also now available to all of our member companies a new emblem for use in your local advertisements, in your company publications, your annual reports, in brochures, catalogues, directories, letterheads, on telephone booths, and service trucks. By adopting and widely using the emblem, all of us can better share in the beneficial impact of this great organized drive of the national program to develop and maintain public good will for all Independent companies. I bespeak for the many and varied uses of our new emblem your cooperation and your support.

It is not for me to review further the year's activities and achievements. That has been done in his usual capable and sparkling manner by our Executive Vice-President in a comprehensive report that will be made available to you.

*An address by Mr. Campbell at the 58th Annual Convention of the United States Independent Telephone Association, Chicago, Ill., Oct. 10, 1955.

50 Years of the Telephone Industry

Before we peer into the future and try to see what may be in store for us, I would like you to take a look with me back over the last half century of the telephone industry to see how far we have come. Ordinarily, we need to look backward only to profit from the experiences of the past, and usually our time is better spent in looking ahead to make certain we are preparing adequately for the opportunities of the future. But today I feel justified in taking a little of your time to review a few of the significant milestones left behind, so that we can get a better perspective of the visible and invisible markers of the road that lies ahead.

The past 50 years have been among the most eventful years in the history of our country and of the world, and they certainly have been eventful ones from the standpoint of the telephone business. They have been years of social and economic upheaval, years of change and innovations, years of great development and expansion, and years of many new inventions.

Those of you who are as old as I am will remember the business recession during the years immediately following the first World War, followed by the boom years of the late 20's and then by the long depression of the 30's, which brought unemployment and grave problems to all business. Scarcely had we pulled out of that when along came World War II, increasing our activities, our problems and our responsibilities, but curtailing growth and expansion. When World War II ended in August of 1945, we were met with a backlog of orders for peacetime equipment and articles. After too few years of peace and quiet came the "police action" in Korea, with its attendant anxieties and shortages. Then the truce of 1953 and the biggest business year in history, followed by an almost as good 1954 and 1955.

Now, how about the telephone business during those hectic 50 years? Anyone who attended the conventions of the United States Independent Telephone Association in its early history around the turn of the century scarcely would recognize the telephone industry of 1955. The progress we have made did not come overnight. It took long years of effort on the part of thousands of telephone people pioneering with new methods and devices. Social, governmental and economic changes, coupled with a large growth in population and the development of hitherto sparsely settled areas—all were factors which jolted us into action. Alert telephone people moved in to supply the additional telephone facilities needed to serve the additional millions. Methods and equipment that would do the job better, faster, and more economically were devised by the brawn of our industry. Beginning about 1910, magneto began to give way to manual; then manual yielded to dial; now about 85% of the telephones in this country are automatically operated. And now full electronic offices are moving into the picture. We all are highly mechanized. Increased mechanization is the crying necessity of the hour. Higher minimum wage levels in our 24-hours-a-day business and other factors by governmental fiat are making automation compulsory.

Since widespread acceptance of the dial, we have seen many new innovations in communications. They have included mobile radio telephones, the coaxial cable, plastic cable, automatic toll dialing, automatic toll ticketing, ingenious timing devices, voice recorders which take down messages when you are not in your office or home to answer your telephone, direct distance dialing, the solar battery and the "no-hands" telephone, to mention only a few.

Yes, we've had them all, good years, bad years, fair years and boom years. If they've taught us nothing else they have taught us how to be flexible and adjustable; in order to survive we've had to acquire the habit of rolling with the punches.

Future Devices and Improvements

What about future devices and improvements? The possibilities are so startling that one hates to mention them for fear he will tax the credulity of his listeners.

You and I know the best telephone has not been designed; the best switching system has not been developed; the best distribution system has not been conceived. There is nothing that we do that can't be done better. In short, we haven't stolen the show from the folks who will operate our industry during the next 10 years. One of the big problems of the next 10 years, therefore, is that of accepting the obsolescence of much of what is now used.

Only last month in San Francisco, Bell System engineers gave a demonstration of telephone-television. Some of you probably saw it in the newsreels. The party calling from one of the line could see the party calling from the other end, and vice versa. The effect is said to be somewhat similar to holding a conversation with someone speaking to you right out of a moving picture screen. I understand the cost of such an installation currently would be $5,000 per subscriber, which means our companies won't be selling many of them right away! But who will predict how long it will be before phone-television will be practical? Just think of the possibilities when you call up your wife to tell her you'll be home for dinner, and you give her an opportunity to see the friend you are bringing with you.

All this, of course, is old stuff to electronic engineers who long ago recognized the possibilities of communications along these lines and along other lines yet to be explored. Just a couple of years back, when he was retiring as Chief Engineer of the American Telephone and Telegraph Company after 42 years of service, Dr. Harold S. Osborne told us about telephone possibilities which stagger the imagination even of the space-world cartoonists. His words have been quoted before, but I think they are worth repeating.

"Let us say," commented Dr. Osborne, "that in the ultimate, whenever a baby is born anywhere in the world, he is given at birth a number which will be his telephone number for life. As soon as he can talk, he is given a watch-like device with ten little buttons on one side and a screen on the other. Thus equipped, at any time when he wishes to talk with any-

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COMING EVENTS

In Investment Field

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

Nov. 18, 1955 (New York City) New York Financial Writers 14th Annual "Financial Follies" at the Hotel Sheraton-Astor.

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.

March 2, 1956 (Philadelphia, Pa.) Investment Traders Association of Philadelphia annual dinner at the Bellevue-Stratford Hotel, with a luncheon and reception to be held at 12 noon.

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.

The Budget Situation And Tax Reduction

By H. CHAPMAN ROSE*
Under Secretary of the Treasury

Treasury spokesman discusses current Treasury position and the prospect of a balanced budget for present fiscal year. Points out a tax cut to be real must reflect surplus revenues, and this, under present circumstances, can only be accomplished by higher revenues, or increased economies, or both. Lauds Hoover Commission Reports and explains problems of carrying them out.

There is a certain frustration these days in emerging from the Treasury Building to make a speech, especially before an audience concerned with taxes—and, in fact, before any audience whatever, because in these days all audiences are concerned with taxes. The frustration arises from the fact that what everyone wants to hear is a speech about the outlook for tax reduction, and that there is nothing very startling to be said on that subject at this time.

H. Chapman Rose

In his press conference in Denver after he had seen the President, Secretary Humphrey answered many questions on this subject, framed with all the ingenuity we have come to expect from the Washington press corps. What he said in effect was this:

We hope to balance the budget in the current fiscal year ending next June 30. Despite the deficit of $1.7 billion indicated by our August estimates, we hope to achieve this result in two ways: First, by continued and intensive search for savings in the Executive Branch—and without reducing the programs of the Defense Department, which are giving us the strongest military posture in our peacetime history; and second, from the possibility of somewhat higher revenues than we anticipated, because of the continuation of the good times that we are now enjoying. We are opposed to a tax cut until we can see where we will get the money to finance it. This does not mean that we have to wait until the money is actually in hand, but it must be clearly in sight. When that time comes, we shall support a tax cut. But until that time comes, it is idle to speculate on the form that it might take, because you cannot intelligently consider how most equitably to distribute tax relief before you have some idea how much there might be to distribute.

While, as I said at the outset, there is nothing very startling about that position, it is entirely consistent with the tax policy that the Eisenhower Administration has followed since it took office in January, 1953. The present highly prosperous condition of the economy may fairly be said to have resulted in some measure from the success of the fiscal and tax policies that have been followed since that time; and it is worthwhile, therefore, to review some of their major outlines as a guide for the future, because the memory of man is short.

Parenthetically, I might say that this circumstance of the shortness of human memory was emphatically brought home to us the other day when Secretary Humphrey referred in a speech that he made in Chicago to the fact that one of the controversial early steps taken by this Administration was to eliminate price and wage controls. This momentarily generated a serious argument among the newspaper reporters who were covering the speech, some of whom were sure that these controls had been lifted well before we arrived.

*An address by Under Secretary Rose at a joint luncheon of the National Tax Conference and the Detroit Board of Commerce, Detroit, Mich., Oct. 21, 1955.

The Situation in 1953

Returning, therefore, to the situation of January, 1953, we were faced with a budget that had just gone to Congress proposing an expenditure level of $78 billion and a deficit of nearly $10 billion. Price inflation had cut the purchasing power of the dollar to 52 cents since 1939. And the public debt, too much of which had been allowed to drift into short-term securities, was not far below the $275 billion statutory ceiling.

In this situation, vigorous action was taken in many directions. The proposed budget of $78 billion was immediately pared to $74 billion and then still farther reduced in succeeding years to the present estimate of $63.8 billion for the current fiscal year. And as savings came in sight, tax reductions were effectuated.

But in that first spring of 1953, when the process of putting our financial house in order was just beginning, you will recall that the major tax event was a six-months' extension of the excess-profits tax. Much as it opposed the form and substance of this, the Administration successfully fought its expiration until the inflationary pressures had been brought under better control and the budgetary deficit had been substantially narrowed.

This time had arrived by the end of 1953, and for 1954 the Administration reflected the expenditure reductions in a tax cut of $7.4 billion distributed among the excess-profits tax, the individual income tax, various excise taxes, and the major tax revision bill that became effective that year.

And so we have come by hard and intensive work on all fronts from the budgetary and tax position of January, 1953, when expenditures were estimated at $78 billion and our revenue at $68 billion, to the present situation of an estimated outgo of $63.8 billion and revenue of $62.1 billion, with, as I have said, the real hope of eliminating in the current fiscal year even that remaining spread of $1.7 billion.

You all know, of course, what makes that task so difficult. Approximately $40 billion of budget expenditures are for defense purposes, and a high proportion of the remainder are for things like interest, veterans benefits, and the farm program, which are wholly or relatively uncontrollable. It is a slow and hard job, therefore, to find further savings without impairing essential activities. I should like to emphasize that there was no suggestion from any responsible source that our defense programs be cut to put the budget in balance. On the contrary, those programs have been determined by the Secretary of Defense and by the President to be essential to our security; and they come first. Our hope is, and we still entertain it, that by close and unremitting control, and by the elimination of waste wherever found, we can still save enough to balance out.

For any tax cut to be a real cut must reflect surplus revenues. If it simply adds to a deficit and therefore to the debt, it is a mere postponement to a future day and generation of the tax that should be levied to offset the debt increase thus generated by our improvidence.

This principle is as true in the long run as it is in the short run. Only with a material improvement in the international climate in the future, be it near or far, is there any real likelihood of a reduction of the scale of our national defense effort that now absorbs so large a part of our national budget. Our search for long range improvements must, therefore, turn on finding ways of doing what we need to do more cheaply and more efficiently.

In that connection, I have personally found great interest and much encouragement in the report of the Hoover Commission and its task force on Government budget and accounting practices. This is a highly technical subject, that a layman approaches with humility; but even a layman can be pardoned for interesting himself in it when the task force estimates a possible ultimate saving of $4 billion a year resulting from improvements in this area. Of course, I cannot personally vouch for this figure; but the fact that it is put forward by a task force of the eminence of this one is enough to challenge serious attention.

The Hoover Commission Reports

It would be impossible in the time available to analyze all the Hoover Commission recommendations in this area, but I would like to point to a couple of them that seem to open vistas—and by this I don't, of course, mean to imply anything one way or another concerning Treasury or Administration endorsement of the proposals as a whole or in their details.

Recommendations numbers 6 and 7 are as follows:

Recommendation No. 6: That executive agency budgets be formulated and administered on a cost basis.

Recommendation No. 7: That the executive budget and Congressional appropriations be in terms of estimated annual accrued expenditures, namely, charges for the cost of goods and services estimated to be received.

To get the full significance of these proposals, it is important to understand the degree to which Federal figure work is dominated by and oriented toward the obtaining of Congressional appropriations. These appropriations are authorizations to the Executive Branch to spend money either in the current year, or the first or second year following; and, depending on the Department or activity involved, they may or may not have a close relation to the cost of operation in the current year. In a Department like the Treasury, where almost the entire operating cost is payroll, it has a close relation; in the Defense Department, where a large fraction of the cost is long lead-time procurement, the relationship is much more remote. The magnitude of this factor is indicated by the statement in the report that of 1956 expenditures of $62.3 billion about $25 billion will be money appropriated in prior years. Another illustration is the fact that when this Administration took office, the carryover of previously appropriated but unexpended funds was nearly $80 billion.

As the Hoover reports make clear, there are many consequences that flow from orienting Government accounting toward appropriations rather than toward actual operating costs:

For one thing, it is frequently very difficult to get an accurate picture of the annual cost of operating an agency or a particular program, because the accounting system is focused on obligational authority, and not on current operating cost. As just one example, the consumption of an inventory of material acquired from a prior year's appropriation would frequently fail to be reflected as an operating cost of the current year.

A second consequence results from the length of time it takes the Executive Branch to make up its appropriation requests and the length of time it takes Congress to revise and enact them. Typically the basic data for appropriation is 14 months old by the beginning of the fiscal year covered by the appropriation. Work started in May, 1954, on the budget for the fiscal year which began on July 1, 1955 and will end on June 30, 1956.

A third consequence is that, having in wide areas no dependable and current data as to the actual cost of operating a program, it is hard for the government to make cost reduction a criterion of the satisfactory performance of its personnel. It is hard to reflect an individual's cost consciousness in his personnel folder as a plus on his record. In the absence of such a criterion, the natural pressures on an individual career executive in the government are all in the other direction: To get there fastest with the mostest, to be sure you have enough people and material to do the assigned job; even, and less creditably, to build a little empire. In fact, the whole pressure generated by appropriation-oriented accounting is to the same effect; there is a widespread theory, with which you are all acquainted, that the best way to justify your next year's need is to spend all of this year's appropriation.

Finally, it is axiomatic in business that good cost accounting and cost estimating is a primary and vital tool of good management planning. The absence of it tends to hamper quick and final decision making as problems arise, and to crowd too many of those decisions into the brief period when the budget decisions are being made, and being put into final shape for submission to Congress.

A good deal of progress has been made in certain areas of the government under the joint accounting program launched by the Budget and Accounting Act of 1952, particularly in government corporations and other areas where the operations resemble those of the ordinary business activity.

How important this area of saving may be for the future is perhaps illustrated by some experiences we have had in the Treasury Department. We have been hard at work throughout the Department to perform our operations more economically; how hard appears from the fact that we employed nearly 88 thousand civilians in January, 1953, and employ about 79 thousand now, a reduction of 10% Department-wide.

But in the Department we have two and only two bureaus whose operations are almost exactly analogous to those of private business. The Bureau of Engraving and Printing is a big banknote company that prints bills, stamps and securities; and the Bureau of the Mint is a metal rolling and stamping operation where the coins are made. These two bureaus have each reduced their employment by 35% in the same period. These reductions are 3½ times the departmental average and are almost double the next largest reduction in any other bureau in the Treasury.

Of course, there are a number of reasons why these two business-type operations should have shown the largest reductions; but I am convinced that a major factor was the ability to follow closely the business analogy of a system of effective cost control. While this pattern is doubtless incapable of being applied across the board, it is being spread to some extent and can be spread far more widely throughout government; and I am sure that the Hoover report will make an invaluable contribution to that end.

The immediate reason why this whole subject is of vital interest to me is, of course, the obvious one; our intensive search for more economies in government as a means of reducing the tax burden on the people. But there is a longer-range reason of even greater importance.

We are in a world-wide contest with another way of life. This contest goes forward, with an emphasis that varies from time to time, on every plane of human endeavor. The free world is matching itself against the Communist world in the development of military power, and of economic power as well; we are competing against each other in the sphere of moral values and for the minds and spiritual allegiance of all mankind. Important in this far-flung competition is the relative efficiency with which our governmental systems can accomplish a given result; the degree to which each must drain its own economy to deliver a given quantity of effort and power at the decision point. I have no fear of the outcome of this struggle, for the advantages we hold, both materially and morally, are many and great. But to the extent we can improve the efficiency of our governmental machine by so much do we strengthen ourselves for this contest, which may be long, will certainly be hard, and will determine for generations if not forever the future of our way of life.

Boyd Appointed by Wall St. Management

James R. Boyd has been appointed an Assistant Sales Manager of Wall Street Management Corp., 1 Wall Street, New York City, investment advisor to and distributor of Wall Street Investment Corp., a common stock mutual fund.

James R. Boyd

Mr. Boyd will direct distribution of the fund's shares in Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama, Tennessee, Delaware and the District of Columbia.

He had previously been associated with Carl W. Nolting Investments and Frank H. Chappelle & Co., Birmingham investment firms.

Walston & Co. to Form Corporation

SAN FRANCISCO, Calif. — As of Dec. 1 the partnership of Walston & Co. will be dissolved and a new corporation, Walston & Co., Inc., will be formed. The firm is a member of the New York and San Francisco Stock Exchanges and other leading national exchanges. Main office is at 265 Montgomery Street, San Francisco.

Officers of the new corporation will be Vernon C. Walston, President; Daniel J. Cullen, Albert C. Purkiss, and William S. Wells, Executive Vice-Presidents; Walter W. Buckley, William V. Driscoll, Robert W. Englander, Jr., Eldon A. Grimm, Harry P. Henriquest, Jr., Frank O. Maxwell and Edward G. McEneaney, Vice-Presidents; H. R. Derrickson, William D. Fleming, Morton D. Harmon, Clifton W. Morrill and Thomas J. Tasso, Vice-Presidents, Assistant Secretaries and Assistant Treasurers; George B. Simpson, Jr., Treasurer; James E. White, Vice-President and Secretary.

W. E. Hutton Wire to Branch, Cabell Co.

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, have installed a direct private wire to Branch, Cabell & Company, 814 East Main Street, Richmond, Va.

Jay Kaufmann Admits

Harry J. Lipman on Nov. 7 became a partner in Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the American Stock Exchange.

Sterling and British Exports

By PAUL EINZIG

In calling attention to the "Sterling scares" that have occurred at intervals during recent years, Dr. Einzig discusses some of the devices which would strengthen sterling during adverse periods. Says most important cause of difficulties due to distrust in sterling is the discouragement of import of British goods, and suggests a device to overcome this particular difficulty.

LONDON, Eng. — Although the sterling scare which developed during the summer has now subsided, it would be unduly optimistic to assume that it will never recur. Four times since the end of the war there was a wave of distrust in sterling, and in one instance — in 1949 — the distrust proved to be justified. It would be perhaps more correct to say that the wave of distrust created its own justification by compelling Sir Stafford Cripps to devalue the pound which would have weathered the pressure had it not been exaggerated by distrust. The sterling scare may not repeat itself for years, but the possibility of its repetition sooner or later cannot be excluded. Even if the gold reserves should increase, it is not likely to increase to a level at which sterling would be considered a hundred per cent safe, as safe as dollars, Swiss francs and one or two other happy currencies. It is, therefore, a matter of elementary wisdom to give timely thought to devices which would strengthen sterling during adverse periods.

Paul Einzig

In the course of recent discussions of the sterling scare that developed in July most people appeared to have mistaken the shadow for the substance. They attributed the difficulties to withdrawals of foreign balances from London or to short selling of sterling by speculators or to deferment of the settlement of sterling liabilities by foreign debtors. All these factors have no doubt contributed towards the sterling scare. They were not, however, by a long way the most important cause of the difficulties. After all, if foreign holders withdraw their balances it only means that Britain's foreign short-term liabilities decline to the same extent as her foreign assets. The gross amount of the gold reserve becomes reduced but the net position remains unchanged. No harm can arise, provided that there is enough gold to pay out overseas residents wanting to withdraw their balances. In 1931 trouble arose because there was not enough gold. But at present a large part of sterling balances is blocked, and an even larger amount is owned by countries of the British Commonwealth. Foreign balances that are liable to be withdrawn are amply covered by the gold reserve.

As for short positions in sterling, they are a source of potential strength, a secondary line of defense. So is the exaggerated withdrawal of sterling balances, because banks and others needing funds in London have to replenish their sterling holding sooner or later.

The most important cause of the difficulties arising from the wave of distrust in sterling is that it tends to discourage the import of British goods. The danger is that if a firm imports goods before a devaluation he will be undersold by a rival importer who had the foresight or the good fortune to defer his purchase until after the devaluation. It is true, wholesale importers are in a position to hedge against this risk by remaining short in sterling until after they have disposed of the goods. Retailers, on the other hand, are not organized for forward exchange transactions; indeed many of them have never heard of forward exchange. If rightly or wrongly they are afraid that sterling may be devalued they are inclined to seek to safeguard themselves by reducing their stock of British goods.

An effective way of safeguarding sterling would be the adoption of a device to overcome this particular difficulty. This could be accomplished in the following way:

The Export Credit Guarantees Department should issue "sterling certificates" the holders of which would be entitled to the payment of any difference between the rate of $2.78 and the current rate of exchange at the time of the presentation of the certificates. British exporters would acquire such certificates to the value of their exports, against payment to the Department of a premium corresponding to the current rate of forward dollars. They would transfer the certificates free of charge to the foreign importers who in turn would transfer them to the retailers as and when they re-sell their imported goods. The certificates would be valid for a period of, say, six months, or 12 months. If during that period sterling should be devalued, the purchasers of British goods would receive a payment that would correspond to the benefit they would have secured if they had deferred their purchases until after devaluation.

This device would remove the cause for foreign buyers of British goods to hold back their purchases owing to the danger of a devaluation. There would be no decline of British exports during periods of sterling scares, and this alone would greatly mitigate the scares. Moreover, the psychological effect of the British Government's willingness to issue such guarantees against devaluation should go a long way to allay fears. It is one thing for a government to declare its determination to maintain the present exchange value of its currency—such promises have been dishonored all too frequently—and a totally different thing for it to show that it has the courage of its convictions, by undertaking to guarantee foreign importers against the devaluation risk.

During periods when sterling is looked upon with confidence few British exporters, if any, would make use of this device. It is important, however, that the necessary arrangements should be initiated during a calm period, so that it should become immediately available as and when required during a stormy period.

Should the government be unwilling to adopt this proposal the British banks or the banks of the importing countries could issue such certificates and cover themselves in the forward exchange market. In substance the device would amount to a popularization of forward exchange transactions for legitimate commercial purposes.

In the absence of a pressure on sterling through a reduction of foreign orders for British goods it would be much easier to face pressure due to other causes. British industries would not be the only beneficiaries from some such arrangement. During periods of sterling scares the possibility that, as a result of a devaluation of sterling, British motor vehicles for instances, might become suddenly much cheaper in terms of foreign currencies, is liable to discourage the purchase of non-British as well as British motor vehicles. After all if the price of Morris cars is suddenly reduced in terms of dollars by, say, 25%, holders of stocks of rival models of American, German, etc. cars would also suffer losses. In case of a prolonged and acute sterling scare the possibility of such losses is liable to cause an appreciable reduction of inventories in general, leading to an all-round contraction of business. It is a consideration which deserves attention.

Southwestern Secs. Branch in Ft. Worth

FT. WORTH, Tex.—Southwestern Securities Company has opened a branch office in the Sinclair Building under the management of Howard D. Burdick. Mr. Burdick was formerly in charge of the Fort Worth office of Gulf Coast Investment Corp., mortgage bankers. The firm has a direct private wire between the Fort Worth and Dallas offices.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Walter MacIndoe is now with Walston & Co., 110 Pine Avenue.

Phila. Inv. Women Dinner Meeting

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its second dinner meeting of the 1955-56 season on Monday, Nov. 21, at 6:15 p.m. at the Barclay Hotel.

Miss Lucille Farrell of H. G. Kuch & Co., Chairman of the Entertainment Committee, has announced that the guest speaker will be Joseph M. Bransky. Mr. Bransky, a member of the Treasury Department, Bureau of Narcotics, will speak on the topic of "The Narcotic Drug Problem."

During his long career, Mr. Bransky has been a lecturer on criminal investigations in police schools and various colleges of pharmacy and medicine dealing with "The Narcotic Drug Problem." For the past eight years he has been in charge of District No. 3, which includes Pennsylvania, Delaware and part of New Jersey. He is a member of the International Association of Chiefs of Police, National Association of Sheriffs, as well as the Pennsylvania Association and New Jersey Association of Chiefs of Police.

Joins Taiyo Securities Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James N. Yamamoto has joined the staff of Taiyo Securities Company, 208 South San Pedro Street.

With William R. Staats

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Edmund B. Kittinger is now with William R. Staats & Co., First National Bank Building.

School Costs

By ROGER W. BABSON

Mr. Babson, asserting truck drivers are getting more pay than school teachers, contends, however, that teaching is now in the horse-and-buggy days, and "we understand the psychology of a cow better than the psychology of a child." Lays increasing costs of school building to "crazy legislation."

So many letters come to me, from both teachers and taxpayers, that I would like this week to answer them all in this column in an impartial manner.

Roger W. Babson

Let me start out by saying that my sympathies are distinctly with the school teachers and especially with the school principals. It is true that truck drivers are getting more pay than school teachers. Morally this seems unjust, but the fact is that the employers have substituted motors for horses and big trucks for wagons. These trucks carry as much in a day as the old horses and wagons carried in a week. In other words, the employers have adopted methods which enable the truck drivers to have increased wages.

Painters today are paid double what they were 20 years ago; but employers have adopted sprayers in place of hand brushes. Carpenters are getting double; but the employers are supplying them with electric saws instead of hand saws. The school committees and the city fathers, on the other hand, have not done much of anything to help the teachers do more efficient work. As an employer, I pay my typists double what I used to pay them, but with electric typewriters and other machinery, they give me double the work. The doctor costs us more a visit; but he is making us live longer. Hard-covered books cost more, but we can get the same thing for half the price with paper covers. Radio, washing machines, and TVs have all improved in quality, and hence profit returns offset the wage increases.

Crazy Legislation is Increasing Costs

Let us consider who benefits from the increased costs of modern school building. Twenty per cent of this increased cost is due to unnecessary classroom space, glass windows, unused ventilation, and rules or regulations put through by the labor unions and similar associations. Fifty per cent of the increased cost is due to plumbing, electrical work, modern kitchens, fancy gymnasiums, auditoriums to please the voters, not to improve education. Thirty per cent has been due to the increased costs of materials, of which Uncle Sam takes 52% in taxes. In a general way, this also explains the increased costs of most houses. School committees, by catering to the voters, are largely responsible for these high-cost school buildings. They should not make the teachers carry the burden of these costs by accepting low salaries.

The doctors are not only delivering better services for increased fees, but they are forming associations to conquer cancer, heart disease, and even polio. We, however, do not know of any PTA which is developing new systems of instruction to assure the teachers better salaries. We hear of very few cities where the classrooms are giving double service, with half of the students coming in the morning and the other half in the afternoon. We hear of experiments with radio and TV. Unfortunately, however, too few parents are interested in better teaching. Too many parents want to work outside the home, and use the schools for parking places for their children.

Teaching Is Now in the Horse-and-Buggy Days

Unfortunately, the teachers' future probably awaits some very important research. The schools are spending billions a year to park and lunch children, but—unlike our large industries—are spending very little on fundamental research. We understand the psychology of a cow better than the psychology of a child. Those who control education do not know the difference between a "brain" and a "mind," to say nothing about the probabilities of extrasensory perception and the use of numbers rather than sentences. Possibilities of the mind are tremendous. But teachers may be obliged to supplement their teaching by giving pupils prescribed diets, or new undiscovered drugs, or electric impulses. Education also may take an active interest in eugenics. As Sir George Thompson is reported to say, "What the brain can foresee presents the greatest promise that lies ahead." Surely, the time required for a conventional education will be cut 75%, schools will graduate far more efficient pupils, and teachers will be paid what they are worth, or else they will be replaced by UNIVAC machines.

Huff Brings Orchids to Investment Business

LOS ANGELES, Calif.—Robert H. Huff, Vice-President of Fewel & Co., 453 South Spring Street, relaxes by raising orchids on his estate. It is an expensive hobby with his collection valued at $10,000. At the Los Angeles Stock Exchange Luncheon Club, the talk turns orchid, when Bob is there. He is most generous in supplying the girls in the financial district with the gorgeous blooms and has been known to air express them to New York City for appreciative friends.

Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

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

Three With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John V. Littlefield, Richard L. Murtaugh and Kenneth D. Russell are now associated with Daniel D. Weston & Co., 140 South Beverly Drive.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lotis B. Hawkins has been added to the staff of Walston & Co., 550 South Spring Street. Mr. Hawkins was formerly with Francis I. du Pont & Co.

Michigan IBA Group Elects New Officers

Raymond J. Laude

DETROIT, Mich. — The Investment Bankers Association, Michigan Group, at their annual meeting held on Oct. 17 last, elected the following officers for the coming year:

Raymond J. Laude, Chairman, Goodbody & Co.; Harry A. McDonald, Jr., Vice-Chairman, McDonald, Moore & Company; William L. Hurley, Secretary-Treasurer, Baker, Simonds & Co.

Newberger Opens In Supermarket

Newberger & Co. Does Big Business at Thriftmart

PHILADELPHIA, Pa. — Newberger and Company, one of the oldest stock brokerage firms in the East, established a precedent in the investment field by opening an office in Thriftmart, the nation's largest one-stop shopping center.

The firm was established in 1899 as Newberger Brothers and Henderson. Under its new name, the firm has expanded to Atlantic City, Lebanon and Vineland. It is a member of the New York, Philadelphia and Baltimore Stock Exchanges.

Thriftmart, located on U. S. Highway No. 1, Fairless Hills, Penna., is strategically located in the heart of the Levittown-Fairless Hills area, which is one of the nation's fastest growing communities.

Opening a brokerage firm amid such an array of consumer products and shopping services is generally considered a bit unorthodox, although it may be a forerunner of future trends in the investment field. Mr. Herbert Lieberman, a senior partner in Newberger & Company, stated, "We didn't open up in a supermarket to make money . . . simply as a public service to disseminate information. We believe it is good institutional advertising and are very pleased with the results so far."

As for future plans, Mr. Lieberman stated that the firm expects to open similar brokerage offices as soon as Thriftmart expands into such scheduled areas as Camden, N. J.; Atlantic City, Hartford, Conn.; New Haven, Conn., and Miami, Florida.

Two With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William W. Blatner and Richard F. Gibson have become connected with Bache & Co. of New York. Mr. Gibson was formerly with the local office of Francis I du Pont & Co.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Lynn C. Cobb, Jr. has become connected with Dempsey-Tegeler & Co., 465 East Green Street. He was previously with J. Logan & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

The idea, seriously discussed around Washington and in other influential places for several weeks and now given publicity by a reputable, widely syndicated columnist, that Eisenhower should be given both the Republican and Democratic Presidential nominations next year but each party would name its own Vice Presidential Candidate, reflects the craziness of these times and is by no means new.

Carlisle Bargeron

Ever since we accepted the indispensability of Roosevelt there have been influences in our midst, with tremendous propaganda mediums, who are devoted to the indispensability myth. If it is not one indispensable man then it must be another. The pursuit of their devotion right at this time with their current indispensable man just recovering from a heart attack would seem to be downright dangerous.

Instead of harping upon Eisenhower's indispensability at this time, you would think that our leaders of public opinion would be playing it down, and certainly this is the President's own feeling. Personally I hope that he will feel able to run again but it is not because I think the country would go to the dogs in the event he does not feel so able, but because his running again would insure a Republican victory and I think that would be better for the country.

The revival now of the idea of both parties nominating him overlooks a lot of change that has come about in his attitude since he has become President. There was a time, according to reliable informants of mine who were present upon the particular occasion, when he said he would not run unless both parties did nominate him. This, I think, showed his lack of knowledge of our government.

But if he was nonpartisan at that time, he has repeatedly, since becoming President, told Republican gatherings that he was a thorough-going 100% Republican. He has even made the statement publicly that he thought the Republican party to be the best instrument of this country's enjoying its full progress. At the private Republican gatherings he has been less restrained. At those meetings his remarks have been a delight to the lowly Republican precinct workers. He has talked their language. I have reason seriously to doubt he would even entertain any idea now of being the candidate of both parties. At least I am quite certain he would make it clear in unmistakable terms that he is a Republican.

The proposition being advanced is that the two party system would be maintained by fighting it out over the Vice-Presidency. The party winning that office would be considered as having won the election. In the event of the President's incapacity, the party of the Vice-President would move into power. What would happen in the meantime? A Republican President reelected would nevertheless have a mandate from the people to surround himself with a Democratic cabinet, with Democratic advisers and to carry out Democratic policies. You wonder just how childish some of our ivory tower thinkers can get.

I had thought the death of Roosevelt would have forever put an end to the indispensability myth. The stock market dropped, of course; there were a few days of uncertainty. Then Truman struck his stride and things moved right along much in the image of the indispensable man. There are many who claim Truman attained a stature of greatness. I don't go for that but I do think the country made progress towards sanity under him. He quieted many of the antagonisms, and Eisenhower's greatest contribution, I think, is that he has quieted most all of them. But that is behind us, an accomplishment, and if the Republicans continue in office, I think we shall continue to move away from them, under either Eisenhower or any other man they might select.

Nixon's nomination would admittedly make for a bitter campaign. The leftists and so-called liberals would scream bloody murder and his election would very likely leave a lot of scars in our midst. But the chances are that their voice in our national councils would be silenced for many years to come. They would have made their all-out fight and lost. They would know where they stood. They haven't been silenced under Eisenhower. They still think they carry weight.

There was considerable propaganda just before the 1952 Presidential nominating conventions that the Democrats, meeting after the Republicans, might also nominate Eisenhower. But this came mostly from Taft Republicans seeking to scare the Eisenhower supporters. An influential acquaintance of mine at the time, however, took the idea seriously and tried to get a campaign going to this end. He didn't get anywhere and my guess is that those promoting the two-party acceptance of Eisenhower now won't get any further.

Two With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hubert R. O'Neil, Jr. and Eugene T. Forrest have become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. O'Neil was previously with Gross, Rogers, Barbour, Smith & Co.

Fewel Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Howard S. Anderson and Harold D. Morton have become connected with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Both were previously with First California Company.

Joins Reynolds Staff

SAN FRANCISCO, Calif. — Joanne H. White has joined the staff of Reynolds & Co., 425 Montgomery Street.

Two With L. Schneider

LOS ANGELES, Calif.—Pem B. Hoowij and Paul R. Roberts are now with Leonard B. Schneider, 4909 Melrose Avenue.

Will Consumer Debts Limit the 1956 Market?

By PAUL W. McCRACKEN*
Professor of Business Conditions, University of Michigan

Pointing out Americans have been showing an impressive degree of enthusiasm about getting themselves into debt to each other, Prof. McCracken lists as reasons for concern regarding this: (1) inadequate screening of credits by lenders; (2) both good and bad loans can "sour" quickly if income and employment dry up; (3) too rapid expansion of borrowing may produce price inflation, and (4) the credit stimulus is not apt to be so great in 1956 as in current year. Holds, however, in spite of these considerations, the credit picture is "not dangerous."

One of the more dramatic features of a year notable for spectacular economic developments has been the great growth of consumer and personal debts. In the third quarter of 1955 total consumer credit outstanding was $34 billion, a rise of 17% during the preceding 12 months. The rise in the volume of instalment debt outstanding has been even more marked. In August the volume of this paper (arising from purchases of automobiles and other consumers' goods) was $19.3 billion, having jumped $3.7 billion or 24% in one year.

Paul W. McCracken

The most dramatic increase has, of course, occurred in the volume of auto financing which, as Table I indicates, has been running about one-third above year-ago levels.

When we add to these figures the fact that the volume of residential mortgage debt outstanding is also running about 18% ahead of 1954, one conclusion seems incontestable. Americans have been showing an impressive degree of enthusiasm about getting themselves into debt to each other.

*A talk by Prof. McCracken at the Regional Conference, Financial Analysts Society, Detroit, Mich., Nov. 7, 1955.

Certain questions have inevitably emerged in regard to these developments. Are we developing an unsound volume and structure of personal debts? Does the current volume of debts endanger the solvency of the economy? More specifically, will 1956 be the hangover year in which we must pay for 1955's fiscal profligacy, thereby also producing a sharp contraction in markets for such things as automobiles and other consumers' hard goods.

Four Reasons for Concern

There are, as I interpret the discussions about these matters, four reasons for apprehension about what this mounting volume of debts means for the economy.

(1) Lenders may not be adequately screening the quality of the credits they are extending, with the result that they are building up to an active volume of business for the bad-debts department. Occasional news stories of individuals who are obviously loaded up with installment and other debts beyond their ability to pay reinforce this concern. That there has been a substantial growth in debts relative to the incomes from which those debts must be serviced is obvious. Last year for every dollar of take-home pay (disposable personal income) there were 11.8 cents of consumer credit outstanding. By the third quarter of 1955 the figure was 12.3 cents.

(2) The currently large volume of personal debts might also pose serious problems if we were to get into a serious depression. That loans, good when made, can sour quickly if incomes and employment dry up is obvious. Moreover, we know from the the Great Depression that unsound elements in the debt structure can cause a recession or depression to feed on itself or cumulate. The disorderly stockmarket liquidation which importantly triggered the Great Depression will forever stand as a monument to that possibility. In a very real sense the time to do something about a depression is to avoid excesses in the prior boom which may convert a recession into a disorderly collapse.

(3) Too rapid an expansion of borrowing may produce price inflation by putting out too much purchasing power, causing demand to outrun our productive capacity. Inflationary debt expansion is often associated with excessive government borrowing, but inflation can just as well arise out of a too-rapid build-up of private borrowing.

(4) The credit stimulus is not apt to be so great in 1956 even if 1955's easier terms are maintained. With the easing of terms this year a new market was opened up. Those most sensitive to credit terms were, of course, the first to respond. While there will continue to be credit-sensitive buyers next year, it would be surprising if the continuing significance of easier terms will be as great as their initial impact. Moreover, there seems to be some tendency to draw back a bit from the very easy terms on the part of a few of this year's lenders.

Credit Picture Not Dangerous

In spite of these considerations there is, I believe, a tendency to view the recent credit developments with too much alarm.

(1) The substantial increase in the demand for consumer hard goods has not resulted in an abnormal increase in credit relative to the volume of purchases. In the third quarter of this year 77 cents of new credit was being extended per dollar of consumer durables purchased, not greatly different from the 73 cents for 1953 or 1940. These facts do not suggest that the volume of installment credit has been running wild relative to purchases of consumer hard goods. Table II).

(2) There is very little evidence that a lot of bad loans have been made in 1955. The collections experience of most institutions continues to be good. The incidence of delinquencies is low and shows no tendency to rise. Indeed by almost any measure the current situation is at least as good as 1953, and in most cases better.

The fact that cases of overloaded borrowers can be found proves very little. There probably has never been a time when a full-length story could not be written on families whose debts have got out of control.

It is, of course, true that this picture might change if a severe depression were to occur. But there is little evidence that the current debt situation might trigger us into a depression.

(3) Substantial as the credit expansion has been this year, there is little evidence that it has been inflationary. The consumer price index has been remarkably stable during the last 12 months (though it will rise some in the months ahead, reflecting cost increases). The more sensitive wholesale price level (excluding farm and food prices) was relatively stable until mid-year, but has been rising since July. Even the money supply is only up 4.5% over year-ago levels—very little more than the expansion required for long-run business growth. It is difficult from the facts of the 1955 credit expansion to establish the case that we have had an inflationary debt and credit expansion.

One thing we sometimes forget is that the modern economy generates a substantial volume of savings. Most of these savings come into our great thrift institutions. And the principal way these thrift institutions make these savings available is by acquiring assets which represent the debts of others — mortgages, corporate bonds, government securities, etc. In the year ending with June 30, assets of selected thrift institutions increased about $28 billion. If we are going to have $28 billion of savings per year, it follows that we shall have a $28 billion increase in debts per year. To view that kind of rise in debts with alarm is correspondingly to view thrift and savings with alarm. In the modern economy debts (public or private) are almost sure to rise accordingly. (Table III).

It is true that the 1955 debt expansion is larger than we can sustain on a continuing basis. Installment debt outstanding can hardly grow at the rate of 24% per year indefinitely (the 1955 rate) without getting us in trouble since incomes will not grow by more than perhaps 3 or 4% per year. The major explanation for the abnormally large rise from 1954 to 1955 was the sharp cyclical rise in output from the 1954 recession. Now that full recovery has been achieved, output will expand more slowly. And a slower rate of increase in credit expansion will not only be appropriate but desirable if inflation is to be avoided.

(4) We must, I think, expect the volume of personal or consumer debts to rise more rapidly than incomes. For this there are

Continued on page 46

TABLE I
Expansion of Consumer Credit
(Dollar amounts in billions)

Item	Aug. 1954	Aug. 1955	—Increase— Amount	%
Consumer credit outstanding	$23.7	$33.6	$4.9	17
Instalment credit outstanding*	15.6	19.3	3.7	24
Auto paper outstanding	10.3	13.5	3.2	31
Instalment credit extended	2.5	3.4	0.9	36
Instalment credit repayments	2.4	2.8	0.4	17

*On automobile and consumers' goods only. SOURCE: Federal Reserve.

TABLE II
Relationship Between Instalment Credit and Purchases of Consumer Durables
(Dollar amounts in billions)

Year	Purchases Cons. Dur.	Instalment Amount	Credit Extended % Cons. Dur. Purch.
1940	$7.8	$5.7	73%
1950	28.6	15.4	54
1953	29.8	21.6	73
*1955	37.5	28.8	77

*Third quarter annual rate. SOURCE: Federal Reserve and U. S. Department of Commerce.

TABLE III
Increased Assets at Selected Savings Institutions
(Dollar amounts in billions)

	6/30/'54	6/30/'55	Change
Commercial banks	$190.6	$198.6	$8.0
Mutual savings banks	28.3	30.3	5.0
Life insurance companies	81.0	87.0	6.0
Savings and loan associations	29.1	34.9	5.8
Pension funds	n.a.	n.a.	2.7*
Total change			$27.5

*Estimated; n.a.—not available.

A Refutation of the Burgess Table of Claims on Our Gold Stock

By WALTER E. SPAHR
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr, contending that the table presented by Deputy Secretary of Treasury W. Randolph Burgess to the Senate Subcommittee on March 29, entitled "U. S. Gold Reserve Requirements and Potential Claims" is misleading and indefensible, presents arguments in support of his criticisms. Furnishes data to indicate that the potential foreign claims on our gold stock, as presented by Sec'y Burgess, are not in accordance with the facts.

Burgess Table Designed to Demonstrate Why the United States Cannot Have a Redeemable Currency.

When Dr. W. Randolph Burgess, then Deputy to the Secretary of the Treasury, testified before a Senate Subcommittee on March 29, 1954, in opposition to the institution of a redeemable currency, he introduced a table, entitled "United States gold reserve requirements and potential claims, 1922-53," which was designed to demonstrate why the United States could not safely make its currency redeemable in gold.[1]

Dr. Walter E. Spahr

The table was thoroughly indefensible and misleading. Had the pertinent data been presented in correct form, respect for facts would have required that Dr. Burgess state a conclusion opposite to the one he presented to the Senate Committee.

Circumstances did not permit preparation at that time of an analysis of the nature and implications of that table. But since it has been reproduced in recent months with the implication that, as presented, it contains a revelation which deserves respect, it is important that its characteristics be made clear. In April, 1955, the table appeared, with an assumption as to its validity, in a pamphlet on "The Gold Standard" published by the Board of Directors of the National Association of Manufacturers; and it was incorporated in "The Annual Report of the Secretary of the Treasury for 1954," p. 292, presumably in the belief of someone in the Treasury that it contributed something of value in support of the opposition of top Treasury officials to a redeemable currency for this nation.

The table is reproduced below (numbers of columns are inserted by this author for convenience of reference).

1Table I in "Gold Reserve Act Amendments," Hearings Before a Subcommittee of the Committee on Banking and Currency, U. S Senate, March 29-April 1, 1954, p. 23.

"TABLE I"

"United States gold reserve versus requirements and potential claims, 1922-53"

[In millions of dollars]

End of Year	(1) United States gold reserves	(2) United States required gold reserves (a)	(3) Foreign short-term dollar balances 1 (b)	(4) Total (a) and (b)
1922	3,506	1,686	1,009	2,695
1923	3,834	1,652	997	2,649
1924	4,090	1,599	1,237	2,836
1925	3,985	1,558	1,193	2,751
1926	4,083	1,564	1,639	3,203
1927	3,977	1,624	2,591	4,215
1928	3,746	1,621	2,483	4,104
1929	3,900	1,611	2,673	4,284
1930	4,225	1,562	2,335	3,897
1931	4,052	1,781	1,304	3,085
1932	4,045	1,967	746	2,713
1933	4,012	2,166	392	2,558
1934	8,259 2	2,729	670	3,399
1935	10,124	3,610	1,301	4,911
1936	11,422	4,101	1,623	5,724
1937	12,790	4,170	1,893	6,063
1938	14,591	5,099	2,158	7,257
1939	17,800	6,354	3,221	9,575
1940	22,042	7,897	3,938	11,835
1941	22,761	8,310	3,679	11,939
1942	22,739	9,997	4,205	14,202
1943	21,981	11,902	5,375	17,277
1944	20,631	14,350	5,820	20,170
1945	20,083	10,868	7,074	17,942
1946	20,706	10,731	6,481	17,212
1947	22,868	11,294	7,135	18,429
1948	24,399	11,894	7,756	19,650
1949	24,563	10,753	7,623	18,376
1950	22,820	11,005	9,222	20,227
1951	22,873	11,720	9,302	21,022
1952	23,252	12,055	10,731	22,786
1953	22,090	12,151	11,771	23,922
1954, Jan. 31	22,044	11,799	11,947	23,746

1 Data are based on 3 somewhat differing series, as follows: 1922-28, estimates based on 1929 figure, adjusted for previous years by changes in foreign banking claims on the United States as published by the Department of Commerce; 1929-23, as reported to the Federal Reserve Bank of New York by banks in New York City; 1934-43, as reported to the Treasury Department by banks in the United States. Data represent short-term dollar balances of foreign official and private institutions and of international organizations. For the period 1944-53, holdings of U. S. Government securities maturing within 20 months after date of purchase are included.

"2 Includes $2,806 million, the increment resulting from the reduction in the weight of the gold dollar, January 1934.

"*Scurces:* Foreign short-term dollar balances: Department of Commerce, The United States in the World Economy; Board of Governors of the Federal Reserve System, Banking and Monetary Statistics; monthly Treasury Bulletin and Federal Reserve Bulletin.

"United States gold reserves and required gold reserves: 1922-41 Banking and Monetary Statistics, 1942-53 Federal Reserve Bulletin."

The Implication of the Burgess Table.

The implication of the Burgess table is that, in the light of the claims on our gold stock ("United States gold reserves," in table refers to our monetary gold stock) represented by required gold reserves and foreign short-term dollar balances, the United States could not safely institute redemption.

Dr. Burgess did not defend the table or explain its implications; he permitted its implications to speak for themselves. He simply said (**Hearings**, p. 22): "I would like to enter into the record some statistics which I think will support these suggestions I have made. I will place in the record a table which shows by years the gold stock of the United States, and the required legal reserves of the Federal Reserve System, and also foreign holdings of bank balances or short-term investments in the United States which are potential claims on our gold."

The suggestions to which he referred were his observations to the effect that "we still live in a very uncertain world," and that, because of international tensions, our government should not act "prematurely" in opening our gold stock to the various demands that could be made upon it if our currency were made redeemable for all holders of dollars.

What Dr. Burgess Should Have Done.

Had Dr. Burgess dealt correctly with the issue involved, he would have shown the ratios of our gold stock to all non-gold money and deposits including the holdings of our citizens as well as those of foreigners. He would have excluded claims represented by investment instruments since these must first be converted into non-gold currency (usually bank deposits), and then he should have shown the proportion of such currency that tends to be converted into gold.

Had Dr. Burgess set up domestic currency claims, in the form of non-gold money and deposits in banks, against our gold stock, he should have had a table, if his procedure were pursued and if he could separate domestic from foreign currency claims, which would have revealed that the holders of "foreign short-term dollar balances" could not possibly get any of our gold if our people acted first. For example, on Jan. 31, 1954, a month used by Dr. Burgess in his table, he would have been confronted with an item, $199,800,000,000 of deposits and currency outside banks, in addition to which there were U. S. government balances at banks, Treasury cash holdings, and foreign bank deposits amounting to $7,300,000,000 — a total of $207,100,000,000 constituting demand claims against our gold stock of $22,044,000,000 of that date—by far the larger proportion of which would be domestic claims.

But Dr. Burgess chose to present foreign claims in the form of "foreign short-term dollar balances" against our surplus gold stock above required reserves and to ignore the much larger item, domestic currency claims. The implication here is that foreign claimants must be satisfied in gold while our people's claim can properly be ignored by confining them to payment in irredeemable currency.

The Burgess table also ignores the functioning of a system of fractional reserves. He did not deal with the fact that, were our people able to demand gold for their non-gold dollar claims, they could be expected, in the light of our experience for a decade prior to January, 1933, to demand from 2.5 to 3%, as a common top percentage, of our gold stock. Instead of dealing with the operation of the fractional reserve system, he set up a table carrying the implication that gold reserves against potential demands should be 100%. As one lets his eyes fall on column (4) of the Burgess table, the only valid inference is that the reserve requirements and "potential claims" should be recognized as claims that should be respected on a 100% basis. That inference has no relation to fact as the following data should make clear.

Potentials should have been related to actual experience. Had Dr. Burgess compiled an insurance company's liabilities and offset them against that company's cash reserves, ignoring the principle underlying the operation of, and justification for, fractional reserves, and ignoring the facts of practice, he would have had a picture comparable to that presented by him to the Senate Committee in respect to foreign short-term claims as potentials against our gold stock.

Even though Dr. Burgess should have dealt with the ratics of our non-gold money and deposits to our gold stock, excluding investment instruments, and with the facts of experience in respect to those ratios, there are various other considerations, ignored in his table, which he should not have overlooked if he chose to deal with "foreign short-term dollar balances" which include among other things not only demand deposits but government obligations maturing in not more than one year, some bankers' acceptances and commercial paper, and other items. He should have recognized that if some investment instruments with maturities not exceeding one year could be listed as a potential demand for gold, so could every other item of wealth which could be sold within a year. All wealth other than gold constitutes a potential demand for gold; but, of course, as such wealth, including investment instruments, is sold, it must be converted into currency only a very small proportion of which is converted into gold.

If Dr. Burgess wishes to acquaint the United States Senate and other interested people with information as to the relationship between foreign short-term dollar balances and consequent demands on our gold stock, he should have related those balances to net exports of gold plus net increases in gold earmarked for foreign account. He should

TABLE II

Data on Gold Withdrawals, 1922-January, 1954

Year—	(5) *†Net Imports or Exports (—) of Gold (000 omitted)	(6) †Yearly Avgs. of Monthly Data on Gold Held Under Earmark by Fed. Res. Banks for Fgn. Acct. (000 omitted)	(7) Our Short-term Claims on Foreigners (000 omitted)	(8) Net Release from Gold Held Under Earmark (000 omitted)	(9) Net Exports Plus Net Increases in Gold Held Under Earmark (Cols. 5 and 8) (000 omitted)	(10) Gold Withdrawals (9) —as Percentages of— Foreign Short-term Dollar Balances (Col.3, Table I)	(11) Total Gold Stock (Col.1, Table I)
1922	$238,295	$2,300c	N.A.	—$3,700	------	--	--
1923	294,073	2,256d	N.A.	700	------	--	--
1924	258,073	16,567	N.A.	—42,200	------	--	--
1925	—134,367	27,517	N.A.	32,200	$102,167	8.6	2.6
1926	97,796	40,567	N.A.	—26,300	------	--	--
1927	6,080	100,058	N.A.	—160,200	154,120	5.9	3.9
1928	—391,862	99,958	N.A.	119,500	272,362	11.0	7.3
1929	175,066	112,250	N.A.	—55,400	------	--	--
1930	280,087	122,733	N.A.	—2,400	------	--	--
1931	145,325	208,783	$1,103,300f	—320,800	175,475	13.4	4.3
1932	—446,214	275,475	937,900g	457,500	------	--	--
1933	—173,455	197,725	898,800h	—58,000	231,455	59.0	5.8
1934	1,133,912	13,658	1,137,800i	82,600	------	--	--
1935	1,739,000	9,775	778,600	200	------	--	--
1936	1,116,600	51,000	672,600j	—85,900	------	--	--
1937	1,585,500	167,758	655,000k	—200,400	------	--	--
1938	1,973,600	420,158	594,000l	—300,500	------	--	--
1939	3,574,200	934,233	508,700m	—534,400	------	--	--
1940	4,744,500	1,518,966	384,000n	—644,700	------	--	--
1941	982,400	1,979,700	367,800	—458,400	------	--	--
1942	315,700	2,506,775	246,700	—458,400	142,700	3.4	0.6
1943	68,900	3,114,658	257,700	—803,600	734,700	13.7	3.3
1944	—845,400	3,725,392	329,700	—459,800	1,305,200	22.4	6.3
1945	—106,300	4,177,936	392,800	—356,700	463,000	6.5	2.3
1946	311,500	4,166,583	708,300	465,400	------	--	--
1947	1,866,300	3,744,517	948,900	210,000	------	--	--
1948	1,680,400	3,813,850	1,018,700	—159,200	------	--	--
1949	686,500	3,918,133	827,900	—495,700	------	--	--
1950	—371,300	4,875,775	898,000	—1,352,400	1,723,700	18.7	7.6
1951	—549,000	5,813,200	968,400	617,600	------	--	--
1952	684,300	4,928,067	1,048,700	—304,800	------	--	--
1953	2,200	6,118,492	904,500	—1,170,800	1,168,600	9.9	5.3
1954, Jan. 31	—5,500	6,527,100	923,800	—43,300	48,800	0.4	0.2

* Data for years 1922-1934 from *Annual Report of the Federal Reserve Board* (1934), p. 122. At $20.67 per fine ounce through January, 1934, and at $35 thereafter.

† Data for years 1922-1938, average of end of month figures, from *Banking and Monetary Statistics* (Board of Governors of the Federal Reserve System, Washington, D.C., November, 1943), pp. 536-537; for the years 1938-1954, *Federal Reserve Bulletins.*

N.A. Not available.

c Average for three months, October-December.

d Average for January-March and July-December.

f December 30, reported by New York banks only.

g December 28, reported by New York banks only.

h December 27, reported by New York banks only.

i December 5, reported by all banks of United States. Subsequent items by all banks.

j December 30.

k December 29.

l January 4, 1939.

m January 3, 1940.

n January 1, 1941.

then have shown yearly gold withdrawals as percentages of yearly foreign short-term dollar balances and as percentages of our gold stock for the years involved. Table II, prepared by this author, provides these data.

Then he should have revealed the amount of gold under earmark for foreign account for each year and the fact should have been emphasized, when "potentials" were under consideration, that the supply of gold under earmark could be released by foreign owners at any time they might be so disposed and added to our gold stock. It should have been helpful to the United States Senate if Dr. Burgess could have informed the members concerned why the amount of gold under earmark for foreign account was at the highest level on record up to that time (his Jan. 31, 1954). He should have dealt with the question of the relationship, if any, between the high volume of gold under earmark and the fact that our currency is irredeemable. He should have pointed out to the Senate Committee that the $6,818,600,000 of gold under earmark on Jan. 31, 1954, could be considered in some degree as a "potential" offset to the "potential" demand of $11,947,000,000 in foreign short-term dollar balances. Table II contains a column on gold held under earmark for foreign account.

As a further "potential" offset to foreign short-term dollar balances, Dr. Burgess should have compiled for the information of the Senate and other interested people short-term claims, of a corresponding nature, against foreigners held by us. Table II contains a column on short-term claims on foreigners reported by banks in the United States. These claims as reported in "Federal Reserve Bulletins" are said by the "Bulletin" to "represent principally the following items payable on demand or with a contractual maturity of not more than one year: loans made to and acceptances made for foreigners; drafts drawn against foreigners that are being collected by banking institutions on behalf of their customers in the United States; and foreign currency balances held abroad by banking institutions and their customers in the United States."

Although Dr. Burgess had an obligation to draw upon Treasury and Federal Reserve resources to acquaint the Senate with the behavior of earmarked gold and our short-term claims on foreigners as potential offsets to his listed potential claims on our gold in the form of foreign short-term dollar balances, this author does not possess the information as to the extent to which these potential offsets become real offsets and, consequently, confines himself to the supposedly factual data listed in Tables II and III.

Evidence, as Revealed in Table II, on the Unjustifiable Character of the Burgess Table.

Out of the 33 periods listed in the Burgess table as containing a potential demand for our gold —32 years and one month—there was a net increase in the aggregate of net exports of gold and net increases of gold under earmark only 12 times. During the periods showing zero withdrawals, the zeros could of course be converted into negative percentages showing additions to our gold stock.

During these 12 out of 33 periods, the percentages of gold withdrawals as measured against foreign short-term dollar balances ranged from 0.4% to 59%. As measured against our total gold stock, the percentages of gold withdrawals ranged from 0.2% to 7.6%. The next to the highest percentage (7.3) occurred in 1928 when our nation was on a gold standard with a ratio of gold stock to total non-gold money and deposits of 7.2%. There was no problem in maintaining a redeemable currency in that year.

In 1933, when 59% of the relatively small amount of foreign short-term dollar balances was withdrawn, the ratio of our gold stock to non-gold money and deposits was 9.6%. In 1944, when 6.3% of our gold stock was withdrawn, the ratio between our gold stock and non-gold money and deposits was 13.7%. In 1950, when the highest percentage of our gold stock, as compared with foreign short-term dollar balances, was withdrawn, the ratio of our gold stock to non-gold money and deposits was 12.6%. In brief, when the heaviest percentages of our gold stock were withdrawn during the three years 1933, 1944, and 1950, following 1928, when we maintained a redeemable currency on a ratio of 7.2%, the ratios of our gold stock to non-gold money and deposits were all higher—9.6 (1933), 13.7 (1944), and 12.6 (1950). If 3% of total gold stock were allowed for domestic withdrawals, those ratios would have been 9.3 (1933), 13.3 (1944), and 12.2 (1950)—all well above the 7.2 of 1928.

These are among the data which Dr. Burgess should have presented to the Senate Committee, and, had he respected those data he would have been required to state that the evidence supported the conclusion that the United States could safely institute redemption and should do so.

How the Potential Foreign Claims, Presented by Burgess, Compare with Facts.

Table III reveals in column (5) the potential foreign claims stated in percentages of surplus gold stock for the 33 periods in the Burgess table. Column (6) gives the percentages of the surplus gold stock actually withdrawn. For the 12 periods of withdrawal cut of the 33 periods listed, the percentages of **surplus** gold actually withdrawn range from 0.5 to 20.8.

As one glances down column (5) of Table III, he may note that the Burgess table yields percentages in 1927-1929 and 1953-1954 well over 100. Yet when the Burgess potential for 1928 was 117%, the actual withdrawal was 12.1%. In 1953, when his potential percentage was 118%, the actual withdrawal was 11.8%.

The facts of experience rather than data on potentials which did not emerge in any form closely related to those potentials were what Dr. Burgess should have given the United States Senate.

Some Observations in Respect to Gold Earmarked for Foreign Account.

Serious questions arise as to the manner in which the Board of Governors of the Federal Reserve System report—or rather do not report — data on earmarked gold.

No systematic tables are provided in the "Federal Reserve Bulletins" on earmarked gold. The amount earmarked during a month is put in a footnote to a table with a caption "Analysis of Changes in Gold Stock of United States"—since June, 1949, in the "International Financial Statistics" section of the "Bulletin," prior to that date in the "Financial, Industrial and Commercial Statistics of the United States" section. Although this table gives monthly and yearly data on the increases or decreases in earmarked gold, there are no sequential data on the amount of gold held under earmark. To obtain such a sequence, one is forced to go through each "Bulletin," obtaining one item in each. Few people, it seems reasonable to suppose, are likely to go to that trouble to obtain a sequential picture of the gold under earmark.

These are important data to which members of Congress and other interested people should have ready access.

The question to which Congress should obtain the answer is why access to these data is blocked so effectively by the Federal Reserve authorities. Are these data obscured in order that, as funds of the people of the United States are given to foreign nations, members of Congress and other interested people will not be aware of the volume of gold earmarked for foreign account, or of which nations own the gold, or of the amount owned by each nation involved?

Even if one goes to the very great trouble of building a table on earmarked gold, he is still left in the dark as to its owners. Still further, he cannot determine what proportion of the gold under earmark for foreign account arose from withdrawals from our gold stock or from exports of gold to this country.

When Dr. Burgess was offering his testimony and remarkable table on March 29, 1954, the volume of gold reported under earmark for foreign account was $6,539,000,000 (as of March 31, 1954); but no information on this important and pertinent fact was given by him to the Senate Committee.

Our Monetary History and Misconceptions.

Important episodes in our monetary history have rested upon remarkable misconceptions. For example, during the period Oct. 25, 1933—Jan. 16, 1934, monetary history was being made in accordance with the Warren theory that as the price of gold was raised the price level would rise in some close proportion. As carried out by the late Professor Warren (of Cornell University), the application of his thoroughly fallacious theory was in such a form that the implication was that the responsiveness of prices to a change in the price of gold was so sensitive that he should at various times raise the price by a certain number of cents per ounce or perhaps by a single cent lest he jar the economy beyond his plans as revealed in his prices for gold.

When Warren jumped the price of an ounce of fine gold from $33.93 on Nov. 29, 1933, to $34.01 on Dec. 1, one among some monetary economists who were discussing the Warren program asked facetiously — "What is the one cent for? Why not just $34 per ounce?" The answer supplied was: "My dear fellow, that one cent is for statistical accuracy!"

In March, 1954, a Senate Committee, and others, were given the Burgess table; and it may well have been a factor in determining our monetary history at that time—in keeping the people of the United States engulfed in an irredeemable currency. In any event, the Senate Committee did not recommend to the Senate passage of the Bridges bill which was designed to give this nation a sound and honest money, and the Burgess table was a formal part of his argument as to why our currency should not be made redeemable. If the Senate Committee deduced from the Burgess table that institution of redemption was unwise, then its deduction rested upon an invalid and misleading statistical presentation. That table would seem to be roughly comparable, as an instrument inimical to the welfare of people of this nation, to the statistical fallacies which Professor Warren was able to inflict on the Administration and Congress in 1933.

The fact that that table was accepted uncritically by the author, or authors, of the NAM pamphlet on "The Gold Standard" was unfortunate. But the fact that the table has been reproduced in the "Annual Report of the Secretary of the Treasury for 1954" would seem to be both fortunate and appropriate — fortunate because it provides another source of easy access to monetary scientists who might otherwise miss it, and appropriate because it reveals the procedure of a top Treasury official in advising a Senate Committee as to why the people of the United States should not have a redeemable currency.

TABLE III

Implications of Burgess Table (Col. 5) Versus Facts (Col. 6)

Year	(1) U. S. Gold Stock (000,000)	(2) U. S. Required Gold Reserves (000,000)	(3) Surplus Gold Above Required Reserves (000,000)	(4) Foreign Short-term Dollar Balances (000,000)	(5) Potential Foreign Claims As Percentages of Surplus Gold	(6) Percentages of Surplus Gold Actually Withdrawn
1922	$3,506	$1,686	$1,820	$1,009	55	0
1923	3,834	1,652	2,182	997	46	0
1924	4,090	1,599	2,491	1,237	50	0
1925	3,985	1,558	2,427	1,193	49	4 2
1926	4,083	1,564	2,519	1,639	65	0
1927	3,977	1,624	2,353	2,591	110	6.5
1928	3,746	1,621	2,125	2,483	117	12.8
1929	3,900	1,611	2,399	2,673	111	0
1930	4,225	1,562	2,663	2,335	88	0
1931	4,052	1,781	2,271	1,304	57	7.7
1932	4,045	1,967	2,078	746	36	0
1933	4,012	2,166	1,846	392	21	12.5
1934	8,259	2,729	5,530	670	12	0
1935	10,124	3,610	6,514	1,301	20	0
1936	11,422	4,101	7,321	1,623	22	0
1937	12,790	4,170	8,620	1,893	22	0
1938	14,591	5,099	9,492	2,158	23	0
1939	17,800	6,354	11,446	3,221	28	0
1940	22,042	7,897	14,145	3,938	28	0
1941	22,761	8,310	14,451	3,679	25	0
1942	22,739	9,997	12,742	4,205	33	1.1
1943	21,981	11,902	10,979	5,375	49	6.7
1944	20,631	14,350	6,281	5,820	93	20.8
1945	20,083	10,868	9,215	7,074	77	5.0
1946	20,706	10,731	9,975	6,481	65	0
1947	22,868	11,294	11,574	7,135	62	0
1948	24,399	11,894	12,505	7,756	62	0
1949	24,563	10,753	13,810	7,623	55	0
1950	22,820	11,005	11,825	9,222	78	14.6
1951	22,873	11,720	11,153	9,302	83	0
1952	23,252	12,055	11,197	10,731	96	0
1953	22,090	12,151	9,939	11,771	118	11.8
1954, Jan. 31	22,044	11,799	10,245	11,947	117	.5

STOCKS

"Sell 'em and you'll be sorry—
Buy 'em and you'll regret—
Hold 'em and you'll worry—
Do nothing and you'll fret."

Sent in by Rudolph E. Jacobsen, Robert C. Bolton & Co., San Francisco.

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THE MARKET . . . AND YOU

By WALLACE STREETE

When the stock market broke so sharply in late September and early October, a gap was left in the chart of the industrial average running nearly 10 points. The tradition that such gaps are filled sooner or later sustained the bulls with the feeling general that it would take time, possibly months, to accomplish it. That gap was filled this week, a scant seven weeks from the break.

Continued Excitement Over Splits

As the market worked up to its previous peak, it also turned somewhat more selective with stock-split candidates prominent on strength, including such as Bethlehem Steel, Kennecott and Montgomery Ward. Sears, for which approval of the stock split previously announced was a routine action this week, went along on some fat gains anyway. DuPont put on a few performances that were somewhat erratic and also motivated largely over stock split possibilities. It was able within a single session to bounce from a multi-point loss to a gain of similar proportions before the gong ended trading.

* * *

American Hawaiian Steamship has been something of a market puzzle, the rumor mills filled with vague possibilities of reorganizing the company. The stock gained no less than 22¾ points last week before running into trouble this week that included slipping as much as 12 points at a clip before it steadied.

* * *

Chrysler was rather prominent on occasional good demand, a lot of it based on better dividend hopes even though the latest declaration of regular-plus-yearend did little to perk up the basic yield on the issue. When Chrysler last sold in the 90 bracket early in 1953, the regular rate was double the present one. It indicates rather clearly that hopes are still high for action early next year.

* * *

General Motors' newly-split stock was the high-activity item beyond any question. The trading in it one day ran better than five times that of the runner-up and nearly four times the No. 2 issue the next day. The volume in the old and the new issues combined has now reached at least a tie with the turnover so far this year in Pennsylvania Railroad, a perennial volume leader. Pricewise, the issue continued to work into the 50 bracket which is where the old stock was available as recently as 1952, and about equal to the peak reached by pre-split shares in 1951. That represents a three-fold appreciation in a rather short period.

Rails Divergent

Rails were somewhat laggard as the industrials scaled their peak, largely because the dividend news emanating from the carriers was little for investors to hail. Nickel Plate's authorization of the regular payment for the final one of the year was something of a disappointment, apparently, and dropped the stock a bit sharply, just as it had forged to a new high for the year on expectations of more liberal action. Rock Island also maintained the regular payment, but without the surprise element, the stock took it rather calmly.

* * *

Rail action was largely in carriers not included in the average group, so the index's sluggish manner was somewhat misleading. Missouri-Kansas-Texas was in good demand at times after the issue had backed off 20 points from its peak a shade over par reached earlier this year. With dividend arrearages running around $50 and the new faces among the management dedicated to clearing up this situation early next year, brokers were quite willing to put an eventual value of $150 on the issue. It at least helped the stock put on some near-spectacular performances when the demand bunched up. The belief at present is that the recap when it comes will be something of a bundle offered on an exchange basis.

* * *

Northern Pacific was another that was able to do better without giving the railroad average any sort of lift. The stock had retreated closer to the 1955 low than to the high recently, but showed indications of a rebirth of popular interest. Northern Pacific, with its extensive land holdings in areas where prospecting hopes center, is something other than a pure railroad speculation which, in the past, has enabled it to run counter to the trend for the carriers generally.

* * *

There was plenty of indication around of nervous holders willing to sell on the slightest hint of unfavorable news. Boeing's earnings, which were good, black figures but somewhat below comparable results, brought on enough selling to make the issue prominent among the casualties of a session. Minnesota Mining, where stock split hopes evidently were high, subsided with a rush when no such action was taken, and attempts to rebound later weren't much of a success.

A New Favorite

Campbell Soup, largely because it has done little market-wise since it became a publicly-owned enterprise and was listed on the Stock Exchange, was slowly building up a following among the market students. Throughout the rather wild markets of recent note, the issue held comparatively steady within a range of half a dozen points. Moreover, it stands out more prominently as a growth situation among the food issues because of its heavy commitments for research and experimentation, in addition to an occasional acquisition of other promising firms. The company denies some of the large merger rumors that have settled on the firm recently, but indicates that its objective of annual sales of half a billion will probably be realized earlier than the announced objective of 1960.

Surprising Technical Action

From a technical standpoint, the market's ability to close the overhead gap was impressive. But the speed with which it was done generated some caution among the technicians who feel that a strong enough base hasn't yet been built up for a sizable extension of the rally. That the good gains of the industrial average were largely the responsibility of a handful of the highest grade blue chips was somewhat sobering. Many issues have not participated in the rebound and quite a few issues that have been doing well have reached territory on the charts labeled "vulnerable."

* * *

Utilities, primarily defensive in nature, have been backed rather widely both because of their defensive character and also because there are some available at around 5% which is well above the return on the blue chips that have been carrying the ball. Niagara Mohawk, Duquesne Light, which is involved in converting atomic energy into power, and New England Electric are among those that have been hovering around this yield level.

[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.]

Public Utility Securities

By OWEN ELY

Middle South Utilities, Inc.

Middle South Utilities, with $151 million annual revenues, is the second largest electric-gas utility system in the south. There are four operating subsidiaries—Arkansas Power & Light, Louisiana Power & Light, New Orleans Public Service, and Mississippi Power & Light—all fully owned except for a 5% minority interest in New Orleans Public Service. The System furnishes electric service to over 1,700 communities, including Little Rock, Pine Bluff, New Orleans, Jackson and Vicksburg, as well as to large rural areas. Some 50 communities in Louisiana are served with gas, and there is gas and transportation service in the City of New Orleans area. About 83% of system revenues are derived from power sales, 11% from gas, and 6% from transit. Electric revenues are 35% residential and rural, 25% commercial, 28% industrial and 9% wholesale to other utilities.

Population of the territory served is about 3.9 million. The area is basically agricultural, but has extensive mineral resources. Principal industries include building materials, ice, cold storage and packing plants, cotton gins and mills, pulp and paper plants, oil and gas production and oil refining, petro-chemicals, aluminum, etc.

There has been a large expansion program in the postwar period. In 1953 and 1954 subsidiaries completed 766,000 kw. of new generating capability, or more than 1½ times the capacity of the entire system at the end of World War II. This year they brought into service another 135,000 kw. unit, raising system capability to 2,165,000 kw., which compares with the 1955 peak load of 1,711,000 kw. Future plans call for installation of a 102,000 kw. unit in 1957 and a 200,000 kw. unit in 1958. Anticipated load growth indicates the need for at least one large unit every year for some time.

Middle South became famous politically almost overnight with the "Dixon-Yates" affair, the clamor over which is now rapidly dying down. The project was virtually ended when officials of Memphis told President Eisenhower last July that that city would build its own plant and produce its own power. TVA in turn advised the President that its need for additional power in that area no longer existed. Hence, the AEC was directed to terminate its power contract with Mississippi Valley Generating Co., in which Middle South had a 79% equity interest and Southern Co. 21%. Construction of the new plant (in its early stages) was halted. Thus far, however, the City of Memphis has apparently made little progress toward planning and building its own plant.

A more serious difficulty, from a practical standpoint, has been the rate case of Arkansas Power & Light. The latter initiated a rate increase in May, 1954 and began collecting the additional revenues under bond in July, 1954. The application was denied by the State Commission in November, 1954, and an appeal to the Circuit Court was rejected in September, 1955. The company then appealed to the Arkansas Supreme Court but no action is anticipated until next year.

Under a 1944 Commission Order, the company (in theory) has been allowed to earn 6% on invested capital. In its 1954 decision the Commission adjusted the rate base to exclude $30 million plant under construction, so that earnings on the lower rate bases were stated to be adequate. Now this plant has come into operation and has automatically become part of the rate base. The company, recently, therefore, filed a new application with the Commission. The following statistics regarding its rate applications have been issued, based on earnings for the 12 months ended Sept. 30, 1955:

	Old Rates	Rates Under Bond	Proposed Rates
Net as percent of Rate Base—1944 Order	4.56%	5.48%	5.71%
Net as percent of Rate Base—1954 Order	4.67	5.61	5.85

These figures would seem to justify Arkansas Power & Light's new application.

The first full year of Middle South's operations with its stock in the hands of the public was 1950, when earnings of $1.82 were reported and dividends of $1.10 were paid. Consolidated earnings have gradually increased to the current figure of $2.15 for the 12 months ended Sept. 30, and the dividend rate has been stepped up to $1.50. For the calendar year 1955 the management estimates earnings at the same figure, but this will include about 25c of expected net income arising out of the Arkansas rate increase now being collected under bond. On the other hand, the forecast includes an increase in depreciation of about 21c per share and a decline of about 12c per share in the credit for interest during construction. This latter item will be down to a modest level of 6c per share compared with 18c in 1954 and 29c in 1953.

Once Middle South Utilities is clear of "Dixon-Yates" and the Arkansas rate case, it should logically regain some of its former popularity as a growth stock. President Dixon estimates that the electric load will grow at the rate of 8½% compounded annually over the next few years. The stock has recently been selling around 31 compared with the 1955 range of 35⅝-29¾. Generating capacity is now ample and there will apparently be no necessity to issue new common stock for some time. The stock at the current price level yields 4.8% and sells at about 14.4 times the $2.15 reported earnings—or about 16.3 times earnings excluding revenues escrowed in Arkansas.

Krensky Announces Three Appointments

CHICAGO, Ill.—Antone Bertoncini has joined Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, as Comptroller of the firm, it was announced by Arthur M. Krensky, President. Mr. Bertoncini formerly was associated with Midcontinent Securities.

Joins Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Pearl Howard has joined the staff of Leo Schoenbrun, 1385 Westwood Boulevard.

Shelly, Roberts Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ralph A. Ramsay, Wendell A. Hutchinson and Anthony S. Lazzarino are now with Shelley, Roberts & Co.

Continued from first page

The Present Position Of the Stock Market

principles of investment today, but reading this story on the train, I had to bring out that point.

"The Stock Market Is Going Up"

You probably want to hear what I think about the stock market right now. I think that it is going up.

An opinion on the stock market naturally divides itself into several parts. Is it going up or down? What are the risks involved? If it is going up what individual shares should one own?

The question of whether to be "in" or "out" of the market today is to me a question of whether one prefers cash or equities. I might feel the market is "high." I might feel it is risky. But I always have to remember that I cannot cut down my long position in the stock market without increasing my long position in money. And money, or investments that represent fixed dollar values, have been a poor medium for a good many years now and look like they will continue to be poor.

Very few people stop to think that they cannot be "safe" just by selling their stocks or never owning any in the first place. Equities grow more or less valueable and money does the same thing. It is only that so many people do not really know it or believe it. The founder of my firm, Mr. Edward F. Hutton, who is, of course, much more than a millionaire, knows that equities are always better than money. When I was in the office one day many years ago, he wrote out his personal balance sheet. He arbitrarily added quite a bit to the indicated current value of his equities. He subtracted quite a bit from the indicated value of his cash and bonds. In effect, he said, "General Foods is quoted at 60—let's call it 70. New York City bonds are quoted at 90—let's call them 80." I do not know if that makes any sense to you but it is the psychology of Harlow Curtice and of every successful man.

It is the banker who often has been advising depositors against the risks of the stock market for many years who has caused them losses because, as this informed audience knows, the cost of things and the cost of living have been going up and the true value of his bank deposits has been going down.

The Professor who issued a "warning" about stocks at the time of the Fulbright investigation, undoubtedly caused many investors to sell good stocks and lose their positions.

Tide of Life Favors Equities

One should always remember that the tide of life favors equities and is adverse to money. Population growth and natural increasing human capacities and optimism are bullish on equities. Politicians know that the majority count in dollars not in values and hence, favor inflationary tendencies and abhor paying their debts. An this is bullish on equities.

We have thus, only to guard against the temporary reversals that come at intervals. 1929 should be correctly recalled not solely as a stock market crash but as a collapse of all values. Stocks would never have gone down to the extent they did had not employment, production, consumption, credit and everything else been affected. There is no 1929 threatened or ahead of us right now.

Recently, the major stock market factor has been the sudden illness and recovery of President Eisenhower. The stock market was ripe for some sell off anyway. When I say I am optimistic, I obviously do not mean on every stock, every day of the year. In fact, this year many very good stocks went down many months before the President's heart attack. The aircraft shares toppled in January, to cite one instance. A prime oil like Amerada was 117 early in the year and 82 recently. A prime electronic like General Electric has been level for most of 1955. The sooner we realize that we are more in a market of stocks than a stock market, the better.

The illness of the President, naturally, caused a temporary decline. Its extent was very much exaggerated. On a percentage basis, it really wasn't very much. If we are to educate a wider audience in the advantages of equity ownership, they must also be educated in the manner in which equities fluctuate. This means they do down as well as up and often stand still for long periods.

Impact of President's Illness

The illness of the President reduced business confidence and in my opinion, caused deterioration in the earnings outlook. On the other hand, it suggested easier credit conditions and possibly increasing inflation. So the net influence still leaves equities preferable to cash.

Today the outlook has very much brightened. The President is getting better. His associates and business in general has more confidence. Business has not cancelled its expansion plans. The Republican Party is realizing that it is bigger than any one man. The chances of electing a Republican president are growing.

We have a business Administration in Washington. That means to me a prosperity Administration that seeks to create a favorable climate for all of our citizens in every walk of life to prosper. Confidence plays an important part. The men who split Standard Oil of New Jersey the other day and raised the cash dividend had confidence. Their action put more money in the pockets of their stockholders. But it also helped to maintain everybody's confidence. The main objective of a business administration is to promote prosperity and a good stock market always is a part of that.

A few days ago, Ford announced its public stock sale as probably timed for January. I think this means that they feel the market will be favorable at that time.

I do not think this is any time to get into cash.

I am not a economist, a statistician or an analyst and never will be. However, I do think that our economy has grown so big and our masses so educated that business and market cycles are now more apt to be within an industry than over-all.

"Which Equities?"

If you agree that equities are more desirable than cash, then the next question is "which equities?"

This question is more important than the general market trend. Statisticians have shown that owning the right shares is far more profitable than being in and out of the market at the right time.

In a general way, I feel that success is apt to be self-perpetuating these days. Certainly since 1946, the tax laws have favored big companies getting bigger and made it very difficult for young new enterprises to really grow. So I first favor the most successful companies in the most promising industries. For example, I selected eight such companies for first and total investment of a relatively untutored investor. Here they are:

Alcoa
Douglas
du Pont
General Electric
General Motors
Sears
Standard Oil of New Jersey
Union Pacific

There are a few variations possible here. For instance, we might have included International Paper or excluded a rail like Union Pacific—but the principle is well illustrated.

I think an amateur investor who made his selections from shares in the Dow Averages would avoid many pitfalls and deal at the lowest possible cost.

However, this list of eight stocks and the idea of selecting from the Dow comes very close to investment trust investing. Investment trust investing is average investing.

What about the investor who feels he can run faster than the crowd? What should he do? Well, as a matter of investment principle, he would look in different directions.

When Mr. Curtice says General Motors never has any bad years he is echoing top flight American business leadership. There are only a very limited number of men of his capacity who reach their maturity in any given year. If the investor looks carefully enough and knows how he can find a company dynamically led by a successful and confident leader, that is the type of situation to buy into.

I rode up here last night as I said before, on the New York Central. The stock of this railroad has more than doubled in something over the convenient six months capital gain period which, of course, is far outrunning the rail average. It illustrates several sound investment principles. The investor who bet on a change for the better in management came out OK. The investor who felt there is always opportunity in the stock market if you seek it out correctly, came out OK. The investor who looks for a deflated situation in the process of improving and turning upwards came out OK. Three different approaches all paid off.

My own last list of equity selections was made up for a varying clientele of private and insitutional investors. It included stocks in the aircraft manufacturing group, in chemicals, merchandising, metals, motors, oils, and others. The quality varied because trend rather than quality was the attempted common denominator.

Six stocks that for one reason or another appeal to me as special situations as of this moment, include:

Chrysler
Curtiss-Wright
Montgomery Ward
Studebaker-Packard
Texas Gulf Producers
Textron

In conclusion, I am going to talk a little about by far the most speculative issue on my list. This is Studebaker-Packard. Here is a situation where a change in management is involved. Here is a situation which is deflated and where we hope, but do not know, that the new management can turn it upwards.

Please don't confuse the possible opportunity in Studebaker-Packard today with the opportunity that existed in Chrysler last year. The Chrysler situation was immeasurably superior. The buyer of Studebaker-Packard today can lose.

Buying Studebaker-Packard gets down to making a commitment on the ability of its President, Mr. J. J. Nance. It has the advantage of still being cheap. If Mr. Nance succeeds, the buyer now will not only make money because the figures will improve but also because the market ratios will value the company's results at a rising figure. For example, you have to pay the most today for one dollar of General Motors sales because from an investment point of view, General Motors is at the moment tops in everybody's eyes. You get more sales per market dollar if you buy Chrysler. Its rating is high, but as yet not as high as General Motors. You get most sales per dollar, when you buy Studebaker-Packard because its chances are not considered to be very good. Thus, should Mr. Nance succeed in increasing the sales to a point where he makes a profit, the stock should go up, reflecting not only the sales increase itself, but an improved regard for them.

The extremely poor third quarter statement of Studebaker-Packard should be the worst piece of current news imaginable. The new Packards are out. The new Studebakers are due around the 22nd of November. The latter will be more changed than the former but in truth, 1957 will be the first year completely reflecting the Nance and Schmidt styling ideas. The fourth quarter won't be good either. The thing to watch is for a real settlement of the labor situation in South Bend. No future exists for the company until this is settled. The success of the 1956 models probably can't be told until the first quarter and obviously, it is also vitally important. The company needs profits next year to carry it into 1957 and to maintain its credit.

Marvin Demanzuk With Crockett & Co.

Marvin Demanzuk

HOUSTON, Tex. — Marvin Demanzuk has joined the trading department of Crockett & Co., Houston Club Building. Mr. Demanzuk was formerly with Equitable Securities Corporation and prior thereto for eight years with Scharff & Jones, Inc.

Joins R. J. Buck Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank Brewin is now with Richard J. Buck & Co., Statler Office Building.

Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — J. S. Fassett Maher has been added to the staff of Kidder, Peabody & Co., 75 Federal Street.

Keller Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter J. Young is now with Keller & Co., 53 State Street.

The Communistic Challenge

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

Contending domination of the world by Communism is threatened, Mr. Bullis points to Soviet progress and the position of Communism today. Asserts Russia, as an economic force, is succeeding in the creation of a military or war economy far beyond the expectations of most Western economists, and the strong arm of the police state, together with the vitality of the Communist propaganda machine, holds the people in its power. Concludes, all this adds up to the "Communist challenge" facing us. Advocates an all-out economic war.

"The way to Paris is through Peiping."

That apparently illogical observation was written many years ago in the last years of his life by Nicolai Lenin, the first apostle of World Communism. At the time it was published, the followers of this author of the Communist State hardly took it seriously. How does one travel west by traveling east? Quite preposterous on the face of it.

Harry A. Bullis

But today the implications of this road sign find few skeptics. For the Soviets, it is a sheet in the master plan of world conquest. Lenin, with prophetic foresight, saw that with the riches and resources of the Orient in the control of the Russian Socialistic Soviet States, the wherewithal would ultimately be provided to launch new conquests.

To paraphrase Lenin, the economic conquest of the Far East can point to a showdown with the West. Domination of the world is at stake.

Soviet Progress

But there were many steps to be taken before Russia would be in a position to alter seriously the world balance of power by her own might. For example, on Feb. 4, 1931, Premier Josef Stalin explained the purpose of the latest Russian five-year plan to a group of industrial managers.

"We are 50 or 100 years behind the advanced countries," Stalin is quoted as having said. "We must make good this lag in ten years. Either we do it, or they crush us."

In the course of the next decade Russia was transformed from one of the most backward states into a great industrial power. Certainly, this was one of the factors that helped assure Russian victory in World War II.

Between 1917—when the dictatorship of the Proletariat began—and World War II, the Russian state exhibited an amazing display of economic and social shifting that all adds up to the principle that "the end justifies the means."

To begin with, Lenin and his followers promised the peasants land. They would break up the big estates, they said, and make every peasant a landowner in his own right. This actually happened for a time. As late as 1929 there were 25,000,000 primitive small land holdings in the U. S. S. R. But in 1952 there were only 100,000 large and highly collectivised farms. In between those dates was the forced liquidation of millions of kulaks or small landowners, and the starvation of millions of other peasants.

Without regard to human life or principle, Communists pushed doggedly ahead to forge a new economic concept of collectivization. Again, "the end justified the means."

*An address by Mr. Bullis at the World Affairs Forum, Indianapolis, Ind., Nov. 14, 1955.

Throughout this early era, and up to the present day, the Communist society concentrated upon the development of a war economy, as opposed to a civilian economy. In the background is a deep-seated conviction that inevitably there will be a clash between Communism, the "true faith"—the only valid social order—and the Western democracies, for ultimate world supremacy.

The Position of Communism

At various times the U. S. S. R. found it feasible to join the League of Nations; in 1934 to support the Democracies against Fascism; in 1939 to reverse this position and join the Fascist countries against the Democracies; and, in 1941 to break with the Fascist countries and join the Democracies in the Grand Alliance. In that same year, Russia concluded a non-aggression pact with Japan which it broke four years later.

More recently—almost in recent months—the Russians have deliberately fostered an ostensible era of good feeling. The "Spirit of Geneva," however, has been diluted by the outright sale at bargain prices of Czechoslovakian arms to Egypt and the Arab nations. The gesture hardly looks like a friendly one—more like an attempt to touch off the latent powder keg in those troubled lands.

I recite this rather recent world history — pages that have been written during the lifetime of most of us here today—to recount for you the amazing duplicity and agility of Soviet diplomacy and the apparent success enjoyed by the Soviet economy during the past 37 years. Starting from a virtual zero, Russia is today a foremost contender among the world powers. Above all, *it is a going concern.*

A few weeks ago, several U. S. Senators returned from an inspection trip to Russia. The consensus seemed to be that the Soviet economy is certainly not to be underestimated, that it is strong and vital. Most of the visitors were amazed at what they saw. The members of the American farmer delegates who visited Russia recently have reported that while Soviet agriculture is hardly efficient by our standards, it is improving.

Everything that I have said heretofore is preliminary to a general statement that I should like to leave with you today. It is simply this: Russia as an economic force is succeeding in the creation of a military or war economy far beyond the expectations of most Western economists. To be sure, Russian productive gains are not going to the people. But the strong arm of the police state holds the people in its power, and the might of the army, and the undeniable vitality of the Communist propaganda machine—with its utter disregard for truth, and its philosophy that the end justifies the means—all these things are combining to make new inroads for Communism.

First of all, Communism is busy digesting all of China. The same holds true for the Indo-Chinese Provinces acquired by the Reds. In North Korea, Communism is also fortifying itself. The Middle East is a powder keg. The oil riches of Iran and Iraq are rich plums eyed by the Soviets. India is uncertain. Can Nehru be counted upon to stand aloof? The Indonesian Republic is struggling to build a responsible free state, but the Communists are eyeing the young government like a cobra poised for the kill. In Italy, under the very eyes of Rome, the ancient seat of early Christianity and modern Catholicism, the Communists poll huge totals — and threaten to sweep over all Italy.

At the present time, the Russians have adopted the strategy of cooing with a smile. They are talking about peace. What they want is for us to get out of Europe. They want to get rid of NATO. They are turning from Europe toward the South. Witness what is happening in the Middle East. That conflict is a nuisance value. It probably will not result in a world war. However, we should realize that the Russians have the same policy in a new suit.

The Challenge

All this, and much more, adds up to "the Communist challenge." It is a very real challenge, because it contests with the Western Democracies on the economic, the ideological and the geo-political fronts—all at the same time. We must keep up our arms, but we must also conduct an economic war and have more intelligent propaganda. Unfortunately, until recently the initiative has rested with the Communists for the very reason that their ethical position with its utter disregard for truth has given them a temporary advantage.

For example, consider the Cominform. This agency of the Communist Government has operated at various times both underground and out in the open. It is found virtually everywhere, including the Russian Embassies established in foreign capitals. It preys upon democratic processes in that it sponsors Communist political parties, and Communist candidacies on democratic ballots. These privileges are extended without question by the democracies to the Communists—but do the Communists permit a "Democratic-Republican" political party on the Russian ballot? Do they permit balloting at all in the satellite countries? Obviously there is no room for democratic expression in the police state.

In meeting the challenge poised by the Communists, the United States of America is the leader to whom all the Western world turns for inspiration, leadership and guidance. To fulfill its destiny, our great nation cannot dodge this role as leader. That means that not only our Federal Government, but you and I—and leaders of business, labor and social groups—must individually and jointly take responsibility for that leadership.

Now there are certain problems that we in the United States must overcome to meet effectively the Communist challenge. Let me list them:

(1) We must utterly and completely believe in ourselves.
(2) We should avoid becoming too comfortable.
(3) We should aggressively apply Western ethics and Western philosophy to elevate the living standards of the non-Western world.
(4) We should define for ourselves total economic war and wage it in the interests of our culture and our survival, whatever the price may be.

The first point in my list of problems is that we must utterly and completely believe in ourselves. Can we conscientiously answer that in the affirmative today? I wonder if we can consider the bickering on the industrial front, the racial and religious intolerance, the reluctance to do more for the community than is barely necessary.

The Supreme Court has forcefed our nation on the principle of integration of the Negro and Caucasian races in our schools, and many of our States have fair labor laws directed against discrimination in the employment of labor. I ask you—if we cannot effectively recognize that equality of race and creed is a basic principle in our national Constitution—and practice it—I ask you, then, if we really believe in ourselves?

Democracies live in a goldfish bowl. We read about Russia in the Moscow dispatches only what the Soviets would have us read. But in America and around the world, people read everything about us. They soon surmise that perhaps we do not believe about ourselves all the things we say we are.

So I ask you—DO WE UTTERLY AND COMPLETELY BELIEVE IN OURSELVES?

And if we do not—can we expect others around the world to believe in us? Recently Mr. Kruschev broke his smile long enough to remind the world that the Communist State group still believes in Marx, Lenin and Stalin above all else. There is no question but that the Communist State leaders fervently believe in the principles laid down by these men.

The second point — we should avoid becoming too comfortable. A few weeks ago General Hershey publicly deplored the softness of our youth. He said the army was hard pressed to whip young men into shape so that they could withstand the rigorous tests demanded by the Armed Forces. There is an analogy here to our position with respect to the Communist challenge. Are we too soft and too comfortable to take up the cudgels and meet the Communists on all fronts of the world? Are we prepared to leave our highly specialized society, where necessary, and make sacrifices on various fronts of the world in order to meet it in the economic sense? Are we prepared to do this although it temporarily means the lowering of our living standard, and perhaps even hardships for us as individuals?

The third point to be considered. We should interest ourselves in raising the living standards of the non-Western world. Not only to win their support, but to help them appreciate the advantages of free institutions. The Communists, in waging economic war, blend propaganda with token gestures so effectively that they actually have effective political minorities in many of the doubtful nations. Frequently the only interest shown by the United States is through a government agency, or a bureau of the United Nations.

American business should interest itself more directly in this area—business aided and abetted by government. For example, why wouldn't it be practicable for business investment abroad in certain specified areas to be encouraged by government, through tax concessions or otherwise, and to have business take a more active interest in affairs abroad? American capitalism can and should take the initiative by investing more abroad and sharing its rewards with the peoples of other lands. In the few instances where this has been done, pronounced economic and social progress has resulted.

Communism is at the beginning of a period where they are attempting to buy friends. We must do likewise. The technicians of the Free World are the best ambassadors for our side.

Economic Aspects

Before I get into the fourth point, let us review some of the economic aspects of Communism. We are in an economic war—a war of economic rivalries in which both sides are trying to persuade more countries to come into their camp. Economic warfare is one of the most powerful weapons in the Soviet armament for accomplishing their objective of world domination. As I said before, the recent example is the sale by Czechoslovakia of armaments to the Egyptians at much lower prices than those prevailing in the world market. Such practices permit the establishment of commercial beachheads, which in turn facilitate political infiltration which can be used to create trouble for our Allies and for ourselves.

Communism is a threat to free world markets because in a fiat economy where labor is enslaved, goods can be dumped on the world market at prices which destroy competition. The converse also is true, since Russia can, through the operation of her fiat economy, pay higher prices than competitors in the world market by offering gold. Her gold is government produced and she can use it as a weapon to bid any price she wishes for the goods she needs. The only obstacle in her path would be legislation by the countries of the free world preventng the export of goods to the Communists.

Another phase of the economic threat is the danger that the Communists may be able to develop or acquire the consumers markets in the under-developed countries. If Russia herself had the production facilities and should she think it worthwhile, she could wage destructive economic warfare in places like India, parts of Africa, Indonesia and other countries.

If the way were opened, Russia could use her economic power to dominate vital areas for production of commodities she requires. In the Middle East, for instance, she could possibly gain control of half the oil reserves of the free world.

Under a dictatorial government where labor is enslaved, where cost records need not be kept, and where the books are for the convenience of the government, prices can be set in world trade which the nations operating under a different system would find difficult to meet. This does not mean that the challenge cannot be met. There are such things as quality, fulfillment of promises to deliver, terms of credit and respect for the sovereignty of others, all of which have economic weight. And we must move more quickly than we did when India needed wheat a couple of years ago, and when there were interminable delays in getting the enabling legislation through Congress. The Communists do not have that kind of delay.

The final point to be considered and surmounted is an important one. It seems to me *we should define our objectives, define the economic war to be waged, and wage it—whatever the price may be.*

That means we will bestir ourselves, as a nation, to help other nations; that we will accelerate world trade; that our technicians and our business enterprises will voluntarily shift some of their resources and attention from the American market to the Far East, to the Middle East, and to South America and to other areas where there is need and opportunity.

We need to inspire our young men to be modern evangelists, not only for capitalism and free enterprise on the far flung fronts of the world, but to be ambassadors for democracy and for the full and abundant life that it promises. There is no use deceiving ourselves—many areas of the world are not ready for our brand of democracy. They are less ready for the Soviet brand of police state imperialism. Let's sell them on the Western philosophy, and show them the rewards and fruits of capitalism that will be theirs. Only thus will we move forward in our economic struggle with the Russians.

Conclusion

About a hundred years ago two of the great propagandists in the Communist ideology, Marx and Engels, together wrote a "Communist Manifesto" which identified the Communist approach with socialism. It is high time today that the Western nations pen a new declaration—we might call it "Abundance through Freedom." Let us show, in this modern capitalist manifesto, how our nation will fulfill its destiny as the leader and the victor in the economic struggle that lies ahead.

The scoreboard in this gigantic grappling match between the ideologies of Communism and democracy is the economic development of the underprivileged nations. Whichever effects the greatest economic gains for these peoples, will also have their hearts and minds. And in the end, it is people, millions of people, and not police state vassals, that will determine the victory of the democracies and the Western World.

Halsey, Stuart Group Offers New England Telephone Bonds

Halsey, Stuart & Co. Inc., is manager of an investment banking syndicate offering $30,000,000 New England Telephone & Telegraph Co. 36-year 3¼% debentures, due Nov. 15, 1991. The debentures are priced at 101.064% and accrued interest, to yield 3.20%. Award of the issue was won by the underwriters at competitive sale on Nov. 15 on a bid of 100.574%.

Net proceeds from the sale of the debentures will be applied by the company toward the repayment of advances from the parent organization, American Telephone & Telegraph Co. These advances, which are expected to amount to about $44,000,000 at the time the proceeds are received, are obtained as the need arises, under an established practice of the company and are used for general corporate purposes, including extensions, additions and improvements to its telephone plant.

The debentures will be redeemable at the option of the company, at regular redemption prices ranging from 104.064% to par, plus accrued interest.

New England Telephone & Telegraph Co. is engaged in the business of furnishing communication services, mainly telephone service, in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. On June 30, 1955, the company had 2,628,111 telephones in service and a subsidiary had 8,975 telephones in service. About 56% of the company's telephones are in metropolitan areas having a population of 100,000 or more, about 32% being in the metropolitan area of Boston. About 70% of the company's telephones are in Massachusetts. The company also furnishes toll service within the territory in which it operates, and its other services include teletypewriter exchange service, mobile radio-telephone service, and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the six months ended June 30, 1955, the company had total operating revenues of $138,413,626 and net income of $12,142,343. In the like period of 1954, operating revenues amounted to $125,419,550 and net income was $11,293,442.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Marvin G. Breen and Thomas B. Shearman, Jr. are now connected with Merrill Lynch, Pierce, Fenner & Beane, 915 Common Street.

Railroad Securities

By GERALD D. McKEEVER

An Analysis of the Rail Wage Increases

The railroads are in the midst of another round of wage increases. On Oct. 5, they settled with the Brotherhood of Railroad Trainmen for a 10½ cent hourly increase retroactive to Oct. 1 for the 173,000 members of the union and also agreed to a 5-day 40-hour week effective Dec. 1, this additional concession being expected to make the overall increase about 12 cents per hour. On Oct. 15 the roads and the Brotherhood of Locomotive Firemen & Enginemen, with 60,000 members, accepted a package claimed by the union to represent a 17-17½ cent hourly increase but placed by the roads at 10½ cents, and a 5-day 40-hour week may become effective Dec. 1 for almost half of this union who are not in road service, and a few days earlier a group of leading western carriers granted a 10½ cents hourly wage increase retroactive to Oct. 1 with the 5-day 40-hour week effective Dec. 1 to some 10,000 members with the Switchmen's union. On Oct. 23 the Brotherhood of Locomotive Engineers settled for an increase estimated at 14½ cents per hour retroactive to Oct. 1 and including a "skill differential" of 4 cents per hour.

Thus the projection of a 12-cent hourly effective increase that has been commonly used in rail circles is probably not far off, and it places the total annual cost for the industry to just under $300,000,000. The 12-cent rate has been consequently assumed in the compilation of the following table of estimated added wage costs which is based upon a 6% across the board wage increase, or a 12-cent increase over the average hourly wage of just less than $2.00 before the increase became effective.

	Est. '55 Rev.*	% Wage Ratio†	Est. Pay Roll*	Est. Incr. 12 cents p. hr.*	Per Com. Sh. Bef. Fed. Tax.	Est. '55 Net per Com. Share
Atch. T. & S. F.	$570.0	46.5	$265.0	$16.0	$3.30	$14.75
Alt. Cst. L.	155.0	50.2	77.8	4.7	1.90	5.00
Balto. & Ohio	400.0	49.1	196.0	11.8	4.65	8.00
Central Georgia	43.0	51.3	22.0	1.3	3.45	8.50
Ches. & Ohio	355.0	46.4	165.0	10.0	1.25	7.00
Chic. & E. I.	34.5	50.0	17.2	1.0	2.05	4.50
Chic. Great West.	33.5	36.2	12.2	0.7	2.00	6.60
Chi. Mil. St. P. P.	240.0	50.6	122.0	7.3	3.43	5.00
Chic. & N. West.	196.0	59.7	113.8	6.8	8.40	‡‡1.50
Chic., R. I. & P.	190.0	47.2	89.5	5.4	3.70	11.00
D. & H.	52.0	55.0	28.6	1.7	3.15	10.00
D. L. & W.	81.0	55.7	45.0	2.7	1.60	‡‡0.75
D. R. G. W.	76.0	41.4	31.5	1.9	0.79	4.90
Erie RR.	160.0	52.5	84.0	5.0	2.03	2.50
Great Northern	264.0	47.9	137.0	8.2	1.35	5.00
Gulf M. & O.	82.0	45.1	37.5	2.3	2.50	6.00
Illinois Central	290.0	49.4	144.0	8.6	2.78	8.35
Kas. Cy. So.‡	68.0	39.9	27.2	1.6	1.56	11.50
L. & N.	178.0	49.2	87.8	6.3	2.69	10.00
M. K. T.	72.5	49.1	36.7	2.2	2.72	5.25§
Mo. P. Syst.††	291.0	44.4	139.0	8.3	1.20	9.00¶
N. Y. Central	750.0	55.1	44.0	24.8	3.80	8.00
N. Y. C. & St. L.	157.0	46.8	74.1	4.4	2.15	7.50
N. Y. N. H. & H.	155.0	50.8	79.0	4.7	4.40	9.00
Nfk. & West.	200.0	42.7	83.4	5.0	0.89	6.25
Nor. Pacific	180.0	54.8	98.9	5.9	2.37	7.50
Penn. RR.	915.0	53.5	490.0	29.5	2.23	3.50
St. L. & S. F.	129.5	52.3	67.5	4.0	2.28	4.35
Seaboard	151.0	45.8	69.1	4.1	1.72	9.50
So. Pacific	665.0	51.6	342.0	20.5	2.25	7.25‡
Southern	273.0	44.3	121.8	7.2	2.78	13.00
Union Pacific	505.0	45.7	232.0	13.9	3.12	17.00
Virginia	41.0	35.1	14.0	0.8	0.64	6.00
W. Pacific	53.0	43.9	23.3	1.4	2.45	9.00

*Millions. †1954 wage ratio—% of rev. ‡Consolidated. §On the preferred stock. ¶On class A. ††Three system roads combined. ‡‡Deficit.

It should be mentioned that the 1954 wage ratios represent some distortion due to the lower level of revenues in that year. The corresponding 1955 ratios should show some automatic reduction, and it is therefore quite likely that the wage cost factors estimated above on the basis of the 1954 wage ratio may be inflated by as much as 10% in some cases. Looking at 1956 and subsequently, however, this may not be too greatly amiss since the assumed 6% increase in hourly wages could account for an increase of about the same proportion in the wage ratio, other things being equal.

Theoretically, the annual cost of the wage increase and the cost per common share would be only 48% of the amounts shown if the roads all paid the full 52% Federal tax. This is not so, however, because of credits for one reason or another, such as retirements of non-depreciable property, accelerated amortization, or in the case of certain of the eastern roads this year, because of flood losses. Some of the roads that are expected to pay little or no tax this year, for instance, are the St. Paul, North Western, Central of Georgia, D. L. & W., and Erie. As long as a road has no Federal tax liability, the full brunt of the wage increase must be borne.

Rather frightening conclusions might be gleaned from the foregoing if it were not for two offsetting factors. One is that the carriers have received freight rate increases compensating in large part for the extra wage burden in the past. The other is their improving operating efficiency due to dieselization and modernization otherwise. The combined result, as shown in the following table, has been almost no increase in the Class I average wage ratio on balance for the 1949-54 period and little increase over the average for the period despite a constant increase in the average hourly wage. Correspondingly, there was little increase on balance, or on the average for this period in the ratio of wage cost to ton mileage moved. Furthermore, there has been little increase in the wage ratio on the average for the whole postwar period, while the increase in the wage cost per ton-mile unit has been only 26% on balance as against a 70% increase in the hourly wage.

	Gross Revenue*	Total Wages*	Ton-Miles†	Wage Ratio	Wages per Billion T-M	Hourly Wage Rate
1954	$9,371	$4,855	549.2	51.8%	$8.85	$1.967
1953	10,664	5,326	605.8	49.9	8.80	1.917
1952	10,581	5,327	614.7	50.3	8.68	1.872
1951	10,390	5,272	646.2	50.7	8.16	1.770
1950	9,473	4,594	588.6	48.5	7.80	1.597
1949	8,530	4,419	526.5	51.4	8.39	1.464
1948	9,671	4,768	637.9	49.2	7.45	1.345
1947	8,685	4,352	654.7	50.1	6.65	1.204
1946	7,628	4,171	592.0	54.7	7.05	1.148

*Millions. †Billions.

A move has been made for another freight rate increase, spearheaded by the Eastern and Western roads which have the highest wage ratios and are therefore most in need of relief. It is being opposed by the Southern roads generally, since these have characteristically lower wage ratios and furthermore they enjoy a growth factor that helps to absorb increasing costs and which, in any case, they do not wish to retard by rate increases.

This points to the possible fly in the ointment. The present freight rate structure may be approaching the economic ceiling and may be all that the traffic will bear—that is, barring further inflation and increases in the value of the commodities that the roads carry.

Blyth Group Offers Pacific Ltg. Preferred

An investment banking group headed by Blyth & Co., Inc., and including 41 other underwriters on Nov. 15 made public offering of 200,000 shares of $4.36 cumulative preferred stock (without par value) of Pacific Lighting Corp. Public offering price was $100 a share.

Proceeds from the sale of the new preferred will be used by the company to repay approximately $16,000,000 bank loans, which have financed in part cost of construction and expansion programs of the company's subsidiaries, and for general corporate purposes.

The company is a holding company, neither owning nor operating any gas properties. However, its three public utility subsidiaries, Southern California Gas Company, Southern Counties Gas Company of California and Pacific Lighting Gas Supply Company, own and operate the largest gas system in the United States in terms of customers served. As of Jan. 1, 1954, this system supplied natural gas to a population estimated at 6,700,000 persons located throughout a major portion of Southern California, principally in and about Los Angeles.

The company intends to have the new preferred stock listed on the American, San Francisco and Los Angeles Stock Exchanges.

Joins Curtis Merkel

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Roy F. Chapin has become associated with Curtis Merkel Company, Inc., 601 First Avenue, North.

Three With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Dominic A. Manduca, Joseph F. Parks and Francis E. Scally are now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins McCoy Willard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur W. Silvester is now affiliated with McCoy & Willard, 30 Federal St.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Following a meeting of the Board of Directors of **The New York Trust Company of New York** held Nov. 9, Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President, announced the following promotions:

Warren W. Swift, Assistant Trust Officer, was appointed Trust Officer of the company; Walter H. Brown, Assistant Treasurer, and Hoyt O. Perry, Jr., Assistant Treasurer, were appointed Assistant Vice-Presidents; John R. Burleigh, Jr. was appointed an Assistant Secretary.

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At a regular meeting of the Board of Directors of **The First National City Bank of New York,** held on Nov. 15, Charles O. Stapley and Dan F. Porter were appointed Assistant Vice-Presidents, and Karl A. Rice, Henry P. Wehr, Richard M. Smith, Lewis C. Murdock and Robert T. Heubsch were appointed Assistant Cashiers. Mr. Stapley is assigned to the credit department and Mr. Porter is in the bond division, both at head office.

* * *

The appointment of Frederick W. Oswald as an Assistant Vice-President of **Manufacturers Trust Company of New York** was announced on Nov. 16 by Horace C. Flanigan, President. Mr. Oswald was appointed an Assistant Secretary in April, 1953. Prior to joining Manufacturers Trust Company, he served five years as a member of the U. S. Army. After his release in 1946 he held the rank of Major in the Reserves. At present Mr. Oswald is assigned to the Branch Administration Department of Manufacturers Trust at the 177 Montague Street Office in Brooklyn.

* * *

Guaranty Quarter Century Club, honorary organization of staff members of **Guaranty Trust Company of New York** who have served the bank for 25 years or more, held its annual reunion dinner on Nov. 10 at the Waldorf-Astoria, with 950 attending. The Club's present roster includes 1,465 active and retired members of the staff in New York and abroad. Overseas chapters are maintained in London, Paris, and Brussels, where the bank has branch offices. John S. Schaffer presided at the dinner and was succeeded as President by Herbert P. N. Cook. H. M. Sherman, Jr., spoke for the new members inducted during 1955. Officials of the bank who are members of the club include J. Luther Cleveland, Chairman of the Board; William L. Kleitz, President; Thomas P. Jerman, Executive Vice-President; and directors George G. Allen, W. Palen Conway, Charles P. Cooper, Charles E. Dunlap, Cornelius F. Kelley, William C. Potter, George E. Roosevelt, and Eugene W. Stetson.

* * *

Six new members joined the Quarter Century Club of **Central Savings Bank of New York** at its Eighth Annual Dinner held at Toots Shor Restaurant on Nov. 10. Each new member received a pin and a $50 Savings Bond. Presentations were made by James Bloor, Executive Vice-President of the bank. Membership in the Club now stands at 71. The new members are John Biebel, Frank G. Fuetterer, Louis J. Sartori, Karl Karcher, Robert Schweiker and Elizabeth Lyski. Otto Strippel, Trustee, Vice-President and Treasurer of the bank holds the Club record with more than 51 years of service.

* * *

The trustees of the **North Side Savings Bank at 185 West 231st Street, New York,** announced on Nov. 15 the election of C. William Borchers as President of the bank. He succeeds the late Fred Berry, who served as President since 1946. Mr. Borchers began his career with the North Side Savings Bank in 1919 as a Clerk. At that time the institution had one office, $3,000,000 in deposits and 10,000 accounts. In December, 1946, Mr. Borchers was appointed Vice-President and Secretary. In November of 1948 he became Executive Vice-President and in December of the same year was elected to the Board of Trustees. Mr. Borchers is the fourth President of North Side Savings Bank. Today the bank has deposits of $116,000,000 with 106,000 depositors in its four offices. The newly elected President is a member of the Bronx and Upper Manhattan Advisory Board of the Manufacturers Trust Company.

* * *

Announcement was made on Nov. 9 by the New York State Banking Department that George A. Mooney, **New York State Superintendent of Banks,** disapproved on that day a formal proposal whereby the **Ramapo Trust Company of Spring Valley, N. Y.** would have been merged into the **County Trust Company of White Plains, N. Y.** The plan of merger was formalized after its approval earlier that day at a County Trust stockholders' meeting, he said. Ramapo Trust's stockholders, it was added, had adopted the plan on Oct. 14. However, he explained, the proposal had been under study in the Banking Department on an informal basis since its submittal in August of this year. Reference to the merger plans appeared in our Sept. 1 issue, page 887. Official approval of the merger would have been contrary to previous departmental policy, Mr. Mooney declared in his Nov. 9 announcement since it would have permitted County Trust, a Westchester institution, with a lengthy merger history, to obtain a foothold in Rockland County where independent unit banks, comparatively smaller, prevail. The Superintendent observed that there has been no general change in the character of the area since July, 1953, a little more than two years ago, when County Trust unsuccessfully sought to merge the **National Bank of Tuxedo** in order to acquire a branch in Orange County. Mr. Mooney went on to say:

"This merger also presented the prospect of the large County Trust system's crossing the Hudson River and entering another county. It concerned Tuxedo Park, a community about 10 miles west of Spring Valley, the location proposed today. The Department's unwillingness then to accept an application caused County Trust to abandon the merger plan."

Mr. Mooney emphasized that his decision does not reflect in any way on the financial condition of either institution, adding that both are in good standing. Further, he said, there is no bar to the merger from the standpoint of banking districts, each of which encompasses more than one county, as district-wide branch powers are authorized by law. Continuing he said:

"Rather the crucial question is whether now is the time for the geographical release of so large an institution as County Trust, which could radically alter the unit banking system in Rockland County. County Trust Company, the largest banking institution in Westchester, has a demonstrated propensity for extensive branch banking. The possibility must therefore be anticipated that the consummation of this merger would change the basic character of the Rockland unit system by offering to County Trust a broad new field for further expansion."

Superintendent Mooney further pointed out that the Banking Department is "not unmindful" of the forthcoming completion of the Tappan Zee (or Tarrytown-Nyack) Bridge, the result of which will be to integrate the two counties and stimulate the flow of suburban expansion to the west.

The Rockland County banking fraternity has also represented itself as opposed to the proposed merger, Mr. Mooney disclosed. While this expression is in no way decisive in the Department's stand, he said, it is nevertheless an indication that the local banks regard the merger proposal as a "basic departure from the existing system." While he pointed out that the principals in the proposed merger asserted that its consummation would provide advantages not only to their stockholders but also to the people of Rockland County, he observed that "this point is obviously outweighed by larger public considerations."

Pointing out that "we are now on the threshold of a period of substantial change in legal concepts," Mr. Mooney stated:

"The New York State Legislature has recently created a Joint Legislative Committee for the purpose of making a comprehensive study of the State banking laws. It is probable that much of the Committee's time will be devoted to an analysis of banking districts. The recent and substantial shifting of population within the State is also likely to be considered by the Committee in this regard. Further demonstrations of legislative concern are contained in the recent bills proposed in Congress, some of which would emphasize or spell out antitrust concepts applicable to banking institutions."

Mr. Mooney disclosed that he had discussed his policy with the Comptroller of the Currency, Ray M. Gidney, who supervises Nationally chartered banks. The Comptroller, he said, is substantially in agreement.

* * *

The National Commercial Bank & Trust Company of Albany, N. Y. which in September increased its capital from $3,000,000 to $3,300,000 by a stock dividend of $300,000, further enlarged its capital to $4,000,000 (as of Nov. 7) as a result of the sale of $700,000 of new stock. The increase in capital to $3,300,000 was mentioned in our issue of Oct. 27, page 1768, wherein was noted the merger of the **Merchants National Bank of Whitehall, N. Y.** into the Commercial National Bank of Albany. A further consolidation in which the Albany bank was a participant, took place on Nov. 7, when the **Peoples-First National Bank of Hoosick Falls, N. Y.** with common stock of $250,000, was merged into the **National Commercial Bank & Trust Company of Albany** with capital of $4,000,000. At the effective date of the merger, the latter (Nov. 8), the merged bank was announced as having capital stock of $4,200,000, in shares of 210,000 of common stock, par $20 each; surplus of $8,800,000, and undivided profits and reserves of not less than $1,290,000.

* * *

An increase in the capital of the **Camillus Bank of Camillus, N. Y.** is reported as of Nov. 4 by the New York State Banking Department. Previously $60,000, the capital has been enlarged to $100,000 in 10,000 shares, par $10 per share.

* * *

The capital of the **Genesee Trust Company of Batavia, N. Y.,** it is announced by the New York State Banking Department, was increased as of Oct. 14. Previously $250,000, in 10,000 shares, par $25 each, the capital is now $287,500, consisting of 11,500 shares of the same par value.

* * *

A Connecticut bank consolidation under the charter and title of the **Hartford National Bank & Trust Co. of Hartford** was consummated as of Oct. 28, when the **Central National Bank & Trust Co. of Middletown, Conn.,** with common stock of $250,000 and the **Middletown National Bank of Middletown** also with common stock of $250,000 were merged into the **Hartford National Bank & Trust Co.** with common stock of $10,000,000. At the effective date of the merger, the Comptroller of the Currency reports, the merged bank had a capital stock of $10,000,000 in 1,000,000 shares of common stock, par $10 each; surplus of $12,000,000, and undivided profits and reserves of not less than $5,803,000.

* * *

At a meeting of the Board of Managers on Nov. 9, Leslie G. McGrath was elected Vice-President of **The Montclair Savings Bank of Montclair, N. J.** Mr. McGrath will be active in the expansion of the bank's mortgage operations. During the last 25 years he has been engaged in title and mortgage work, and has had special training in real estate law and accounting. He was associated with the Mortgage Corporation of New Jersey through 1946; subsequently he was Vice-President of the **Essex Title Guaranty & Trust Co.** until it discontinued business in 1951. Later he joined the Garden State Title Insurance Company serving it as Vice-President and leaving there to become Vice-President of the Gibraltar Savings and Loan Association.

* * *

According to the Newark, N. J. "Evening News" of Nov. 7, Arthur E. Kean has been named Vice-President of the **Bank of Passaic & Trust Co. of Passaic, N. J.,** it was announced by President Samuel F. Riskin. From the paper indicated, we also quote:

"Mr. Kean was Vice-President and Cashier of the former **Lincoln National Bank of Newark.** Earlier experience included five years on the examination staff of the Comptroller of the Currency in New York and six years with the **Chase National Bank.**

"A former President of the Essex County Bankers Association, Mr. Kean had served on several committees of the N. J. Bankers Association."

* * *

Maj. Gen. Clifford R. Powell (USA Ret.) of Delanco, was elected President of the **Union National Bank & Trust Co. of Mt. Holly, N. J.** on Nov. 7, according to Associated Press accounts to the Newark "Evening News" of Nov. 8 which said that

"He succeeds the late Dr. Harold E. Longsdorf. Mr. Powell has been a director of the bank since 1926.

The press account added:

"A county industrialist, Allen S. Hatcher of Vincetown, succeeded Mr. Powell as Vice-President of the bank."

* * *

The intention of Robert V. Fleming to retire as President of the **Riggs National Bank of Washington, D. C.** was made known in the "Washington Post" of Nov. 9, which also indicated that Mr. Fleming will continue as Board Chairman and Chief Executive Officer. The "Post" went on to say that he will be succeeded as President by Hulbert T. Bisselle, who will also become Chief Administrative Officer. The changes, it is added, will become effective on Dec. 13. The Washington "Post" also reported that "Mr. Fleming, who has been President of Riggs for 30 years, observed his 65th birthday last Thursday. The retirement age at the bank is 65." In another announcement, the stockholders were advised said the "Post" that directors had declared a special cash dividend of $5 a share, payable Dec. 15 to holders of record Nov. 30. This is an increase of $1 a share over last year's special year-end dividend.

From the Washington "Post" we also quote:

"Mr. Fleming, a native of Washington, joined Riggs in 1907 as a runner and in 1925 became President at the age of 35. He added the duties of Board Chairman in 1935. Under his leadership, Riggs' deposits have expanded from $36 million in 1925 to the current level of more than $415 million.

"Some of his more recent activities include Chairmanship of the Citizens Advisory Council and the D. C. Conference on Education. A few weeks ago, he was named by President Eisenhower to serve on the Commission to plan an Auditorium-Civic Center for the city." He is a past President of the American Bankers Association, the Association of Reserve City Bankers, and the Washington Board of Trade, the "Post" added.

Mr. Bisselle, also a native of Washington, joined Riggs in 1920 and has been Senior Vice-President since 1948. He started as secretary to Josha Evans, Jr., then Vice-President of Riggs. He transferred to the credit department, was elected an Assistant Cashier in 1929 and became an Assistant Vice-President in 1939, and Vice-President in 1940.

Among his many activities Mr. Bisselle served as President of the D. C. Bankers Association in 1950-51, trustee and Treasurer of the Better Business Bureau, etc.

* * *

John A. Sargent, President of Diamond Alkali Co., was elected a director of **Central National Bank of Cleveland** at a meeting on Nov. 10, of the bank's board of directors, it was announced by Loring L. Gelbach, President. Mr. Sargent joined Diamond Alkali as Treasurer in 1946 and was elected President last year. During the intervening years he served as Vice-President, and was Executive Vice-President prior to his elevation to the Presidency.

John A. Sargent

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The **Kenosha National Bank of Kenosha, Wis.** reports a capital of $250,000, increased from $200,000 by a stock dividend of $50,000, effective Oct. 10.

* * *

Increased to the extent of $150,000 by a stock dividend, the capital of the **Red River National Bank of Grand Forks, North Dakota,** was enlarged as of Sept. 29 from $250,000 to $400,000.

* * *

The Port City Bank of North Charleston, in So. Carolina, with common stock of $100,000 was merged on Oct. 31 into the **South Carolina National Bank of Charleston, So. Carolina,** common stock $2,500,000, under the charter and title of the latter. At the effective date of the merger, the merged bank, it is announced, had a capital stock of $2,550,000 in 255,000 shares of common stock, par $10 each; surplus of $5,075,000 and undivided profits of not less than $1,800,000.

* * *

The capital of the **South Carolina National Bank of Charleston, S. C.** is reported by the office of the Comptroller of the Currency as $2,868,750 as of Nov. 1. The capital was enlarged to that figure from $2,550,000 by a stock dividend of $318,750.

* * *

A charter was issued Oct. 28 by the Comptroller of the Currency at Washington, D. C. for the **Citizens National Bank of Gonzales, at Gonzales, Tex.**, with a capital of $140,000 and surplus of $242,266. The new bank represents a conversion of the Gonzales State Bank of Gonzales. The opening of the new bank was scheduled for Oct. 31. V. S. Marett, is President and H. H. Braley, Cashier.

* * *

An increase in the capital of the **Citizens National Bank of Lubbock, Tex.** was reported as of Sept. 29, the amount, then at $2,500,000, comparing with $2,000,000 previously. The $500,000 increase was brought about by the sale of $500,000 of new stock.

* * *

The First National Bank of Great Falls, Mont., increased its capital to $1,000,000, from $600,000 as of Sept. 8, as a result of a stock dividend of $400,000.

* * *

As of Sept. 14, the capital of the **Pacific National Bank of San Francisco**, became $3,576,500, having been increased from $2,861,100, following the sale of $715,400 of new stock.

* * *

The capital of the **Old National Bank of Spokane, Wash.** has been enlarged from $2,500,000 to $2,750,000 as of Nov. 3, by a stock dividend of $250,000.

* * *

The Royal Bank of Canada (head office Montreal), announced on Nov. 9 the appointment of M. M. Walter to the board of directors and his election as a Vice-President. In his new capacity, Mr. Walter will continue active in the day-to-day affairs of the bank, assuming more general responsibilities. Mr. Walter commenced his career with The Royal Bank of Canada in Oshawa in 1912. Following World War I, when he saw service overseas, he gained further experience at a number of branches in his native province (Ontario), and was transferred to the Supervisor's Department, Toronto, in 1924. Four years later he moved to the Head Office and subsequently was appointer Assistant Manager of the Montreal Branch. In 1938 he became Manager of Montreal Branch and in 1944 was named an Assistant General Manager at the Head Office.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Eugene E. Soule is with King Merritt & Company, Inc., Woodruff Building.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Joseph F. McGlinn has joined the staff of Bache & Co., Dixie Terminal Building.

Now With Hill & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Thomas A. Davies is now associated with Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

Bank Credit Assoc. of N. Y. To Hold Dinner Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting at the Railroad Machinery Club on Nov. 17. Tariff, $4.75.

Frank H. Heiss, partner in Kelley, Drye, Newhall & Maginnes, will speak on "When a Banker Needs a Lawyer."

Reservations should be made with Robert J. Kurau, Grace National Bank of New York; remittances may be sent to the Treasurer, Francis D. Weeks, Jr., The Marine Midland Trust Company.

Schirmer, Atherton Branch

NORTHAMPTON, Mass.—Schirmer, Atherton & Co. have opened an office at 16 Center Street, under the direction of Paul Farmer.

Cantor, Fitzgerald Co. Adds Five to Staff

BEVERLY HILLS, Calif.—Five new men have been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, it has been announced by B. Gerald Cantor, its President.

The quintet, all university graduates, include: Harry Frank, Masaru Murakami, Mark Kosterman, Archie Nedelman and Lionel Bell. Mr. Frank will head a new special service department. Mr. Murakami has been named Associate Editor of the company's "Confidential" news letter. The others are sales representatives.

F. J. Imholz Jr. Opens

LEVITTOWN, N. Y.—Frank J. Imholz, Jr. is engaging in a securities business from offices at 24 Spring Lane.

Continued from page 6

Housing Credit Controls Only Temporary

have decided to smile and speak more softly. They have come to understand that so long as 6% of the world's population can produce upward of 40% of the world's goods and services—and distributes them wisely and equitably in its own country and elsewhere—and maintains its economy in proper balance—and stays on guard to prevent attack from without and decay from within—it will not be profitable to resort to violence in their relations with the United States and other nations of the free world.

At the moment the picture is favorable and warrants a reasonable optimism. But it does not warrant complacency. We dare not let down our guard, either against possible attack from without or decay from within. We must keep our whole economy in balance. And we must continue increasingly to make a fair distribution of the goods and services we produce so abundantly — so that all the people of the country with marked attention to the needs of Negroes and members of other minority groups, may enjoy a decent living.

Literally everything depends upon our success in maintaining and consistently expanding our productive capacity. If we should fail to do this, all our enterprises would fail. Our present formidable military power could not be supported. Our partners of the free world could not unaided maintain sufficient military establishments of their own, and their for the most part healthy economies would totter or collapse. We would soon stand alone in the world, with all the productive capacity of Europe either immobilized or turned against us. We might find the lonely burden more than we could bear.

But we will never have to stagger under a lonely burden if we remain alert to the needs of our productive capacity and do not hesitate to take courageous action to overcome or forestall the dangerous forces that constantly threaten the stability of our economy. These forces are not a sign of weakness. They are inherent in a free economy. Without them the economy would not be free.

The Threat of Inflation

An outstanding American economist has recently discussed some of the things that require our eternal vigilance. I will read a paragraph from a speech given last month to the Chamber of Commerce of the State of New York by Arthur F. Burns, Chairman of the Council of Economic Advisers:

"We must recognize, however, that in an economy like ours, poised on a high plateau, neither the threat of inflation nor of recession can ever be very distant. We live in a world in which the sources of economic change, both domestic and foreign, are many. When both our political parties joined in the Congress to pass by an overwhelming majority the Employment Act of 1946, we in effect resolved as a people to travel henceforth the narrow road that separates the swamps of recession, on the one side, from the cliffs of inflation on the other. If we are to stay firmly on this narrow road, the Federal Government must pursue monetary, fiscal, and housekeeping policies with skill and circumspection. That means, among other things, that we must be alert to changes in economic conditions and be ready to adapt our policies promptly to them. A program of monetary and fiscal restraints could be carried too far, just as it could stop short of what is needed. Such policies are means to the attainment of a stable prosperity, not ends in themselves. The only rigidity that we can afford to admit to our minds is the principle that the best way to fight a recession is to prevent it from occurring in the first place. That principle has of late ruled, and it must continue to rule, our governmental policies."

That principle must also rule the policies of private industry —all elements of private industry. There must be a true partnership between the legislative and executive branches of the Federal Government, the state and municipal governments, the local governments and civic organizations, and private enterprise. I know that such a partnership exists, and I believe it is today more firmly knit than ever before. It is the greatest and most important cooperative enterprise in the world.

The hallmark of this enterprise is the word "cooperation." All elements must work together for the common good. The strongest element is expected—and must be permitted—to contribute in proportion to its strength and ability. To hamper it—and I am talking about private industry—would be costly and might be ruinous.

The philosophy of the Eisenhower Administration is the product of realism. The Administration recognizes private enterprise for what it is—the greatest factor in our economy, the greatest force in maintaining and expanding our productive capacity, the core of our national strength.

On the other side of the shield —and I use the word literally— is the Administration's avowed and practiced belief that the function of the Federal Government in respect to industry is to exercise only such restraints as may from time to time be needed to keep any sector of the whole economy from eccentric movement and thereby causing an imbalance.

For example, the Federal Reserve Board some months ago noted certain warning signs of an inflationary trend and took appropriate steps. Falling in line last summer, the Federal Housing Administration reduced the maximum mortgage maturity from 30 to 25 years and increased the minimum down payment on homes from 5 to 7% of the purchase price. At the same time the Veterans Administration lifted the minimum down payment from nothing to 2% of the purchase price and also lowered the maximum mortgage maturity from 30 to 25 years.

The Home Loan Bank Board, as you know, in concert with these other Agency actions, has imposed controls on the volume of bank advances that may be used for mortgage expansion purposes.

Purpose to Anticipate Possible Inflation

The purpose of these and other actions was to anticipate possible inflation — in other words, to move in before it had a chance to start. There was, of course, no possibility of the kind of printing press inflation that used to be fashionable with insolvent governments. What our government had detected was an inflationary tendency of the most subtle kind —the kind that can develop even in an economy of great abundance such as ours when the demand for certain products shows indications of exceeding the supply immediately available. The FHA contributed to the total anti-inflationary action by putting a slight check on home-purchasing. It would have been highly ironic, perhaps tragic, if demand for certain building materials temporarily in short supply had resulted, not in more houses, but in raising the prices of all houses throughout the country.

But the various government agencies that have cooperated to prevent inflation are keeping a close watch on the effect of the moderate restraints that have been imposed. As Arthur Burns pointed out in the speech from which I quoted, it is necessary to stay on the narrow road between the cliffs of inflation and the swamps of recession. Credit controls will be adjusted the moment the government is persuaded that the danger of inflation has receded. We will not slip off the road into the swamps of recession.

Meanwhile new housing starts are being made at a good level. The September figure was only about 2% under the September 1954 figure, and I am confident that we will continue to build new homes at a rate of about 1.2 million a year or a little higher. I believe you share my confidence.

Last year when I met with you in Los Angeles I discussed the rechartered Federal National Mortgage Association. I said that we had provided the machinery which, in my opinion, would in a reasonable time remove government financing from any general support of the secondary market and replace it with private financing. I enumerated various recommendations made by your representatives that were adopted and written into the Housing Act of 1954. I remarked that it was my belief that we had made a real gain in removing the danger of extending government further into the mortgage field.

Today, nearly a year later, I want to comment chiefly on the year's developments in respect to FNMA's secondary mortgage facility—which was specifically designed to give supplemental aid toward meeting mortgage market situations such as we are now experiencing. The modest but steadily increasing interest and participation in this facility during the past 12 months by mortgage lenders, builders, and other organizations composing the housing industry clearly indicate that FNMA is accomplishing the purposes for which it was established. Mortgage purchases which in November and December 1954 amounted to only one mortgage for each month had risen to 877 in September 1955. To date, liquidity has been furnished by FNMA through the purchase of about 5,000 mortgages aggregating some $42 million. A portion of this aggregate represents participation by savings and loan associations. And although it is a relatively small percentage of the total, it nevertheless reflects a real interest on the part of that section of the mortgage industry.

The ultimate objective of the Federal National Mortgage Association's management and liquidating program is to liquidate in an orderly manner and with minimum loss to the Federal Government—and I mean the taxpayers —the portfolio of mortgages now owned or which may be acquired in the future under contracts executed before Nov. 1, 1954. However, the sale of these mortgages, now numbering close to 350,000, with unpaid principal balances of some $2½ billion, and located in 45 states, the District of Columbia, Puerto Rico, Hawaii, and Alaska was suspended two weeks ago by action of the FNMA Board of Directors pending conclusion of a survey of the general secondary mortgage market now under way. It is expected that after this suspension is lifted mortgages covering one- to four-family dwellings will again be available for sale at prices calculated to yield about 4½% before servicing. Multi-family mortgages will be offered for sale on a negotiated basis. FNMA's management-and-liquidating and secondary market holdings constitute a reservoir from which long-term investors may readily purchase seasoned mortgages to replenish their mortgage investment portfolios whenever such action is found desirable.

Voluntary Home Mortgage Credit Program

I also spoke last year about the new Voluntary Home Mortgage Credit Program. As you know, this was the mortgage industry's own proposal — a mechanism to provide mortgage investment funds for FHA-financed and VA-guaranteed loans in areas and sections of the mortgage market where these funds have been traditionally in short supply . . . by channeling private funds from areas of relative plenty to areas of need . . . thus to reduce to a minimum the need for direct Government participation in the mortgage market.

The program did not get under way until March of this year. Between that month and Oct. 15 private mortgage lenders, including the savings and loan associations, received some 20,000 applications. The industry has already granted loans on nearly 7,000 of them and lent an aggregate of well over $50 million to home purchasers in remote areas and small towns and to Negroes and members of other minority groups who had experienced difficulty in financing their purchases.

This is an accomplishment that merits congratulations to the entire industry. It is a splendid beginning of an important work, and I am sure we may look forward with confidence to an increasingly productive and effective VHMCP. It shows none of the signs of apathy that so often appear in voluntary programs. I see for VHMCP only a growing usefulness and strength.

Now I want to touch on an important element in the credit structure with which the Government is concerned, as are the builders and all sections of the mortgage industry. That is the well-established practice of "mortgage warehousing" — the means whereby institutional lenders avail themselves of short-term bank loans to enlarge their mortgage portfolios in advance of receipt of normally predictable funds earmarked for purchase of the mortgages.

Any substantial curtailment of mortgage warehousing might tighten credit to a serious degree and cut home building down to a level lower than the rate of 1.2 million or more a year which we believe can be maintained during the months ahead without having an inflationary influence on the economy. And I want to express my firm belief that mortgage warehousing within balanced limits is a desirable and necessary credit instrument.

Some questions have been raised about conversations on warehousing between Allan Sproul, President of the Federal Reserve Bank of New York, and certain New York City banks. Whatever may have been said, I think the attitude of the Federal Reserve on mortgage warehousing loans was stated very clearly some weeks ago in a letter which Mr. Sproul wrote to Congressman Albert Rains. This letter does not suggest to me that any drastic action was then—or is now contemplated by the Federal Reserve.

I quote from Mr. Sproul's letter:

"The banks to which I talked presumably know the difference between the customary and proper short term uses of commercial bank credit to finance the home building industry, and the possible abuses of such financing which some of them had reported to me."

The key phrase is "customary and proper." I read it as I would read a road sign. It points the way clearly.

Urban Renewal

I said earlier that I would return to the subject of urban renewal—the broad program set up under the Housing Act of 1954 to revitalize our cities. This program developed into its present form in consequence largely of recommendations made by President Eisenhower's Advisory Committee on Housing in December, 1953.

The magnetic center of urban renewal is what has become known across the nation as the Workable Program—the facing by a community of the insupportable cost of slums and blighted areas and its determination, in the form of a well-developed plan, to make itself a better place for all of its inhabitants.

Any community with a Workable Program that has been approved by the Housing and Home Finance Agency can obtain Federal aid, in the form of grants, loans, and mortgage insurance. But, **with or without** Federal aid, the successful accomplishment of a community's program depends, first and always, on participation of private industry. The real estate people, the suppliers, the builders, and all sections of the mortgage lending industry are the ones who carry out the program— and in the past year they have responded commendably to the challenge of their responsibilities.

Since the urban renewal program got under way we have approved Workable Programs in about 70 cities and towns, and some 50 other cities have projects in various stages of planning or execution. Including pre-1954 projects, some 320 renewal operations are now under way in more than 200 communities. Of the millions of dollars spent and being spent, only one dollar out of every six represents public money —the other five dollars represent the participation of private industry. Here again all the elements that compose our second greatest national industry—builders, suppliers, realtors, and the various mortgage lenders — have shown their adequacy for the task.

And now, before I close, I want to go back to something I said at the outset of my remarks here today. You men and women of the U. S. Savings and Loan League are engaged with other savings and loan associations, the mortgage bankers, the insurance companies, the builders, suppliers, and real estate dealers in a great cooperative enterprise.

Your basic task, your basic contribution, is to make American cities better places for all of their inhabitants.

This is a desirable end in itself. It is also a means to an even more compelling end—the maintenance and expansion of our present level of production, which is the foundation of our national security, if not our very existence as a nation. Four-fifths of the American people live in cities. If these people are to realize their full productive powers, they must receive their fair share of the goods and services they produce. Most fundamental of all these goods and services is decent living. Slums must be uprooted. Salvageable homes must be restored. New homes must be built in all parts of the country.

A high standard of living must be maintained. A constantly higher standard must be sought. For a high standard of living—that is, a high per capita share of all goods and services—is not only the result of high production. It is also one of the causes of high production. And if anyone questions that, let him contrast the productive capacity of the badly fed, badly housed workman anywhere in the world with the productive capacity of the well fed, decently housed American workman.

The builders and the lenders have a large responsibility in the overall task of maintaining and raising the standard of living. In addition to performing their specific tasks, they must always be mindful of the whole economic structure and help to keep it firm and sturdy. And here the savings and loan associations contribute an outstanding service. They not only provide the largest single source of capital for the building of homes, but they also furnish a great and stable medium of investment for savings. When occasionally an uninformed person asks me whether the present Administration is trying to deprive the average American of cheap money, I answer, "Not at all. The Administration is doing everything possible to encourage thrifty Americans to put their savings to work, thus earning a fair return on their investments while supplying private industry with more capital and advancing us further in the direction of removing government from competition with free enterprise." The 6,000-odd savings and loan associations stand second to none in serving the needs of small investors.

And now I want to say a last word on housing itself. Your confidence that new housing starts will reach approximately 1.3 million units this year is well-founded. Certainly we know that demand for new homes continues to be healthy, and we also know that the need for new homes is far more likely to grow than to decrease in the years ahead.

The temporary moderate check that has been placed on home building does not alter the housing picture. It is a very good picture all across the country. It will be a better and more lasting picture for the restraint that was applied earlier in the year.

Our whole economy will be stronger as well for having been kept in line by the gentle actions taken in various fields to avoid inflation. Let us all continue to work together and to hold the whole economy in balance. If all segments of private industry maintain their cooperation with one another and with the Federal Government, our productive capacity will guarantee the lasting strength of this nation and keep us forever a free people.

Hill, Darlington Branch

BINGHAMTON, N. Y. — Hill, Darlington & Co. have opened a branch office in the Arlington Hotel under the management of J. Elwin Webster and Brainard C. Norton.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Arthur J. Ferguson is now connected with Goodbody & Co., 21 South Palm Avenue.

With John J. O'Brien

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Lee K. Miller has become associated with John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With First Florida Inv.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — William W. Martin has joined the staff of First Florida Investors, Inc., 21 South Court Street. He was previously with Beil & Hough, Inc.

Joins Schwabacher Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—George E. Frioux has joined the staff of Schwabacher & Co., 1001 Jay St.

Mortgage Warehousing Under Scrutiny

George A. Mooney, New York State Banking Superintendent, reveals steps taken to curb undue increases in bank credit arising from rapid expansion in mortgage warehousing loans.

According to George A. Mooney, Superintendent of Banks of the State of New York, recent steps taken to curb undue increases in bank credit have raised questions about the propriety of the rapid growth of so-called mortgage warehousing arrangements. He declared that the subject has been under study and that the following statement is intended to answer certain questions relative to examination standards applied by his Department. His views, however, are expressed without prejudice to the task of credit control which is the responsibility of the Federal Reserve System.

George A. Mooney

While mortgage warehousing arrangements take numerous forms, the Superintendent stated, credits secured by mortgages temporarily placed with commercial banks are essentially subject to the same tests of soundness applied to other types of business loans. Ability of the mortgage institution, whether the originator, the intermediary or the permanent investor, to meet its commitments when due is among the prime considerations. Also considered, however, would have to be the amount of credit extended to an individual institution relative to its expected inflow of funds and other calls on these funds. The general marketability of the mortgages involved also is a factor.

"Understandably, new types of mortgage lending operations will be initially subject to closer scrutiny by examiners than arrangements that are familiar and have stood the test of time," Mr. Mooney added. "By no means, however, is this to be construed as any intimation that mortgage warehousing loans are inherently unsound or improper for commercial banks. Full responsibility rests with the management of the banks in developing any relatively new financing activities along prudent lines."

South Africa Registers $25,000,000 Bonds

Dillon, Read & Co. Inc. to Underwrite Issue

Dr. J. E. Holloway, Ambassador for the Union of South Africa to the United States, announced that the Union of South Africa had on Nov. 15 filed with the Securities and Exchange Commission a registration statement covering $25,000,000 principal amount of External Loan Bonds, dated Dec. 1, 1955. The proposed financing represents the first public offering of Union of South Africa bonds in the United States.

The South African Government is also negotiating with the International Bank for Reconstruction and Development (World Bank) for a loan in an amount equivalent to 9,000,000 pounds sterling.

Proceeds from both loans would be used by the Union to carry out its current transportation development program, including improvements to its railroads and certain other facilities.

The offering of the bonds to the public will be made by an investment banking group headed by Dillon, Read & Co. Inc. and is expected on or about Nov. 30. The offering is expected to consist of three, four, five and 10-year bonds, the amounts and interest rates of which are subject to negotiation. None of the bonds will be redeemable except in the case of sinking fund redemptions of the 10-year bonds at 100%.

At the option of holders, any interest or principal payments may be collected in Switzerland, at 4.37 Swiss francs per dollar.

The Union of South Africa is an independent state and a member of the British Commonwealth. It is particularly rich in gold, uranium, diamonds, coal, copper, manganese, chrome and various other ores.

For over a half a century the country has been the world's principal producer of gold, which is the most important export of the Union and at the same time its most important source of hard currency. Industrial growth has been also outstanding.

The accounts of the Union since 1932 have consistently produced a surplus as to ordinary revenues and expenditures, although the Union has resorted to borrowing in order to finance major capital expenditures, including the development of railways, housing, communications and certain key industrial enterprises.

The public debt of the Union at Sept. 30, 1955 amounted to £961,000,000 excluding £33,300,000 of guaranteed debt. The direct debt represented approximately 62% of the national income in 1954. If the Union's total investment holdings (£567,000,000) in revenue-producing facilities are deducted from its debt, the ratio of debt to national income is 21%. The ratio of the external debt to its total debt is 9%.

Except for payments to persons in enemy and enemy-occupied territories during the World Wars, the Union has always paid when due the full amount of principal, interest and amortization requirements upon its debt. This includes the Union's lend-lease debt to the United States which has been paid in full. The Union has neither requested nor received any grants from the U. S. Government under any of the postwar "aid" programs.

As of 1952, direct American private investment in the Union, according to the U. S. Department of Commerce, amounted to an estimated £69,000,000 since which time substantial further American investments have been made. American companies operating in the Union through subsidiaries, branches or associated firms include some of the leading corporations in the field of mining, automotive manufacture, chemicals, drugs and cosmetics, electrical equipment, foods and beverages, industrial machinery and equipment, oil refining, rubber goods and tires, and tractors and farm equipment.

William H. Baxley With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

GAINESVILLE, Fla. — William H. Baxley has become associated with Merrill Lynch, Pierce, Fenner & Beane. Mr. Baxley was formerly a partner in Baxley & McKinney.

With Francis I. du Pont

CHICAGO, Ill. — Morgan P. Underwood, Jr. has become associated with Francis I. du Pont & Co., 208 South La Salle Street, as registered representative.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

Pursuing further the discussion of extended coverage, the fire insurance line that is proving to be so costly because of the hurricanes of recent years, a factor that gives concern to the carriers is that whereas in earlier years when these "catastrophe" storms more-or-less confined their devastation to the West Indies and Florida where the property values were relatively low, the storms of recent years, originating in the tropics, have chosen a general area where values are much higher. Thus, whereas an extended coverage claim by a Floridian as a result of wind damage to his home is just as serious a matter to him as one to a Connecticut resident may be to him, there is likely to be an important difference in the two cases so far as the insurance underwriter is concerned. For the northern home is likely to have greater value built into it, and to have more refinements than the house in Florida.

It may, therefore, be instructive to look at the extent to which the various leading insurance companies go into extended coverage; and the extent to which their overall lines are concentrated in the high value area of the northeast that has been taking the brunt of the hurricane losses.

To be sure, tornado losses continue to plague their natural habitats; they have not shifted their base of operations as have the hurricanes. But tornado losses are minor alongside those from extended coverage, and hence do not present the problem to the insurance companies that the extended coverage line does.

In the accompanying schedule there is given, first, the proportion of net premium volume written by the various companies in extended coverage. As this is not available on a consolidated basis, parent data are used. This is representative as casualty units write only small amounts. To show the recent changes in the line we have compared these data for 1954, the latest available, with 1951. Also given in the schedule is the proportion of total net premium volume that is written in the nine northeastern states: New England; New York; Pennsylvania; and New Jersey, while, of course, some companies are likely to keep their extended coverage volume low in this area, by-and-large, the line has about average representation there.

	Ratio of Extended Coverage Writings to Total Writings 1951	1954	Proportion of Total Net Premium Writings in the 9 Northeastern States
Aetna Insur.	11%	10%	39%
Agricultural	12	15	41
American Equitable	17	22	48
American Insur.	10	10	33
Automobile Ins.	6	9	41
Bankers & Shippers	12	14	40
Boston Ins.	10	10	45
Continental Ins.	12	8	34
Fidelity Phenix	11	8	31
Fire Ass'n	11	10	32
Fireman's Fund	9	10	33
Firemen's Ins.	14	14	24
Glens Falls	2	7	50
Great Amer.	11	9	23
Hanover	11	14	22
Hartford Fire	11	6	20
Home Insur.	17	12	35
Ins. Co. No. Amer.	7	5	27
National Fire	11	11	28
National Union	13	14	36
New Hampshire	12	12	40
Northern	18	22	51
North River	13	14	34
Pacific	12	14	30
Phoenix	12	12	32
Prov. Wash.	10	11	42
Republic	32	36	18
St. Paul	9	7	19
Security	11	12	23
Springfield	12	14	23
U. S. Fire	14	15	32
Westchester	12	14	37

There is of course a natural tendency for a company's largest volume to be in or around its state of domicile, which accounts for such proportions as Boston Insurance's 45%, and Providence Washington's 42%. But while Glens Falls shows 50% in this area, 35% is in New York State, and only 15% in the other eight states. Several of these companies not only show wider geographical diversification of risks underwritten; but they also "soft-pedal" the extended coverage line.

Plainly apparent is the divergent handling of the line by various companies. Some have, since 1951, increased the proportion of this line to net premiums, while others have reduced.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The uptrend in the Government market appears to have run into a certain amount of resistance, and this is being attributed to a number of things, among which are the following: (1) The rise in prices of certain of these issues had taken them to levels where they were discounting, in some measure at least, a change in policy of the monetary authorities; (2) The tight money and interest rate raising program of the powers that be is not considered to be exactly conducive to a strong and steadily advancing Government market; (3) Year-end adjustments are quite likely to bring about a certain amount of liquidation; (4) The impending new money raising and refunding operation of the Treasury is tending to create a certain amount of hesitation among potential buyers of these securities; (5) The improved trend in prices of common stock; and (6) The keen competition for available funds from loans, mortgages, private placements as well as tax free obligations.

Market Slowing Down

It seems as though the combination of continued tight money and the resurgence of the equity market has tended to take the edge off Government bond market. To be sure, quotations of most Treasury obligations have had a fairly good rise, on not too much volume, because it was felt that the tight money policy of the powers that be would be eased in the future. It appears as though the statements of the various heads of Government agencies that are interested in the availability of credit, as well as the statements of other important individuals in the financial district, gave some encouragement to the belief that money rates were tight enough and would or should be eased in the future. This would be done in order to keep certain segments of the economy operating in the coming year at levels that would be comparable to those currently existing.

At the same time, there was an enlarging demand for the more distant Government obligations because certain institutional investors had funds available for the purchase of these securities. The longer-term Treasury issues moved independent of the short-term obligations because the pinch of the money tightening operations of the powers that be was being felt more sharply in the near-term sector of the market.

Nonetheless, without very much help from the Federal Reserve Banks, funds began to seep into short-term Government securities because there were institutions that had to have these obligations for liquidity purposes and this took a certain amount of the pressure away from this part of the market.

The long-term Government bonds were being put into many portfolios, since not a few institutional investors were inclined to invest funds in selected issues of these securities. Positions in some of the more distant obligations were rebuilt after they had been cut down with the upward trend in quotations of these securities. In some cases, the prices paid for the bonds which were acquired were not too far away from the highs registered in the recent upswing in quotations of these Government obligations. A good part of the money which went into these securities was obtained through the switching out of the intermediate and short-term issues. A substantial, though smaller amount of new money was also put into the longer-term Government bonds.

Liquidation Not a Factor in Price Decline

When quotations of the long-term and the intermediate-term Government obligations began to get toppy and buyers became somewhat hesitant, it was not at all surprising to see prices of these issues give some ground. The downward adjustment in prices, so far, has taken place on very light volume, with prices being quoted down rather than being forced down because of the pressure of securities seeking liquidation. This, according to reports, is taken to indicate that the technical position of the Government market is still sound, and should afford those who have been looking for a readjustment in quotations in order to add to their holdings, an opportunity to buy the issues in which they have an interest.

With the decline in prices of the most distant Government bonds, comes reports that Treasury trust accounts have been buyers of these securities. The amount of these purchases, according to advices, has not, however, been too sizable.

It is also reported that banks in Middle West as well as those on the Pacific Coast have been buyers of Government bonds. It is indicated that these institutions have been putting funds to work in the discount 2½s as well as the 3s of 1995.

New York Member Banks Extend Maturities

New York City member banks, last week, for the first time in a long while, extended their Government bond maturities in fairly sizable amounts. This reportedly was accomplished through switches from near-term issues into the more distant obligations.

Two With Allen Inv.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — William H. Kelley and Edward L. Reed have joined the staff of Allen Investment Company, 1921 14th Street.

With Denver Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Fred A. Simpson is now with Denver Securities, Inc., 711 17th Street

Joins FIF Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Leslie A. Linn has joined the staff of FIF Management Corporation, 444 Sherman Street.

Greenberg, Strong Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert Leopold has been added to the staff of Greenberg, Strong & Co., First National Bank Building.

With Wayne Jewell Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Henry L. McBride is now with Wayne Jewell Company, 818 17th Street.

With Skyline Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Scottie L. Branch is now with Skyline Securities, Inc., 1719 Welton Street.

Continued from page 5

Yardsticks in the Evaluation Of Common Stocks

ing the future price-earnings ratio just as carefully as we weigh the prospects for profits.

There are a number of forces that produce these wide changes in the price-earnings ratio.

One is a change in the quality of profits. Thus, today's profits are worth more than the profits of a few years ago.

How does one measure quality of profits? By their recurring characteristics. If profits are recurring, they are of good quality, they are worth more. If profits are not likely to recur in the future, they are of poor quality and are not worth much.

The profits of years like 1948, 1949 and 1950 were not of good quality for two reasons: First they represented profits reported after an altogether inadequate allowance for depreciation. The aggregate corporate depreciation allowance in 1946 amounted to only $4.6 billion. Due to inflation, fixed assets could not be replaced with that kind of depreciation allowance. This year, depreciation will total around $14 billion, fully three times as much. Profits reported after $14 billion of depreciation are worth a lot more than profits reported after $4.6 billion of depreciation. Depreciation is about adequate, to finance replacement of productive capacity today. It was grossly inadequate in 1945 and for some years thereafter.

Secondly, during the period of inflation that followed the war, profits were abnormally swollen in certain years by "inventory profits." An inventory profit, as we use the term, is the larger-than-normal markup on low cost inventory sold in a rising market. When the commodity price level rises, business is selling low-cost inventory at higher prices, and that gives an added profit which is called an "inventory profit." That profit may be perfectly valid to the accountant, it is misleading to the security analyst because, unless commodity prices keep on going up, it's non-recurring. Once prices level out, there is no more inventory profit. So, from the point of view of the security analyst, inventory profits are non-recurring and of little value.

Inventory profits were very large in the profit stream of the post-war years. They were biggest in 1947, according to the Department of Commerce, when they aggregated almost $6 billion. In 1950, when the Korean War broke out and reported profits reached their record high, the Department of Commerce estimated inventory profits (they call it the inventory valuation adjustment) at $4.9 billion.

Last year there were no inventory profits. In the first half of this year, they were estimated at the annual rate of one billion. They will probably be higher in the second half, because commodity prices are moving up here and there. By comparison with years like 1947 and 1950, however, inventory profits are negligible today.

Therefore, the price-earnings ratio should be much higher today than it was in 1947, say, or 1950, because depreciation is so much higher and inventory profits are a negligible, instead of a large, part of reported profits.

Dividend Pay-Out

A second factor affecting the price-earnings ratio is the level of dividends. Rightly or wrongly — and for many investors I think wrongly—distributed earnings are valued more highly in the market than retained earnings, as a rule. You would think that an investor in the higher income brackets would prefer earnings to be retained, so that they can be reinvested for his benefit without deduction of personal income tax. But human nature being what it is, and since institutional and some other investors are not affected by income taxes, the market values distributed earnings more highly than retained earnings in most instances.

Corporations have been paying out an abnormally low percentage of their earnings as dividends in recent years. In the '20s, which was the last prosperous decade we have to compare with, corporations paid out an average of two-thirds of their earnings in dividends. This year they will pay out about 50%. And in recent years like '47 and '48, they paid out only 36%.

One factor which has been holding down the price-earnings ratio has been the relatively low percentage of earnings paid out as dividends. By past experience, distribution of a higher proportion of profit as dividends is to be expected in the future.

Another factor affecting the price-earnings ratio is the relative yield investors expect from common stocks, as compared with bonds. Common stocks today yield around 4% on the average. Corporate bonds yield an average of 3.30%. Does not this narrow differential make common stocks vulnerable pricewise, and make a higher price-earnings ratio likely in the future, some observers ask.

There have been wide swings in the differential between bond and stock yields over the years. In 1929, Moody's Corporate Bond Yield Average was 5.2%, while industrial common stocks yielded an average of 3.5%. In 1949, industrial common stocks yielded 7% on the average, and bonds only 2.9%.

Today common stocks yield 70 basis points more than bonds; whereas in '49 they yielded 410 basis points more, and in 1929 it was the other way around, bonds yielded 170 basis points more. Compared to 1929, stocks are cheap in terms of yield as compared to bonds. Compared with 1949, they are awfully dear. Which is right?

In 1929, we had a security market dominated by individual investors. Comparing stocks and bonds, individual investors prefer stocks. A dollar of dividend income is worth more than a dollar of interest income, because with the dividend income the stockholder also gets the benefit of retained earnings.

Between 1919 and 1935, the average yield on stocks was lower than the average yield on bonds with only two exceptions, '24 and '26, and in those years the average yield on stocks was only the least bit—0.1 of 1%—more than the yield on bonds. Between 1919 and 1935, the period when the individual investor dominated the security markets, stocks persistently yielded less than bonds.

Since 1935, it has been the other way. Why? What happened?

What happened can be summarized in one sentence: The institutionalization of the investment market. The change became marked after 1935. Since 1935, the market for bonds has been dominated by life insurance companies, banks and more recently pension funds. These institutions, which collected the bulk of personal savings as the depression discouraged direct investment in securities, drove down bond yields to very low levels. Absence of demand forced stock yields upward at the same time, and a dollar of dividend came to be valued at much less than a dollar of interest, forcing the price-earnings ratio higher.

In the last few years, the process has been reversed. People are regaining confidence in their ability to invest their own money directly in securities. A growing proportion of individual savings is going directly into common stocks. Institutions also are turning to common stocks increasingly, some of them, like pension funds, on a major scale.

The result is that we are returning to the yield pattern of the '20s and the first half of the '30s. As individual investors and such institutions as pension funds broaden demand for common stocks, a dollar of dividends again comes to be considered as valuable as a dollar of interest, particularly when corporations are paying out only half their earnings as dividends.

Conclusions

First, stock prices today are not too high, statistically, in terms of current net corporate profits, which are a relatively low percentage of national income. Profits before taxes are relatively high, however, making them more vulnerable in recessions. They are not too high in terms of a price-earnings ratio of 12.5, as against an extreme like 16 times in 1929, particularly if we keep in mind the higher quality of current corporate profits and the tendency for stock yields to be closer to bond yields.

Secondly, corporate profits would be vulnerable to a cyclical decline in business, as they have been. High corporate income taxes act as a cushion in one sense, but they also make net profits more vulnerable in a cyclical business decline because it becomes more difficult to shift taxes to buyers then.

Thirdly, whenever a business downturn causes profits to decline, the impact on stock prices may be lessened because the prevailing price-earnings ratio could rise simultaneously. This could result from fuller recognition of the higher quality of profits and an increased dividend payout of net profits. It is conceivable — this happened in 1954 — that profits could decline moderately and dividends increase. In fact, net profits could drop by 20% and cash dividends rise slightly, if corporations want to pay out 70% of earnings again instead of 50%.

The price-earnings ratio could tend to rise also, even if profits were to decline moderately, if people continue to invest directly in equities a larger proportion of their savings, and institutions continue to step up their equity purchases.

In fact, individual purchases of common stocks could become more pronounced when the stock market declines because the rank and file of smaller investors tend to be "bargain hunters." On Sept. 27, the day after the spectacular break in the stock market caused by the President's illness, odd lot purchases exceeded 750,000 shares, and were more than double odd lot sales. A moderate price decline, instead of discouraging the public from investing directly in equities can encourage such purchases, although a catastrophic and protracted decline, as in the 1930's can discourage direct public investment in equities for almost a generation.

Form Ackerson-Hackett

SALT LAKE CITY, Utah—Ruth Ackerson and George Hackett have formed the Ackerson-Hackett Investment Co. with offices in the Continental Bank Building to engage in a securities business.

Record Increase in Capital Spending Planned

McGraw-Hill survey finds that greatly increased expenditures for 1956 are planned by manufacturing companies, commercial banks, railroads and other transportation and communications firms. Thirty percent rise envisaged for manufacturing companies. Notes unprecedented optimism regarding sales prospects. Sees favorable expectations carrying over until 1957.

American business plans to spend 13% more for new plants and equipment in 1956 than in 1955, the largest increase in planned capital spending since 1951, when plans were boosted to meet the Korean War emergency. Manufacturing companies plan to increase their spending by 30%.

Dexter M. Keezer

These results of a preliminary survey of business plans for new plants and equipment were announced Nov. 11 by Dexter M. Keezer, Vice-President and director of the McGraw-Hill Publishing Company's Department of Economics, which conducted the survey. The number of firms participating was the greatest in any survey the department has conducted to date, Mr. Keezer said. He emphasized that the survey was made, and most of the results received, in October, well after the announcement of President Eisenhower's illness.

Present plans for American industry as a whole call for total business capital expenditures of $33.4 billion in 1956, an increase of $4 billion over the $29.4 billion estimated for 1955, and $4.2 billion more than the $29.2 billion spent in 1953, the previous peak year.

Survey results indicate also that the new boom in capital spending may carry on into 1957. A large proportion of the reporting companies states they expect to equal or exceed their 1956 expenditures the following year.

Key results of the preliminary survey show:

(1) Manufacturing companies' 30% increase in 1956 is by far the largest reported since just after Korea. Expenditures by commercial business, railroads, other transportation and communications companies also will be up substantially, according to present intentions.

(2) The petroleum industry as a whole plans a 6% increase in 1956. Expenditures by electric and gas utilities will be down slightly, and spending by mining industries also will be lower.

(3) Companies in almost every field expect sales to rise in 1956. For manufacturing as a whole, the anticipated increase is 7%. Optimism on sales was more widespread than in any recent survey.

Plans reported in this survey are preliminary, because many companies do not complete their budget reviews until later in the year, but, in the past, these advance estimates have accurately shown the trend of capital spending.

Capital Spending in Manufacturing

Though companies are planning higher expenditures in every line of manufacturing, the largest increases are in primary metals, in the chemical industry, and in the automobile industry, the suvery showed. With expenditures for the last two years at reduced levels, the steel and non-ferrous industries are planning new and large increases in spending—72% for steel and 54% for the non-ferrous group — along the same lines that added so much capacity during the Korean War boom. The chemical and petroleum refining industries, which also built considerable defense-supporting capacity in 1951-53, then slackened in 1954-55, now plan to boost expenditures sharply in 1956. Planned increases are 34% in chemicals and 13% for oil refineries.

In metalworking, the picture is dominated by the tremendous program of the automobile industry, as the major automobile companies plan substantial expansion of facilities next year, as well as new equipment to produce restyled cars for 1957 and continuing automation of production. The planned increase of 68% will bring spending to $1.9 billion; the largest total for any single manufacturing industry and exceeding autos' previous record expenditure of $1.3 billion in 1954. (These figures do not include special tools, dies, jigs and fixtures.)

Paper and rubber companies also are scheduling much higher outlays, while food and textile industries are planning moderately higher capital expenditures next year. In food processing, this continues a long-term growth trend, but in textiles, it is an upturn after several years of curtailed capital spending.

Plans in Other Industries

Among the major non-manufacturing industries covered by the survey, the petroleum industry expects to increase its total spending 6% in 1956, with expenditures for new oil well drilling and other production equipment up 6%, the refining sector up 13%, and marketing 7%. However, new pipeline construction is scheduled to decline in 1956, resulting in continued lower expenditures for the transportation division of the industry.

At the same time, the mining industries are cutting spending by 15% next year, with the drop coming mainly in non-ferrous mining while coal and iron mining expenditures remain about the same.

Railroads plan to boost capital spending 27% in 1956, reflecting the high level of rail traffic and improved earnings of the railroad companies. Other transportation and communications industries—airlines, shipping, trucking and telephones — also plan to raise spending by 16% for the group as a whole.

But electric and gas utilities together are scheduled to spend 10% less in 1956. This is primarily due to a drop in spending on gas pipelines. Electric power companies will spend less on generating equipment, but more on transmission and distribution equipment.

An increasing number of commercial business firms are participating in the McGraw-Hill surveys. Though this sample is still limited to large chain stores and department and mail order stores, the reporting firms show an increase of 10% in capital expenditures next year, which is a strong indication of higher spending for this category.

Outlook for 1957

Over half of all companies participating in the survey expect to spend the same in 1957 as in 1956. In manufacturing, and in every major group except railroads, at least one company out of five already plans higher spending for two years from now.

The longer-run outlook for capital spending is particularly bright in these individual lines: chemicals, paper, rubber, airlines. In all these industries, at least a third of reporting firms already plan to increase spending in 1957. Nearly half the firms in the chemical industry already have such plans, and just under 30% of the reporting firms in steel and petroleum are planning for 1957 to top 1956.

Companies in almost all industries are optimistic about their sales prospects for next year. Manufacturing companies expect their sales to increase 7% on the average. Commercial business is expected to be up 8%. In manufacturing, machinery, chemicals and textiles, firms expect the largest increases; each of these industries expects a 9% gain over 1955. The sales expectations reported in this survey could not be achieved without substantial additions to present manufacturing capacity, and this probably explains much of the plant expansion being scheduled.

Companies reporting in McGraw-Hill's annual survey of preliminary capital spending plans employ more than 50% of all workers in the group of industries where capital investment is highest, and one-third of total employment in all industry.

S. H. Kaplan Opens

Samuel H. Kaplan is engaging in a securities business from offices at 33 West 42nd, Street, New York City.

Carroll, Kirchner Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William M. Logan, Jr. has been added to the staff of Carroll, Kirchner & Jaquith, Inc., Denver Club Building.

Frank Edenfield Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Amanda N. Freels has been added to the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

Joins First Florida

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Leslie M. Oldt has become affiliated with First Florida Investors, Inc., 21 South Court Street.

Continued from first page

Funds Grow Cautious

for *common stock funds*. Table I shows the approximate additions of cash and governments, corporate bonds and preferred stocks, and common stocks for the *open-end* portfolios during the quarter.

The degree to which several of the funds retrenched during the third quarter can probably best be indicated by a selected rundown of the decrease in percentage of assets in common stocks and equivalents of a third of the companies surveyed (see Table II). The decrease in stock holdings is even greater than would appear from the figures because stocks appreciated in price 6% from June 30 to Sept. 30, according to Standard and Poor's 90-Stock Average.

Some Management Reactions

What do the managers of the funds say about their policies of retrenchment? Some express merely a cautious attitude, others are outspoken in their expectation of lower stock prices. Arnold Bernhard, President of the Value Line Fund, for example, has been known to be bearish for some time recently, but during the September quarter he has become a really bold bear. After looking back at the Value Line's 44½% of assets in junior equities, let us read what Mr. Bernhard says in his quarterly report to his shareholders under date of Oct. 28: "The managers of the Value Line Fund have been apprehensive of the general stock market price level for some time past, and have held a defensive position for that reason for over two years. But never in the Fund's career has the defensive position been as large as it has been recently and still is. . . . The Fund holds a sizable commitment (13.0%) in highest grade preferred stocks. . . . The large position in high-grade bonds (41.3%) should be considered a temporary commitment only. Indeed, even the high grade preferreds are, in a sense, a temporary commitment. It is the opinion of the Fund's managers that the best American common stocks for the time being have outrun their dividend expectancies. If this view is proved correct, the Fund will, in due course, have an opportunity to buy the soundest equities of the strongest companies at considerable more advantageous prices than those now prevailing. It is your management's belief that such an opportunity will present itself, and for that reason the strong defensive position is being temporarily maintained."

Another manager, seeking long-term appreciation, T. Rowe Price of Baltimore, has likewise placed his Growth Stock Fund in its strongest defensive position since organization. In his quarterly report to stockholders dated Oct. 17, he stated: "The major objective of the Fund, as set forth in the Prospectus, is 'to seek long-term appreciation of capital and increase of income through investment in common stocks which are believed to have favorable prospects for continued growth in earnings and dividend payments. . . . The Fund is to be fully invested most of the time in common stocks. A moderate reserve of cash and government bonds may be established at times to take advantage of subsequent buying opportunities. If occasions arise when the yields on representative common stock averages, based on current and prospective dividends, decline close to the yield obtainable on high grade bonds, then a large reserve in cash, bonds, and possibly preferred stocks may be established.' During recent months the prolonged bull market has resulted in sharp advances for many growth stocks so that average yields have declined to around 3% which is less than the yield obtainable on high grade bonds. You will note that as of Sept. 30, 1955, 19.3% of the Fund's assets were in cash, bonds and preferred stock. This increase is in line with the investment program quoted above and provides the largest reserve for the purchase of common stocks since the inception of the Fund in April, 1950."

Samuel R. Milbank, President of Pine Street Fund, points out in his report at the end of the September quarter: "On Sept. 30, 1955 our 'reserves' (net cash, bonds and preferred stock) were increased to approximately $1,969,000 or 17.85% of total assets, as compared to a total of approximately $1,105,000 at Sept. 30, 1954, which amounted to 13.25% of total assets at that time." As with the Funds directed by Messrs. Bernhard and Price, this too represented the largest percentage of a Fund's assets held in reserves since its inception in the Fall of 1949.

Words of Caution

Even some managers who talk of caution rather than outright bearishness have made pronounced shifts in portfolio positions. Imrie deVegh in the quarterly report of the deVegh Mutual Fund states: "In line with the note of caution sounded in our last quarterly report, your reserves of cash and United States Government securities were increased during the quarter from 11.6% to 23.9% of net assets."

But George Putnam, Chairman of the trustees of the fund bearing his name, would seem best to summarize the attitude of the cautious manager in his September report to shareholders: "For some time we have been advocating a policy described as 'cautious but not bearish.' We see no reason materially to change this policy except possibly to put slightly more emphasis on the cautious side. The bulk of new money coming into the Fund during the past year has been invested in fixed income securities—bonds and preferred stocks. . . . The uncertainty caused by the President's illness cannot help but affect confidence and therefore have some influence on the sensitive security markets and on business. With an exceptionally strong business background we believe that the chances of a severe stock market decline are unlikely. As we see it, this is neither a time for pessimism nor undue optimism—it is a good time to think in terms of fundamentals and to keep one's feet on the ground. Business leaders seem to be going ahead with their expansion plans in a confident manner. . . ."

Group Concentration Lacking

Overall purchases were cut down by 15½% during the period under review with electric utilities the pronounced favorites, but the heavy concentration of transactions in recent years in such groups, including the oils, was lacking. Other defensive issues, in

TABLE I

INCREASE IN ASSETS, 55 OPEN-END COMPANIES

September Quarter, 1955

(Millions of Dollars)

	Cash and Governments	Corporate Bonds & Preferred Stocks	Common Stocks	Total
Balanced Funds	$21	$28	$18	$67
Stock Funds	29	5	19	53
Total	$50	$33	$37	$120

TABLE II

Common Stocks Plus Lower Grade Bonds and Preferreds

	Per Cent Net Assets June 30	Per Cent Net Assets September 30
Open-End Balanced Funds:		
American Business Shares	56.1%	51.7%
Axe-Houghton Fund "A"	61.6	60.4
Scudder, Stevens & Clark	62.7	60.7
Stein Roe and Farnham	53.8	51.8
Value Line Fund	68.5	44.6
Wellington Fund	68.5	66.6
Wisconsin Fund, Inc.	96.2	89.8
Open-End Common Stock Funds:		
Affiliated Fund	90.5	89.1
Broad Street Investing	87.5	85.9
deVegh Mutual Fund	88.4	78.1
Eaton and Howard Stock	90.1	85.6
Knickerbocker Fund	93.6	71.5
Massachusetts Investors Growth Stock	88.9	95.2
Pine Street Fund	88.6	82.1
T. Rowe Price Growth Stock	89.7	81.3
Selected American Shares	93.8	89.4
State Street Investment Corporation	88.6	81.7
Wall Street Investing Corporation	81.2	78.2
Closed-End Companies:		
American European Securities	92.2	89.0
National Shares Corporation	83.2	79.9
Tri-Continental Corporation	82.7	80.8

particular, natural gas and insurance stocks, were also purchased on balance, but so also were equities with pronounced cyclical characteristics such as auto parts, machinery and industrial equipment, paper and aircrafts. Drug products, finance companies and commercial banks were liked and interest continued in the rail equipments. Electronic and electrical equipment issues bore the brunt of the selling as during the previous two quarters, with Westinghouse again the least popular issue. Also sold on balance were the nonferrous metals and rails, representing a shift in management attitude from the June quarter. But there was no change in opinion on the textiles, foods and rubbers, which remained unpopular as during the previous three months. Mixed sentiment was displayed toward four major groups which had been bought on balance in the second quarter—the oils, buildings, steels and merchandisers. The same might be said about the agricultural equipments and airlines. Chemicals continued to meet with a divided opinion as did the amusement stocks.

The list of less familiar issues appearing initially in portfolios was rather meager during the period. Domestic Finance Corporation was purchased by Axe-Houghton "B" and Southland Life Insurance Co. by the Commonwealth Investment Company. Massachusetts Indemnity Insurance Co. was a newcomer to the portfolio of the Johnston Mutual Fund, while Delaware Fund made three interesting initial commitments — Automatic Canteen, the Rowe Corporation and California Water and Telephone Co. Incorporated Investors heralded the acquisition of Harrisburg Steel with an informative story detailing the various steps in the investigation of this company leading to the acquisition of its common stock. This steel issue also was bought by National Securities' Stock Fund. Other interesting purchases included S. D. Warren Co. by State Street Investment Corporation and the Grolier Society by National Shares Corp.

One-half dozen managements were rather noticeable sellers of the electrical equipment and electronics issues: namely, the Commonwealth Investment, Bowling Green Fund, Incorporated Investors, Selected American Shares, the Lehman Corporation and Tri-Continental. General Capital Corporation bought General Electric and sold Westinghouse. All together there were ten sales of Westinghouse, totaling 53,600 shares, seven representing complete portfolio eliminations. One block of 9,000 shares was purchased. New stock of Sperry Rand, received in the consolidation of Sperry and Remington Rand, was lightened in seven portfolios and eliminated from an eighth. Philco, second least popular issue in the group along with General Electric during the June quarter, was eliminated from three portfolios and decreased in another. Total sales of 44,300 shares were scarcely offset by one purchase of 4,000 shares. Sylvania Electric was removed from two

Continued on page 29

Balance Between Cash and Investments of 65 Investment Companies

End of Quarterly Periods June and September 1955

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent —End of—		Investment Bonds and Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	June	Sept.	June	Sept.	June	Sept.	June	Sept.
Open-End Balanced Funds:								
American Business Shares	7,060	7,192	21.8	21.8	22.1	26.5	56.1	51.7
§Axe-Houghton Fund "A"	3,098	4,572	6.7	10.0	31.7	29.6	61.6	60.4
§Axe-Houghton Fund "B"	1,652	2,035	3.4	4.1	23.0	21.9	73.6	74.0
Boston Fund	2,541	4,132	1.8	3.0	24.6	24.7	73.6	72.3
Commonwealth Investment	8,690	11,333	8.7	10.1	15.3	15.8	76.0	74.1
Diversified Investment Fund, Inc.	592	1,150	1.0	2.0	25.8	26.2	73.2	71.8
Dodge and Cox Fund	294	348	6.7	8.2	22.9	22.9	70.4	68.9
†Dreyfus Fund	20	46	0.5	1.0	4.3	3.6	95.2	95.4
Eaton & Howard Balanced Fund	9,135	9,056	5.8	5.7	24.5	25.5	69.7	68.8
Fully Administered Fund—Group Securities	1,099	1,453	15.4	18.1	9.4	6.7	75.2	75.2
§General Investors Trust	329	321	10.4	10.1	12.3	12.1	77.3	77.8
Investors Mutual	23,723	27,660	2.9	3.3	28.1	27.2	69.0	69.5
Johnston Mutual Fund	259	360	6.2	8.3	21.0	20.8	72.8	70.9
National Securities—Income	1,040	1,245	2.0	2.4	12.9	12.6	85.1	85.0
Nation-Wide Securities	3,467	3,850	13.7	15.1	30.1	30.5	56.2	54.4
George Putnam Fund	1,726	2.142	1.5	1.8	26.6	26.7	71.9	71.5
Scudder, Stevens & Clark	2,478	3,703	4.7	7.0	32.6	32.3	62.7	60.7
§Shareholders Trust of Boston	1,040	1,117	6.0	6.3	19.1	19.5	74.9	74.2
Stein Roe and Farnham Fund	2,513	2,854	19.2	21.1	27.0	27.1	53.8	51.8
§Value Line Fund	1,703	3,404	15.9	32.8	15.6	22.6	68.5	44.6
Wellington Fund	43,793	48,593	9.5	10.5	22.0	22.9	68.5	66.6
Whitehall Fund	243	219	3.8	3.3	42.5	43.0	53.7	53.7
Wisconsin Fund, Inc.	366	1,028	3.8	10.2	None	None	96.2	89.8
Open-End Stock Funds:								
§Affiliated Fund	31,839	36,621	9.5	10.9	None	None	90.5	89.1
Axe-Houghton Stock Fund	111	337	1.6	4.7	19.4	17.0	79.0	78.3
Bowling Green Fund	24	18	3.3	2.7	17.2	17.2	79.5	80.1
Blue Ridge Mutual Fund	1,589	1,414	6.0	5.6	None	None	94.0	94.4
Broad Street Investing	1,859	1,867	2.4	2.4	10.1	11.7	87.5	85.9
Bullock Fund	3,230	3,317	12.3	12.5	0.6	0.6	87.1	86.9
Delaware Fund	2,365	649	7.7	1.9	2.9	2.6	89.4	95.5
de Vegh Mutual Fund	1,113	2,518	11.6	23.9	None	None	88.4	76.1
Dividend Shares	29,094	33,443	15.3	17.1	0.3	0.3	84.4	82.6
Eaton & Howard Stock	4,770	7,258	9.9	13.9	None	0.5	90.1	85.6
Fidelity Fund	4,147	6,648	2.1	3.3	3.2	3.2	94.7	93.5
Fundamental Investors	5,583	6,126	1.8	2.0	None	None	98.2	98.0
General Capital Corp.	3,925	3,402	19.4	17.2	0.4	0.4	80.2	82.4
Group Securities—Common Stock Fund	604	313	3.4	1.8	None	None	96.6	98.2
Incorporated Investors	6,494	7,649	2.9	3.4	None	None	97.1	96.6
Institutional Foundation Fund	242	412	4.3	6.5	11.3	9.6	84.4	83.9
Investment Co. of America	3,683	5,544	5.8	8.0	None	None	94.2	92.0
Knickerbocker Fund	202	1,859	1.4	13.4	5.0	15.1	93.6	71.5
Loomis-Sayles Mutual Fund	9,125	9,462	19.6	19.9	26.2	26.3	54.2	53.8
Massachusetts Investors Trust	12,550	15,868	1.4	1.7	None	None	98.6	98.3
Massachusetts Investors Growth Stock	884	3,717	1.1	4.8	None	None	98.9	95.2
Mutual Investment Fund	1,028	1,148	15.2	15.8	13.6	11.7	71.2	72.5
National Investors	1,095	1,040	2.0	2.0	None	None	98.0	98.0
National Securities—Stock	1,617	1,539	1.3	1.3	None	None	98.7	98.7
‡New England Fund	518	824	4.3	6.6	32.5	29.2	63.2	64.2
Pine Street Fund	564	538	5.2	4.9	6.2	13.0	88.6	82.1
T. Rowe Price Growth Stock	509	928	9.3	16.5	1.0	2.2	89.7	81.3
Scudder, Stevens & Clark—Common Stock Fund	96	247	0.9	2.4	None	None	99.1	97.6
Selected American Shares	2,871	4,958	6.2	10.5	None	0.1	93.8	89.4
Sovereign Investors	13	29	0.9	1.2	3.6	3.0	95.5	95.8
State Street Investment Corp.	17,103	28,000	10.6	17.5	0.8	0.8	88.6	81.7
Wall Street Investing Corp.	1,218	1,401	18.8	21.8	None	None	81.2	78.2
Closed-End Companies:								
Adams Express	4,190	2,817	5.4	3.7	0.6	1.6	94.0	94.7
American European Securities	467	1,181	3.1	8.2	4.7	2.8	92.2	89.0
American International	1.341	1.050	3.9	3.1	1.0	2.4	95.1	94.5
General American Investors	6,384	6,396	10.0	10.6	None	None	90.0	89.4
General Public Service	1,233	1,442	6.2	7.3	None	None	93.8	92.7
Lehman Corporation	16,785	18,218	7.5	8.3	0.2	0.1	92.3	91.6
National Shares Corp.	3,764	4,479	16.0	19.1	0.8	1.0	83.2	79.9
Overseas Securities	256	806	7.5	26.0	None	None	92.5	74.0
§Tri-Continental Corp.	4,662	1,248	1.8	0.5	15.5	18.7	82.7	80.8
¶U. S. & Foreign Securities	8,937	9,476	6.7	7.1	None	None	93.3	92.9

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Formerly Nesbett Fund; flexible fund with current stock policy. ‡Flexible fund with current balanced policy. §June 1955 figures corrected. ¶U. S. and International Securities merged into U. S. & Foreign Securities.

SUMMARY

Changes in Cash Position of 65 Investment Companies

	Plus	Minus	Unchanged	Total
Open-End Companies:				
Balanced Funds	18	1	4	23
Stock Funds	21	5	6	32
Closed-End Companies	5	3	2	10
Totals	44	9	12	65

Changes in Common Stock Holdings of 49 Investment Management Groups

(June 30 — September 30, 1955)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
9(2)	14,100	Deere and Co.	3,000	3
		Auto and Auto Parts		
6(2)	48,400	Chrysler	4,000	1
2	3,304	Fruehauf Trailer	None	None
2	4,000	Murray Corporation	None	None
3	2,200	Timken Roller Bearing	None	None
2	*300*	*General Motors*[1]	*69,825* (new)	*1*
			172,560 (old)	*10(1)*
1	*7,000*	*Thompson Products*	*3,800*	*3(1)*
		Aviation		
5	14,369	American Airlines	117,300	3(1)
3(1)	21,300	Boeing Airplane	400	1
6(2)	44,400	North American Aviation	500	1
5	19,705	United Airlines[2]	5,000	2(1)
2	7,205	Western Airlines[3]	None	None
		Beverages		
4(1)	12,800	Coca Cola	11,000	2(2)
		Building Construction and Equipment		
4(1)	21,500	Carrier Corp.	11,245	2
2(½)	12,000	Celotex	None	None
2(2)	2,500	Pittsburgh Plate Glass	None	None
4	7,500	Yale and Towne[4]	1,500	2(1)
2	*10,800*	*American Radiator*	*41,500*	*5(1)*
None	*None*	*Johns-Manville*	*4,600*	*3(2)*
None	*None*	*Mueller Brass*	*4,000*	*2(1)*
1	*1,700*	*National Lead*	*22,500*	*3(2)*
None	*None*	*Trane Company*	*3,500*	*2*
		Chemicals		
5(3)	15,500	American Cyanamid	11,500	2(1)
3(1)	6,200	American Potash "B"	None	None
2(1)	10,400	Int'l Minerals and Chemical	None	None
2	5,000	Tennessee Corporation	None	None
1	*200*	*duPont*	*9,000*	*7(1)*
None	*None*	*Eastman Kodak*	*2,973*	*2(1)*
1	*1,500*	*Texas Gulf Sulphur*	*51,100*	*4(3)*
		Containers and Glass		
3(1)	25,800	American Can	1,500	1
2	3,000	Continental Can	None	None
2	1,800	Owens-Corning Fiberglas	None	None
3(2)	2,900	Owens Illinois Glass	None	None
None	*None*	*Corning Glass Works*	*2,100*	*2*
1(1)	*200*	*Hazel-Atlas Glass*	*5,700*	*3(2)*
		Drug Products		
3(2)	7,500	Colgate-Palmolive	None	None
2	24,700	Merck and Co.	None	None
2(1)	9,000	Schering Corp.	None	None
None	*None*	*Smith, Kline and French*	*11,000*	*2(1)*
		Electrical Equipment		
3	1,000	N. V. Philips Gloeilampenfabrieken	None	None
1	*4,000*	*Philco*	*44,300*	*4(3)*
None	*None*	*Sperry-Rand*[5]	*21,000*	*8(1)*
None	*None*	*Sprague Electric*	*8,000*	*2(1)*
None	*None*	*Stromberg-Carlson*[5a]	*17,500*	*3(3)*
None	*None*	*Sylvania Electric*	*4,500*	*2(2)*
1	*9,000*	*Westinghouse Electric*	*53,600*	*10(7)*
		Financial, Banking and Insurance		
2(1)	2,600	Aetna Life Insurance Co.	None	None
2	1,300	Associates Investment Co.	None	None
2	5,500	Bankers Trust Co. (N. Y.)	None	None
2	3,100	Beneficial Finance Co.	None	None
2(1)	3,750	Chase Manhattan Bank	None	None
2(2)	960	Continental Assurance Co.[6]	None	None
2	1,500	Fidelity-Phenix Fire Insur. Co.	None	None
2	1,500	First Nat'l City Bank of N. Y.	None	None
2	4,320	Industrial Acceptance Corp.	None	None
2(1)	4,500	Nat'l Life and Accident Insurance	None	None
4	9,165	Northwest Bancorporation	None	None
2(1)	14,000	Stone and Webster	None	None
None	*None*	*American Invest. Co. of Illinois*	*8,700*	*3(2)*
None	*None*	*Travelers Insurance*[7]	*2,825* (new)	*3*
			25 (old)	*1*
		Food Products		
2	700	Mead Johnson and Co.	None	None
3(2)	5,600	Pillsbury Mills	3,000	1(1)
None	*None*	*General Foods*	*3,800*	*2(1)*
None	*None*	*National Biscuit*	*10,700*	*2(1)*
None	*None*	*West Indies Sugar*	*8,000*	*2(2)*
None	*None*	*Wilson and Co.*	*42,700*	*2(1)*
		Machinery and Industrial Equipment		
2(2)	3,500	Babcock and Wilcox	None	None
3(2)	7,900	Bucyrus-Erie	1,500	1
2	9,500	Caterpillar Tractor	None	None
None	*None*	*Combustion Engineering*	*3,000*	*2(2)*
None	*None*	*Food Machinery and Chemical*	*20,000*	*2(1)*
		Metals and Mining		
3	2,800	Cerro de Pasco	None	None
1	*1,600*	*Aluminium, Ltd.*	*7,000*	*3*
3	*11,500*	*Kennecott Copper*	*15,800*	*5*
1	*7,000*	*Magma Copper*	*3,117*	*3(1)*
None	*None*	*Reynolds Metals*[8]	*6,040* (new)	*5*
			4,400 (old)	*1*
None	*None*	*St. Joseph Lead*	*3,300*	*4*
		Office Equipment		
4	20,000	Burroughs Corp.	None	None
3	21,500	National Cash Register	1,000	1
		Paper, Pulp and Printing		
4	11,500	Marathon Corporation	None	None
1	*1,250*	*International Paper*	*14,040*	*5*
None	*None*	*Rayonier*[9]	*2,750* (new)	*2*
None	*None*	*Union Bag and Paper*	*4,000*	*2(1)*
		Petroleum		
2(1)	3,900	Mission Development	None	None
9	33,084	Phillips Petroleum[10]	42,400	2(2)
5(3)	84,500	Royal Dutch Petroleum	None	None
5(1)	22,900	Sinclair Oil Corp.	None	None
5	43,900	Socony Mobil Oil	13,000	3(2)
2	4,000	Southland Royalty Co.	None	None
3(2)	15,800	Texas Company	None	None
4	47,000	Texas Pacific Coal and Oil	18,800	2(2)
2(1)	4,500	Union Oil and Gas	None	None
None	*None*	*Cities Service*	*2,000*	*2(1)*
None	*None*	*Gulf Oil*	*9,356*	*4(1)*
None	*None*	*Houston Oil (Texas)*	*17,400*	*2*
1(1)	*9,100*	*Ohio Oil*	*91,000*	*4(2)*
2(⅓)	*37,500*	*Pure Oil*	*45,200*	*5(1)*
None	*None*	*Standard Oil of Kentucky*	*1,600*	*2*
		Natural Gas		
10(3)	99,749	American Natural Gas[11]	6,300	2
3(1)	4,900	Panhandle Eastern Pipe Line	1,000	1(1)
2	22,600	Republic Natural Gas	None	None
2	5,400	Shamrock Oil and Gas	None	None
2	*4,000*	*United Gas Corp.*	*20,650*	*4*
		Public Utilities		
6	14,575	Consumers Power[12]	None	None
2	8,800	Iowa-Illinois Gas and Electric	None	None
3(1)	3,000	Montana Power	None	None
2	2,400	Pacific Gas and Electric	None	None
2(1)	3,000	Puget Sound Power and Light	None	None
3	13,400	Southern Company	3,700	1
2	1,900	West Penn Electric	None	None
None	*None*	*Gulf States Utilities*	*9,100*	*2(1)*
None	*None*	*New England Electric System*	*6,800*	*2*
None	*None*	*Pennsylvania Power and Light*	*4,000*	*2(2)*
None	*None*	*Virginia Electric and Power*	*17,300*	*4(2½)*
		Radio and Amusement		
4(1)	6,400	Paramount Pictures	None	None
None	*None*	*Loew's*	*18,500*	*2(2)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Railroads		
2	3,200	Kansas City Southern	None	None
2	7,900	Norfolk and Western	None	None
4	15,300	Southern Railway	1,500	2
None	*None*	*Atlantic Coast Line*	*4,000*	*3*
1(1)	*1,000*	*Chicago, Rock Island & Pacific*	*29,100*	*9*
1	*1,000*	*Denver and Rio Grande Western*	*34,200*	*4(1)*
2	*1,200*	*New York, Chicago & St. Louis*	*7,600*	*4(2)*
None	*None*	*Pennsylvania Railroad*	*18,200*	*2*
2	*2,200*	*Seaboard Air Line*	*50,400*	*6(1)*
1	*7,500*	*Southern Pacific*	*8,000*	*5*
None	*None*	*Western Pacific*	*3,100*	*3*
		Railroad Equipment		
3(2)	42,500	A. C. F. Industries	1,000	1(1)
2	13,500	General Amer. Transportation	None	None
4(3)	86,000	Union Tank Car	None	None
		Retail Trade		
2(1)	2,700	Federated Department Stores	None	None
2(1)	52,500	Kroger	None	None
3(1)	4,200	Montgomery Ward	None	None
3(1)	5,400	J. C. Penney	907	1
		Rubber and Tires		
9(1)	52,200	Goodyear [13]	9,500	1
1(1)	*2,000*	*Goodrich*	*35,700*	*5*
1	*2,000*	*United States Rubber*	*9,200*	*6(2)*
		Steels		
2	18,800	Armco Steel	None	None
2(2)	34,000	Harrisburg Steel	None	None
3	6,200	Inland Steel	2,000	1(1)
8(3)	22,700	Youngstown Sheet and Tube	None	None
4(1)	*8,500*	*Bethlehem Steel*	*15,800*	*7(2½)*
1	*2,000*	*Republic Steel*	*25,700*	*6(1)*
None	*None*	*United States Steel*	*26,500*	*9(1½)*
		Textiles		
3(1)	10,000	American Enka Corporation	None	None
3(3)	19,524	Beaunit Mills [14]	None	None
2(1)	34,000	James Lees and Sons	None	None
5	*9,490*	*Burlington Industries [15]*	*5,500*	*2(1)*
None	*None*	*Celanese Corporation*	*17,000*	*2(1)*
1	*1,000*	*Industrial Rayon*	*13,000*	*4(3)*
None	*None*	*J. P. Stevens and Co.*	*4,000*	*2(1)*
9	*17,245*	*United Merchants & Mfrs. [16]*	*8,900*	*2(1)*
		Tobacco		
3(1)	5,500	American Tobacco	5,000	1
		Miscellaneous		
2	16,100	General Shoe Corp.	None	None
2	8,500	Hilton Hotels	None	None
2(1)	3,500	Minnesota Mining & Mfg.	None	None
None	*None*	*American Optical*	*17,500*	*2*
None	*None*	*Diamond Match*	*1,200*	*2*
None	*None*	*W. R. Grace and Co.*	*4,600*	*2*
None	*None*	*Remington Arms*	*8,000*	*2(1)*

FOOTNOTES

1 Excluding w. i. stock listed in holdings as a result of 3 for 1 split-up.
2 11,505 shares received from conversion of preferred.
3 Includes 2,205 shares converted from preferred.
4 Exclusive of 417 1/3 shares, purchased through rights. Basis: 1 for 6.
5 Excludes stock received in exchange for Sperry and Remington Rand.
5a Exchanged for General Dynamics on a share-for-share basis and subsequently sold.
6 900 shares represents distribution from Continental Casualty.
7 Excluding additional shares resulting from the 20 for 1 split-up and subsequent 25% stock dividend.
8 Excluding shares received from 5 for 1 split-up.
9 Not including 2½ for 1 split-up.
10 5,484 shares converted from bonds.
11 50,313 shares purchased through rights. Basis: 1 for 5.
12 8,265 shares bought through exercise of rights. Basis: 1 for 20.
13 30,800 shares acquired with rights. Basis: 1 for 10.
14 6,024 shares received in conversion of preferred.
15 Additions represent 10% stock distribution.
16 Shares distributed as a result of 5% stock dividend.

NOTE—This survey covers 65 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three funds sponsored by E. W. Axe and Co. are considered as having the weight of one manager. Individual portfolio changes in the Loomis-Sayles Fund are not surveyed.

SUMMARY

Excess of Net Common Stock Portfolio Purchases or Sales of 65 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Total
Balanced Funds	6	8	9	23
Stock Funds	13	13	6	32
Closed-End Companies	2	6	2	10
Totals	21	27	17	65

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Funds Grow Cautious

lists and Sprague also was unpopular with two managements. The funds looked abroad for the lone purchase on balance in the electric division, three managements acquiring a total of 3,000 shares of N. V. Philips. Opinion was currently divided on General Electric, five purchases of 18,100 shares countering four sales totaling 25,500.

Metals Sold

Wellington was a pronounced seller of the non-ferrous metals and mining stocks during the period, lightening among other issues 5,000 shares of Kennecott which was also the least popular stock in the group. Four other trusts disposed of 10,800 shares while three purchases equaled 11,500. A total of 3,300 shares of St. Joseph Lead was lightened in four portfolios, and three funds each sold Aluminium, Ltd. and Magma Copper. Five managements disposed of 6,040 new shares of Reynolds received in the 5-for-1 split-up as a sixth sold a 4,400 share block of the old stock. Cerro de Pasco, also most popular issue in the group during the previous quarter, was the sole non-ferrous company to be purchased on balance currently, three trusts adding a total of 2,800 shares. Opinion was divided on Phelps Dodge and International Nickel, the latter having been the least liked issue in the group during the June period.

The current switch to the selling of rails from the bullish attitude of the previous three months was marked particularly by liquidation in the portfolios of the Boston Fund, Blue Ridge Mutual, Fidelity Fund, Selected American Shares and Tri-Continental Corporation. Rock Island, heaviest sold rail in the June quarter, was again the unpopular carrier as nine funds lightened holdings totaling 29,100 shares; a tenth trust initially invested in 1,000 shares. Six managements disposed of 50,400 shares of Seaboard Air Line while two others purchased 2,200 shares. Southern Pacific, number two favorite along with Chesapeake and Ohio during the previous three months, currently was sold by five managements. Four trusts disposed of a total of 34,200 shares of Rio Grande Western and a like number liquidated 7,600 shares of New York, Chicago and St. Louis. Atlantic Coast Line and Western Pacific were each lightened in three portfolios and a total of 18,200 shares of Pennsy. was sold by two funds. Southern, second best-liked carrier in the June quarter, was bought on balance by four managements, purchases totaling 15,300 shares. A couple of funds each also added stock of Kansas City Southern and Norfolk and Western. Opinion was divided on Santa Fe and there were no transactions in New York Central.

The liquidation of Industrial Rayon was the feature of the textile shares, a total of 13,000 shares being eliminated from three portfolios and lightened in a fourth; a block of 1,000 shares being added to the holdings of another. Burlington Industries, Celanese, J. P. Stevens and United Merchants were each disposed of by a couple of trusts. American Enka was the favorite issue in the group, three funds purchasing a total of 10,000 shares. A like number of managements made new commitments totaling 19,524 shares, in the common stock of Beaunit Mills, 6,024 shares of which represented conversions from the bonds. One initial commitment and a portfolio addition of James Lees and Sons equaled 34,000 shares. During the last quarter there had been no transactions in any of these three latter issues. Opinion was currently fairly well divided on American Viscose, three purchases of 15,100 shares offsetting four sales equaling 13,700.

Selling of the food stocks was scattered among several issues, with selling on balance out of a couple portfolios in General Foods, National Biscuit, West Indies Sugar and Wilson and Co. Two managements made new commitments in Pillsbury Mills and a third added to existing holdings. Mead Johnson was purchased on balance by two trusts in light volume. Rubber shares represented the sixth in the half dozen industry groups to be sold on balance during the quarter under review. (Opinion was divided in eight other groups while purchases predominated in 13.) United States Rubber was eliminated from two portfolios and lightened in four others. Sales equaled 9,200 shares, partially offset by addition of a 2,000 share block. Goodrich also encountered liquidation, five decreases in holdings totaling 35,700 shares. Goodyear, however, was purchased on balance, stimulated in part by a rights offering. Nine managements purchased 52,200 shares, 30,800 of which were acquired

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through the exercise of these rights.

Heavy Trading in Oils

Heaviest volume among those groups upon which opinion was divided occurred in the oils, accounting for almost 10% of the periods total transactions on both sides of the market. Sinclair vied with Royal Dutch Petroleum and Socony Mobil Oil for honors as the most popular issue in the group, and Phillips also was out in front even after disregarding the new shares received upon forced conversion from the called bonds. Five managements liked each of these companies, three of which made initial commitments in Royal Dutch and one in Sinclair. Purchases of the latter totaled 22,900, of Royal Dutch 84,500, of Socony, 43,900, and of Phillips, 33,084. Two trusts eliminated a total of 42,400 shares of Phillips, and three sold 13,000 shares of Socony, but there was no liquidation in the two other oils. Four purchases were made of Texas Pacific Coal and Oil equaling 47,000 shares, while two new acquisitions and one addition totaling 15,800 shares were made of Texas Co. A couple of funds liked Mission Development, Southland Royalty and Union Oil and Gas.

Selling on balance in the petroleum division was featured by decreases in the holdings of Pure Oil in five portfolios, totaling 45,200 shares. Two partially offsetting purchases equaled 37,500 shares. Pure Oil's stock had been split two-for-one during the previous quarter as had been Ohio Oil's shares, which also currently were sold on balance by four trusts. A like number of funds disposed of 9,356 shares of Gulf. Cities Service, Houston Oil and Standard Oil of Kentucky were each sold by two investment companies. Opinion was divided on Standard of New Jersey, as it had been in the previous three months, four acquisitions totaling 13,000 shares countering five sales of 6,520.

Concentrated activity was relatively light in the chemicals, a group upon which management opinion appeared to be split in the current period as well as during the previous June quarter. Seven trusts disposed of a total of 9,000 shares of du Pont while only one small block of 200 shares was bought. A total of 51,100 shares of Texas Gulf Sulphur was eliminated from three portfolios and lightened in a fourth and Eastman Kodak was sold by a couple of funds. American Cyanamid was the group favorite with three initial commitments and two portpolio additions amounting to 15,500 shares. American Potash "B" was bought by three managements and two purchased shares of International Minerals and Chemical and the Tennessee Corporation. Opinion was light and divided in Union Carbide, transactions in which were represented by a single 700 share purchase and two sales equaling 2,200 shares.

Mixed Reaction to Building and Construction

In the building and construction group, a third classification which experienced a mixed fund reaction, four trusts favored Carrier with purchases totaling 21,500 shares. Two initial acquisitions were made of Pittsburgh Plate Glass and a like number of additions were made to holdings of Celotex. The major portion of four purchases of 7,500 shares of Yale and Towne was stimulated by an offering of rights. American Radiator, which had been a favorite during the June quarter, was currently sold on balance by five managements, one completely eliminating the issue from its portfolio. Sales totaled 41,500 shares with two partially offsetting purchases of 10,800. Johns Manville and National Lead were each disposed of by three funds and Mueller Brass and Trane by two.

Profit-Taking in Some Steels

A division of opinion on the steels discloses that the three top industry giants suffered somewhat from profit-taking during the quarter under review. Notably the Fully Administered Fund and the Common Stock Fund of Group Securities were sellers. Nine funds in all disposed of 26,500 shares of United States Steel with no purchases. On the other hand, although seven trusts sold 15,800 shares of Bethlehem, four purchases equaled 8,500 shares. Six managements liquidated a total of 25,700 of Republic with only one 2,000 share block acquired. The purchasing of steel shares was less concentrated with additional stock appearing in the portfolios of Blue Ridge, Delaware Fund, Fidelity Fund, Incorporated Investors, Massachusetts Investors Trust, Mutual Investment Fund and Selected American Shares. Youngstown Sheet and Tube was the favorite with conviction, five portfolio additions and three initial commitments totaling 22,700 shares; there was a complete absence of selling. 6,200 shares of Inland Steel were added to three portfolios and two purchases were made of Armco as well as Harrisburg Steel, the latter of which having been mentioned previously, because of Incorporated Investors exhaustive investigation of its investment potential.

There was little evidence of concentrated activity in the merchandising shares with opinion split between buyers and sellers. Three managements purchased Montgomery Ward and Penney, acquisitions totaling 4,200 shares and 5,400 shares respectively. One new commitment and a portfolio addition of Kroger equaled 52,500 shares, but a parallel interest in Federated Department Stores netted only 2,700 shares. Sales were scattered throughout the group with opinion divided on Sears, Safeway and Allied Stores. The Sears picture disclosed three purchases of 12,900 shares set off against four sales totaling 3,317.

In the agricultural equipment division, Deere continued to be purchased on balance, seven portfolio additions and two initial commitments equaling 14,100 shares while three sales amounted to 3,000 shares. Opinion wavered on International Harvester, however, three purchases of 3,500 shares being overshadowed by two portfolio eliminations and two decreases equaling 51,000 shares.

Airlines Bought

Purchases in the airlines were more concentrated than sales, although over-all opinion was divided in the group during the period. American Airlines was the favorite, five acquisitions equaling 14,369 shares. However, included in three offsetting sales was the elimination by Fundamental Investors of a 100,000 share block purchased in the fourth quarter of 1954. Five additions of United Aircraft represented in part stock received from conversion of the preferred as was the case with two increases in holdings of Western Airlines. Transactions were light in the amusement group with four managements acquiring Paramount pictures and two eliminating Loew's.

Transactions in the electric utility group, just as in the oils, represented about 10% of the overall total during the period, although, of course weighted in favor of the buying. Both purchases and sales of individual issues on balance were very much less concentrated than usual. Three managements each acquired stock of the Southern Company and Montana Power, purchases totaling 13,400 and 3,000 shares respectively. Also purchased on balance, each by two funds, were Iowa-Illinois Gas and Electric, Pacific Gas and Electric, Puget Sound Power and Light and West Penn Electric. Consumers Power was added to six portfolios but over half the acquisitions were purchased with rights. Consumers had been the least popular issue in the electric power group during the previous quarter along with Virginia Electric Power, the latter company still enjoying this dubious distinction during the third quarter under review. Four trusts sold 17,300 shares of Virginia Power, half of whom completely eliminated the stock from their portfolios. Gulf States Utilities, New England Electric System and Pennsylvania Power and Light were each sold on balance by two funds, sales of the last named company representing portfolio eliminations.

Although the natural gas shares ranked second in popularity during the period under review, purchases were off 25% from the previous quarter. Investors Mutual and Delaware Fund were prominent buyers, but Affiliated sold. Transactions also were well diffused throughout the group. Stimulated by distribution of rights, 16 managements acquired almost 100,000 shares of American Natural Gas. Half of the total, however, was purchased without these rights, three funds making initial commitments. Panhandle Eastern Pipe Line was the second most popular stock in the group, one trust making a new purchase and two others adding to blocks already held for a total of 4,900 shares, but a fourth eliminated 1,000 shares. Republic Natural Gas and Shamrock Oil and Gas were each acquired by a couple of investment companies. Selling was concentrated on United Gas Corporation, four trusts disposing of 20,650 shares. Partially offsetting were two portfolio additions totaling 4,000.

Chrysler Popular

Chrysler was liked in the auto division, six funds acquiring a total of 48,400 shares, two of which made initial commitments. General Motors, however, which had experienced heavy accumulation along with Chrysler during the June quarter, currently ran into profit taking. One management sold 69,825 shares of the new "when issued" shares and ten others disposed of a total of 72,560 shares of the old stock. Purchases were negligible, two companies acquiring 300 shares. In the auto parts group, Timken Roller Bearing was the favorite, three trusts buying a total of 2,200 shares. Murray Corporation and Fruehauf Trailer were also each added to two portfolios. Selling on balance was confined to Thompson Products, three funds decreasing portfolio holdings by 3,800 shares.

As has generally been the practice, the purchase of equities in the insurance field was diffused quite widely throughout the group. Minor preference, however, was indicated by two purchases each of Aetna Life, Fidelity-Phenix Fire and National Life and Accident. Profit-taking was stepped up in Travelers, one management lightening holdings of the old stock and three others realizing on a total of 2,825 of the recently split shares.

Bucyrus Erie was the favorite in the machinery and industrial equipment group, two new acquisitions and a portfolio addition totaling 7,900 shares. A pair of initial commitments was also made in Babcock and Wilcox and two increases were registered in holdings of Caterpillar Tractor. Combustion Engineering was eliminated from two portfolios and Food Machinery also experienced some selling on balance. Marathon Corporation was the only issue in the paper, pulp and printing division to be shown any marked preference, although the group as a whole was favored on balance. Four managements added a total of 11,500 shares of this issue. Selling was concentrated on International Paper, as during the previous three months of the year, five trusts disposing of 14,040 shares. The newly split shares of Rayonier were sold by two funds and the same number lightened commitments in Union Bag and Paper.

Merck was the favorite in the drug product industry, four portfolio acquisitions equaling 24,700 shares. In the previous quarter this issue had been sold on balance. Colgate-Palmolive and Schering were also liked, but with less enthusiasm, while two managements liquidated holdings in Smith, Kline and French. Opinion was divided on Pfizer which had been the group favorite in the June period. Aircrafts also experienced some popularity with a third of the purchase transactions occurring in North American Aviation. Two new commitments and four portfolio additions totaled 44,400 shares. Three managements also bought Boeing on balance.

Some Banks and Finance Companies Bought

Northwest Bancorporation was the commercial bank favorite with some slight preference also indicated for three New York institutions—Bankers Trust, Chase Manhattan and First National City. The finance companies also were purchased on balance with a couple of managements each favoring Associates Investment, Beneficial Finance and Industrial Acceptance Corporation. Fund reaction toward both C. I. T. Financial and Commercial Credit was mixed as it had been in the previous quarter with activity especially light in Commercial Credit.

The rail equipments continued to experience their popularity of the preceding June period, Union Tank Car outpacing the group with three initial commitments and one portfolio increase totaling 86,000 shares. A. C. F. Industries also was purchased by two trusts for the first time recently and added to the list of a third, and General American Transportation was well liked.

Buying of container and glass stocks was concentrated in four issues — three funds acquiring 25,800 shares of American Can and a like number purchasing a total of 2,900 shares of Owens-Illinois Glass while two acquisitions each were made of Continental Can and Owens-Corning Fibreglas. American Can had been the only preference indicated in the previous period. Hazel-Atlas Glass and Corning Glass Works were sold on balance currently. Burroughs was the favorite in the office equipment field, interest spurred by its electronic research, and National Cash Register was also liked.

Although a more friendly attitude was being shown to the tobacco shares, American Tobacco, as during the June quarter, was the only issue in this group to enjoy any special preference, three funds acquiring 5,500 shares. Coca Cola also was liked by four managements, but two others eliminated it from their portfolios.

Deringer & Stautz Open

CLEARWATER, Fla.—Deringer & Stautz, Inc. is engaging in a securities business from offices at 1442 Gulf-to-Bay Boulevard. Officers are Douglas M. Deringer, President, William L. Stautz, Vice-President, and Lucille T. Michuda, Secretary-Treasurer. Mr. Deringer and Mr. Stautz were formerly with Security Associates, Inc. and A. M. Kidder & Co.

Form Equity Consultants

Equity Consultants, Inc. has been formed with offices at 405 Lexington Avenue, New York City, to engage in a securities business. Officers are Samuel M. Gilbert, President and Treasurer; Ruth Goldberg, Vice-President; and Priscilla Mallery, Secretary. Mr. Gilbert was formerly with First Investors Corporation.

Perkins, Clark Co. Formed in Dallas

DALLAS, Texas—Formation of the new Dallas investment bank of Perkins, Clark and Co., Inc., with offices in the Adolphus

Jack F. Perkins, Jr.

J. W. Bateson

Arthur J. Clark

H. W. Strasburger

Tower, was announced (Nov. 12) by Jack F. Perkins, Jr., President. The firm will engage in all phases of the investment securities business, offer financial counsel, and explore investment opportunities from the standpoint of thorough operational analyses and competent business management.

Officers, and directors, in addition to Mr. Perkins, include J. W. Bateson, Chairman of the Board; Arthur J. Clark, Executive Vice-President; Henry W. Strasburger, Secretary-Treasurer; and A. B. Moore, Director, all of Dallas.

Mr. Bateson is a nationally known contractor and President and Chairman of the Board of J. W. Bateson Construction Co. Mr. Perkins formerly headed his own investment securities business, J. F. Perkins and Co., and has been in the investment banking business in Dallas for 15 years.

Mr. Clark was Vice-President of Texas Industries, Inc. in charge of concrete products operations and previously operated his own businesses for 25 years.

Mr. Strasburger is a partner in Strasburger, Price, Kelton, Miller & Martin, Dallas attorneys. Mr. Moore is Vice-President and Director, Oak Cliff Bank & Trust Co.

Advisory board members of the new investment bank are Louie Kimple, Dr. Lewis C. Sams, and Mayer H. Halff, of Dallas; C. B. Hasford and John R. Brodhead, Plano; Milton Vanderpool, Tyler; and Josh R. Morriss, Sr., Texarkana.

Inv. Planning Branch

WORCESTER, Mass.—Investors Planning Corporation of New England, Inc. has opened a branch office at 507 Main Street under the direction of Hervey Ross.

Business Man's Bookshelf

Adjustments to Labor Shortages: Management Practices and Institutional Controls in an Area of Expanding Employment — Richard A. Lester — Industrial Relations Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), $2.00.

American Imports—Don D. Humphrey — Twentieth Century Fund, 330 West 42nd Street, New York 36, N. Y. (cloth), $6.00.

Book Manuscripts — Booklet CN describes services for promoting and distributing books — Vantage Press, Inc., 120 West 31st Street, New York, N. Y.

Current Amendments of Pension and Profit - Sharing Plans — Meyer M. Goldstein — Reprint of an address before Southeastern Electric Exchange—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. (paper).

Emergency Disputes and National Policy: Irving Bernstein, Harold L. Enarson, and R. W. Fleming, Editors—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.50.

Federal Tax Policy for Economic Growth and Stability: Papers submitted by Panelists appearing before the Subcommittee on Tax Policy — Joint Committee on the Economic Report — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper).

Historical and Description Supplement to Economic Indicators — Prepared for the Joint Committee on the Economic Report by the Committee Staff and Office of Statistical Standards—Superintendent of Documents, Government Printing Office, Washington 25, D. C. (paper), 40c.

How to Win the Conference—William D. Ellis and Frank Siedel—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth) $3.95.

Lessons of History, The—William Smyth-Simon and Shuster, 630 Fifth Avenue, Rockefeller Center, New York 20, N. Y. (cloth) $6.00.

Montgomery's Federal Taxes — 36th edition—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. (cloth), $15.00.

Regulations Concerning Dealings In Gold and Foreign Exchange In Belgium and In the Grand Duchy of Luxembourg, Sixth Supplement—Bank for International Settlements, Basle, Switzerland — 13 Sw. francs (complete work — original compilation with six supplements, Sw. francs 40).

Transport Economics in the United States—Part I—Interstate Commerce Commission, Washington, D. C.

Validity of Internation Gold Movement Statistics, The: Oskar Morgenstern—International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), on request.

Your Business: A Handbook of Management Aids for the New York Businessman—New York State Department of Commerce, 112 State Street, Albany 7, N. Y. (paper) on request.

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The Security I Like Best

small domestic businesses is less, by approximately a million dollars than the book value of these interests.

Is Mallory common cheap in the upper 30's? Before answering the question, consider the long-term growth trend, interrupted by troubles that appear to have been of a temporary nature. Adjust the price-earnings ratio in some degree to reflect the fine prospects of the titanium subsidiary. Add in the plans of an aggressive management toward expansion in substantial degree, some of which plans may soon be brought to dramatic fruition, as indicated by recent announcement of a plan to increase the authorized shares of stock. Compare it with other stocks of the electrical-electronic group. Perhaps you will reach the same conclusion we have—that many investors should consider P. R. Mallory & Co., Inc. common "The Security I Like Best."

LUCIAN L. VESTAL

Analyst, Rotan, Mosle & Co., Houston, Texas

Members N. Y. Stock Exchange and American Stock Exchange

Columbian Carbon Company

Columbian Carbon Company common stock presents a rare opportunity to purchase both a much undervalued issue and one with an excellent earnings and dividend outlook. In the past these shares have appealed mostly to conservative accounts because of the company's long and steady earnings and dividend record, the latter dating back to 1916; but something new and substantial has been added which places this stock among the prime investment mediums which should appeal to the investor as an exceptional growth and income situation.

Lucian L. Vestal

Since Columbian has been primarily a producer of carbon black it was only natural for the company to assure itself of an adequate supply of the raw materials by entering into the search for and development of gas and oil reserves. This effort has met with outstanding success and present reserves far exceed the requirements of the carbon black division. These resources have reached such proportions that they have promise of becoming the key factor in future earning. To illustrate, between 1945 and 1954 gas reserves increased by 50% to total 1.55 trillion cubic feet last year and crude oil gained 1,700% to equal 15.1 million barrels. Note that 85% of the oil resources were found between 1952 and 1954 and as yet have had no real bearing on income. Furthermore, the company is known to have substantial gas liquids reserves. While no official estimate has been made of gas liquids, production of close to 1.5 million barrels last year suggests something on the order of at least 25 million barrels.

Now with this kind of reserve position, how does Columbian Carbon stack up with other oil companies? First, let us reduce all reserves to a common denominator—barrels—and then relate the results to the total stock market value of the company. These crude oil, gas liquids and gas equivalent reserves exceed 115 million barrels and the stock market value of the company (including debt) totals $80 million for an indicated value per barrel of 69c. By way of comparison, out of a total of 35 major oil and gas companies investigated, the 10 with the lowest per barrel value averaged 71c. Is this a carbon black company or an oil and gas company?

Bear in mind that the above estimates were admittedly conservative 10 months ago and material additions have been made this year. Also, note that Columbian Carbon has more than 1,100,000 acres under lease, fee or mineral rights in the United States and 1,586,000 acres of leases and options in Saskatchewan, Canada. Not many opportunities exist for the investor to buy an issue of this caliber with all the above features plus 1.67 acres of prospective oil and gas lands behind each share of stock.

Now that Columbian Carbon has been established as one of the outstanding values in the oil and gas business, how does it measure up on the basis of earning? I expect net income to approach $4 per share this year, an increase of 38% over 1954, and other non-cash charges may well exceed $3.50. Together with dry hole costs of $1.50, estimated for 1955, these add up to $9 per share. The recent price of the Columbian stock is only five times this total, compared to an average ratio of five times for the 10 oil companies mentioned above. Do not forget, earnings have entered a rising trend and important gains are also expected in 1956 and beyond. What will be the sources of increased earnings in the future? The answer is, primarily from rising production of crude oil followed by higher natural gas sales and prices and thirdly from non-oil and gas operations. For example, at the 1954 rate of production (538,000 barrels) the theoretical life of the company's oil reserves is over 28 years compared to 13 years for the total U. S. petroleum industry. But this production rate related to the company's total **present** reserves would show a much wider margin for expanding future oil output.

Now, what is the picture for dividends? In the past nine years, payments have exceeded 50% of net income during each period for an average payout of 64%. Bearing in mind this generous distribution, the excellent earnings outlook and the strong financial position (net working capital of $20 million), I believe the $2 dividend will be increased—in 1955!

ED. NOTE: Above article was written Oct. 5, 1955. On Oct. 18 Columbian Carbon raised its annual dividend rate to $2.40 per share.

Strathy to Address Boston Investment Club

BOSTON, Mass.—The November meeting of the Boston Investment Club will be held at 5 p.m. on Tuesday, Nov. 22, at the Boston Yacht Club, Rowes Wharf. The guest speaker, James G. K. Strathy, will address the group on "Canadian Investments Today."

Mr. Strathy holds the office of Vice-Chairman of the Toronto Stock Exchange and is Chairman of the Investment Committee of Trinity College at Toronto. Since 1927 a partner in the Dominion Securities Corporation and Vice-President and director of the Dominion Securities Corporation Ltd., he is Manager of the firm's stock department.

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An Analysis of the Outlook For Long-Term Interest Rates

interest rates bear up in the light of the past. The 1920's for example, resembled the present in many respects; they were a period of prosperity, expansion and high-level capital investment, but long-term interest rates drifted lower until the closing years of the decade. In fact, the American economy has been characterized by dynamic growth and progress through most of its history, yet interest rates have both risen and declined over the years.

The lesson of the past seems to be that we must beware of the blithe assumption that current trends will inevitably continue. An appraisal of the outlook is even more difficult today than it was in 1899; important new forces have developed in the past 25 years that will affect the future course of interest rates.

A Quarter Century of Economic Change

For most of the past quarter century, the American economy has been operating in an environment of generally plentiful—and at times superabundant — credit; interest rates by all past standards have been extremely low. Only in part has this environment reflected the results of economic forces; predominantly, and especially since our entry into World War II, it has been the result of measures on the part of Government and of credit authorities designed to maintain low interest rates. The policies, concepts and practices of this long period have inevitably left their mark upon the structure of interest rates, upon the reactions of the investment markets, and indeed upon the entire present-day economy.

The Legacy of Depression and War—Actually, much of the thinking and policy planning which contributed to a low level of interest rates in the 1930's has remained with us. In that decade, the general philosophy developed that the Federal Government must assume a large measure of responsibility for maintaining a satisfactory level of employment and business activity, that low interest rates were a desirable goal of public policy because they helped stimulate borrowing for capital investment, and that investment activity should be assisted by Government insurance and guarantee programs or by direct Government loans.

In the depressed 1930's, it was not difficult to achieve a low level of interest rates; in fact, the paucity of demands for investment capital would probably have led to a low level of interest rates even without Government action. However, World War II effectively demonstrated the ability of Government to maintain low interest rates even in the face of stupendous demands for credit. In contrast to the financing of World War I, when the Treasury borrowed at successively higher interest rates, the authorities early in World War II decided to finance the war at a fixed pattern of interest rates, based upon the low levels carried over from the depression days, and ranging from 3/8 of 1% on 3-month Treasury bills to 2½% on the longest term Government bonds.

Despite some skepticism in the financial community, the Treasury succeeded in this ambitious effort. Federal Reserve policy was shaped to meet the Treasury's needs, the commercial banking system was provided with the reserves that enabled the banks to purchase huge amounts of Government obligations not absorbed by other investors. Yields on long-term Government and corporate bonds in 1945 were actually lower than at the start of the war. However, the experience of the war financing also showed that a corollary to the maintenance of artificially low interest rates was a tremendous inflation of bank credit, liquid assets, and the money supply, which exacted its toll in the form of higher commodity prices, partly during the war, but more importantly in the postwar years, when economic controls were removed.

The postwar decade has impressively refuted the notion, frequently postulated some 20 years ago, that the American economy was essentially stagnant, afflicted with a chronic problem of finding investment outlets for current savings. Instead of stagnating, the private sector of our economy has given overwhelming evidence of its ability to grow and expand even while Government support was being reduced and curtailed. However, the fear of depression and unemployment still lingers on and expresses itself in a continuing popular bias in favor of easy credit and low interest rates.

Institutional Changes—The past quarter century has brought important changes also in the organization of the market for investment funds. The ties which formerly linked the investment markets of various countries have been stretched considerably, if not altogether severed. Whereas investment capital in earlier decades tended to flow fairly readily across national boundaries, and movements of interest rates in important financial centers were often felt throughout the international investment community, today changes in interest rates abroad seem to have no appreciable effect upon investment conditions and interest rates in the United States, except possibly to a limited degree in the short-term money market. Investment returns in the United States are lower than in many parts of the world, but this has not contributed to a sharp outflow of funds into foreign areas.

Furthermore, the rapid growth of institutional investors appears to have introduced greater rigidity into the market for long-term funds. Various classes of investment institutions, such as pension funds, life insurance companies, savings and loan associations and others, have developed rapidly, and each type seems to follow its own distinctive investment policies and practices. Thus, savings and loan associations do not as a rule purchase corporate or municipal bonds, while the average pension fund has no interest in real estate mortgages. Consequently, financial compartments have been erected which impede the ready and easy flow of institutional savings, and rates on different classes of investment obligations may, at least for a time, move in different directions. Another institutional change that affects investment markets is the role played by Government especially in the mortgage field, where rates on insured and guaranteed mortgages do not reflect the day-by-day operation of market forces but instead are established periodically by regulation.

Over an extended period of time, of course, investment policies will adjust to changed conditions in the investment markets. It does seem probable, however, that the institutional changes of recent decades, together with the rise of new goals and benchmarks for economic and credit policies, have importantly affected the long-range pattern of interest rate movements which was evident in earlier periods of our business history.

Recent Trends and Present Prospects

Although long-term interest rates today are above the levels of the immediate postwar years, they are still quite low in historical perspective. In fact, long-term rates in the United States are still near the lowest levels to prevail at any time in the 20th century, with the exception of the period from the mid-1930's to the early 1950's, when interest rates were depressed as the result of easy money conditions, war financing or postwar pegging of Government bond prices. Significantly, present bond yields are still close to what may be considered depression levels, although business activity, employment and demands for investment funds all are far higher than in any earlier period. Powerful forces seem to be operating in our economy to restrain a rising interest rate trend, and we may entertain some doubts as to the vigor and momentum of the upward movement.

The Postward Record — A large part of the postwar rise of interest rates reflected the elimination of the comprehensive controls over interest rates that had been maintained long after the end of the war. For several years, the Federal Reserve continued to support the prices of Government securities, and thus effectively placed a ceiling upon long-term interest rates. In the immediate postwar years some progress was made in freeing short-term interest rates but it was not until March 1951, after considerable debate, that the Treasury and the Federal Reserve reached an accord under which the latter was released from the responsibility for supporting the prices of long-term Government bonds.

As a consequence of this accord, credit policy acquired greater flexibility, and long-term interest rates became free to respond to fluctuations in business activity and to the resulting changes in credit policy. Since the accord, bond yields have fluctuated over a wider range, reflecting changing demand-supply conditions in the market place.

Recent Developments—The fluctuations in long-term rates in recent years indicate some of the factors that may be expected to affect their behavior in the period ahead. Market interest rates rose rather sharply during the latter half of 1952 and the first half of 1953; this was a period when business was expanding and the Federal Reserve was pursuing a policy of credit restraint. From about mid-1953 to mid-1954, however, long-term interest rates declined even more rapidly than they had advanced in the preceding 12 months: sagging business activity, the expectation of reduced investment outlets, and a Federal Reserve policy of aggressive credit ease all contributed to the decline. As a result, by the middle of last year, most long-term interest rates (except yields on state and local government bonds) had declined below their mid-1952 levels.

With the upturn in business in the latter part of 1954 and a gradual shift of credit policy toward restraint, interest rates firmed once more, but have failed so far to reach the levels that prevailed in the spring and summer of 1953. This appears all the more remarkable as demands for investment funds by business, homeowners and state and local governments in the aggregate in 1955 are about one-fourth higher than in 1953. Several factors help to explain this situation. Much of the larger demand for investment funds in 1955 was matched by an increase in the investment funds flowing to savings institutions, such as insurance companies, savings banks, savings and loan associations and pension funds. Also, the commercial banks made larger additions to their holdings of mortgages and of securities other than Treasury obligations in 1955 than they did in 1953, and increased their business loans, including loans for mortgage warehousing, by a much greater amount this year. Finally, credit restraint has not resulted in the unsettlement of investment markets which developed two years ago.

Current Prospects — Economic conditions suggest continuing firmness in long-term interest rates over the near term. Credit markets are currently feeling the pressure of seasonal borrowing requirements. Bank loans are continuing to expand for the purpose of financing inventory accumulations, the marketing of crops, and instalment sales of consumer durable goods, as well as to meet commitments for mortgage warehousing. The corporate financing calendar in the months ahead appears modest, but the volume of new financing by state and local governments seems to be building up, and requirements for mortgage money remain heavy. In fact, some stringency has already developed in the real estate mortgage market, and discounts on insured and guaranteed mortgages have increased.

While these trends and prospects may well lead to some further advance in long-term rates in the course of the year ahead, the decisive factors will be business trends and credit policy. If business continues to expand and is accompanied by growing speculation financed by short-term credit, if pressures upon plant facilities and the labor supply increase, if scarcities of raw materials become widespread, if greater shortages of investment funds and other typical signs of a business boom should develop, the Federal Reserve may be expected to maintain, or even to increase, the pressure upon the short-term money market. In such an environment, the Treasury conceivably would make some effort to tap the investment market through an offering of long-term bonds in order to help temper the boom. Such a sequence of events would clearly enhance the prospect for some further increases in long-term interest rates. At the same time, it seems reasonable to conclude that, barring the growth of acute inflationary pressures, most of the advance in long-term rates in the current cyclical upturn in business is already behind us.

The record since the Treasury-Federal Reserve accord indicates that, under a flexible credit policy, long-term as well as short-term rates tend to move in the some direction as economic activity. We may be sufficiently close to the peak of the present business cycle to assume that the next broad and major movement of long-term rates is likely to be downward. Assuredly, a return of interest rates to depression levels appears remote; the prospect of a depression comparable to that of the 1930's is extremely unlikely for the predictable future, and business, labor and Government alike are mindful of the need to maintain high levels of investment spending. However, the experience of 1953-54 indicates that even in the face of continued high demands for investment funds and only a modest easing in business conditions, long-term interest rates may nevertheless decline fairly sharply.

Looking Ahead A Decade

Obviously, any attempt to appraise the outlook for interest rates over, say, a decade may well founder on the same shoals which brought to grief the experts of 1899. Possibly, however, we may reduce this hazard somewhat by considering some of the broad economic forces likely to affect conditions in the investment markets over the years.

Demands for Investment Funds — In the present economic environment, the demands for investment funds that appear to have a major impact upon the course of long-term interest rates are the demands that stem from business borrowings, state and local government financing, and rising real estate mortgage debt. These demands have increased steadily in recent years; their dollar amount this year will be about 50% above 1950, partly of course as the result of price inflation.

During much of the past 10 years, investment spending was unquestionably stimulated by the accumulated deficiencies of capital equipment at the end of World War II as well as the repercussions of the Korean War. But this is only part of the explanation; to an important extent, the strength of investment demands is due to the dynamic qualities inherent in the American economy, as evidenced by the resurgence of investment spending during the past year in an atmosphere not of war but of peace. Many important forces will continue to operate in the direction of large, and probably rising, levels of investment spending. However, economists are divided on the question as to whether the pace of steadily rising investment spending, so evident in the postwar years, can be maintained in the decade ahead.

Business spending on plant and equipment turned up this year and is in a rising phase, at least cyclically. Some fluctuation in business spending is to be expected with changes in the level of business activity and corporate profits, but the general trend should be upward. Research and technology are producing ever newer machines, processes and products; capital is continuously being substituted for labor as competition compels business to hold down costs in the face of advancing wage rates. Down the longer road, we face the prospect of colossal money needs as the result of the industrial use of atomic energy. However, the great bulk of business requirements for funds is traditionally financed out of reinvested profits, does not take the form of new security issues, and has little effect upon the course of long-term interest rates.

Rapid population growth and migration of population are keeping public facilities and housing under continuous strain. One of the safest predictions is that borrowings by state and local governments are likely to be well maintained for some years to come. Shortages of public facilities are commonly recognized and there is widespreading insistence to press forward on construction budgets. While outstanding debt has risen sharply in recent years, it does not as yet appear to have reached the point where it is becoming a barrier to further borrowing.

Demands for real estate mortgage money in 1955 are likely to be as much as 70% above 1950, although the number of housing starts in 1950 was not far different from that anticipated for this year. Much of the larger mortgage requirements is due to the increasing size and cost of homes, more liberal financing terms, additions and improvements to existing houses, the turnover of existing houses, and record levels of commercial building.

There is considerable informed opinion that the expected rate of household formation, coupled with increasing obsolescence and demolitions, could support housing starts at or somewhat above the one million annual level for the indefinite future; also, any sign of starts dipping much below current levels would probably be met by a return to more generous lending terms for Government-insured and -guaranteed mortgages. Furthermore, ambitious programs of slum clearance and urban redevelopment are only now getting under way, and added efforts may be made to stimulate rental housing. At the same time, commercial building also continues strong and active. The outlook thus points to continuing large demands for mortgage money over the years ahead, but it should be kept in mind that amortized mortgages are now the general rule and that the flow of funds from amortization payments will rise substantially in the years ahead.

Demands for investment funds are likely to be further stimulated by Government policy; in fact, the Government's efforts to encourage investment spending may be intensified in the future. There is little doubt that the current high levels of mortgage financing are to an important degree due to the Government's insurance and guarantee programs. As of today, the prospects favor an expanded highway program; while specific financing techniques have not yet been established, the net result will be to enhance requirements for investment funds. In addition, the Treasury may be expected to continue taking funds out of the investment market over the years in furtherance of its stated goal of extending the maturity of the Federal debt.

Finally, larger demands for investment funds will come from abroad. The outlook here is admittedly beset by even greater imponderables than those that cloud the domestic scene. On balance, should the international climate continue to improve, foreign lending and investing may be expected to increase over the years, although the growth of these activities is likely to be gradual rather than spectacular.

On balance, therefore, the prospect over the long term is for an increase in the aggregate requirements for investment funds, but with cyclical fluctuations above and below the long-term trend likely to continue.

This prospect speaks strongly against the probability of a renewed downward trend of long-term interest rates, but it does not by itself assure their steady and rapid rise. In an expanding economy, both personal incomes and savings will increase, so that the volume of funds seeking investment will also continue to grow.

Supply of Savings—The amount of funds in savings institutions has been increasing year after year; the accumulation of investment funds this year will exceed that in 1950 by about 60%. By and large, the flow of investment funds has about kept step with rising demands in recent years, although not always at an even pace. This growth is certain to persist.

The admitted assets of life insurance companies are rising continuously, and writings of new insurance are at record levels. Deposits of mutual savings banks are also growing, although the increase in 1955 may run slightly below the record rise last year; savings and loan associations are still expanding rapidly. Pension funds, both corporate and governmental, are still in a period of accumulation; in fact, the annual increase in assets has been growing larger year by year. A mounting number of plans, higher employment and continued liberalization of pension benefits all enhance the prospect of further rapid increases in pension funds. Thus, the stream of savings and of institutional funds seeking investment is likely to broaden, mirroring the long-term increases that may be expected in employment and in personal income.

Striking a Balance—The outlook over the decade, therefore, is one of expansion both in the requirements for investment capital and in the supply of funds seeking investment outlets. Whether the balance between these demand and supply forces will be achieved under conditions of rising or declining interest rates must await the unfolding of the years. However, it does seem tenable to conclude that, under the assumptions here made, the trend of long-term interest rates will be neither radically upward nor downward.

The substantial capital requirements in prospect for the years ahead are likely to prevent a return of long-term interest rates to the levels that prevailed in deep depression or under regimented and controlled credit markets. These large requirements may also exert pressure in the direction of some increase of long-term interest rates from the comparatively low levels of the immediate past, and may help place an effective floor under these rates perhaps around the levels that prevailed near the middle of 1954. At the same time, the large and increasing volume of savings that will be generated by the American economy will probably mitigate against a strong advance of long-term interest rates in the years ahead.

Government Policy

One of the fundamental differences in the current outlook for interest rates, in comparison with earlier decades, is the emergence of Government as an active agent affecting conditions in the investment markets. While interest rates will continue to fluctuate with business activity, the conclusion seems justified that economic policies in the United States—and in many other countries as well — will favor the maintenance of lower interest rate levels, on the average, than might otherwise be the case, and perhaps even to repress a possible long-range tendency toward higher rates.

Encouragement of Investment Activity — The basic objective of Government policy, as far as it affects long-term rates, may be described as the encouragement of capital investment in order to maintain high and rising levels of business activity. To this end, the economic policies of Government tend to stress the desirability of maintaining a relatively low level of interest rates as a general inducement to investment borrowing and spending. In addition, in order to stimulate a flow of funds into areas of investment regarded as economically, politically or socially desirable, the Government has undertaken various programs directed to the maintenance of residential building, the expansion of public facilities, and similar purposes, thereby adding to total demands for investment capital.

In a period of relatively low investment activity, Government programs to encourage home mortgage financing and the like are not inconsistent with a policy of maintaining relatively low interest rates; in fact, the two objectives appear to complement each other. In an environment such as the present and the foreseeable future, however, where demands for investment funds loom large, these two objectives not only appear contradictory but raise the

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An Analysis of the Outlook For Long-Term Interest Rates

possibility that total demands in the investment markets will run ahead of the supply of savings and thus add to inflationary pressures. It might then appear a relatively simple solution for Government policy to permit market forces to achieve a balance between demand and supply, presumably by way of higher interest rates; in fact, the Government might actively contribute to the attainment of such a balance by curbing its own programs, such as the insurance and guarantee of mortgage loans. In practice, however, such action is likely to encounter considerable resistance.

Pressures Toward Low Rates — Steps to moderate Government programs in support of investment activity, or the countenancing of an upward movement of interest rates, both raise some problems. Once a program of providing incentives to capital investment by way of advantageous credit terms and the like has been adopted and maintained for a time, it becomes part of the fabric of the political economy and attempts at curtailment will have broad repercussions. This is equally true if the moderating influence should come as a result of higher interest rates.

For instance, a material increase in long-term interest rates would probably necessitate a higher rate on Government-insured and -guaranteed mortgages in order to make them competitive with other investment media; this, however, would add to the monthly carrying cost to borrowers not only at present but throughout the life of the mortgages. For example, a 4% corporate bond yield would probably require that insured and guaranteed mortgages carry a 5¼ to 5½% rate in order that they be competitive in the investment markets. Rising interest rates would also raise the effective cost of capital projects of state and local governments, of rental housing, and of urban reconstruction programs. Contemplation of these consequences illustrates the obstacles that would confront a rise in high grade corporate bond yields even to 4%, assuredly not a high rate in historical perspective.

Furthermore, when market forces are permitted to redress an excess of investment demands over the supply of funds, it means that not all prospective borrowers are able to raise all the money they desire. In all, the authorities in such an environment are likely to face growing pressures to provide larger reserves to the banking system in order that the banks may supply funds to the investment market, thereby making up the deficiency in the supply of savings. Or the Treasury might be urged to adopt the principle of "sheltered" interest rates, which means that it would be called upon to make funds available for favored purposes at rates below the market; this in turn would increase the cash drain on the Treasury and raise its financing requirements.

It need not be taken for granted that the authorities will always and fully yield to pressures of this kind. However, the net result of these Government policies and of the very real pressures for Government action is likely to be to retard the rise of interest rates in a period of expanding business activity. On the other hand, there are few real barriers to a decline of long-term rates when business activity is in a sagging phase. The combination of these forces, which appear solidly entrenched in our economy, makes it questionable whether interest rates in the decade ahead may display any real upward trend.

Summary and Conclusions

On balance, long-term interest rates under a flexible credit policy may be expected to move with the course of business activity and credit policy, rising cyclically in periods of expanding business and credit restraint and declining in periods of business adjustment and credit ease.

The outlook for long-term interest rates in the period immediately ahead thus depends upon the course of business. Perhaps the best guess at the moment is that we have already experienced the greater part of the rise in interest rates for this cyclical upturn in business; in fact, long-term rates have declined somewhat in the past several weeks. However, present prospects still point to continued firmness in interest rates until there is evidence of some easing in business; should the recovery display continued vigor, long-term rates might well rise moderately above the levels of a few weeks ago. An easing in economic activity will be accompanied by a decline in interest rates, but a return to the levels of interests rates that prevailed in the Great Depression and during the period of pegged prices for Government bonds is very unlikely.

There is no conclusive evidence of a strong and sustained upward movement of long-term interest rates in the current period. Much of the rise in interest rates in the past 10 years has been due to the termination of credit policies carried over from the war; in recent years, long-term rates seem to have fluctuated around a level trend. Indeed, bond yields today are generally lower than they were in the early part of 1953, even though economic indices are at higher levels and demands for investment funds have increased sharply.

Both the demand for and the supply of investment funds may be expected to expand over a period of years, as corrollaries of a growing economy. In periods of rising business activity, investment demands might run somewhat in excess of the supply of funds, with the balance being redressed in periods of business slack.

At what average level of interest rates the forces of demand and supply may strike a balance in the years ahead must obviously remain a matter of conjecture. As a benchmark assumption, it is conceivable that an approximate balance between investment demand and the supply of investment funds may be achieved near recent levels of interest rates. In that event, long-term interest rates might be expected to fluctuate cyclically, with yields on high grade corporate bonds, for example, ranging between a low near 3% and a high around 3½%.

If we are to succeed in our efforts at economic stabilization, we must be as ready to restrain a boom as to cushion a recession. However, ambitious Government programs designed to foster a continuously high level of investment activity, accompanied by a general disposition to favor relatively low interest rates, suggest that action to moderate a boom is not likely to be as swift, as vigorous, or as comprehensive as measures designed to ease credit in a business downturn. The conclusion therefore seems to be that market forces are not likely to be permitted to have the same effect upon the trend of interest rates which they exercised in earlier periods of our economic history. Thus, we may be justified in assuming that long-term interest rates will move within a relatively narrow range in the years ahead.

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As We See It

beginning. A strong opposition to further increase in the Federal debt has arisen in the past few years, and the public may have become conscious of the ever rising burden of debt that we as a people have laid upon ourselves. Superficially this seems to be the case. Further and detailed analysis of the returns the country over would be necessary to a firmer belief that such is the case. What is certain is that in a degree surpassing anything since the New Deal got us so deeply in the habit of borrowing indefinitely for all manner of things, the people have turned a cold shoulder on projects of a varied sort.

What We Should Like to Know

What one would like to know, first of all, is whether the voters acted in full cognizance of the implications of their acts. That is to say, whether they have come to the conclusion that they are tired enough of fiscal extravagance to do without the things they now deny the authorities the funds for—and if the same frame of minds carries over, or is on the way to carrying over, to the innumerable extravagances of all government in this country during the past two decades and more. Have they faced up to the fact that more and better roads we must have if we are to go on as we have been doing to motorize ourselves almost completely, and to carry on our business accordingly, and that these roads must be paid for either out of funds borrowed or out of current taxes. Have they come to a realizing sense that if such huge sums are to be devoted to roads — as an example — we shall have almost of necessity to give up some of the fol-de-rol that we have been throwing billions away on for decades?

Are they prepared to find the funds for real essentials by taking government out of the many fields into which it has been injected by dreamers of recent decades? These questions apply, of course, not only to state and local governments, but to the Federal establishment. Are the voters prepared to insist that they all withdraw from the creeping socialism that is all about us and which is not really creeping at all but actually running. It would, of course, be folly to deny governments the right to borrow money and not to permit taxes to rise—if at the same time we demand those things which only huge funds can provide.

One of the methods now popular with the politician (and up to now anyway with the voter, too) of avoiding for the moment at least a full reckoning has been to assume contingent liabilities, to guarantee this and that and to "insure" private citizens against sundry risks. The obligations of this sort assumed by the Federal Government and still outstanding add up to a total of the same order of magnitude as the admitted Federal debt—which to our forefathers would have seemed astronomical. One of the largest, if not the largest, of these assumed liabilities is that growing out of the social security system—and word from Washington is that in the struggle for votes next year Congress is all but certain to add very materially to this staggering total of debt.

Does the voting last week suggest that the people of this country are beginning to come to a realizing sense of this extremely hazardous state of affairs? And, if so, have they reached the point where they are ready to take the action necessary to correct it? Are they at the threshold of fresh and more rational thinking about all this? Or was the voting last week a reflection of popular feeling about other matters which have no particular bearing upon such questions as these—local political personalities, the manner in which the proposals were placed before the voter, and the like? These are some of the questions that serious students of the current situation with the good of their country at heart would like to be able to answer, but which it is difficult to answer on the basis of information now available.

Much Is Involved

Much more is involved in these issues than might be supposed. We in this country have been on a spending spree for well over 20 years. We have raised enormous sums—a large part of them to defend ourselves, but also huge amounts for extremely doubtful purposes. Incredibly large proportions of these funds have been raised through borrowing in such a way as to "monetize" enormous blocks of Treasury deficits. The net result — or one of them—is to enlarge what is now popularly termed our money supply many times over, and to do so in such a way that it is next to impossible to get it reduced again. This vast expansion of bank credit has not, in our judgment, as yet nearly found full expression in prices. In short, a vast potential inflation remains unutilized in our economic system. We simply can not afford to have it keep growing larger and larger.

This means, of course, a thorough-going about face in our fiscal management and in the attitude of the voter toward the financial operations of his government. This in turn means a revolution in the minds of the rank and file about what they expect the government to do for them. To put the matter simply and directly it means a return to traditional American thinking and acting—the way in which we managed our affairs before the New Deal appeared upon the scene. When can we bring ourselves to it?

Bankers Offer Arizona Public Service Stock

The First Boston Corporation and Blyth & Co., Inc. jointly headed an underwriting group which publicly offered yesterday (Nov. 16) a new issue of 260,000 shares of Arizona Public Service Co. common stock ($5 par value) at $22.75 per share.

Upon completion of the current sale, the company will have outstanding 2,900,000 shares of common stock in addition to $18,562,000 in preferred stock and $66,028,000 of debt. Dividends on the common stock are currently being paid at the quarterly rate of 25 cents per share.

Proceeds will be used for partial payment of loans incurred for construction purposes. The company estimates construction expenditures for the balance of 1955 and for the next two years at approximately $29,700,000. The major portion of this amount will be for electric transmission and distribution facilities with the remainder to be expended for gas distribution facilities and other properties.

Total operating revenues for the 12 months ended Aug. 31, 1955, amounted to $37,098,000 and net income was $4,442,000. The company supplies electric and/or gas service in 10 of Arizona's 14 counties.

Now J. E. Call of D. C.

WASHINGTON, D. C.—The investment business of Coombs & Company of Washington, D. C. is now being conducted by J. E. Call & Company of Washington, D. C., 1012 Fourteenth St., Northwest.

New Waddell Reed Branches

Waddell & Reed, Inc. have opened a branch office at 242 Long Lane, Upper Darby, Pa., under the direction of Douglas H. Rogers and in the Nissen Building, Winston-Salem, N. C. under Robert G. Pfefferkorn.

William I. Hay

William I. Hay, partner in Hay, Fales & Co., New York City, passed away Nov. 9.

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The Economy's Dependence on Consumer and Housing Credit

the improvement in personnel and the change in their concept of the business and of their community responsibility.

So much did this impress me, that soon after becoming a member of the Federal Reserve Board in 1946 I talked with a group of Morris Plan bankers at Virginia Beach and made complimentary remarks about this type of credit and about its growing importance as a necessary element in our economy. I expressed hope that misconceived regulations, such as "W," would soon be eliminated and that instalment credit would be allowed to expand as required by people and industry. Those remarks brought down on my head a good deal of criticism—even ridicule.

Since that time a great lifting of animosity to consumer credit has taken place. My statements then were based on a feeling of confidence in and respect for the mass of American citizens, and a strong but unconfirmed feeling that the old order was changing. For four years I had been living in close contact with hundreds of young men in the Army, Navy, Marine Corps, and Coast Guard, in Europe, in Africa, and the Far East. Most of these men were from 15 to 30 years my junior. It was the first time that I had had direct association with groups of young Americans since World War I, and the experience forcefully revealed to me, as a matured lawyer and banker, how completely out of step and how far behind the times I was with this group of dynamic, fearless, demanding, and patriotic young men. As an executive officer partially responsible for their welfare in and out of combat, I not only came to know them well but to realize that America was safe in their hands; that neither Germans, or Italians, nor French, nor Japanese, nor Russians could stop them; and that they would not long be led astray by domestic quacks.

What was most significant to me was the realization that this group believed America belonged to them, that they were determined to run it as they thought it should be run. They were not going to be restricted or limited socially or economically by past, strait-laced concepts of government, sociology, finance, or personal conduct. Above all, they held a conviction that Government and the economic structure should serve them as well as be served by them.

Since the war I have been in a position to watch these men in all sections of the United States. The conclusions to which I came while on active duty with them have been forcefully confirmed. Those boys, as we called them 10 and 14 years ago, and their wives, are the people who are now running this country. They are making a good job of it, too. And even though my basically conservative leanings cause me to disagree with much that has taken place, I am satisfied, from their conduct, that if the Government and the banks and other industries do not operate so as to benefit the largest number of people in the largest number of ways, then they are going to change the Government, or banking or other business to fit their aspirations. And who are we to say they would be wrong?

My point is that, as an aftermath of three wars and the impact of the military draft on millions of our young people, we have actually become a much truer democracy, while retaining the original framework of a constitutional representative government. Our broad and highly accelerated educational program and our rapid communication systems, both contribute to the immediate and increasing influence of popular opinion on government—on all three of its divisions with equal force. The trend is definitely toward more control by the people. In spite of what our desires and opinions may be to the contrary, our government and major industries have had to become more directly responsive to the needs, desires, and aspirations, of the people.

I stress this theme of today's role of government with particular reference to consumer lending, because this business, in the nature of things, is tinctured with a strong color of public interest. At the present time, about 60% of American families use consumer credit. With this many users, the figures on the current volume of consumer credit, on the terms of such credit, and on the characteristics of consumer debtors are naturally items of front page news. The public likes to read about and talk about consumer credit because when so doing it is really reading and talking about itself. It is a subject most of them know about from personal experience—usually in from 18 to 36 allegedly easy lessons.

Time was when a man who financed luxury expenditures on credit was considered stupid and unreliable; but now one who refuses to capitalize on his potential and confines himself to financial actuality is the unusual case. The typical instalment borrower today is not an improvident man with small income. He is chiefly an urban or suburban dweller, is generally about 25 and under 45 years of age, is married and has children to support, has an average income of about $5,000, and often has sizable financial assets. He is the man I referred to earlier — the man who will not be stopped by foreign foes or domestic fogys. He has committed himself to a regimen of small monthly payments for the purpose of acquiring an equity. To him these payments are essentially savings. And when you stop to think about it, what more sensible use of savings is there than their purposeful application to an improved standard of living for the saver himself and his family? This is investment in life itself.

As an investment banker and broker years ago I became familiar with Equipment Trust Certificates and regard them as amongst the soundest forms of investment. As you know, the equipment trust certificate is predicated upon a chattel mortgage on equipment and the corporate note of the borrower; and maturity is based partially on the operating life of the equipment.

Consumer instalment credit paper, in my opinion, finds a close parallel in equipment trust paper. Consumer instalment notes might well be termed Human or Consumer Trust Certificates.

They differ from the Equipment Trust Certificates in that chattel on a physical asset is not an invariable requisite of the transaction. In consumer lending, transactions vary one from another in the importance of the security versus the credit component. In many cases the financial strength of the borrower is so buttressed by employment and residential stability, as well as proved credit worthiness, that loans can be extended on general credit standing alone. In such cases, a life insurance policy, and other reinforcements, are often part of the credit picture. The lender achieves his diversification of risk by lending many small amounts to many different people in diverse occupations and different localities. The amazingly low percentage of delinquencies and repossessions certainly attest to the wisdom and safety of these Human Trust Certificates. To my mind, when properly handled by lender and borrower, these certificates constitute one of the soundest and most constructive types of credit offered today.

With 60% of American families using consumer instalment credit, even though the total of such credit is only about $26 billion as compared with $84 billion for housing and $30 billion for commercial bank business loans, I venture the thought that this $26 billion of consumer credit has a more influential impact on the over-all credit structure today than any other form, both as an indicator of its soundness and as a forecaster of future commercial activity. Its importance to industry is apparent from the fact that about 65% of all automobiles and about half of all major appliances are now sold on credit; and instalment credit alone provides about $20 billion a year for these purchases.

Without consumer credit, it is now generally admitted that mass production would be impossible. Without mass production, mass employment would not be possible. Without steadily increasing employment opportunities, the provisions of the Employment Act of 1946 cannot be carried out.

In other words, continued high level employment is largely contingent upon the full use of a sound and steadily expanding system of consumer financing; and the liquidity of consumer credit is heavily contingent upon a sustained high level of employment. Thus, this form of credit, probably more than any other, becomes a social as well as a financial problem.

Housing Credit

Housing credit is also a social as well as a financial problem. In recent years home construction has virtually attained a mass production and distribution phase. Today over four-fifths of all homes, both new and existing, are purchased on amortized mortgage credit. Most of you bankers felt as I did about the too liberal terms of the housing program—no down payments and too-long maturities. However, after thinking the matter through, I am—reluctantly and to my own surprise—not nearly as unreconciled as I once was, and mainly because of its social aspects.

Of course, the combination of down payment and maturity terms in housing credit can be too liberal and risky for a prudent lender position, just as consumer instalment credit can be unsound. But the record shows that even under liberal mortgage terms, defaults have not been excessively large. Our test of the amortized mortgage is only two decades long, but it has proven economically sound, on the whole, to make homes generally available to deserving people on terms much more liberal than were known in the first 140 years of this Republic. The mere fact that people may be able to make only a small down payment is not of critical importance if the transaction is written on a basis that enables some building up of equity within a time that is reasonable in the light of the occupation, age, and earning circumstances of the borrower, and the serviceability of the housing property.

The compensating social gains of liberal mortgage terms have been enormous. By moving a man into his own home, even though his down payment has been small, the big gain has been in converting that man and his family from renters, itinerants, or boarding house lodgers into a stable unit of population and of the labor force. It has given him an opportunity to became a responsible citizen, a part of his community. He has acquired the pride of ownership and all of its appeals to his better senses. Every monthly payment on his home has tied him to his community and to the stable values of life. In place of the monthly rental payment which he regarded as a penalty, he is now making a monthly deposit to his good living account, an increasing portion of which goes into the property as a form of savings. In other words, he is progressively made into a man of estate, a substantial permanent resident taxpayer.

But the best social and economic effect derived from this permanent residence and home ownership is the influence which it has on the individual's children. Even if the man personally fails to appreciate the potential goodness of his position, it is hardly likely to be missed by the children. Allowed to live in the same community for a series of years, to attend the same schools, to form social contacts and friendships with children of other home-owner citizens, they certainly have a greater social and moral potential than have the children of itinerants.

Consumer instalment and housing credit are the most popular goats of people who want something to kick around or who are interested in distracting attention from abuses in other credit fields. I have tried to present a picture of these two credit structures for you, not that they are what you and I may like, but simply as they exist today, and to emphasize the high degree of the economy's dependency upon them. You may want to think seriously when it is next proposed to limit too rigorously the terms of housing credit or to arbitrarily restrict consumer credit. My belief is that from now on these credits must be given at least equal consideration and respect with the several other types of bank and commercial credit.

Of course, in a grave national emergency, all credit has to be strictly limited, but only as a temporary part of a complete blanket of controls that are discarded once the emergency is past. Normally, the traditional means of regulating the total availability of credit are sufficient for fostering stable financial growth. And the distribution of our credit resources among competing uses, including consumer and housing credit, should be left to market forces.

I hope that you will not let your reactions to some flamboyant advertisement as to terms by some overly aggressive retailer, builder, or lender blur your vision of consumer credit and real estate credit; but, rather, that you will look at these two types of credit as important solvent units in our financial structure and as great contributors to our social and moral advancement. It is seriously important that you bear in mind that all bank credit is to a considerable measure dependent upon these two categories for liquidity and ultimate soundness. Our over-all credit structure is simply too irrevocably interdependent for this not to be true.

We all give lip service to the objective of economic growth and we give unctuous endorsement to private enterprise and private spending as the basic driving forces in providing such growth. But many bankers and businessmen are alarmed at the prospect of a larger amount of consumer and housing credit. Those who have this reaction need to give a lot of thought to the question: Just how are we going to realize this desired growth for the economy if we do not have a long-term, orderly, and sound expansion of consumer and real estate credit? We must have this credit expansion if our economy is to grow on the basis of private spending. We should have no fears about it; we should welcome it and nurture it; and we must make it safe. Our only concern need be that lender risk shall continue on the prudent side. And this may mean at times that by voluntary action we must slow down a too rapid expansion of these credits. Bankers, more than any other group, can exert constructive influence in that direction and make Federal interference and dictation of terms unnecessary.

As time passes, you may expect the Government to take cognizance of consumer credit as it has of home mortgage credit. Many of you present will probably still be actively engaged in financial work when Congress is called upon to enact legislation relating to it. I do not pretend to see now the shape of such legislation, but I should not be surprised if it is patterned after the Federal Home Loan Bank System, and has a three-fold objective: first, to regulate, not with a view to limiting the amount, but rather with a view to making consumer credit extension and expansion more uniform, and to keeping it prudent and healthy; second, to make funds available to individual borrowers at less cost than is now necessary in many instances; and third, to assure a steadily expanding flow of funds from private lenders into consumer financing.

I fully understand why the thought of such Congressional enactment is distressing to some of us but, as I mentioned earlier, Government today must be responsive to what the people want.

So, in closing, I ask you not to let the walls of your banking house, or the curtains at its vaulted windows keep from you the sound and sight of the obvious requirements and demands of the people and the industries whom you are chartered primarily to serve. Try to guide their thinking and actions along sound social and economic lines. Bear in mind that this postwar population is probably more capable of thinking through on its requirements than we of the prewar generations. Remember always that you cannot whip something with nothing, and when proposals are made with which you cannot agree, try to come up with some reasonable and constructive compromise or substitute.

As to consumer and housing credits, I am convinced that the public requires and demands them. So, as a final word, don't be shocked or surprised or too upset when they get more of the same—under the benign guidance of a paternalistic government—ever looking to the welfare of its people—and to its own bureaucratic salvation.

I leave with you the motto of one of America's most helpful citizens and undoubtedly its best salesman — Thomas J. Watson of IBM — a really great man who wisely emphasizes one big important word — THINK.

J. S. Hughes Opens

LOCUST VALLEY, N. Y.—John S. Hughes is engaging in a securities business from offices at Frost Pond & Piping Rock Roads, under the name of John S. Hughes Company.

Now W. N. Davis Inc.

PITTSBURGH, Pa. — The firm name of Davis-McInnes, Incorporated, First National Bank Building, has been changed to W. N. Davis Incorporated.

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Problems of the Independent Telephone System in Next Decade

one in the world, he will pull out the device and punch on the keys the number of his friend, then, turning the device over, he will hear the voice of his friend and see his face on the screen, in color and in three dimensions. If he does not see him and hear him, he will know that his friend is dead!"

Those of you who read your newspapers thoroughly learned a few weeks back that electronic scientists now are working on a device that will read people's minds. Now, I don't know about the rest of you, but I draw the line at that! The scientists say that this nosy little gadget is still in the early development stages, and that it won't be ready for use for at least five yeras. Well, thank God for that! Can you imagine what trouble one of these mind-reading machines, geared with phone-television, could get a man into?

More recently, President A. F. Jacobson of the Northwestern Bell Telephone Co. said that "Although rapid progress in telephony makes it 'impossible to prophesy' what television service will be like 20 years from now, and the full future value of such developments as the transistor and the solar battery 'cannot yet be imagined' the future by 1975 probably holds the following:

"A telephone in nearly every room of the average home; routine transcontinental dialing; portable personal radio-telephones, rural private line service; available combined telephone and television service; wide use of the speaker-phone (hands free telephone); rapid and easy transmission of graphic records (facsimile); and common use of vehicular, train, and airplane mobile service.

"It is our sincere hope that by 1975 telephone service will be playing the part it is technically capable of playing, of bringing the people of all nations together in business and social contacts even as it does within our own country today."

What about the market for these things? Well, we don't know yet, but we are finding out that up until recently, at least, we scarcely had scratched the surface of possibilities in selling the services and equipment already available. New ideas and new methods of merchandising will play a vital part in our future operations. But I will not go into this subject, because we have a man much more qualified than I who will speak to you on that subject Wednesday morning.

During the last minute I have been talking to you, six babies were born in these United States . . . and three people died. . . . If this continues, it doesn't take much arithmetic to reckon what our population growth is going to be during the next ten years. As our population grows, cities are hard-pressed to provide for people's needs—both as to residential and as to industrial housing. So we find them moving out into the suburbs, into our smaller cities, and into our rural areas—many of them in independent company service areas.

Here is what President Eisenhower said in his 1955 Economic Report to Congress, and I quote:

"Our population is rapidly increasing, educational levels are rising, work skills are improving, incomes are widely distributed, consumers are eager to improve their living standards, businessmen are actively engaged in starting new enterprises and expanding old ones, the tools of industry are multiplying and improving, research and technology are constantly opening up new opportunities, and our public policies generally encourage enterprise and innovation. With so many favorable factors, a continuation of rapid economic growth may reasonably be expected."

The expectation is a $500 billion economy by 1965 that would be $143 billion more than last year.

Problems in Next Ten Years

In view of these facts—in view of all this decentralization of industry and business growth, it probably is superfluous for me to stand up here and tell you what some of our problems are going to be during the next ten years.

We do not have to be economists to realize that our basic problem, in the months and years ahead, is going to be revenue requirements. I am assuming, of course, that our nation—despite the threats of international conflict—will be permitted to go forward without catastrophic war—which is the only kind of war the major powers could possibly wage under prevailing circumstances.

It is true, price levels have stabilized somewhat from the rapid inflation of the early '50s. The more serious consequences of regulatory lag between higher expenses and necessary rate relief may not be as desperate, on the whole, as they were in the immediate post-Korean War period. But there is nothing on the present horizon to indicate that operating expenses in the near future are going to go down, or will even stay put for awhile, necessarily. Current contract settlements indicate a trend toward higher wage increases. Most of our companies are still faced with a certain amount of backlog of necessary plant expansion at high prices.

In addition, the reluctance of some regulatory authorities to recognize the serious consequences of economic depreciation and the erosion of telephone property investment, due to the toll of postwar inflation, may be putting our companies in an earnings position which is more difficult than we realize ourselves. When the plant is being consumed, and is not being restored through sufficient rate increase, the economic consequences might not show up for years. The fact that we may not be holding our own, economically, can be temporarily obscured by raising new money. When such funds must go into replacement of plant, which has been worn out in the public service, we are not holding our own.

In this difficult situation, the old adage of strength in unity is of special application to our numerous independent companies. We hear frequent predictions about the vanishing small company and the inevitability of large-scale organization in these days of mergers and consolidations in *non-regulated* industries. But our telephone companies do have certain advantages in weathering the storms of economic pressure if they are able to help each other in the field of *ideas!* I do not know how that could better be done than through the medium of industry associations, such as the United States Independent Telephone Association on the national level, and through the State associations on the local level.

We must recognize, of course, that small company organizations have management problems of their own.

Within our Independent telephone company membership, we find examples of good, bad, and indifferent operation. And when we consider the responsibilities which face us in the future, the need for more cooperative enterprise among ourselves becomes self-evident. And I repeat, it is in the field of ideas, both ideas for new business, and for taking care of old business that we can help each other by exchange of practical suggestions in our effort toward common goals.

In the final analysis, we must face the basic business challenge of the future, which I repeat is a growing America and a growing telephone subscriber public which is multiplying faster than the population itself. For this we are going to need new and more plant. We are going to have to plan expenditures for high-priced equipment and high-priced construction. More than that, to serve this new America of the future, we are going to have to have new and better service. These future subscribers will not accept obsolete telephone service.

In this era of deluxe service, it is only to the extent that our companies can command the confidence of both the subscribing public and the investing public that they can do their job. The responsibilities are great, but the rewards should be commensurate. I have never been convinced that the American public expects to receive a quality of service or a quantity of service which is higher than that same public is willing to pay for, under a fair and reasonable system of rates. We in the telephone industry are still in the fortunate position of selling a service which is far more valuable than it costs the customer to enjoy, by any standard of measurement. Every once in a while we hear about a damage suit for loss of telephone service in which a professional or business subscriber claims damage to the extent of $50 or $100 a day because he had no telephone connection. Such a valuation placed upon this service by the subscriber himself may or may not be realistic. It indicates, however, that we are selling something which is highly valued by the public.

Planning Necessary Expansion

Since it is clear, therefore, that the growing masses of subscribers in the future are going to demand ever-improving as well as ever-increasing services, we must lay our plans accordingly—including plans for adequate compensation for that service. I need not remind you that we are in competition on a money-raising basis with non-regulated industry which is able to pay higher return on investment than telephone companies will ever be allowed to earn. Yet history has shown that there is a well-defined group of investors in the United States who look to our public utilities for secure income, rather than short-range or even speculative profits. It is to these investors that we must appeal to carry on our work, and perform our public service obligation.

The whole picture sums up, therefore, as a unified whole. The things which your national association is doing, were designed to contribute to the fulfillment of this over-all picture of accomplishment. Our work in Congress, our work before the administrative and regulatory agencies, our unified efforts to create good will and win friends in every quarter for the telephone companies, are all part of that picture.

And you are also a very important part of the picture. In fact, I would say you are the most important part of that picture, because it is at the grass-roots level of association membership, such as we see here today in this meeting, that we must look for foundation for all our work, for all our plans, and for whatever we hope to achieve in the years ahead. As long as we can depend on that unity of support, we can be sure our industry can confidently meet the challenge of the years ahead.

The United States Independent Telephone Association will continue to keep abreast of the responsibilities which have been placed upon it in a dynamic era. Your officers, your directors, and your committees will do their part to live up to their trusts.

The results of their efforts, I repeat, however, rest with you as individuals. I am thinking about the participation to which I referred in my opening statement. The smallest operator can help the industry as a whole if he thinks constructively and lets others know how he feels. Whether you as an individual operator agree or disagree with what you think others believe is not the important thing. The important thing is if you think constructively and make your conclusions known, you will be assisting the industry as a whole in reaching sound viewpoints. The importance of this individual participation can be illustrated by an experience we had during the last legislative session in my own New York State. Early in the sessions a bill known as the Morgan-Milmoe was introduced. This bill sought to rewrite into the New York State Workmen's Compensation Law, the wage loss concept in occupational loss of hearing cases. Due to the known opposition of organized labor, most folks thought that there wasn't even a remote chance that the bill would be passed. Despite this pessimism many employers wrote to their legislative representatives asking for their support of the bill. What happened? The Assembly passed the bill. However, it was not passed by the Senate because three Senators who would have routinely supported the bill left the floor before it came to a vote. I submit that if every employer interested in its passage had written his legislative representative, the bill would have been passed.

I urge you, therefore, to recognize that the next ten years will require our individual effort as well as our collective effort. We can't afford to sit back and wait for the other fellow to solve our problems. I don't mean by that, that we are all equally capable, rather I mean that regardless of our capabilities, each of us can make a contribution to the industry.

As we face the vast new field which is opening up in communications, let us commit ourselves to greater individual participation in the affairs of the industry as a whole. Thus we can hasten the day when the whole world can talk over telephones — and perhaps, see each other's faces at the same time. Perhaps then nations will understand each other better. Perhaps—and who can tell—the telephone may be one of the avenues which will help to establish permanent peace in the bright new world for which we are all hoping and praying.

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The State of Trade and Industry

and Ford Motor Co. near 180,000, "Ward's" added that domestic dealers easily delivered over 500,000 new cars in October and were actually wanting for more 1955 and 1956 models to sell.

The statistical service said that some United States plant will build the 7,000,000th car of 1955 this week, pushing car and truck output combined to more than 8,000,000 units.

United States car and truck production to date is leading 1954 by 45.1%, while in Canada the margin is 29.8%, despite continuance of the lengthy General Motors of Canada strike.

Personal spending and plant expansion, the United States Department of Commerce observed, brought about a rise in the nation's total output of goods and services to a new high annual rate of $391,500,000,000 in the third quarter.

In computing the final figures for the July-September period, the Commerce Department cut about $500,000,000 off a preliminary estimate of the gross national product made by the President's Council of Economic Advisers last month. However, the latest total is still about $6,500,000,000 above the previous high seasonally adjusted rate of $384,800,000,000 recorded the second quarter this year. Last year's third quarter rate was $359,000,000,000.

Personal consumption expenditures led the third quarter advance, the department noted, with a rise of $5,500,000,000 to an annual rate of $256,000,000,000. Spending for durable goods, paced by the rise in auto purchases, accounted for $2,000,000,000 of the rise, while non-durable goods purchases rose $1,500,000,000 and services took the rest of the increase. For the quarter, buying of durable goods was at an annual rate of $37,000,000,000, non-durable goods at a $127,000,000,000 rate and services at a rate of $92,000,000,000.

Fixed private investment was at an annual rate of $58.000.000-000, $2,000,000,000 higher than the preceding quarter, as business outlays for new plant and equipment continued their strong advance, the department noted.

Inventory accumulation dropped sharply from the quarter before, the report stated. The third quarter rate was $2,500,000,000, compared with $4,500,000,000 in the April-June period. "A shift in auto dealers inventories, which were increased in the second quarter and liquidated in the third, accounted for a substantial part in the reduction in inventory growth," the department declared.

Steel Production Scheduled at 98.8% of Capacity This Week

Steel prices may go up $12 a ton by next July, "Steel" magazine reported on Monday of this week. An upward revision might be in base prices or extras, depending on which products are most severely pinched profit-wise. Increases will not come at one time. They may start this year and recur all through the first half of 1956, climaxing when steel wage settlements have to be paid for beginning next July. Little advance notice will be given, it continued.

Economic pressures have built up to a point where steel producers have no choice but to raise prices, the metalworking weekly added. Wages cost more. Plant construction is more costly and stockholders are crying for more return on their money.

Steel prices have increased 126% since 1940, but during the same period, wage costs have jumped 206% and plant construction 178%.

Steel companies are made to look more profitable than they are by the government's antiquated policy on depreciation, "Steel" declared. If producers could set aside for depreciation what it takes to buy new capacity, earnings before taxes would be much less than what they are today. The book value today of a ton of existing steel ingot capacity averages $60. To build capacity today, a steel company will have to spend about $300 a ton.

After taxes, producers do not have enough money left over to satisfy reinvestment needs and make dividends attractive to investors. The Federal Government took $556,200,000 from 33 steel producers last year, leaving $605,600,000. This had to be split between stockholders and reinvestment, this trade weekly noted.

Many investors, it added, are trying to decide whether the long-term outlook for the steel industry is such that they are willing to have the bulk of earnings retained for investment instead of going to them as dividends. This is important, considering the 50% expansion planned in the next 15 years.

Meanwhile, steel demand which has kept steelmen working at or near capacity levels for the last three weeks is building up even more, particularly for steel plates. It comes from a big jump in demand for railroad freight cars, pipelines and Army tanks. Structural shapes and hot-rolled sheets are also hard to get with some fabricators working only four days a week because of a lack of structurals.

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 98.8% of capacity for the week beginning Nov. 14, 1955, equivalent to 2,384,000 tons of ingot and steel for castings as compared with 99.6% of capacity and 2,404,000 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 98.9% and production 2,386,000 tons. A year ago the actual weekly production was placed at 1,892,000 tons or 79.3%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Extended Its Gains of the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 12, 1955, was estimated at 10,878,000,000 kwh., according to the Edison Electric Institute.

This week's output advanced 25,000,000 kwh. above that of the previous week, when the actual output stood at 10,853,000,000 kwh.; it increased 1,681,000,000 kwh. or 18.3% above the comparable 1954 week and 2,421,000,000 kwh. over the like week in 1953.

Car Loadings Moved Moderately Lower a Week Ago

Loadings of revenue freight for the week ended Nov. 5, 1955, decreased 26,687 cars or 3.2% below the preceding week, according to the Association of American Railroads.

Loadings for the week ended Nov. 5, 1955, totaled 808,709 cars, an increase of 112,683 cars, or 16.2% above the corresponding 1954 week, and an increase of 60,841 cars, or 8.1% above the corresponding week in 1953.

U. S. Automotive Output Last Week Advanced to Second Highest Peak in History

Output in the automotive industry for the latest week, ended Nov. 11, 1955, according to "Ward's Automotive reports," scored the second highest peak in its history and climbed to within 3.7% of the all-time high (216,629 units) attained in the period April 25-30, 1954.

Last week the industry assembled an estimated 181,230 cars, compared with 167,278 (revised) in the previous week. The past week's production total of cars and trucks amounted to 208,633 units, or an increase of 15,072 units above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 13,952 cars, while truck output rose by 1,120 vehicles during the week. In the corresponding week last year 116,737 cars and 21,496 trucks were assembled.

Last week the agency reported there were 27,403 trucks made in the United States. This compared with 26,283 in the previous week and 21,496 a year ago.

Canadian output last week was placed at 6,005 cars and 801 trucks. In the previous week Dominion plants built 5,722 cars and 667 trucks, and for the comparable 1954 week, 2,687 cars and 686 trucks.

Business Failures Receded the Past Week

Commercial and industrial failures declined to 207 in the week ended Nov. 10 from 237 in the preceding week, Dun & Bradstreet, Inc., reports. The toll fell short of the 227 in the similar week last year but remained about the 155 occurring in 1953. Compared with the prewar level, failures were 23% lower than in 1939 when 269 were recorded.

All of the week's decrease was concentrated among failures involving liabilities of $5,000 or more. They fell to 161 from 207 a week ago and 192 in the corresponding week of 1954. Small failures, with liabilities under $5,000, rose to 46 from 30 in the previous week and 35 last year. Nine of the failing businesses had liabilities in excess of $100,000 as compared with 16 a week ago.

Wholesale Food Price Index Dips for 6th Straight Week

Down for the sixth successive week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $6 on Nov. 8, from $6.02 a week earlier. This represented a new low since June 20, 1950, when it registered $5.96. It compared with $6.80 on the corresponding date a year ago, or a drop of 11.8%.

Up in wholesale price last week were flour, oats, barley, lard and eggs. On the down side were wheat, corn, rye, beef, butter, sugar, coffee, cocoa, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Eases a Trifle in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to move in a narrow range last week. The index finished at 274.32 on Nov. 7, comparing with 274.77 a week previous and with 278.02 on the corresponding date a year ago.

Grain prices in the Chicago market were generally strong, continuing the upward trend of the previous week.

Support was largely based on the belief that legislative action would be taken next year to bolster farm prices.

Strength in wheat prices in face of the largest supply in history, according to the Department of Agriculture, is due to the large quantities of old crop wheat held in Commodity Credit Corporation inventories and to the reduced 1955 production, leaving relatively small supplies in commercial channels. The quantity of wheat placed under government support through Sept. 15 was reported at 124,000,000 bushels, or much less than the 233,000,000 bushels from the 1954 crop under support on the same date a year earlier. Trading in grain and soybean futures on the Chicago Board of Trade remained active and averaged about 48,300,000 bushels per day, against 48,900,000,000 the previous week and 44,800,000 a year ago.

Cocoa was weak with pressure of new crop marketings exerting a depressing influence on prices. The current quotation of 32½ cents a pound for the Accra grade compares with 52½ cents a year ago. Warehouse stocks of cocoa were reported at 233,580 bags, against 238,329 a week previous, and 92,200 bags a year ago. The undertone in flour was steady, although new business, aside from some fill-in Spring wheat flour bookings, continued dull.

The green coffee market was irregular with prices closing moderately lower than a week ago.

Weakness was attributed to increased offerings of new crop in production countries at reduced prices.

With ample supplies in sight for the balance of the year, the raw sugar market was quiet with prices trending slightly easier. Following the slight gain of a week ago, hog prices sagged to the lowest level in over eleven years under the influence of the heaviest five-day marketing session of the year.

Spot cotton prices continued to work moderately higher the past week. Helping to support the market were the continued heavy flow of the staple into the Government loan, a further drop in the certified stock, and the continued improvement noted in the cotton goods market.

Some early selling was induced by the slow export movement, uncertainties regarding next year's loan rate, and expectations that the next government crop forecast will show a sizable increase over the October estimate of 13,928,000 bales.

CCC loan entries during the week ended Oct. 28 totalled 388,800 bales, against 337,500 in the preceding week. The mid-October parity price for upland cotton was reported at 34.97 cents a pound, unchanged from a month earlier.

Trade Volume Maintained at Slightly Higher Level by Seasonal Buying

Consumer buying rose slightly in the period ended on Wednesday of last week. Total dollar volume was slightly above that of the similar period last year with consumer interest in Winter merchandise sustained at a high level.

Automobile dealers reported a marked rise in the sales of 1956 models, while inventories in 1955 models were greatly diminished.

The 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 and Pacific Coast —1 to +3; East 0 to +4; South and Northwest +3 to +7; Middle West and Southwest +2 to 6%.

Consumers moderately stepped-up their purchases of apparel last week. Volume in men's topcoats and heavy suits expanded, with interest in sportswear considerable. Women shoppers sought Winter cloth coats and suits, while an upsurge in the buying of fur coats occurred. Knit dresses and skirts were popular, and the best-selling accessories were leather gloves and handbags.

Total volume at wholesale moderately exceeded the corresponding 1954 level.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 5, 1955, increased 1% above that of the like period of last year. In the preceding week, Oct. 29, 1955, an increase of 8% was reported. For the four weeks ended Nov. 5, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to Nov. 5, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City last week, trade observers estimated, would approximate 8% ahead of the like period a year ago.

Electric and Veterans Day promotions, it was reported, combined to effect a sizable increase in sales, thus compensating for a 10% drop in volume the week before.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 5, 1955, declined 8% below that of the like period of last year. In the preceding week, Oct. 29, 1955, an increase of 7% was recorded. For the four weeks ending Nov. 5, 1955, an increase of 1% occurred. For the period Jan. 1, 1955 to Nov. 5, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

Sutro Bros. Announce Awards at Exposition

Sutro Bros. & Co., members of the New York Stock Exchange, announced the following had received awards at the firm's exhibit at the Women's International Exposition which was held last week in the 71st Regiment Armory: Mrs. Eileen Luoto, of 254 Henry Street, Brooklyn, N. Y.; Mrs. Kate Seusing, 552 Lincoln Place, Brooklyn, N. Y.; Mr. Leslie Lewis, 1417 Weaver Street, Scarsdale, N. Y.; Mrs. F. W. Fredericks, 5 Middleway Circle, Forest Hills, N. Y.; Mrs. Ina Lee, 37 West 26th Street, New York; Mr. Erich Bartels, 579 Trysting Place, Cedarhurst, Long Island, N. Y., and Mrs. Agnes Madsen, 2005 Coyle Street, Brooklyn, N. Y. Each will receive one share of common stock of Tri-Continental Corp., an investment company listed on the Stock Exchange.

Spokesmen for the securities firm reported that their educational investment exhibit proved very popular to visitors to the exposition. More than 6,500 persons registered at the Sutro booth, watched a short technicolor movie describing functions of the Stock Exchange, and received literature on investments, information on the operation of a brokerage house, how securities and commodities are bought and sold, and other pertinent data on the investment markets.

Members of Sutro Bros.' research department, headed by Stephen Floersheimer, partner of the firm, and including Melvin K. Allen, and Herbert Burger, delivered lectures on investments to many heads of women's organizations represented at the exposition.

Victor V. Clad Stock At $2.50 a Share

Barrett Herrick & Co., Inc. on Nov. 16 offered for public sale 120,000 shares of common stock of Victor V. Clad Co., priced at $2.50 per share. An old established Pennsylvania manufacturing firm, its principal business is the fabrication of metal equipment for institutional and commercial food service, and production of aluminum lawn and patio furniture. This is the first public offering of the company's stock.

The company proposes to use the proceeds of this financing for the purchase of new equipment and for working capital. The plant is located at Renovo, Pa.

The company manufactured and installed the stainless steel kitchen of the Waldorf-Astoria Hotel in New York, the Bellevue Stratford in Philadelphia and has placed kitchen installations in a number of other leading hotels in the east and in various hospitals, stores, schools and industrial plants.

Giving effect to this sale the company will have 294,000 shares of common stock outstanding, $55,000 of debentures and $27,594 of notes payable.

Western Secs. of N. Mex.

ALBUQUERQUE, N. M.—Western Securities Corporation of New Mexico has been formed with offices in the Simms Building. Officers are Robert L. McGee, President; William C. Paxton, Vice-President; and Daniel T. Brennon, Secretary and Treasurer. Mr. McGee and Mr. Paxton were previously with Western Securities Corporation of Utah.

George L. Ohrstrom

George L. Ohrstrom, senior partner of G. L. Ohrstrom & Co., New York City, passed away at his home in Virginia Nov. 9 at the age of 61.

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)	Nov. 20	§98.8	*99.6	98.9	79.3
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 20	§2,384,000	*2,404,000	2,386,000	1,892,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 4	6,777,100	6,749,500	6,690,150	6,191,350
Crude runs to stills—daily average (bbls.)	Nov. 4	¶7,561,000	7,476,000	7,191,000	6,941,000
Gasoline output (bbls.)	Nov. 4	26,433,000	27,075,000	25,333,000	23,053,000
Kerosene output (bbls.)	Nov. 4	2,311,000	2,050,000	2,066,000	2,395,000
Distillate fuel oil output (bbls.)	Nov. 4	11,691,000	11,250,000	10,458,000	10,330,000
Residual fuel oil output (bbls.)	Nov. 4	8,076,000	7,811,000	7,712,000	7,839,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 4	152,004,000	151,607,000	151,006,000	149,138,000
Kerosene (bbls.) at	Nov. 4	36,414,000	36,436,000	36,355,000	38,178,000
Distillate fuel oil (bbls.) at	Nov. 4	151,988,000	151,556,000	145,598,000	137,198,000
Residual fuel oil (bbls.) at	Nov. 4	45,932,000	45,299,000	47,021,000	56,465,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 5	808,709	835,396	807,035	696,026
Revenue freight received from connections (no. of cars)	Nov. 5	693,360	699,384	691,237	611,756
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 10	$267,920,000	$394,011,000	$345,812,000	$371,482,000
Private construction	Nov. 10	162,168,000	278,458,000	228,694,000	161,329,000
Public construction	Nov. 10	105,752,000	115,553,000	117,118,000	210,153,000
State and municipal	Nov. 10	62,163,000	96,869,000	84,757,000	152,232,000
Federal	Nov. 10	43,589,000	18,684,000	32,361,000	57,921,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 5	10,100,000	*9,990,000	9,835,000	8,597,000
Pennsylvania anthracite (tons)	Nov. 5	455,000	478,000	537,000	521,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 5	128	126	125	127
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 12	10,878,000	10,853,000	10,599,000	9,197,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 10	207	237	203	227
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 8	5.174c	5.174c	5.174c	4.798c
Pig iron (per gross ton)	Nov. 8	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Nov. 8	$44.83	$44.50	$44.83	$34.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 9	42.800c	42.700c	43.025c	29.700c
Export refinery at	Nov. 9	43.425c	43.300c	42.750c	30.550c
Straits tin (New York) at	Nov. 9	96.125c	96.625c	96.000c	90.625c
Lead (New York) at	Nov. 9	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Nov. 9	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Nov. 9	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 15	95.33	95.92	95.82	99.25
Average corporate	Nov. 15	107.98	107.80	107.62	110.70
Aaa	Nov. 15	111.62	111.62	111.25	115.24
Aa	Nov. 15	109.97	109.79	109.60	112.56
A	Nov. 15	107.98	107.62	107.62	110.52
Baa	Nov. 15	102.80	102.80	102.63	105.00
Railroad Group	Nov. 15	106.56	106.39	106.21	109.06
Public Utilities Group	Nov. 15	108.16	108.16	108.16	111.07
Industrials Group	Nov. 15	109.24	109.06	108.70	112.19
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 15	2.85	2.80	2.82	2.55
Average corporate	Nov. 15	3.28	3.29	3.30	3.13
Aaa	Nov. 15	3.08	3.08	3.10	2.89
Aa	Nov. 15	3.17	3.18	3.19	3.03
A	Nov. 15	3.28	3.30	3.30	3.14
Baa	Nov. 15	3.58	3.58	3.59	3.45
Railroad Group	Nov. 15	3.36	3.37	3.38	3.22
Public Utilities Group	Nov. 15	3.27	3.27	3.27	3.11
Industrials Group	Nov. 15	3.21	3.22	3.24	3.05
MOODY'S COMMODITY INDEX	Nov. 15	400.2	398.6	405.5	411.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 5	437,655	284,924	379,667	317,710
Production (tons)	Nov. 5	297,935	288,522	289,693	259,692
Percentage of activity	Nov. 5	103	102	102	95
Unfilled orders (tons) at end of period	Nov. 5	725,673	591,291	677,874	447,385
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 11	107.12	107.15	106.83	106.17
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	Oct. 22	973,161	1,261,044	1,205,959	970,777
Dollar value	Oct. 22	$50,879,324	$65,732,153	$67,876,525	$49,877,550
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 22	741,158	1,075,018	1,083,527	953,010
Customers' short sales	Oct. 22	4,634	10,181	3,866	7,521
Customers' other sales	Oct. 22	736,524	1,064,837	1,079,661	945,489
Dollar value	Oct. 22	$36,935,557	$57,896,498	$57,097,900	$42,929,083
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 22	167,970	269,790	306,870	278,280
Short sales	Oct. 22	------	------	------	------
Other sales	Oct. 22	167,970	269,790	306,870	278,280
Round-lot purchases by dealers—					
Number of shares	Nov. 22	423,860	479,500	428,510	317,390
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	Oct. 22	373,800	437,120	522,700	434,770
Other sales	Oct. 22	8,772,270	12,269,010	12,087,740	10,370,020
Total sales	Oct. 22	9,146,070	12,706,130	12,610,440	10,804,790
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 22	1,143,480	1,930,410	1,534,960	1,165,420
Short sales	Oct. 22	193,280	226,110	220,050	232,110
Other sales	Oct. 22	1,059,100	1,658,590	1,282,870	1,000,860
Total sales	Oct. 22	1,252,380	1,884,700	1,502,920	1,232,970
Other transactions initiated on the floor—					
Total purchases	Oct. 22	229,470	454,440	342,220	343,680
Short sales	Oct. 22	18,240	19,700	20,800	20,200
Other sales	Oct. 22	222,020	418,440	303,210	310,330
Total sales	Oct. 22	240,260	438,140	324,010	330,530
Other transactions initiated off the floor—					
Total purchases	Oct. 22	501,050	566,425	552,780	472,130
Short sales	Oct. 22	44,870	67,230	140,230	67,050
Other sales	Oct. 22	417,730	566,294	680,290	417,937
Total sales	Oct. 22	462,600	633,524	820,520	484,987
Total round-lot transactions for account of members—					
Total purchases	Oct. 22	1,874,000	2,951,275	2,429,960	1,981,230
Short sales	Oct. 22	256,390	313,040	381,080	319,360
Other sales	Oct. 22	1,698,850	2,643,324	2,266,370	1,729,127
Total sales	Oct. 22	1,955,240	2,956,364	2,647,450	2,548,487
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 8	111.2	*111.3	111.2	109.7
Farm products	Nov. 8	85.2	85.6	86.7	92.2
Processed foods	Nov. 8	99.0	98.8	99.8	104.3
Meats	Nov. 8	75.6	77.1	79.4	87.4
All commodities other than farm and foods	Nov. 8	119.1	118.7	118.7	114.5

*Revised figure. ¶Includes 872,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of September	130,606	133,551	120,332
Stocks of aluminum (short tons) end of Sept.	9,898	13,417	46,611
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of October	10,502,000	*9,882,325	7,701,533
Shipments of steel products (net tons)—Month of September	7,378,247	7,053,615	5,004,222
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of August (millions of dollars):			
Manufacturing	$44,300	$43,900	$43,100
Wholesale	11,900	11,900	11,800
Retail	234,000	23,400	22,500
Total	$79,600	$79,200	$77,300
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of September (000's omitted)	$1,488,400,000	$263,000,000	$1,266,200,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of October (000's omitted):			
Total U. S. construction	$1,525,503	$1,786,199	$995,781
Private construction	993,961	1,118,333	523,279
Public construction	531,542	667,866	472,502
State and municipal	400,902	545,485	353,712
Federal	130,640	122,381	118,790
COAL OUTPUT (BUREAU OF MINES)—Month of October:			
Bituminous coal and lignite (net tons)	41,780,000	41,000,000	36,652,000
Pennsylvania anthracite (net tons)	2,136,000	*2,333,000	2,154,000
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	6,393,348	*6,395,422	4,505,100
Oven coke (net tons)	6,232,929	*6,229,065	4,464,900
Beehive coke (net tons)	160,419	*166,357	40,200
Oven coke stock at end of month (net tons)	1,991,641	*2,063,513	3,916,787
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Aug. 31:			
Total consumer credit	$33,636	$32,896	$28,736
Instalment credit	26,155	25,476	21,901
Automobile	13,547	13,038	10,349
Other consumer goods	5,762	5,676	5,294
Repair and modernization loans	1,589	1,570	1,642
Personal loans	5,257	5,192	4,616
Non-instalment credit	7,481	7,420	6,835
Single payment loans	2,629	2,555	2,312
Charge accounts	3,019	2,991	2,734
Service credit	1,833	1,834	1,789
COTTON GINNING (DEPT. OF COMMERCE)—As of Oct. 18 (running bales)	7,189,552	------	7,819,807
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1955 Crop as of Nov. 1:			
Production 500-lb. gross bales	14,843,000	13,928,000	13,696,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of September:			
All manufacturing (production workers)	13,399,000	13,281,000	12,577,000
Durable goods	7,623,000	7,576,000	6,965,000
Non-durable goods	5,776,000	5,705,000	5,612,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	108.3	107.4	101.7
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	159.4	154.8	138.0
Estimated number of employees in manufacturing industries—			
All manufacturing	16,925,000	16,819,000	15,972,000
Durable goods	9,632,000	9,595,000	8,887,000
Non-durable goods	7,293,000	7,224,000	7,085,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of August (millions of dollars):			
Inventories—			
Durables	$24,778	*$24,563	$23,836
Non-durable	19,516	*19,375	18,223
Total	$44,294	*$43,938	$43,059
Sales	27,389	*26,731	23,113
MONEY IN CIRCULATION—TREASURY DEPT. As of Sept. 30 (000's omitted)	$30,421,000	$30,317,000	$29,985,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of October:			
Industrials (125)	3.96	3.76	4.43
Railroads (25)	5.34	4.91	6.02
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.62	4.50	4.82
Banks (15)	4.16	4.06	4.50
Insurance	2.73	2.67	3.00
Average (200)	4.12	3.93	4.57
NEW YORK STOCK EXCHANGE—As of Sept. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,848,115	$2,752,279	$2,081,277
Credit extended to customers	43,457	42,679	33,742
Cash on hand and in banks in U. S.	370,620	348,420	323,757
Total of customers' free credit balances	976,695	887,195	924,179
Market value of listed shares	197,536,241	197,994,193	150,658,921
Market value of listed bonds	104,547,615	103,996,732	109,349,656
Member borrowings on U. S. Govt. issues	95,588	108,381	168,476
Member borrowings on other collateral	2,233,556	2,167,455	1,437,260
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of August (in billions):			
Total personal income	$305.0	*$305.3	$286.7
Wage and salary, receipts, total	211.6	*212.4	195.8
Commodity producing industries	92.0	*91.7	83.1
Distributing industries	56.0	*55.7	52.5
Service industries	27.9	*27.8	26.3
Government	35.7	37.2	33.9
Less employees contribution for social insurance	5.3	5.3	4.6
Other labor income	7.0	7.0	6.6
Proprietors and rental income	48.3	*47.9	48.1
Personal interest income and dividends	26.6	*26.4	24.7
Total transfer payments	16.8	16.9	16.1
Total non-agricultural income	290.9	*291.7	271.5
ZINC OXIDE (BUREAU OF MINES)—Month of September:			
Production (short tons)	13,841	13,073	12,045
Shipments (short tons)	13,824	13,736	12,454
Stocks at end of month (short tons)	12,217	12,200	14,454

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• 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. Statement effective Nov. 7.

Allied-Mission Oil, Inc., Tulsa, Okla.
Oct. 3 (letter of notification) 598,800 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition, exploration, drilling and development of leases. **Address**—P. O. Box 1387, Tulsa, Okla. **Underwriter**—United Securities Co., same address.

Aloha, Inc., Las Vegas, Nev.
Aug. 8 filed 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 European Securities Co.
Oct. 11 filed 91,875 shares of common stock (no par) being offered for subscription by stockholders on the Oct. 31, 1955; rights to expire on Nov. 22. **Price**—$28 per share. **Proceeds** — For investment. **Underwriter** — Dominick & Dominick, New York.

★ American Greetings Corp., Cleveland, Ohio
Nov. 14 filed 200,000 shares of class a common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including construction. **Underwriter**—McDonald & Co., Cleveland, Ohio.

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), of which all the debentures and 109,193 shares of stock are being 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 (this offer expires on Dec. 1, 1955, unless extended). The remaining 500,000 shares are under option to certain persons at $4 per share. **Underwriter**—None.

★ American Investment Co. of Illinois
Nov. 10 filed 277,410 shares of common stock (par $1) to be offered to officers and key employees of company and its subsidiaries pursuant to option warrants. **Underwriter**—None.

American Motorists Insurance Co.
Sept. 30 filed 200,000 shares of capital stock (par $3) being offered for subscription by stockholders of record Oct. 26, 1955, on the basis of one new share for each five shares held; rights to expire on Dec. 1. **Price**—$8 per share. **Proceeds**—For general corporate purposes. **Office**—Chicago, Ill. **Underwriter**—None.

★ Anaconda Uranium Corp., Spokane, Wash.
Oct. 31 (letter of notification) 2,000,000 shares of common stock. **Price**—10 cents per share. **Proceeds** — For exploration and development. **Office**—314 Radio Central Bldg., Spokane 1, Wash. **Underwriter**—None.

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.

Assateague Island Bridge Corp. (Md.)
Oct. 7 filed 100,000 shares of 5% cumulative preferred stock to be offered primarily to members of the Ocean Beach Club, Inc. **Price**—At par ($10 per share). **Proceeds**—For construction of bridge across Sinepuxent Bay from the Worcester County (Md.) mainland to Assateague Island. **Office**—Washington, D. C. **Underwriter**—None.

★ Atlanta Gas Light Co. (12/14)
Nov. 15 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Stone & Webster Securities Corp.; Shields & Co.; Equitable Securities Corp. and Union Securities Corp. (jointly). **Bids**—Expected about Dec. 14.

Atlas Industries, Inc., Houston, Texas
Oct. 10 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase dies and materials and for working capital, etc. **Office** — 6006 Harvey Wilson Drive, Houston, Texas. **Underwriter** — Benjamin & Co., Houston, Texas.

★ Atlas Plywood Corp., Boston, Mass.
Nov. 14 filed 100,000 shares of common stock (par $1) to be offered in exchange for the outstanding 291,431 shares of common stock of Plywood, Inc. at an exchange ratio to be determined later. Atlas presently owns 496,680 shares of Plywood, Inc. stock and desires to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%.

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.

Automobile Banking Corp. (11/22)
Oct. 6 filed $1,500,000 5½% capital convertible debentures due Nov. 1, 1970. **Price**—At 100% and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Reynolds & Co., New York.

★ Baltimore Gas & Electric Co. (11/29)
Nov. 10 filed $30,000,000 of first refunding mortgage sinking fund bonds due 1990. **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 The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly). **Bids**—Expected to be received on Nov. 29.

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NEW ISSUE CALENDAR

November 18 (Friday)

Chromalloy Corp. ____ Common
(S. D. Fuller & Co.) $299,475

Radio Corp. of America ____ Debentures
(Offering to stockholders—underwritten by Lehman Brothers and Lazard Freres & Co.) $100,000,000

November 21 (Monday)

Credit Finance Corp. ____ Common
(Franklin Securities Co.) $296,000

Entz-White Lumber & Supply, Inc. ____ Debs. & Com.
(Offering by company—no underwriting) $500,000

International Metals Corp. ____ Common
(Gearhart & Otis, Inc.) $400,000

Long Island Trust Co. ____ Common
(Offering to stockholders—underwritten probably by Cyrus J. Lawrence Securities Corp.) $400,000

Texas American Oil Corp. ____ Common
(Kramer, Woods & Co., Inc.) $300,000

November 22 (Tuesday)

Automobile Banking Corp. ____ Debentures
(Reynolds & Co.) $1,500,000

Kimberly-Clark Corp. ____ Common
(Blyth & Co., Inc.) 400,000 shares

Siegler Corp. ____ Common
(William R. Staats & Co.; Dominick & Dominick; Bache & Co.; and Schwabacher & Co.) 175,000 shares

U. S. Automatic Machinery & Chemical Corp. ____ Class A Common
(Columbia Securities Corp.) $300,000

November 23 (Wednesday)

United Insurance Co. of America ____ Common
(R. S. Dickson & Co. and A. C. Allyn & Co., Inc.) 200,000 shares

Western Maryland Ry. ____ Common
(Morgan Stanley & Co. and Alex. Brown & Sons) 128,597 shares

Whitaker Cable Corp. ____ Debentures
(Barret, Fitch, North & Co.) $500,000

November 25 (Friday)

Kayser (Julius) & Co. ____ Common
(No underwriting) $2,600,000

November 28 (Monday)

Canuba Manganese Mines, Ltd. ____ Common
(Baruch Brothers & Co., Inc.) $750,000

Eagle Newspaper Enterprises, Inc. ____ Pfd. & Com.
(James Anthony Securities Corp.) $757,500

Rochester Gas & Electric Corp. ____ Common
(Offering to stockholders—underwritten by The First Boston Corp.) 200,000 shares

November 29 (Tuesday)

Baltimore Gas & Electric Co. ____ Bonds
(Bids to be invited) $30,000,000

Lincoln Service Corp. ____ Debentures
(Johnston, Lemon & Co. and Union Securities Corp.) $4,000,000

Northrop Aircraft, Inc. ____ Debentures
(William R. Staats & Co. and Blyth & Co.) $10,000,000

San Diego Gas & Electric Co. ____ Bonds
(Bids 8:30 a.m. PST) $18,000,000

November 30 (Wednesday)

Miles Laboratories, Inc. ____ Common
(Offering to stockholders—underwritten by The First Boston Corp.) 106,962 shares

Montana-Dakota Utilities Co. ____ Preferred
(Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) $5,000,000

Porto Rico Telephone Co. ____ Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 100,000 shares

Puerto Rican Jai Alai, Inc. ____ Common
(F. H. Crerie & Co., Inc.) $1,875,000

Union of South Africa ____ Bonds
(Dillon, Read & Co.) $25,000,000

Western Natural Gas Co. ____ Preferred
(Offering to stockholders—underwritten by White, Weld & Co.) $5,490,090

December 1 (Thursday)

Missouri Pacific RR. ____ Equip. Trust Ctfs.
(Bids to be invited) $2,625,000

Sans Souci Hotel, Inc. ____ Common
(Offering to stockholders—no underwriting) $1,097,529

December 5 (Monday)

LeCuno Oil Corp. ____ Common
(Eastman, Dillon & Co. and First California Co., Inc.) 450,000 shares

Reading Tube Corp. ____ Preferred
(Emanuel, Deetjen & Co.) $2,400,000

December 6 (Tuesday)

Columbus & Southern Ohio Electric Co. ____ Common
(Dillon, Read & Co. Inc. and The Ohio Co.) 250,000 shares

Consolidated Edison Co. of New York ____ Bonds
(Bids to be invited) $70,000,000

Kawecki Chemical Co. ____ Common
(Carl M. Loeb, Rhoades & Co.) 75,000 shares

Pacific Employees Insurance Co. ____ Common
(Blyth & Co., Inc.) 94,700 shares

Revlon Products Corp. ____ Common
(Reynolds & Co.) 373,900 shares

Virginia Electric & Power Co. ____ Preferred
(Bids 11 a.m. EST) $12,500,000

December 7 (Wednesday)

North Shore Gas Co. ____ Bonds
(Bids 11 a.m. EST) $2,500,000

December 8 (Thursday)

National Propane Corp. ____ Preferred & Common
(Carl M. Loeb, Rhoades & Co.)

December 12 (Monday)

Old Empire, Inc. ____ Common
(Vickers Brothers) $300,000

December 13 (Tuesday)

Delaware Power & Light Co. ____ Bonds
(Bids to be invited) $10,000,000

Delaware Power & Light Co. ____ Preferred
(Bids to be invited) $5,000,000

December 14 (Wednesday)

Atlanta Gas Light Co. ____ Preferred
(Bids to be invited) $3,000,000

New Jersey Bell Telephone Co. ____ Debentures
(Bids to be invited) $25,000,000

December 15 (Thursday)

Colohoma Uranium, Inc. ____ Common
(General Investing Corp.) $1,000,000

Daitch Crystal Dairies, Inc. ____ Debentures
(Hirsch & Co.) $2,000,000

General Capital Corp. ____ Debentures
(No underwriting) $300,000

January 9 (Monday)

Magnavox Co. ____ Preferred
(Reynolds & Co.) $6,000,000

January 11 (Wednesday)

New Orleans Public Service Inc. ____ Preferred
(Bids to be invited) $6,000,000

January 17 (Tuesday)

Pennsylvania Electric Co. ____ Bonds
(Bids to be invited) $20,700,000

Pennsylvania Electric Co. ____ Preferred
(Bids to be invited) $8,000,000

January 18 (Wednesday)

Ford Motor Co. ____ Class A Common
(Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.) 6,952,293 shares

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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.

★ **Bethlehem Mining & Exploration Corp.**
Nov. 4 (letter of notification) 1,000,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—504 Granger Bldg., San Diego, Calif. **Underwriter**—None.

Big Chief Uranium 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 Ridge Uranium Corp., Reno, Nev.
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

Big Ute Uranium Corp., Overton, Nev.
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

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."

Blackhawk Fire & Casualty Insurance Co.
Oct. 28 filed 200,000 shares of common stock (par $2.50), of which 170,527 shares are to be publicly offered to public at $5 per share, and 29,473 shares are to be purchased by Town and Country Insurance Agency, Inc. at $4.50 per share. **Proceeds**—To acquire through merger the Blackhawk Mutual Insurance Co. **Office**—Rockford, Ill. **Underwriter** — Arthur M. Krensky & Co., Inc., Chicago, Ill.

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.

Bonus Uranium, Inc., Denver, Colo.
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

★ **Brooklawn Country Club, Inc.**
Nov. 4 (letter of notification) $25,000 of 4½% first mortgage bonds due July 15, 1966, to be offered to members of Club. **Price**—At par. **Proceeds**—To pay off existing bank loans and for working capital. **Office**—500 Algonquin Road, Bridgeport 4, Conn. **Underwriter**—None.

★ **Broughton's Farm Dairy, Inc., Marietta, Ohio**
Nov. 3 (letter of notification) not in excess of 3,000 shares of 6% cumulative preferred stock, to be offered for subscription by employees. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—None.

Buell Die & Machine Co., Detroit, Mich.
Oct. 31 (letter of notification) 90,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each five shares held of record Oct. 26, 1955. **Proceeds**—For working capital. **Office** — 3545 Scotten Ave., Detroit, Mich. **Underwriter**—Wm. C. Roney & Co., same city.

● **Canuba Manganese Mines, Ltd. (11/28-12/2)**
Oct. 27 filed 500,000 shares of capital stock (par $1-Canadian). **Price**—$1.50 per share. **Proceeds**—For exploration of mining properties in Cuba. **Office**—Toronto, Canada. **Underwriter** — Baruch Brothers & Co., Inc., New York.

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.

Carolina Casualty Insurance Co., Burlington, N. C.
Nov. 2 (letter of notification) 30,000 shares of class B common stock (par $1) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For working capital, etc. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—None.

Century Acceptance Corp., Kansas City, Mo.
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Century Engineers, Inc., Burbank, Calif.
Nov. 4 filed 74,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion of subsidiary and working capital. **Underwriter**—Morgan & Co., Los Angeles, Calif.

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.

Channel Oil Co., Las Vegas, Nev.
Oct. 18 filed (by amendment) 435,000 shares of $1.20 cumulative preferred stock (callable at $20 per share) and 870,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred stock and two shares of common stock. **Price**—$20.20 per unit. **Proceeds** — For production of production payments. **Underwriters**—First California Co., Inc., San Francisco, Calif.; and Blair & Co., Incorporated, New York. **Change of Name**—Formerly Continental Production Corp. (see below). **Offering**—Indefinitely postponed.

Charge Buying Service, Inc.
Oct. 17 (letter of notification) 300,000 shares of class A common stock (par 25 cents) and 60,000 class warrants to be offered in units of five shares of class A stock and one warrant (warrant holders will be entitled to purchase one class A share at 62½ cents per share). **Price**—$2.50 per unit. **Proceeds**—For working capital and to meet current expansion and liquidate notes and liabilities. **Office**—522 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser & Emery, Inc., 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. (11/18)**
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.

Citizens Credit Corp., Washington, D. C.
Sept. 27 (letter of notification) $245,000 of 6% subordinated debentures due 1975 (with warrants to purchase 2,450 shares of class A common and 490 shares of class B common stock). **Price**—99%. **Proceeds**—To supply capital to subsidiaries. **Office**—1028 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—Emory S. Warren & Co., same address.

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. (12/15)**
Nov. 9 filed 2,500,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Office**—Montrose, Colo. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

● **Colorado Interstate Gas Co.**
Oct. 28 filed 256,503 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To Public Service Co. of Colorado, the selling stockholder. **Underwriter**—Union Securities Corp., New York. **Offering**—Expected today or tomorrow (11/17-18).

★ **Columbus & Southern Ohio Electric Co. (12/6)**
Nov. 15 filed 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Dillon, Read & Co. Inc., New York; and The Ohio Company, Columbus, Ohio.

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.

★ **Consolidated Edison Co. of New York, Inc. (12/6)**
Nov. 9 filed $70,000,000 of first and refunding mortgage bonds, series K, due Dec. 1, 1985. **Proceeds**—To repay $65,000,000 bank loans and for additions to utility plant. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Dec. 6.

★ **Consumers Cooperative Association**
Nov. 8 filed 140,000 shares of 5½% preferred stock; 10,000 shares of 4% second preferred stock; and 4,000 shares of 2% third preferred stock to be sold directly to members of the Association. **Price**—At par ($25 per share). **Proceeds** — For general corporate purposes, including cash requirements necessary to meet requests for redemption ahead of maturity on outstanding certificates of indebtedness and 5½% preferred stock and to finance accounts receivable; also to improve existing facilities. **Underwriter** — None; stock sales to be made through Association's employees. **Office**—Kansas City, Mo.

Continental Production Corp.
Aug. 29 filed $3,700,000 of 15-year 5½% income debentures due Sept. 1, 1970 and 870,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$50.50 per unit. **Proceeds**—For acquisition of production payments. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., Inc., San Francisco, Calif. **Statement Amended and Name Changed**—See Channel Oil Co. above.

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.

Coosa River Newsprint Co.
Oct. 19 filed 122,200 shares of common stock (par $50) being offered for subscription by common stockholders on the basis of one new share for each three shares held as of record Nov. 8, 1955; rights to expire on Nov. 29. **Price**—$70 per share. **Proceeds**—Together with other funds, for expansion. **Office**—Coosa Pines, Ala. **Underwriter**—Blyth & Co., Inc., New York.

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.

● **Credit Finance Corp., La Grange, Ga. (11/21)**
Oct. 28 (letter of notification) 148,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For working capital. **Office**—Mallory-Hutchinson Bldg., La Grange, Ga. **Underwriter**—Franklin Securities Co., Atlanta, Ga.

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.

★ **Crown Western Investments, Inc., Dallas, Texas**
Nov. 14 filed (by amendment) an additional 100,000 shares of Diversified Income Fund Series D2. **Price**—At market. **Proceeds**—For investment.

Cuno Engineering Corp., Meriden, Conn.
Nov. 3 filed 100,000 shares of $1 cumulative preferred stock (no par—$14 stated value) and 100,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price** — $16.50 per unit. **Proceeds**—To repay, in part, bank loan in connection with purchase from the Donner interests of entire outstanding 10,100 shares of class A preference stock for $1,010,000 and their entire holdings of common stock, consisting of 12,850 shares (85%) for the sum of $809,550; and toward replacement in part of company's cash used (1) to purchase entire outstanding capital stock of Connecticut Filter Corp. from the Donner interests for the sum of $250,205 and (2) to pay off in full a $400,000 4½% 5-year bank loan. **Underwriter**—Putnam & Co., Hartford, Conn.

Daitch Crystal Dairies, Inc. (12/15-20)
Oct. 28 filed $2,000,000 of 4% convertible subordinated debentures due 1975. **Price**—100% of principal amount. **Proceeds**—From sale of debentures, together with funds to be received from institutional investor, to be used in connection with proposed merger with company of Shopwell Foods, Inc., and for expansion program. **Office**—Bronx, New York City, N. Y. **Underwriter**—Hirsch & Co., New York.

● **Deerfield Gas Production Co.**
Sept. 30 this company, together with Kearney Gas Production Co., filed 935,999 units of beneficial interest in Hugoton Gas Trust, being offered to common stockholders of Kansas-Nebraska Natural Gas Co., Inc. of record Nov. 10 on a 1-for-1 basis (rights to expire on Nov. 25); and to 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. **Office**—Wichita, Kan. **Underwriters**—The First Trust Co., of Lincoln, Neb. and Cruttenden & Co., Chicago, Ill.

★ **Delaware Fund, Inc., Camden, N. J.**
Nov. 15 filed (by amendment) 2,000,000 shares of additional common stock. **Price**—At market. **Proceeds**—For investment.

★ **Delaware Power & Light Co. (12/13)**
Nov. 16 filed $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. **Bids** — Tentatively expected to be received on Dec. 13.

★ Delaware Power & Light Co. (12/13)
Nov. 16 filed 50,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received on Dec. 13.

Delta Minerals Co., Casper, Wyo.
Sept. 20 (letter of notification) 600,000 shares of non-assessable 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.

★ Diamond Portland Cement Co.
Nov. 10 filed 60,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Office**—Middle Branch, Ohio. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, Ohio.

Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

Dixie Aluminum Corp., Rome, Ga.
Oct. 31 filed 125,000 shares of 36-cent cumulative preferred stock (par $4) and 125,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. Of the common shares, 74,180 are being sold by the company and 50,820 by Brett D. Holmes, its President. **Price**—$7 per unit. **Proceeds**—To repay indebtedness and for expansion, equipment, working capital and other general corporate purposes. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

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. **Underwriters**—R. L. Hughes & Co., Denver, Colo. and G. W. Allen & Co., Cheyenne, Wyo.

● Eagle Newspaper Enterprises, Inc. (11/28-12/2)
Oct. 19 filed 75,000 shares of 7% cumulative convertible preferred stock (par $10) and 75,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$10.10 per unit. **Proceeds**—To exercise an option, which expires on Dec. 4, 1955, to acquire certain properties of the Brooklyn Eagle, Inc.; and for working capital. **Office**—Brooklyn, N. Y. **Underwriter** — James Anthony Securities Corp., New York.

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.

East Basin Oil & Uranium Co.
Oct. 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to drilling for oil and gas. **Office**—Colorado Bldg., Denver, Colo. **Underwriter**—Philip Gordon & Co., Inc., New York.

Edgemont Shopping Center, Inc., Chicago, Ill.
Oct. 14 filed 6,000 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire title to shopping center in Lansing, Mich., from builder of center. **Underwriter**—None, offering to be made through officers of company. Funds are to be held in escrow (if not enough is received, funds will be returned to purchasers of stock).

Electronic Micro-Ledger Accounting Corp.
Sept. 23 (letter of notification) 297,000 shares of common stock (par 10 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—53 State St., Boston, Mass. **Underwriter**—None.

Empire Studios, Inc., Orlando, Fla.
Oct. 7 (letter of notification) 120,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—To finish three films under release contract to Republic Pictures Corp. **Underwriter** — Gerard R. Jobin Investments, Ltd., St. Petersburg, Fla.

Entz-White Lumber & Supply, Inc., Phoenix, Ariz. (11/21)
Oct. 26 filed $500,000 of 20-year, 7% sinking fund debentures and 10,000 shares of capital stock (par $1) to be offered in units of $50 principal amount of debentures and one share of stock. **Price** — $50 per unit. **Proceeds**—To retire $80,000 of outstanding debentures; to increase inventories; and to establish additional outlets. **Underwriter**—None.

Finance Co. of America at Baltimore
Oct. 19 (letter of notification) 10,000 shares of class A common stock (par $10), to be offered for subscription by stockholders on the basis of one new share for each 10 shares held. **Price**—$30 per share. **Proceeds**—To form and invest in the capital stock of an insurance company subsidiary. **Office**—Munsey Bldg., Baltimore 2, Md. **Underwriter**—None.

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.

Franklin Railway Supply Co.
Oct. 19 (letter of notification) 20,000 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—To reduce unsecured bank loans and for working capital. **Office**—927 Market St., Wilmington, Del. **Underwriter**—None, But C. W. Floyd Coffin and Herman F. Ball have agreed to purchase all shares not subscribed for by stockholders.

Freedom Insurance Co.
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. **Office**—Berkeley, Calif. **Underwriter** — Blair & Co. Incorporated, New York. **Offering**—Indefinitely postponed.

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 Capital Corp. (12/15)
Oct. 3 (letter of notification) $300,000 of 10 year 8% debentures. **Price**—At par (in denominations of $100, $500, $1,000 and $5,000). **Proceeds** — For purchase of commercial paper. **Office**—4309 N. W. 36st St., Miami Springs, Fla. **Underwriter**—None.

General Molded Plastics, Inc.
Sept. 30 (letter of notification) 297,500 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For acquisition of machinery, molding equipment and working capital. **Office**—Tower Petroleum Bldg., Dallas, Tex. **Underwriter**—First Securities Co., Dallas, Tex.

★ Genie Petroleum, Inc., Grand Junction, Colo.
Oct. 31 (letter of notification) 75,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For drilling expenses, etc. **Office**—460 White Ave., Grand Junction, Colo. **Underwriter**—None.

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.

● Great Lakes Oil & Chemical Co.
Sept. 29 (letter of notification) 171,429 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 14 at the rate of one new share for each 17 shares held (with an over-subscription privilege); rights to expire on Dec. 5. **Price**—$1.62½ per share. **Proceeds**—For general funds. **Office**—417 South Hill St., Los Angeles, Calif. **Underwriter**—None.

Great Southwest Fire Insurance Co., Phoenix, Ariz.
Oct. 26 filed 700,000 shares of capital stock (par $1), to be offered to present and future holders of policies issued by National Reserve Insurance Co. as an optional dividend refund of their annual policy premium. **Price**—$1.60 per share. **Proceeds**—For working capital, etc. **Underwriter** — None. Some of the stock will also be offered to public through Kenneth K. Pound, President; and Law L. Lovelace, Secretary-Treasurer.

★ Guardian Mutual Fund, Inc., New York
Nov. 14 filed (by amendment) 30,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

★ Helio Aircraft Corp., Canton, Mass.
Nov. 3 (letter of notification) 24,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For administrative and engineering expenses. **Office** — Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—None.

Hemenway Furniture Co., Inc., Shreveport, La.
Oct. 31 (letter of notification) 30,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

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. Statement effective Oct. 19.

● Hugoton Gas Trust
See Deerfield Gas Production Co. above.

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.

Hydro-Loc, Inc., Seattle, Wash.
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

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.

Industria Electrica de Mexico, S. A. (Electrical Industry of Mexico, Inc.)
Nov. 7 filed 157,632 American shares representing a like amount of common shares (par 100 pesos-Mexican currency—U. S. $8 per share) to be offered for subscription by common stockholders at the rate of one new share for each common share held of record Nov. 28; rights to expire on Dec. 13. **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter**—National Financiera, S. A., a Mexican corporation controlled by the Mexican Government, has agreed to purchase all of the additional new common stock not subscribed for.

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.

★ Insulated Circuits, Inc., Belleville, N. J.
Nov. 10 filed 100,000 shares of 6% cumulative convertible preferred stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Alexander Watt & Co., Ltd., New York.

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. (11/21-25)
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 Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), 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.

★ K. B. & R. Mining Development Corp.
Nov. 7 (letter of notification) 20,000 shares of preferred stock and 7,500 shares of common stock. **Price**—Of preferred: $5 per share; and of common: $1 per share. **Proceeds**—For mining expenses. **Address**—Box 196, Yarnell, Ariz. **Underwriter**—None.

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Kansas City Title Insurance Co.
Sept. 19 (letter of notification) 7,500 shares of capital stock (par $25), being offered to stockholders as of Oct. 1 on the basis of one new share for each eight held; rights to expire on Nov. 15. **Price**—$40 per share. **Proceeds**—For general corporate purposes. **Office** — Title Bldg., Kansas City, Mo. **Underwriter**—None.

★ **Kawecki Chemical Co., Boyertown, Pa. (12/6)**
Nov. 10 filed 75,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding mortgage indebtedness and bank loan; for construction program; and for working capital and other general corporate purposes. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

● **Kayser (Julius) & Co., New York (11/25)**
Oct. 24 filed 130,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each five shares held; rights to expire on Dec. 14. **Price**—$20 per share. **Proceeds**—For general corporate purposes. **Business**—Manufactures wearing apparel. **Underwriter**—None. Any unsubscribed shares will be taken up by certain officers, directors and insurance companies.

● **Kearney Gas Production Co.**
See Deerfield Gas Production Co. above.

Kendon Electronics Co., Inc.
Oct. 27 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Nicholas J. Papadakos, the selling stockholder. **Office**—129 Pierrepont St., Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York.

Kimberly-Clark Corp., Neenah, Wis. (11/22)
Oct. 31 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

● **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. Statement has been withdrawn.

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.

● **LeCuno Oil Corp., Jefferson, Texas (12/5)**
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. **Underwriters**—Eastman, Dillon & Co., New York; and First California Co., Inc., San Francisco, Calif.

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.

● **Lincoln Service Corp. (11/29)**
Nov. 3 filed $4,000,000 12-year sinking fund capital debentures, due Dec. 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans and other indebtedness and for working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and Union Securities Corp., New York.

★ **Linde Construction Co., Washington, D. C.**
Nov. 2 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For working capital. **Office** — Suite 944, Washington Bldg., Washington, D. C. **Underwriter**—None.

Lithium Developments, Inc., Cleveland, Ohio
Oct. 17 filed 600,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development costs, etc. **Underwriter**—George Searight, New York City.

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.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Magna Theatre Corp., New York
Sept. 29 filed 110,000 shares of common stock (par five cents) being offered for subscription by common stockholders of record Oct. 26 at the rate of one new share for each 20 shares held; rights to expire on Nov. 18. **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.

★ **Maine Fidelity Life Insurance Co.**
Nov. 10 filed 40,000 shares of capital stock (par $10). **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Office** — Portland, Me. **Underwriter**—P. W. Brooks & Co., Inc., New York.

★ **Major Finance Corp., Silver Spring, Md.**
Nov. 4 (letter of notification) $125,000 of eight-year 6% subordinated debentures (with warrants to purchase five shares of $10 par class A common stock at $15 per share with each $500 principal amount of debentures). **Price**—82½% of principal amount. **Proceeds**—For advances to wholly-owned subsidiaries to be used to increase loans outstanding and for general corporate purposes. **Office**—7833 Eastern Ave., Silver Spring, Md. **Underwriter**—None.

(The) Manchester Co.
Oct. 12 (letter of notification) 10,000 shares of cumulative convertible preferred stock (convertible any time after Jan. 1, 1956 into common stock on a share-for-share basis). **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—Charles E. Thenebe & Associates, Hartford, Conn.

Manhattan Mercury Corp., Denver, Colo.
Oct. 26 (letter of notification) 1,500,000 shares of common stock (par one cent), of which 1,400,000 shares are for account of company and 100,000 shares for certain stockholders. **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—374 Denver Club Bldg., Denver, Colo. **Underwriters**—General Investing Corp., New York; and Investment Service Co., Denver, Colo.

★ **Mansfield Telephone Co., Mansfield, Ohio**
Nov. 4 (letter of notification) 6,000 shares of 5% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To reduce short term indebtedness and for construction program. **Office**—35 Park Avenue East, Mansfield, Ohio. **Underwriter**—None.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif. **Underwriter**—Globe Securities Corp., New York.

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.

★ **Mason Mortgage & Investment Corp.**
Nov. 2 (letter of notification) $250,000 of 8% certificates of the Mason Investment Fund (with redemption and conversion privileges). **Price**—At par (in denominations of $1,000, $500 and $250). **Proceeds**—For purchase of individual mortgage notes for the portfolio of the Fund. **Office** — Meridian Hill Studios, Suite 7, 2633 15th St., N.W., Washington 9, D. C. **Underwriter**—None.

★ **Mercury & Chemicals Corp., New York**
Oct. 24 (letter of notification) 299,940 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For purchase of equipment, construction of plant and exploration. **Office**—342 Madison Ave., New York, N. Y. **Underwriter**—Golden-Dersch & Co., New York.

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.

Mexico Refractories Co., Mexico, Mo.
Oct. 19 filed 57,776 shares of common stock (par $5) to be offered to stockholders of National Refractories Co., a subsidiary, in exchange for 57,776 shares of capital stock (par $5) of National on a share-for-share basis; offer to remain open for 60 days from date of prospectus. Offer is conditioned upon Mexico owning at least 80% of outstanding National stock upon consummation of exchange.

Mid-State Commercial Corp.
Oct. 31 (letter of notification) 5,000 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds** — To acquire conditional sale contracts, to reduce notes payable and for other corporate purposes. **Office** — 2 King St., Middletown, N. Y. **Underwriter**—Frazee, Olifiers & Co., New York.

★ **Mid-Union Indemnity Co., Elgin, Ill.**
Nov. 10 filed 500,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Miles Laboratories, Inc., Elkhart, Ind. (11/30)**
Nov. 9 filed 106,962 shares of common stock (par $2) to be offered for subscription by common stockholders of record about Nov. 29 on the basis of one new share for each ten shares held; rights to expire on Dec. 12. **Price**—To be supplied by amendment. **Proceeds** — For expansion; purchase of machinery and equipment; and for working capital. **Underwriter** — The First Boston Corp., New York.

★ **Minute Maid Corp., New York**
Nov. 15 filed 400,000 shares of common stock (par 10 cents). **Price**—To be related to current market price in the over-the-counter market at time of offering. **Proceeds** — To increase working capital. **Underwriters** — Paine, Webber, Jackson & Curtis and White, Weld & Co., both of New York.

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.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

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.

● **Montana-Dakota Utilities Co. (11/30)**
Nov. 1 filed 50,000 shares of cumulative preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

National Mercury Corp., Denver, Colo.
Oct. 24 (letter of notification) 750,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Office** — 414 Colorado Bldg., Denver, Colo. **Underwriter**—Shaiman & Co., same city.

★ **National Old Line Insurance Co.**
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y.

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.

North Shore Gas Co., Salem, Mass. (12/7)
Nov. 1 filed $2,500,000 of first mortgage bonds, series B, due 1975. **Proceeds**—To repay bank loans and advances from New England Electric System. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated. **Bids**—Scheduled to be received up to 11 a.m. (EST) on Dec. 7 at 441 Stuart St., Boston 16, Mass.

● **Northrop Aircraft, Inc. (11/29)**
Nov. 3 filed $10,000,000 of convertible subordinated debentures due Dec. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes, including reduction of bank loans. **Underwriters**—William R. Staats & Co., and Blyth & Co., Inc., both of Los Angeles, Calif.

Norwood Uranium, Inc., Norwood, Colo.
Oct. 21 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ **Nu-Petro Corp., Dallas, Texas**
Nov. 14 filed 4,000,000 shares of common stock (par 25 cents). **Price**—30 cents per share. **Proceeds**—For purchase of investments and property interests in both oil and gas and nuclear situations. **Underwriter**—None; but offering will be made through licensed dealers.

● Old Empire, Inc. (12/12-26)
Oct. 31 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To retire $17,800 of outstanding preferred stock; for equipment, inventory and working capital. **Business**—Chemical specialties. **Office**—865 Mt. Prospect Ave., Newark, N. J. **Underwriter**—Vickers Brothers, New York.

Olive-Myers-Spalti Mfg. Co., Dallas, Tex.
Oct. 24 filed 100,000 shares of cumulative convertible preferred stock (par $6.25) to be offered for subscription by common stockholders on basis of one share of preferred stock for each 2.597 shares of common stock held. **Price** — $9.50 per share. **Proceeds** — For expansion program. **Business** — Manufactures household furniture. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Texas.

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 Employees Insurance Co. (12/6)
Nov. 10 filed 94,700 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

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 Investment Fund, Ltd., Honolulu, T. H.
Nov. 14 filed 177,500 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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.

Paria Uranium & Oil Corp.
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

Partridge Canadian Explorations, Ltd.
Sept. 21 (Regulation "D" filing) 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For exploration and development costs. **Office**—West Toronto, Ont., Canada. **Underwriter** — Hunter Securities Corp. and M. J. Reiter Co., both of New York.

★ Penn Precision Products, Inc., Reading, Pa.
Nov. 3 (letter of notification) 3,857 shares of common stock (no par), of which 2,000 shares are to be offered for subscription by existing stockholders at $12 per share, and 1,857 shares to non-stockholders who are residents of Pennsylvania at $14 per share. **Proceeds**—For purchase of mill. **Office** — 501 Crescent Ave., Reading, Pa. **Underwriter**—None.

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.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

Porto Rico Telephone Co. (11/30)
Nov. 7 filed 100,000 shares of common stock (par $20), to be offered for subscription by stockholders of record Nov. 29 at the rate of one new share for each four shares held; rights to expire on Dec. 13. The International Telephone & Telegraph Co., the holder of 399,495 shares (99.87%) of the outstanding stock has waived its pre-emptive rights to purchase any of the new shares. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Postal Life Insurance Co.
Sept. 29 filed 100.000 shares of capital stock being offered for subscription by stockholders of record Oct. 20 at the rate of two new shares for each share held (with an oversubscription privilege); rights to expire on Nov. 21. Of this total 45,500 shares were on Oct. 21 offered publicly for the account of two selling stockholders. **Price**—To stockholders, at par ($2 per share); to public, $20 per share. **Proceeds**—For working capital and other general corporate purposes. **Underwriter** — For company rights offering, none; for stockholder offering, A. C. Allyn & Co. Inc., Chicago, Ill.

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.

Puerto Rican Jai Alai, Inc. (11/30)
Nov. 3 filed 1,250,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase property and for construction of sports stadium, etc. **Business**—Playing of jai alai, with pari-mutuel betting. **Office**—San Juan, Puerto Rico. **Underwriter**—F. H. Crerie & Co., Inc., New York.

● Radio Corp. of America (11/18)
Oct. 28 filed $100,000,000 of 25-year convertible subordinated debentures due Dec. 1, 1980 to be offered for subscription by common stockholders of record Nov. 17 on the basis of $100 of debentures for each 14 shares of stock held; rights to expire on Dec. 5. Warrants will be mailed tonight (Nov. 17). **Price** — To be supplied by amendment. **Proceeds**—For property additions and improvements; for further expansion and development of the corporation's research, manufacturing and service facilities in electronics and related fields. **Underwriters**—Lehman Brothers and Lazard Freres & Co., both of New York.

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.

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.

★ Revlon Products Corp., New York (12/6)
Nov. 14 filed 373,900 shares of common stock (par $1), of which 272,067 shares are to be offered by the company and 101,833 shares by certain stockholders. Of the latter shares, 33,900 are to be first offered directly to certain employees. **Price** — To be supplied by amendment. **Proceeds**—To complete payment for a plant newly acquired from Johnson & Johnson, in Metuchen, N. J., and for new equipment. **Business**—Cosmetics and toiletries. **Underwriter**—Reynolds & Co., New York.

Richmond Homes, Inc., Richmond, Ind.
Oct. 25 filed 140,000 shares of common stock (par $1), of which 80,000 shares are to be sold for the account of the company and 60,000 shares for the account of two selling stockholders. **Price**—To be supplied by amendment. (Proposed maximum offering price is stated to be $5 per share.) **Proceeds**—To prepay a mortgage note, for the organization of a wholly owned acceptance corporation to be used for financing purposes, for plant additions and the purchase of additional equipment, for the purchase of land to be developed as a new subdivision in Richmond, Ind., and for working capital. **Underwriter**—Cruttenden & Co., Chicago, Ill.

● Rochester Gas & Electric Corp. (11/28)
Nov. 4 filed 200,000 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each seven shares held on Nov. 25; rights to expire on Dec. 12; unsubscribed shares to be offered to employees up to and including Dec. 9. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—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.

Rogers Corp., Rogers, Conn.
Oct. 3 (letter of notification) a minimum of 5,883 shares and a maximum of 7,453 shares of class B common stock to be offered to stockholders on a basis of one share for each four shares held. **Price**—($29 per share). **Proceeds**—To replenish working capital due to losses sustained in recent flood. **Underwriter**—None .

San Diego Gas & Electric Co. (11/29)
Nov. 1 filed $18,000.000 of first mortgage bonds, series F, due 1985. **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 8:30 a.m. (PDT) on Nov. 29 at Room 1200, 111 Sutter St., San Francisco, Calif.

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. Statement effective Oct. 10.

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 non-assessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

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.

★ Sans Souci Hotel, Inc., Las Vegas, Nev. (12/1)
Nov. 9 filed 1,428,000 shares of common stock (of which 1,097,529 shares are to be offered for subscription by stockholders at rate of 1⅔ shares for each share held of record Dec. 1, 1955 (with rights to expire on Dec. 31); 30,471 shares are to be issued in payment for claims of seven individuals and firms aggregating $30,471; and 300,000 shares are to be offered by George E. Mitzel, President of company). **Price**—$1 per share. **Proceeds**—For construction of new facilities; to pay off notes; and for working capital. **Underwriter**—None.

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.

★ Sears, Roebuck & Co.
Nov. 14 filed 25,000 memberships in the Savings and Profit Sharing Fund and 700,000 shares of Sears stock which may be purchased thereunder.

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.

Shenandoah Gas Co., Lynchburg, Va.
Nov. 3 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To Mrs. Jewel R. Carter. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Sheraton Corp. of America
Oct. 31 filed $15,000,000 of 6½% cumulative income subordinated debentures due Nov. 1, 1980 to be offered initially by the company (a) to its stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock then held and (b) to employees of corporation and its subsidiaries. **Price**—$95 per $100 of debentures to stockholders; and at par to public. **Proceeds**—For general corporate purposes. **Office**—Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales.

★ Shumway's Broken Arrow Uranium, Inc.
Nov. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Moab, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Salt Lake City, Utah.

Siegler Corp., Chicago, Ill. (11/22)
Oct. 31 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay remainder of purchase price for the stock of Holly Manufacturing Co. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; Dominick & Dominick and Bache & Co., both of New York, N. Y.; and Schwabacher & Co., San Francisco, Calif.

Southern Co.
Sept. 30 filed 1,507,303 shares of common stock (par $5) being 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. **Price**—$17.50 per share. **Proceeds**—To repay bank loans and for investment in additional stock of subsidiary companies. **Underwriter**—The First Boston Corp., Ladenburg, Thalmann & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly), who were awarded the issue on a bid of 13.125 cents per share compensation.

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.

Southwestern Financial Corp.
Sept. 6 filed 770,000 shares of common stock (par 10 cents), being offered for subscription by stockholders of record Nov. 2 at rate of two new shares for each share held (with an oversubscription privilege); rights to expire on Nov. 21. **Price**—$2.25 per share. **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.

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.

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★ **Star Plywood Cooperative, Estacada, Ore.**
Nov. 14 filed 335 memberships in the Cooperative. **Price**—$6,500 per membership. **Proceeds**—To purchase a mill, the price of which is estimated at $1,347,565; and for working capital. **Underwriter**—None.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

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.

● **Texas American Oil Corp. (11/21)**
Nov. 3 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For drilling expenses, etc. **Office**—216 Central Bldg., Midland, Tex. **Underwriter**—Kramer, Woods & Co., Inc., Houston, Tex.

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.

Toro Manufacturing Corp.
Oct. 25 filed 42,099 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held as of about Nov 14; rights to expire on Nov. 28. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn.

Traveler Publishing Co., Inc., Philadelphia, Pa.
Sept. 29 (letter of notification) $247,000 of 5½% convertible debentures, series A, due Sept. 1, 1965 and 24,700 shares of common stock (par 10 cents), to be offered in units consisting of $1,000 of debentures and 100 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—For payment of indebtedness, expansion, establishment of additional offices; professional and editorial assistance, advertising and promotion; and working capital. **Office**—Widener Bldg., Philadelphia, Pa. **Underwriter**—Albert C. Schenkosky, Wichita, Kansas.

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.

Tri-Continental Corp., New York
Oct. 27 filed 2,573,508 shares of common stock (par $1), which will be issuable upon exercise of the common stock purchase warrants presently outstanding. **Price**—Each warrant currently entitled the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

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.

Union Corp. of America
Oct. 13 filed 797,800 shares of common stock (no par). **Price**—Proposed maximum offering price per unit is $5 per share. **Proceeds**—To acquire one life and one fire insurance company, and one mortgage loan firm. **Underwriter**—None; shares to be sold through directors and officers.

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 South Africa (11/30)**
Nov. 15 filed $25,000,000 of external loan bonds to be dated Dec. 1, 1955 (to consist of three, four, five and 10-year bonds). **Price** — To be supplied by amendment. **Proceeds** — Together with £9,000,000 to be borrowed from the International Bank for Reconstruction and Development (World Bank), to be used to carry out a transportation development program, including improvements to the Union's railroads and certain other facilities. **Underwriter**—Dillon, Read & Co., Inc., New York.

● **United Insurance Co. of America (11/23)**
Oct. 28 filed 200,000 shares of common stock (par $2.50), of which 50,000 shares are to be sold for account of company and 150,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—Chicago, Ill. **Underwriters**—R. S. Dickson & Co., Charlotte, N. C., and A. C. Allyn & Co. Inc., Chicago, Ill.

● **U. S. Automatic Machinery & Chemical Corp. (11/22)**
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., 135 Broadway, New York.

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.

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.

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.

Valley Telephone Co., Silverton, Ore.
Nov. 3 (letter of notification) 10,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To retire outstanding debts and short term notes. **Underwriter**—Daugherty, Butchart & Cole, Inc., Portland, Ore.

Virginia Electric & Power Co. (12/6)
Nov. 4 filed 125,000 shares of cumulative preferred stock, 1955 series (par $100). **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 6 at Room 1703, 15 Broad St., New York, N. Y.

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.

● **Western Carolina Telephone Co.**
Oct. 10 (letter of notification) 18,500 shares of common stock (par $10), being offered to stockholders through subscription rights on the basis of one share for each five held as of Oct. 25; rights to expire on Nov. 25. **Price** — $12 per share. **Proceeds** — For expansion. **Office**—Weaverville, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

★ **Western Natural Gas Co. (11/30)**
Nov. 10 filed 183,003 shares of convertible preferred stock, 1955 series (par $30), to be offered for subscription by common stockholders on the basis of one preferred share for each 20 shares of common stock held about Nov. 29; rights to expire about Dec. 13. **Price**—To be supplied by amendment. **Proceeds**—For exploration and development programs. **Office**—Houston, Tex. **Underwriter**—White, Weld & Co., New York.

● **Wheeling Steel Corp.**
Oct. 28 filed $19,097,800 of 3¾% convertible debentures due Nov. 15, 1975, being offered for subscription by common stockholders of record Nov. 16 on the basis of $100 principal amount of debentures for each 10 shares of stock held; rights to expire Nov. 30. **Price**—At par (flat). **Proceeds**—For additions and improvements. **Underwriter**—Kuhn, Loeb & Co., New York.

Whitaker Cable Corp., North Kansas City, Mo. (11/23)
Nov. 3 filed $500,000 of convertible sinking fund debentures due Nov. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans, to acquire additional equipment and for working capital and general corporate purposes. **Underwriter**—Barret, Fitch, North & Co., Kansas City, Mo.

Wisconsin Southern Gas Co., Inc.
Oct. 20 filed 20,818 shares of common stock (par $10), to be offered for subscription by stockholders on the basis of one new share for each four shares held as of Nov. 3; rights to expire on Nov. 29. **Price** — $16.50 to stockholders; and $17.50 to public. **Proceeds**—To repay bank loans and for extensions and improvements to property. **Office** — 235 Broad St., Lake Geneva, Wis. **Underwriters** — The Milwaukee Co., Milwaukee, Wis.; and Harley, Haydon & Co., Inc. and Bell & Farrell, Inc., both of Madison, Wis.

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.

★ **Wycotah Oil & Uranium, Inc., Denver, Colo.**
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

Wyoming-Gulf Sulphur Corp.
Oct. 10 filed 971,000 shares of capital stock (par 10 cents), of which 700,000 shares are for company's account and 271,000 shares for account of two selling stockholders. **Price**—On the over-the-counter market at then prevailing price, but not less than $2 per share. **Proceeds**—For auxiliary equipment for Cody plant, for acquisition of additional site, and related activities.

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.

Yellowknife Uranium Corp.
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. **Offering**—Indefinitely postponed.

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

Atlantic City Electric Co.
Aug. 1, B. L. England, President, announced that the directors are now considering the sale to the public of a small amount of common stock (not more than 75,000 shares) early next year. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., both of New York.

Atlas Plywood Corp.
Oct. 12 it was announced company plans to issue and sell $3,000,000 of 5% sinking fund debentures and $3,000,000 of 5½% convertible subordinated debentures. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Meeting**—The stockholders on Nov. 2 voted to approve a proposal to increase the authorized common stock from 1,400,000 shares to 2,400,000 shares to provide

for exchange of stock for minority shares to Plywood, Inc., for conversion of proposed new debentures and for possible future acquisitions of property. **Underwriter**—For convertible debentures, may be Van Alstyne, Noel & Co., New York. **Offering**—Expected before end of 1955.

Boston & Maine RR.
Oct. 20 stockholders approved a plan to offer $105 principal amount of series B 5% income debenture bonds (plus 5% interest for the year 1955) in exchange for each of the outstanding 274,597 shares of 5% preferred stock (par $100). Not in excess of $28,874,564 of bonds would be issued.

Citizens & Southern National Bank, Atlanta, Ga.
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held (subject to approval of stockholders in January). **Price** — $30 per share. **Proceeds** — To increase capital and surplus.

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.
Sept. 28 it was announced that the company expects to undertake some common stock financing early in 1956, probably first to stockholders (this is in addition to bond and preferred stock financing planned for Dec. 13). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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.

★ Dolly Madison International Foods Ltd.
Nov. 15 it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance on Nov. 14 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 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. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

★ Federal Pacific Electric Co.
Nov. 15 it was announced directors are considering an issue of debentures, together with common stock purchase warrants. **Proceeds**—To reduce bank loans. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co., New York.

● Ford Motor Co., Detroit, Mich. (1/18)
Nov. 6 it was announced a public offering of class A common stock is expected shortly after Jan. 1, 1956. The stock to be sold will be 6,952,293 shares (or 15% of the 46,348,620 shares to be owned by the Ford Foundation following reclassification of the stock). **Price**—It was reported that the offering price was expected to be around $60 to $70 per share. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co. **Registration**—Expected the latter part of December.

Fresnillo Co.
Oct. 27 it was announced stockholders will vote Nov. 22 on increasing authorized common stock from 1,050,000 shares to 2,100,000 shares to provide for new possible financing in connection with proposed acquisition of mining properties in Mexico.

Houston Lighting & Power Co.
Oct. 31 it was reported company may sell early next year about $30,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Equitable Securities Corp. **Offering** — Expected in February or March.

Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

★ Long Island Trust Co., Garden City, N. Y. (11/21)
Nov. 14 it was announced that stockholders will vote Nov. 21 on approving the sale of 10,000 additional shares of capital stock (par $10) to stockholders on the basis of one new share for each 10 shares now held; rights to expire on Dec. 7. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Cyrus J. Lawrence Securities Corp., New York.

★ Magnavox Co. (1/9-13)
Nov. 14 it was announced company plans to issue and sell 120,000 shares of convertible preferred stock (par $50). **Price**—To be named later. **Proceeds**—For research and development program and working capital. **Underwriter**—Reynolds & Co., New York. **Offering**—Expected week of Jan. 9, 1956. **Registration** — Planned for about Dec. 15.

Missouri Pacific RR. (12/1-8)
Bids are expected to be received by the company on Dec. 1 or Dec. 8 for the purchase from it of $2,625,000 equipment trust certificates due to 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

● National Propane Corp. (12/8-14)
Nov. 8, H. N. Forman, President, announced that the company plans an initial public offering of equity securities (probably 140,000 shares of convertible preferred stock [par $25] and 100,000 shares of common stock). **Proceeds**—Together with funds from private sale of $5,000,000 of 4¾% 15-year notes, to be used to acquire bottled gas business of Shell Oil Co. in the Middle West. **Office**—New Hyde Park, N. Y. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Registration**—Expected this week.

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 1995. **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 Orleans Public Service Inc. (1/11)
Oct. 24 it was reported company plans sale of 60,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Blair & Co. Incorporated. **Bids**—Expected on Jan. 11.

New York Central RR.
Nov. 8 it was announced company plans to issue and sell $6,600,000 of equipment trust certificates to mature annually Dec. 15, 1956-1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ North Shore Gas Co., Salem, Mass.
Nov. 9 it was announced company plans to offer to its common stockholders an additional 39,795 shares of common stock (par $10) on the basis of one new share for each five shares held. New England Electric System, the parent, now owns 192,446 shares (96.719%) of the outstanding stock and proposes to exercise its rights for 38,489 shares and proposes to purchase, during the 21-day subscription period, the 6,529 shares held by minority stockholders, together with their rights to subscribe for additional shares, on the basis of $16.50 per share. **Price**—$14 per share for new stock. **Proceeds**—To repay advances from parent company. **Underwriter**—None.

Northern Pacific Ry.
Sept. 30 it was reported that the company plans the issue and sale late in November of $1,755,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

★ Old National Bank, Spokane, Wash.
Nov. 15 it was announced company is offering to its stockholders the right to subscribe on or before Nov. 21 for 100,000 additional shares of capital stock (par $10) on the basis of one new share for each 2¾ shares held. **Price**—$31.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Spokane, Wash.

● Pennsylvania Electric Co. (1/17)
Oct. 28 it was reported company plans to issue and sell about $20,700,000 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. **Bids**—Expected Jan. 17.

● Pennsylvania Electric Co. (1/17)
Nov. 7 it was reported company proposes issuance and sale of $8,000,000 of preferred stock early next 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. **Bids**—Expected Jan. 17.

Pigeon Hole Parking of Texas, Inc.
Oct. 22 it was announced that about 800,000 shares of additional capital stock would be offered for public sale after the first of next year. **Proceeds** — Estimated at about $2,000,000, will be used to pay for expansion program. **Underwriters**—Porter, Stacy & Co., Houston, Tex.; and Muir Investment Corp., San Antonio, Tex.

Pike County Natural Gas Co.
Oct. 17 it was reported company plans to sell about $600,000 of common stock. **Underwriter**—Bache & Co., New York.

Prudential Loan Corp.
Oct. 31 it was reported company, formerly known as Glen Roger Credit, Inc., plans to issue and sell 111,000 shares of cumulative prior preferred stock and 55,500 shares of common stock in units of two shares of preferred stock and one share of common stock. **Price**—$13.50 per unit. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

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." Stockholders on Oct. 20 authorized the issuance of an additional $25,000,000 first and refunding mortgage bonds, but company announced it has no present plans to issue or sell any bonds under this mortgage. The company has scheduled a large-scale expansion program, involving $80,000,000 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.

Reading Tube Corp. (12/5-9)
Nov. 7 it was reported company plans to issue and sell 120,000 shares of $1.25 cumulative convertible preferred stock (par $20). **Price**—To be named later. **Proceeds**—To retire outstanding funded debt. **Underwriter**—Emanuel, Deetjen & Co., New York.

Riddle Airlines, Inc.
Nov. 2 it was announced company plans soon to offer to its stockholders the right to subscribe for 1,200,000 additional shares of common stock (with an oversubscription privilege). **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

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. **Proceeds**—For expansion program.

★ Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. Bonds may be placed privately.

Texas Industries, Inc.
Oct. 11 stockholders authorized a new issue of 30,000 shares of new common stock (no par value), of which it is planned to initially issue 10,000 shares bearing a $5 dividend and having a redemption value of $105 per share. **Proceeds**—For expansion program. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Tex.

★ Tracerlab, Inc.
Nov. 4 it was reported early registration is expected of $1,500,000 convertible debentures due 1970. **Price**—To be named later. **Proceeds**—To retire bank debt of Keleket X-Ray Corp. and for general corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Van Norman Co.
Oct. 25, it was announced stockholders on Nov. 30 will vote on approving a change in name of company to Van Norman Industries, Inc. and on creating an authorized issue of 400,000 shares of $2.28 convertible preferred stock (cumulative to the extent earned). **Proceeds**—For acquisitions. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

● Western Maryland Ry. (11/23)
Oct. 10 stockholders approved a plan authorizing the issuance of an additional 128,597 shares of common stock and changing the par value of the common shares from $100 per share to no par value. The plan calls for the offering to each stockholder of record Nov. 22 of the right to purchase one new common share for each six shares of stock owned, regardless of class (Baltimore & Ohio RR. would subscribe for 55,000 shares); rights to expire on Dec. 7. **Underwriters** — Morgan Stanley & Co., New York, and Alex. Brown & Sons, Baltimore, Md.

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. **Underwriters**—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.

Continued from page 13

Will Consumer Debts Limit the 1956 Market?

some solid logical reasons. The data (Table IV) themselves suggest it. By 1940 disposable personal income was still well below 1929, but consumer credit outstanding was 30% higher in the latter year. And the rise in instalment credit outstanding was 70%. Moreover, it is doubtful if any significant part of this expansion from 1929 to 1940 was to be explained by distress borrowing resulting from the depression.

Clearly this tendency for consumer debts to expand more rapidly than incomes is not a sudden phenomenon of 1955. It is a development which has been going on for at least the quarter of a century for which data are available. Indeed if the 1929-1940 trend in the ratio of consumer credit or instalment credit to income were extended to 1955, it would be above the actual 1955 ratios.

These figures showing the long-run rise in debts relative to income simply portray what there are good reasons to expect. The last quarter of a century is the period when we have been learning how to lend to consumers. Consumer loans which good, solid, conservative, respectable banks consider commonplace today would have been considered disgracefully unsound three decades ago. It is a good thing these lessons were learned because for the auto industry a mass market was essential, and this would have been impossible unless some were willing to venture into this "dangerous" and "unsound" area of consumer lending.

It may be that progress has come to an end in the lending business, but I doubt it. If it continues, there is every reason to expect that three decades hence we will know how to make loans which today would be regarded with just as arched eyebrows as today's loans would have been in 1925. And the volume of consumer credit outstanding will continue to rise in response to this accumulating know-how.

One reason for the rapid rise in consumers' debts relative to income is the greatly increased importance of consumers' hard goods, whose purchase gives rise to credit. Since it is quite improbable that this basic trend will be reversed, it is just as probable that there will continue to be a rise in debts relative to incomes.

Another consideration is the probability that incomes will be more even and less uncertain and volatile than in the first half of this century. Much has been done to tame the business cycle in the last 20 years. While we shall undoubtedly have our ups and downs in the future, it would be quite surprising if the fundamental measures taken to stabilize cyclical swings were to exert no effect. And through unemployment compensation (public and private) much has been done to cushion the unemployed worker's income from the full effect of being out of work.

We are certainly entitled to assume, therefore, that incomes will be somewhat more even and stable than in the prewar decades. And this means a corresponding increase in consumers' debt-carrying capacity, which depends on the regularity of incomes as well as their average size.

Conclusions

This analysis leads me to certain conclusions about the present consumer debt situation:

(1) There is little evidence that the present volume and structure of debts will trigger another depression. If, however, a serious depression should occur, a substantial liquidation of consumer debts would make the resulting business decline more disorderly. (Only irresponsible public policy would, however, let such conditions develop.)

(2) The consumer credit situation will not be a plus influence in the 1956 market to the same extent that it was for 1955. Repayments will rise faster than new credit extended; terms are not likely to ease much further; and the particularly credit-sensitive buyers were a part of the active 1955 market.

(3) The volume of consumer credit outstanding is not excessive relative to incomes. As has been true at least since 1929 we must expect consumer debt outstanding to grow more rapidly than income. There are solid, logical reasons for expecting this. Durables (whose purchase gives rise to credit) will continue to account for a growing share of consumer spending. We shall continue to learn more about lending to consumers, with a corresponding change in what is considered a credit-worthy loan and borrower. And incomes and employment are likely to be more stable and regular than before the war.

* * *

It would, of course, be silly to assume that a bad loan just cannot be made in the modern world, or that debts cannot expand too rapidly. It is equally unrealistic, however, not to put the present situation in perspective, viewing 1955 conditions in terms of the dynamics of an expanding, free-enterprise economy.

TABLE IV
Consumer Credit and Incomes
(Dollar amounts in billions)

Year	Disposable Personal Income	Consumer Credit Outstanding Amount	Consumer Credit Outstanding % Dispos. Income	Instalment Credit Outstanding Amount	Instalment Credit Outstanding % Dispos. Income
1929	$83.1	$6.4	7.7%	$3.2	3.9%
1940	76.1	8.3	10.8	5.5	7.2
1950	206.1	20.8	10.2	14.5	7.0
1953	250.4	29.5	11.8	22.2	8.9
1954	254.8	30.1	11.8	22.5	8.8
1955	272.0	33.6	12.3	26.2	9.6

SOURCE: U. S. Department of Commerce and Federal Reserve.

Chicago Stock Brokers Associates Elect

CHICAGO, Ill. — The Stock Brokers' Associates of Chicago have elected James P. Doherty, Jr., of E. F. Hutton & Company, President for 1955-56. Mr. Doherty replaces James D. Condrin of Harris, Upham & Co., who will serve on the Executive Committee of the association. Other officers elected are:

Vice-President: Lawrence Wagner, F. I. du Pont & Company.

Secretary: Robert M. Albert, Hornblower & Weeks.

Treasurer: Vincent Dimicelli, Jr., Hornblower & Weeks.

The association plans to have leaders of industry talk to their group at bi-monthly meetings.

Kuhn, Loeb Group Underwrite Wheeling Steel Offering

Wheeling Steel Corp. is offering to holders of its common stock the right to subscribe for $19,097,800 of 3¾% debentures due Nov. 15, 1975 and convertible into shares of common stock through Nov. 15, 1967. The debentures are being offered to stockholders at 100% at the rate of $100 principal amount of debentures for each 10 shares of common stock held of record on Nov. 16, 1955. The subscription offer will expire at 3:30 p.m. (EST) on Nov. 30, 1955. A group of investment bankers headed by Kuhn, Loeb & Co. is underwriting the offering.

Proceeds from the sale of the debentures, together with other funds of the company, will be used in meeting cash requirements for proposed additions and improvements to plants and facilities. From early 1946 to Sept. 30, 1955, Wheeling expended approximately $167,000,000 for modernization and expansion of production facilities and to increase its iron ore and coal reserves. It now intends to expend, over the next two to three years, an additional amount estimated at approximately $65,000,000 for further modernization and expansion of plants and facilities. The company also contemplates increasing its ingot capacity by at least 270,000 net tons and replacing all its present Bessemer converters with new steel-making facilities.

The debentures are convertible into common stock on or prior to Nov. 15, 1967. The conversion price per share of common stock through Nov. 15, 1959 is $57.50, payable by surrender of $50 principal amount of debentures and payment of $7.50 in cash. On Nov. 16, 1959 and Nov. 16, 1963, the cash payment on conversion will increase by $5 per share.

The debentures will have the benefit of $750,000 annual sinking fund beginning Nov. 15, 1959.

Hugoton Gas Trust Units at $4 Each

A group of underwriters headed by The First Trust Co. of Lincoln, Neb., and Cruttenden & Co. of Chicago, Ill., have underwritten an offering of 935,999 units of beneficial interest of Hugoton Gas Trust which is being made to common stockholders of Kansas-Nebraska Natural Gas Co., Inc. of record Nov. 10, 1955, at $4 per unit on the basis of one unit for each Kansas-Nebraska common share held. Transferable subscription warrants will expire at 2 p.m. (CST) on Nov. 25, 1955.

After the expiration date, eligible employees of Kansas-Nebraska Natural Gas Co. will receive subscription warrants, transferable only to other employees, evidencing the right to subscribe at the same price for units not subscribed for by stockholders.

The offer is subject to the limitations of State securities laws.

The net proceeds from the sale of the units are to be used to retire indebtedness secured by first mortgages on the properties of the Deerfield Gas Production Co. and the Kearney Gas Production Co. amounting to approximately $2,900,000; and the balance will be available for the payment of the obligations and expenses of the Deerfield and Kearney companies in liquidation and for distribution to stockholders on liquidation of an aggregate amount not in excess of $560,000.

Harry L. Wallace

Harry L. Wallace, partner in Doolittle & Co., Buffalo, passed away on Nov. 2.

Continued from page 5

Observations . . .

partial payouts should be spaced over long periods, without too many—say not more than four—individual payments.)

Perhaps the public's acceptance of this worthy policy has been given a useful fillip by the dramatic news that Mr. William Woodward, the slain socialite, used this instalment method in providing for the transfer of his property to his children, in stages beginning at the age of 25.

Flexibility Desirable

In considering the investing provisions usable by you as a testator, bear in mind that life-long experience in investing will very likely lead you gradually to abandon investment prohibitions you may have prescribed for the protection of your heirs. Such change of policy does not result from doubts about the desirability of following investing principles; the disillusionment ensues from the constant revelation of the many and growing number of imponderables in our mid-Century economic and political world.

The impact of unprecedented inflation and taxation phenomena, and the New Looks on the scene of domestic and international politics have over the comparatively recent past rendered outmoded even the most basic and seemingly necessary investing restrictions.

Consistent with the opposition to prohibitions prescribed in advance is our advice to the testator to prescribe affirmatively at least one major permission, that is, for the inclusion of common stocks according to their continuing investment judgment by the succeeding administrators of one's portfolio. This is necessary despite the recent relaxation under the "Prudent Man" laws of New York and other states of the prohibitions against common stocks.

The overall purpose of the legislation is to enlarge the investment powers of trustees in order to make possible a reasonable increase in income without unduly enlarging the risk of principal.

This now permits the trustees under "legal" trusts having no permission affirmatively expressed, to place as much as 35% of their funds in common stocks if they wish to and if prudent judgment is exercised.

Previous to this legislation in March, 1950, when New York joined 20 other so-called common stock states in a so-called Modified Prudent Man Law, fiduciaries in the absence of specific permission by a testator, could not invest in anything other than certain fixed-interest bonds, mortgages, and shares of Savings and Loan Associations. Now, under Prudent Man-ism, in the absence of specific permission, 35% of a trust may be put into ineligible bonds and preferred shares and listed common stocks. In some states, as Pennsylvania, mutual funds may be included.

Since the statute—despite its recent liberalization—puts a 35% ceiling on uninstructed trustees, it is clearly of vital importance for a testator specifically and affirmatively to *permit*, although not instruct, his trustees to consider themselves not so bound. With all the unforeseeables of the future, no rigid legal prohibitions can serve as a substitute for judgment and ability.

Reformulated, if not manhandled, through the courts for almost a century, the definition of the term "prudence" is vague —at least legally. In its present concept, it can be said that the rule for prudence just means diligent effort and thoughtful, experienced consideration of values, risks, and possibilities. Resulting from this vagueness of the legal, and moral exigencies is a further stimulant to the rampant Blue Chipism.

"What About Life Insurance?"

A good principle for the ordinary investor, is that life insurance should be bought for its vitally needed protection features —not for investment purposes. Simply analyzed, assuming investment quality to be equal, the comparative investment benefits for the policy-holder are emasculated by the selling and administrative expenses. Insurance holding might well be confined to term insurance.

And insurance affords little inflation protection to the investor—with less than 2% of the companies' assets invested in equities.

Diners' Club Stock Offered at $8 a Share

The first public sale of common stock of The Diners' Club, Inc., international credit card organization, was made yesterday (Nov. 16) with the offering of 150,000 shares of the company's common stock ($1 par value) at a price of $8 per share. Lee Higginson Corp. and C. E. Unterberg, Towbin Co. are making the offering together with ten associates.

Of the shares being offered, 50,000 are being sold by the company, which will use the proceeds to finance the increasing volume of its present business and to expand the scope and type of its credit services. The remainder of 100,000 shares are being sold by Ralph E. Schneider, Board Chairman of the company, and Alfred S. Bloomingdale, President. Prior to the current sale, the two principal officers and founders of the Diners' Club each owned 200,000 shares, or 50% of the outstanding common stock. Following the stock sale, the company will have 450,000 shares of common, of which the two officers each will own 33⅓%.

Since its inception in 1950, at which time its activities were concerned chiefly with the development of its credit system in the restaurant field, the company has expanded its operations to include various other services and establishments. At present, the company provides a credit system offering individuals and business enterprises through single all-purpose credit cards, the convenience of charging purchases and services in many restaurants, hotels, automobile rental agencies, liquor stores, florists, gourmet and delicacy shops located throughout the United States and many foreign countries. Net charges from which the Club derived revenue rose from $1,109,000 for the fiscal year ended March 31, 1951 to $20,106,000 for the year ended March 31, 1955, and $14,334,000 for the six months ended Sept. 30, 1955. All of the company's past net income has been reinvested in the expansion and growth of the business.

According to the prospectus, directors intend to consider the payment of dividends on the common stock in the future, the amount to depend upon earnings, financial position and other related factors.

Our Reporter's Report

Institutional investors again have turned a cold shoulder toward the new issue market judging by the reports of those who keep a close eye on the situation. In the circumstances it is just as well that the ensuing week shapes up as one of the year's dullest periods in the corporate field.

Big outlets for new securities appeared definitely to have lost their zest for buying displayed over the preceding fortnight or so. The reasons for the change were a bit on the shadowy side although there were indications that some of these institutions actually were looking around to sell some of their holdings.

The major drawback, it appeared, is the expectation that the Treasury will announce next month plans for a rather substantial new refunding operation. Whether it will seek any new money at this point remains to be seen.

At the same time there is less disposition momentarily to anticipate any material change in the Federal Reserve's prevailing policy of firmer money rates. Rather there are some rumblings of still further firming in the basic picture.

Rediscount Rate

There is a feeling in some quarters that another markup in rediscount rates of Federal Reserve central banks may be in the offing. The last change, going into effect in September, put the charge on borrowings by member banks at 2¼% across the board.

Governors of the New York Reserve Bank meet this afternoon, but it is not generally believed that any further advance in the charge would be originated in this area.

Rather the expectation is that, as on the last occasion, it would be touched off in one of the other districts probably in the Midwest, Chicago, or St. Louis.

Shopping for Buyers

A development which naturally would have a slight tendency to put emphasis on the selling side of the secondary market rather than on the buying side, is the report that some institutional investors are shopping around in an attempt to let go of some of their holdings.

As near as could be learned, the potential offerings are not large and could probably be ascribed to the disposition among such units to make an early start on year-end adjustment of their portfolios.

But reports have it that certain savings banks and insurance companies have been approaching the market, through dealers, with blocks of bonds to be offered on a yield basis ranging from 3.15% to around 3.20% and evidently finding few if any takers.

Down in the Trough

Next week gives all the earmarks of being the year's slowest five-day period for new corporate undertakings. Not a single new debt issue of any size shows up in the schedule of prospective offerings.

And the roster of potential equity offerings is likewise thin to say the least. Bankers are slated to bring out 400,000 shares of additional common stock for Kimberly-Clark Corp. on Tuesday.

Meantime, Rochester Gas & Electric Co. will open subscription books on 200,000 shares additional of common stock to holders of record Nov. 28 in the ratio of one new share for each seven shares held. The offer expires Dec. 12 and any unsubscribed shares will be offered to employees. The offering is being underwritten.

Joins John M. Barbour

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Alfred T. Murray is now with John M. Barbour & Co., Citizens Bank Bldg.

Calif. Investors Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Daniel G. Reid, Jr., Erwin Van Allen, Chester C. Minier and J. Kendall Evinger have joined the staff of California Investors, 3924 Wilshire Boulevard.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

FLINT, Mich. — George D. Sharpe has become affiliated with Goodbody & Co., Mott Foundation Building.

EARNINGS STATEMENT

LILY-TULIP CUP CORPORATION
Earnings Statement for the Twelve Months Ended June 30, 1955

Notice to Security Holders:

LILY-TULIP CUP CORPORATION has made generally available, in accordance with Section 11 (a) of the Securities Act of 1933, as amended, a consolidated earnings statement of the Company and its subsidiaries for the 12 months ended June 30, 1955. Such earnings statement covers a 12 months' period beginning after the effective date (June 15, 1955) of the Company's Registration Statement for 88,000 shares of Common Stock, which was filed under the Securities Act of 1933, as amended, with the Securities and Exchange Commission. Copies of such earnings statement will be mailed on request to security holders of the Company and to other interested parties.

LILY-TULIP CUP CORPORATION
122 East 42nd Street
New York 17, New York

Dated:
November 14, 1955

DIVIDEND NOTICES

BRILLO MANUFACTURING COMPANY, INC.

Dividend No. 103

A Dividend No. 103 of Forty Cents ($.40) on the Common Stock has been declared, payable January 3, 1956, to stockholders of record December 15, 1955.

M. B. LOEB, President

Brooklyn, N. Y.

DSC DETROIT STEEL CORPORATION

DIVIDEND NOTICE

The Board of Directors, on October 25, 1955, declared a cash dividend of 25 cents a share on outstanding common stock payable December 15, 1955, to stockholders of record at the close of business December 1, 1955.

R. A. YODER
Secretary-Treasurer

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., November 14, 1955

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable January 3, 1956, to holders of record at the close of business December 12, 1955. No dividend action was taken on the Common Stock.

WM. B. PETERS, Secretary-Treasurer

LOEW'S INCORPORATED

November 16, 1955

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on December 23, 1955, to stockholders of record at the close of business on December 6, 1955. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 166

A dividend of TWO DOLLARS a share has been declared on the capital stock of this Company, payable December 21, 1955, to stockholders of record at the close of business on December 1, 1955. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

ATLANTIC CITY ELECTRIC COMPANY

THE SOUTHERN NEW JERSEY ELECTRIC SYSTEM

Increased Common Stock Dividend

The regular quarterly dividend on Common Stock has been increased to Thirty cents (30c) per share per quarter by order of the Board of Directors. Thereupon, a quarterly dividend of Thirty cents (30c) per share, for the quarter ending December 31, 1955, on the issued and outstanding Common Stock of the Company, has been declared out of the earned surplus of the Company, payable January 16, 1956 to the holders of such stock of record on the books of the Company at the close of business December 15, 1955.

A. C. VENCE, *Secretary.*

November 16, 1955.

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock, and, in addition thereto, a year-end dividend of $1.25 on the Common Stock, both payable December 9, 1955, to holders of record November 28, 1955.

ROGER HACKNEY, *Treasurer*

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable December 15, 1955, to stockholders of record at the close of business November 25, 1955.

E. F. VANDERSTUCKEN, JR., *Secretary.*

Tobin PACKING CO. INC.
GENERAL OFFICES
ROCHESTER, N. Y.

Dividend Notice
53rd Consecutive Dividend and a Special

The Board of Directors, at a meeting held on November 16, 1955, declared a regular quarterly dividend of 20¢ per share and a special dividend of 10¢ per share on the common shares of the company payable on January 3, 1956, to shareholders of record at the close of business December 15, 1955.

ROBERT N. PECK,
Treasurer and Secretary

Public Service Electric and Gas Company
NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending December 31, 1955:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred	$1.02
4.18% Cumulative Preferred	1.045
4.30% Cumulative Preferred	1.075
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before December 20, 1955 to stockholders of record November 28, 1955.

F. MILTON LUDLOW
Secretary

PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICES

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share, plus an extra dividend of 10 cents per share on the COMMON STOCK, both payable December 15, 1955 to stockholders of record at the close of business November 28, 1955.

WM. M. HICKEY,
President

November 10, 1955

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND
83rd Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable January 10, 1956 to stockholders of record December 22, 1955.

PREFERRED STOCK DIVIDEND

The directors also declared a regular quarterly dividend of $1.18¾ on the $4.75 Sinking Fund Preferred Stock, payable January 10, 1956 to stockholders of record December 22, 1955.

A. E. WEIDMAN
Treasurer

October 27, 1955

SAFEWAY STORES INCORPORATED

Common and Preferred Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on Nov. 8, 1955, declared the following quarterly dividends:

60¢ per share on the $5.00 par value Common Stock.

$1.00 per share on the 4% Preferred Stock.

$1.07½ per share on the 4.30% Convertible Preferred Stock.

The Common Stock dividend is payable Dec. 15, 1955 to Stockholders of record at the close of business Dec. 1, 1955. Dividends on the 4% Preferred Stock and 4.30% Convertible Preferred Stock are payable Jan. 1, 1956 to Stockholders of record at the close of business Dec. 1, 1955.

DRUMMOND WILDE, *Sec.*
November 8, 1955

AMERICAN Cyanamid COMPANY

Preferred Dividends

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series B, a quarterly dividend of ninety-three and three-quarter cents (93¾¢) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, and a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable January 3, 1956, to the holders of such stock of record at the close of business December 5, 1955.

Common Dividends

The Board of Directors of American Cyanamid Company today declared

1. A quarterly dividend of sixty-two and one-half cents (62½¢) per share on the outstanding shares of the Common Stock of the Company, payable December 23, 1955, to the holders of such stock of record at the close of business December 5, 1955;

and

2. A special dividend of thirty-seven and one-half cents (37½¢) per share on the outstanding shares of the Common Stock of the Company, payable December 23, 1955, to the holders of such stock of record at the close of business December 5, 1955.

R. S. KYLE, *Secretary.*

New York, November 15, 1955.

Penn-Texas CORPORATION

DIVIDEND NOTICE

Preferred Stock
Common Stock

The Board of Directors has today declared the regular quarterly dividend of forty cents ($.40) per share on the $1.60 Cumulative Convertible Preferred Stock and the regular quarterly dividend of thirty-five cents ($.35) per share on the Capital Stock of the company.

Both dividends are payable December 31, 1955 to stockholders of record December 15, 1955.

November 2, 1955 L. D. SILBERSTEIN, *President*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Many times a big and wonderful government has to occupy itself with what superficially appears to be sheer nonsense, simply because the customers cannot understand the technicalities of government monkey business. Nothing so aptly illustrates this underlying situation as the current fussing around about what the government is or isn't going to do about maintaining a certain volume of housing construction next year.

Back in 1934 President Roosevelt persuaded the Congress to set up the Federal Housing Administration to "insure" mortgage loans made by primary lenders, on an amortized, long-term basis. The late President's object, like the objective of so many other things he had done, was to revive prosperity.

Almost with each succeeding year, Congress and/or the Administration of the time has successively, broadened the application of the act, or lowered downpayments or lengthened the repayment terms of these housing mortgages, or all three. And with the postwar era the inflationary steam was really poured through the pipes to help stave off the postwar depression which every one dreaded, and which failed to arrive on schedule as predicted by so many distinguished economic brains.

In the process, government-sponsored housing construction has become a vested interest for almost as farm subsidies, even if the builders will swear by all the holies that these are not subsidies. The maintenance of a volume of housing construction per year at not less than 1.1 million units and preferably considerably more, has become a national objective as politically sacred almost as the prevention of a depression or the keeping of farmers happy.

People who are all set in their ways of doing business do not want to have to look around for other ways of doing business, any more than farmers like to go from $2.50 wheat to $1.75 wheat, or government workers want to forego their comparatively leisurely, non-competitive life for the horrors of the competitive society, just because, say, some doctrinaire gents believe the government should get out of the rope-making or the bakery or the laundry business — and thereby take their jobs from them.

Depends On Government

Currently something in the neighborhood of 60% of the housing construction in the United States is financed with government-sponsored credit, the FHA insured loan, or the Veterans Administration-guaranteed loan, an especial but more liberal "FHA" scheme for the veterans. When the conventional or non-government-sponsored or often higher cost house is taken out of the equation, the dependence of the speculative builder upon the government is even greater percentagewise.

For all concerned, it appears to be a nice deal. FHA and VA do not frown on restrictive practices of unions, unless they are out-of-line restrictive practices. No bricklayer is ever compelled to demonstrate that he can lay more bricks better than his fellow worker. Union labor is almost steadily employed during the building season at almost constantly-rising wages from year to year. Materialmen are assure of a boom market for their products. And the bank or other financing institution doesn't have to worry whether the buyer of the house to whom it advances funds is for sure or not a dead beat creditwise, for Uncle Sammy takes care of any losses.

Even the inspection of the housing is taken care of by good old Uncle. So, once the speculative builder gets the government to approve of his plans he can be sure that there will be a lender who will lend to a buyer with comparatively little down. Moreover, labor is employed, and a lender can make a 4½% return effortlessly.

Few people have to go really competitive.

Entrapped Builders Howl

In such a situation it is natural that the builders of speculative housing howl to beat all when the government most moderately tightens the terms of government-sponsored credit. If the government frowns about mortgage inflation, they develop the shakes. Their attitude is reminiscent of the occupants of a Russian concentration camp when the sergeant of the guards shows up with a bad temper. Maybe that day they will get a beating plus just potatoes and water, not even a sliver of meat and some other vegetable.

As of last July 31, when officials were afraid that without restraints the volume of housing construction might ascend to as high a rate as 1.5 million or even 1.6 million units, officials "put on the screws," or at least that is what the howlers howled. It was then required that some future time (probably not yet) when pending applications were all out of the way, future business should be done on a basis whereby a buyer of a house would have to actually fork over two more percentage points of downpayment (from zero downpayment in the case of lower-priced VA housing) and repay his loan within a period of 25 years, instead of the maximum of 30 years previously allowed for VA speculative building.

Effect Belittled

The effect of this "tightening" is privately belittled by any one in the government who is talking elsewhere but for the record. For one thing, little 1955 business would be affected. For another thing, the far more restrictive influence in mortgage credit has been Federal Reserve policy, fully supported by the Administration, of limiting the creation of bank credit. This has forced banks to pick and choose not only among individual borrowers, but among classes of borrowers.

Banks could not freely finance automobiles or automobile paper, business paper, make mortgage loans, government-sponsored or on their own account, and extend liberal credit to mortgage companies, all at one and the same time.

If credit were in amplitude, these moderate restrictions of July 31 would have eliminated in the segment where there is flexibility or in bank credit, a certain amount of business, officials will admit. But where credit as a whole is tight no bank, except to accommodate old customers, is going to make a 4½% government-sponsored loan when it can get 5% or better with a much bigger downpayment.

Conversely, officials will point out privately, restoring under present tight money conditions the no-downpayment, 30-year VA loan is NOT going to cause many of such loans to be made.

"Tightness" Is Issue

However, to the speculative builder, elimination of these "credit restrictions" has become the be-all and end-all of government policy. Restore those lower downpayments and the 30-year term, or speculative building, which they warn must be planned several months in advance, will go to hades in a bucket. Do you want a slump in building in 1956? Well, if you don't, Mr. Republican Uncle Sammy, cut out those mortgage restrictions pronto, says the industry.

Knowing that these restrictions in a regime of tight money are trivial, Federal officials are trying with great obliqueness to pacify the building industry and hint that everything will be hunky-dory next year, without promising when they will eliminate these credit restrictions or what kind of a lullaby they will sing.

Al Cole Promises Volume

Al Cole, the Housing and Home Finance Administrator, for instance, even got himself indicating that if need be the entire Eisenhower Administration will alter (i.e., ease money) the application of its flexible credit policy in order to make sure that 1¼ million units of housing are started in 1956.

In various and sundry other parts of this big and wonderful government, the view is that Al is just talking through his hat, even if he is rated as one of the nicest of guys. The Administration is NOT going to liberalize credit **generally** to guarantee this now sacred home-building objective of the 1956 campaign.

But the Administration, one can count upon, will guarantee if it is within its power, the achievement of the Sacred Objective.

What the monetary policy will be, come next February, is any one's guess. First, it will depend upon the view several weeks from now as to precisely what is expected to be the rate of business expansion. The alternatives, roughly, are three:

(1) Assuming business is boiling as at present, the disposition of the Eisenhower Administration (and the Federal Reserve) will be as for the last several months and in 1953, to hold a rein on the rate of business investment and expansion. Thus, monetary policy will remain the same.

(2) If the pace of the boom lightens, monetary policy in proportion will lighten its hold on the creation of bank reserves.

(3) If business boils, the Administration might lose its nerve and consciously compromise with inflation because of political considerations, for fear of a psychology of recession and political criticism.

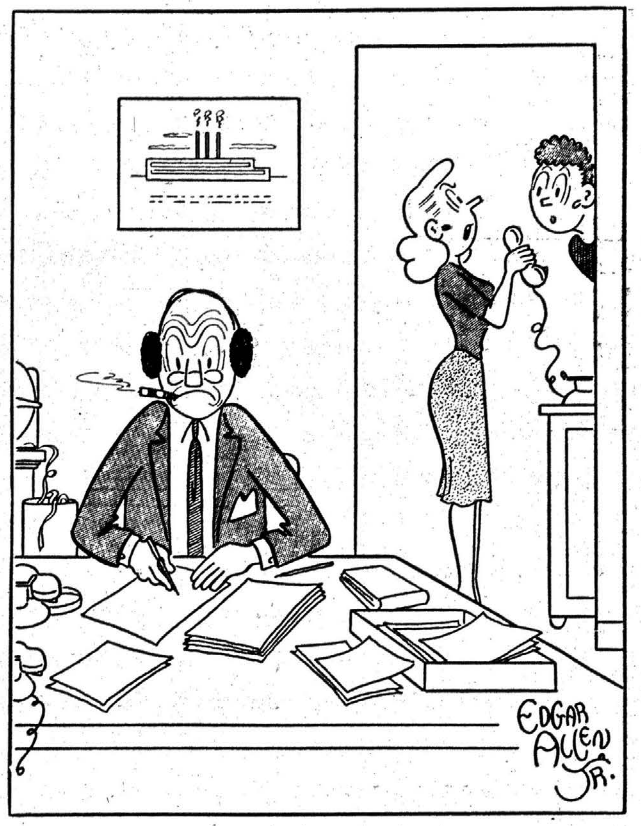
Will "Take Care" Of Housing

But a housing volume of 1¼ million units will be provided, if they can control it. They can still keep banks on a tight rein whilst setting up the Federal National Mortgage Association with funds to "buy" government-sponsored liens liberally. In other words, a tight control on credit generally, a planned liberalizing of it with Treasury money.

Poor Al, he just can't say that.

[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



"Always beats around the bush—if he thinks I talk too loud on the phone he should tell me!"