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EDITORIAL

As We See It

Can it really be that the Democratic party will go before the country next year scoffing at the old fashioned idea of keeping public expenditures within public receipts? Of course, the party has Senator Byrd—President Truman once said that there were "too many Birds" in the Senate—and no one can possibly imagine the senior Senator from Virginia being contemptuous of fiscal prudence. Yet ex-President Truman is rather fond of deriding the Eisenhower Administration and the Republican party in general for their concern about a balanced budget. And only the other day, Mr. Stevenson, the only avowed candidate for the Democratic nomination next year, referred sarcastically to the budget mindedness of the Administration in connection with foreign policy.

There was a time, of course, when prudence in the management of public finances was a cardinal virtue. True, there were times when the rules of sound fiscal management were more honored in the breach than in the observance, but virtually all politicians felt it necessary to pay homage to the basic principle of a careful balancing of public outlays with public revenue. Recklessness in this area was supposed to be politically dangerous as well as generally reprehensible. Office holders and legislators generally found it advisable to disavow any such policies. Fiscal surpluses were a subject for self-gratulation; deficits had for the most part to be explained away if that were possible.

Then came the New Deal which soon proceeded to glorify deficits and to pour scorn upon those who would permit considerations of sound public

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Foreign Economic Policy—Promise and Performance

By HON. WALTER WALLIAMS*
The Under-Secretary of Commerce

Under-Secretary Williams points out that our foreign economic policy, like our domestic policy, is aimed toward giving scope to individual enterprise, along with a free world economy. Says, however, we must strike a reasonable balance between domestic and foreign considerations. Holds, in broadest possible terms, objectives of our foreign policy are to encourage other countries to follow policies which result in soundly basic economic progress. Stresses international trade as keystone of our foreign economic policies.

We Americans are devoted to the free enterprise system because it has brought to us the highest standard of living ever known on earth. We believe that only through such a system can the productive possibilities of human ingenuity be realized. We know that nations and groups do not have ideas and skills; it is individuals who have ideas and skills. We firmly believe that ideas and skills will only be fully utilized if there are adequate incentives and opportunities afforded to individuals. We reject statism because it destroys incentives and deadens initiative.

Walter Williams

Underlying our domestic economic policy, therefore, is the view that the widest possible scope should be given to individual enterprise.

American economic foreign policy is no more than a translation into world-wide terms of the policies followed at home. As such, it represents an attempt to apply on a global basis the economic truths learned from our domestic experience. The principles of dynamic capitalism which have made our free enterprise system so eminently successful will be equally effective in creating a progressive world economy if the world comes to understand them and is willing

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*An address by Under-Secretary Williams at the 42nd National Foreign Trade Convention, New York City, Nov. 14, 1955.

Outlook for Liquor, Wine Beer and Related Industries

Current developments and long-range trends set forth by chief executives of some of the leading companies in articles especially written for the "Chronicle."

*The "Chronicle" is privileged to present **today** the opinions of the chief executives of some **of the** leading producers in the liquor, wine, **beer, and** related industries as to current **developments** and the long-range outlook for individual **com**panies and the several industries. **These articles,** especially written for the "Chronicle", **begin** herewith:*

THOMAS J. DONOVAN

Vice-President, Licensed Beverage Industries, Inc., New York City

A reduction of the Federal excise tax on distilled spirits from \$10.50 to \$9 a gallon, long awaited by the liquor industry as a first step toward a fair and equitable excise rate on its products, now looms as a distinct possibility for 1956.

The last \$1.50 of the Federal excise was imposed in 1951, with the provision that it was to be removed on April 1, 1954. Because the Federal Budget was not balanced, and because the Federal Treasury was in compelling need of funds, the \$10.50 rate was extended for an additional year, and then for another.

Thomas J. Donovan

With a balanced Federal Budget now rapidly approaching, there is no longer pressing need for the limited extra funds that the added \$1.50 per gallon produces, and therefore, as Congress makes anticipated tax reductions next year, it can be expected that the liquor excise will be allowed to revert to \$9 as scheduled by law.

Reduction of the Federal liquor excise would reverse the ever-upward trend of Federal liquor taxation since

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues new registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 50.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

GEORGE V. HONEYCUTT
Harbison & Henderson
Los Angeles, Calif.
Members Los Angeles Stock Exchange

Hoffman Electronics Corp.

GROWTH was the determining factor that led me to select the Hoffman Electronics Corporation common stock as the "Security I Like Best" for this forum.


George V. Honeycutt

In making this selection—my thought first of all went to our fastest growing industry—ELECTRONICS. As recently as 1939, the production of electronics, measured as an industry—amounted to only $340 million. It is currently estimated that this fast-growing business will produce $8 to $10 billion worth of products in 1955. And it has been estimated by more than one expert in this field that in 10 years they will be producing around $20 billion annually.

In just three years, the television industry became a $1 billion business, rising from $50 million in sales at the factory level in 1947 to $1.3 billion in 1950. By way of contrast, it took the auto industry 10 years—and the commercial airlines 25 years to reach the $1 billion mark.

If you had purchased 100 shares of Hoffman Electronics Corporation stock at $6 per share in 1946 (firm name was Hoffman Radio Corp. then) — when they made their first public offering, you would now have 200 shares worth $22½ per share—or $4,500. This would be an increase of 750%. The high of this year (31⅜) would have shown an increase of over 1,000%.

The Hoffman Electronics Corporation is primarily engaged in the manufacture and sale of a complete line of quality television receivers featuring the Easy-Vision lens developed by the company; and the development and production of special electronic apparatus for United States Government agencies. In 1954, approximately 60% of the company's sales resulted from sales of special electronic apparatus to Government agencies and 40% of the company's sales from the production of television and radio receivers.

It is my opinion that they took an exceedingly forward step this year when on July 1 they acquired National Fabricated Products, Inc. of Chicago. This gives them an important position in the component field. In addition to making components, this company has established itself as one of the leaders in the new silicon junction diode-transitor-power rectifier field. They were also the first to introduce a solar cell battery, which was recently written up in many magazines.

Hoffman Electronics Corp. has recently introduced a new line of quality television that has received enthusiastic reception by the distributors—which the company states has resulted in the largest back order position they have had in three years. Sales of television receivers are made through five company-operated and 43 unaffiliated distributors who, in turn, sell to retail dealers in 27 states. Their principal distribution has been in the Western States—but in 1953 a manufacturing plant was opened in Kansas City primarily for the purpose of producing television and radio receivers for middlewestern, southern and eastern markets. Approximately 90% of the company's television sales have been made in the area west of the Mississippi River.

The company's Government contracts presently include research, development and production work related to sonar, radar, direction finding, fire control, navigation, transmitters, guided missiles, computors and other types of specialized test and field equipment.

Hoffman Electronics is one of three manufacturers of the airborne portion of the TACAN system, which provides a pilot with continuous information on the position of his aircraft, both as to distance and direction of flight. TACAN equipment is expected to be installed on approximately 90% of all Air Force and Naval aircraft within the next two or three years.

They have also begun shipment under an important contract for the versatile SRT-14, the standard Navy transmitter which sends voice, teletype and telegraph.

As to sales and earnings: consolidated sales for the year ended Dec. 31, 1954 were approximately $42½ million—as compared with $50½ million in 1953. However, their net profit for 1954, after taxes, was $1,485,513 or $2.08 a share on the 713,192 common shares outstanding. This is an increase over the 1953 net profit of $1,199,655. It is anticipated that both sales and profits for the entire year of 1955 will exceed those of 1954. Sales for 1955 should total slightly more than $44 million, and show profits, after taxes, of slightly better than $1½ million. This would be about the same per share earnings as 1954, as there are now 722,094 shares outstanding. The current annual dividend rate is $1 per share.

At the present time the company's finances are the strongest in its history, showing Current Assets as of June 30, 1955—of over $16 million, against Current Liabilities of over $4½ million.

The common shares of Hoffman Electronics are listed on the New York Stock Exchange and the Los Angeles Stock Exchange.

Therefore, currently selling on a 4½% yield basis, with finances and management sound, and with the greatest growth in the field of electronics ahead, it seems to me that the Hoffman Electronics Corporation provides an excellent opportunity to participate in this expansion.

HAZEL ZIMMERMAN
Investments
Los Angeles, Calif.

Guaranteed Railroad Stocks

I have for some 25 years consistently advocated the top-flight Guaranteed rail stocks as quality investments.

It goes without saying that the most desirable type of investment is one where peace of mind is a foregone conclusion, where growth is an important potential and where income is worry-free. Guaranteed rail stocks, in my opinion, contain all these assurances. Not only is the income from such securities on a guaranteed basis, but the return is quite generous in view of the fact that many of these leases were drawn up years ago when interest rates were high—compared to the 2% or 2½% on Government Bonds today. Here are several case histories of success with the Guaranteed stocks from the standpoint of investors. Back in 1941 one of Illinois Central's Guaranteeds, Alabama, Vicksburg, was then selling around $61 a share and paying $6 a share on a Guaranteed basis. Today this stock is quoted around the $160 a share level. Another was Vicksburg, Shreveport around $55 paying $5 and this is now above $130. New York Central's Boston and Albany was one of my selections at the $80 level—it was exchanged this spring for New York Central 6% Bonds around $154 level—and there are a number of others.


Hazel Zimmerman

The pressure of the tax situation may cause several major Railroads to buy in their Guaranteed stocks at considerably higher prices before many months. Banks, Insurance Companies, Universities, have anticipated this and added senior Guaranteeds of New York Central, Pennsylvania Railroad, and New Haven to their portfolios. Two stocks in this category which I like are really "sister" stocks under the banner of New York, New Haven and Hartford Railroad — Providence and Worcester, and Norwich and Worcester.

When you realize that every time New York, New Haven and Hartford pays a $10 dividend on Providence and Worcester it also must pay a like $10 a share to the Government in taxes, you will understand how near this "buying-in for retirement" may be. The temporary market set-back has afforded investors a real bargain opportunity to pick up these seasoned Guaranteeds at a most desirable price, both for excellent income and appreciation prospects. The only difficulty is that the supply is much smaller than the demand and so it is not always easy to locate even small blocks of stock. Oh yes, I almost forgot to say that dividend records extend back 85 years on Norwich and 65 years on Providence. That is quite a record.

Achieving Goals of International Trade

By PHILIP D. REED*
Chairman of the Board, General Electric Company

In the opening address at the 42nd National Foreign Trade Convention, Mr. Reed calls attention to problems to be solved if the growth and expansion of international trade is to proceed on a sound and orderly basis. Points out if international trade and world investment is to prosper, the countries of the world must individually adopt economic systems and monetary policies which promote growth of production, employment and living standards. Says the vacuum created by war is now being filled in, and stresses the advantages of American capitalism over other economic systems in achieving world prosperity.

This Convention meets again in a time of high prosperity. During the past year most of our fears came to nought, and many of our hopes came to a great deal indeed. According to very nearly all economic indices, the United States is having another record-breaking year. And the same is true of many countries of the free world — particularly the continental OECC countries and the United Kingdom. This is reflected in growing markets, high employment, increasing private investment, and an expansion of world trade. Most important of all, the free world has achieved a degree of military and economic strength which would for the foreseeable future prevent a major war by making it too dangerous to fight.


Philip D. Reed

There is a passage in the Book of Isaiah in the Old Testament which expresses the age-old hope of a time when men "shall beat their swords into plowshares, and their spears into pruning hooks". If we can look forward to a time when all free nations will have become economically strong and prosperous, when the economic and political vacuums of the world have been filled by giving the aspirations of their peoples real substance instead of false hopes and hollow promises, then the business of this conference will surely have helped, if only a little, to point the way.

The ultimate goals of the free world are very clear, and they are common and shared. It is when we come to the **what** and **when** and **how** of a program to promote peace through the expansion of world trade and investment that the areas of controversy begin to resemble squared and roped arenas in which a champion of each cause awaits every challenger.

The Current Problems in Foreign Trade Expansion

Yet, if the growth and expansion of international trade is to proceed on a sound and orderly basis, it is highly essential that the problems of foreign investment, convertibility, transportation, tariff policy, customs procedures, import quotas and exchange controls be hammered out in conferences such as this one, and in many others. These, far from being mere details, are the backbone of any sound and constructive policy; they are the things which separate practical policy from mere theory, just as the really tough going always separates the men from the boys in any game.

A conference chairman enjoys a special luxury, and runs a special danger. The luxury is being able to take a broad view of the subject at hand The danger is to include too much moral instruction with his remarks. The late H. W. Fowler, who gave us much excellent advice along with good instruction in the rules of English usage, comments somewhere that "men are as much possessed by the didactic impulse as women by the maternal instinct."

Notwithstanding, I would like to make an observation about the nature of foreign trade and investment which may be helpful in defining the areas of discussion here. It may also guard against that sin which Fowler reminds us of — the temptation to tell other people, or other nations, what is good for them to do.

Just what is this world market we are going to be talking about here for the next three days, and with which we are going to be concerned for a good many years to come?

Too often we think of a foreign market as being just that — an area to which we export our goods or our capital in competition with other exporters. And we have very clear convictions about how those foreign markets should be conducted and regulated — in their own best interests of course! What we sometimes forget is that there is no such thing as a foreign market that is not also and at once a home market. Every export market is a home market to somebody else. We must therefore keep both sides of the coin in

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*The opening address by Mr. Reed at the First General Session of the 42nd National Foreign Trade Convention, New York City, Nov. 14, 1955.

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Of Bonds and Blends

By IRA U. COBLEIGH

Enterprise Economist

A random look at liquor stocks, in warehouses and on the exchanges, with some reference to dividend yields and possible price advances.

In a year which has carried many sections of American industry to new highs in production and profitability, the distilling and sales of heady spirits has gone its own divergent way. The golden revenues racked up by most distilling companies in 1946 have, in most instances, remained unequaled; and the problems of competition, of Federal taxation, of bootleg rivalry, and of non-increasing whiskey consumption—all these have operated to prevent many liquor shares from zooming upward on the markets; or from delivering larger dividends to those who have laid down a few dollars beside distilled waters. So, with the Christmas season approaching, and the wassail bowl o'er flowing with the liquid proof of brotherhood and good fellowship, now appears as good a time as any to discuss the producers of these holiday spirits.

Ira U. Cobleigh

A brief background of the industry may help. When John Barleycorn resumed his legal existence in 1933, everybody tried to get into the act; and from 26 million gallons of whiskey in storage at the 1933 year-end, frantic production carried the guzzle goods on the shelf to a high of 510 million gallons in 1941, and this despite the fact that "hard licker" drinking on a per capita basis was increasing all the time. The war diverted distilleries to military purposes, though the quantity of drinking continued to its peak in 1946 when a thirsty public bought 230 million gallons of whiskey.

Since that first postwar year, two things, quite related, have happened to disquiet the distillers, and make inroads on their profits. The first has been the mounting level of taxation. It started, innocently enough, at $1.10 a proof gallon in 1934; was raised successively to $2.00 in 1935, $3 in 1941, $4 in 1942, $6 in 1943, $9 in 1944 and as a clincher to $10.50 on Nov. 1, 1951 and ever since. Add to this Federal burden, individual state taxes averaging now some $1.50 a gallon, and you wind up with a tax bite today in the order of $2.10 for each 5th of 90-proof blend you uncork. This soaring taxation, meaning constantly higher prices per cocktail, jigger or jag, has, in the opinion of the experts, definitely reduced the consumption of whiskey, encouraged moonshining and bootlegging (some say this illicit trade will run to $500 million this year) and led to a switchover to less expensive boozes — in particular, gin, and, latterly, vodka. Despite all this you will drink 1.15 gallons of whiskey this year if you're the average drinker, of the classic or per capita ilk.

Another impact of the tax bite is this. If you have whiskey in bond for eight years, by law, at the end of that period, you have to take it out of bond and pay the tax on it. Well, spurred by the great demand of 1946, 1947 was a year of great distillery production now (1955) the 8-year period for that vintage is up. The stuff must come out of bond, get tax paid, and in most cases (no pun intended) be sold. What with some 700 million gallons in bonded warehouses now (part of it representing bulged production spurred by the Korean War), this exit from bondage should continue in volume in the years immediately ahead. Obviously this is a factor for price depression, particularly in respect to companies with heavy inventories in aging bonds.

Total (domestic) whiskey sales should run about the same this year as last (around 190 million gallons) but an important long-term consumer trend still persists—away from blends and into straight whiskies. Straights and bonds now account for some 42% of total sales volume, against 12½% nine years ago, with a corresponding decline in blends. This trend has favored National Distillers and Schenley but been somewhat adverse for Seagram's which has stressed such well-known blends as Seagram's 7 Crown, Calvert and Four Roses.

Apart from this preference switch, then, whiskey sales, which deliver somewhere between 65% and 75% of business volume for distilleries, is a rather static figure, with the current growth found in gins and vodkas seemingly due to the fact that they are easier on the pocketbook but a factor which may diminish as time goes on as has been true of many products after the public has reconciled itself to upward price adjustments. While it's true that the major companies can and do produce gins, and vodkas (favored by some because of less breath betrayal), these are fiercely competitive low profit lines. There's no aging, nor long-term tie-up of funds in warehouse receipts. Distillery fortunes were made in whiskey, not gin.

Perhaps we have high spotted the special conditions prevailing among the spirit makers long enough, and should get down to a few field notes about individual companies.

Distillers Corp.-Seagrams Ltd. is the largest in the business and although incorporated in Canada, it does 90% of the business in the United States with the Seagrams, Calvert, Carstairs, Four Roses, Hunter, Wilson, and Paul Jones brands, among others. It does a whacking business — above $750 million a year in gross (excise taxes knock off about two-thirds of this). It has shown stability of earning power with annual net since 1949 ranging between $35 and $43 million. Common dividends, since 1950, have been $1.70 a year, a conservative distributional policy which has led to a steady build-up of working capital.

Quite recently, Distillers Corp.-Seagrams purchased three distilleries and more than 50,000 barrels of rye whiskey from National Distillers for $6 million. This brings Distillers in the straight field in a sizable way.

Distillers Corp.-Seagrams is not all whiskey — there's petroleum too. A $15 million investment is now bringing in 2,400 barrels of oil, daily, from 146,000 net acres in Oklahoma, Louisiana and Kansas.

Altogether, Distillers-Seagrams is quite a company and probably the most stable value in the field. At around 40, the $1.70 dividend yields 4.2%; and the price is 9.8 times 1954 net.

The second largest distiller is Schenley Industries, Inc. whose net earnings retrogressed from $5.10 per share in 1951 to 87 cents in 1954. The picture began to improve in late 1954, however, and, for the fiscal year ending Aug 31, 1955, per share net came back to $1.40, mainly by better intercompany integration, better and broader distribution, with stress on the longer profit premium whiskies. During 1955, Schenley purchased 88% of the stock of Park & Tilford Distilling Corp.; and in August, the Dubonnet Wine Corp. was acquired. If you imbibe any sort of alcoholic beverages, Schenley has one for you—I. W. Harper, Old Schenley, Three Feathers, Golden Wedding, Coronet Brandy; Cresta Blanca wine; Gibson gin; Blatz Beer, and imported scotches. Schenley, too, has diversified a bit, with a pharmaceutical company, Schenley Laboratories, Inc.

The plus factors in Schenley common at 21½ paying $1 are (1) a price near the year's low, (2) book value 2½ times market price, (3) marvelous current asset position, (4) possibility of great benefits should the "8-year" bonding law be changed, and (5) a $117 million lawsuit against the government, challenging the constitutionality of the excise taxes paid under the so-called force-out law, also of taxes paid pursuant to the 1951 amendment which increased the Federal rate on distilled spirits from $9 to $10.50 a gallon. (This suit would benefit others, too.)

Hiram Walker is the second largest distiller in Canada and, like Distillers-Seagrams, it, too, does 90% of its business in the U. S. Its big leader is Canadian Club. With average net earnings around $6.60 a share for the past five years, the $4 dividend appears on safe ground, and the common shares around 69 are one of the most dependable equities in the field.

National Distillers is the third largest in the American market. It has been a reliable dividend payer, with an unbroken record for the past 20 years. Its "Old Crow" brand is the top selling straight whiskey; and National's stress on "straights" is in the main trend of consumer preference. Earnings appear moderately on the upgrade and the present dividend of $1 is being covered with around 45 cents to spare.

National, too, has a side line, chemicals. It owns 60% of National Petro Chemicals, producer of ethyl derivatives and propane and butane gases; and a 20% interest in Intermountain Chemical Co., maker of soda ash.

DR common is flirting with the year's low around 19, and, for the more conservative, there's a 4¼% preferred at 98½ convertible into 2.6 shares of common. To benefit from this conversion option will require a bit of patience.

We've just reviewed here, quite briskly, the so-called "Big Four" in the trade. Among the smaller ones, Brown-Forman is prospering, and James B. Beam's bourbon of the same name is going splendidly.

For those seeking good balance sheets and dividend-bearing shares, unsullied by any recent bullish excesses, some values may be culled from the foregoing.

The State of Trade and Industry

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

The performance of over-all industrial production for the nation-at-large in the period ended on Wednesday of last week held close to the record level of recent weeks and continued to remain about 10% higher than the level of a year ago.

Operations in some plants were curtailed slightly by shortages of steel, copper, aluminum and freight cars.

American industry stepped up production seasonally in October to another record level, states the Federal Reserve Board. Industrial production last month rose to 146% of the 1947-49 average on an unadjusted basis. This was a four-point increase from the September level and 16 points above October last year.

The Board figured most of this rise, however, was due to seasonal factors and trading day differences. Its index after adjustment to take these factors into account remained at the record September level of 142% of the 1947-49 average.

The board's adjusted index has been setting records every month since May. The unadjusted index has been recording new highs since August. Both are now above the previous records set during the 1953 boom year.

The September-to-October rise in the unadjusted index was distributed among durable goods, non-durable goods and minerals production. Activity in durable goods industries rose five points from September to a new record of 162 on an unadjusted basis in October. With seasonal factors taken into account the rise was only one point to 161.

Output of non-durable goods rose three points to 134 in October on an unadjusted basis. On the seasonally adjusted barometer, this rise was one point to 128, equalling the June high after some decline during the summer.

Initial claims for state unemployment compensation dropped by 6,900 to 186,400 during the week ended Nov. 12, the United States Department of Labor reported.

The department's Bureau of Employment Security stated the decline in initial claims was due partly to fewer layoffs in seasonal industries. A short work week, due to the closing of local public employment offices on Veterans Day, also had something to do with it, the agency said. Some 27 states reported reductions in first claims for jobless pay.

A year earlier, first claims totaled 247,100. In the week ended Nov. 5, the number of job seekers drawing state unemployment benefits totaled 791,900. The comparable figure a year ago was 1,389,600.

There was a spurt in claims for unemployment benefits in the week ended Nov. 5, but claims continued to be down considerably from the level of a year earlier. About 2% of all insured workers were drawing unemployment benefits. Kentucky had the highest unemployment rate of all the states, that is 4.5%.

Amid the near-chaos of the worst steel shortage since Korea, steel producers have launched another expansion program aimed at meeting increased requirements of a growing economy.

A survey by "The Iron Age" indicates that in the next four years the industry will expand ingot capacity by approximately 16,000,000 tons. The cost will come to over $3,000,000,000, according to the national metalworking weekly.

Meanwhile the steel consumer can look forward to nothing but woe from a procurement standpoint well into 1956 with no chance of relief until third quarter, if then, states this trade weekly.

Part of the expansion costs will come from higher steel prices, it declares, since the industry has not denied reports that prices will rise after the turn of the year. Some smaller producers, it points out, have already increased base prices of hot

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Observations . . .

By A. WILFRED MAY

THE INVESTOR AS TAXPAYER*

The basic piece of good advice for the tax-conscious investor is to caution him to maintain a proper sense of proportion between tax incidence and investment policy.

Of course, it is the rightful privilege of every citizen to shape his affairs in ways to secure for himself a minimum tax bill. This is particularly so in this age of high, if not confiscatory, taxation.

A. Wilfred May

There is plenty of opportunity for constructive action within this framework—with or without an attorney.

But the investor must discipline himself to keep the tax factor in its proper perspective. It must be seen in the role of but one of several elements influencing investment decisions (in regard to both continuing year-round portfolio management and year-end transactions). Don't unwarrantly engage in unsound investing policies for unrealistic tax considerations. Avoid the great temptation of wishful thinking, and apply the hard-boiled dollar-and-cents cost test to every proposal, both in general policy and for a specific transaction. The adjuration against overdoing the tax motif applies principally in the capital gains area. There is often over-registration of losses through non-recognition of the trading cost. Also, there is a frequent glossing-over of the tax on gains. Thus, the simple truth may be dodged that decision to cash in a capital gain should be premised on the assumption that the stock in question is over-valued, both in its general status, and in comparison with another security to be switched into, by the amount of the tax bill accrued on the capital appreciation. The long-term holder of Sears Roebuck from $40 to $120 is justified in selling only if he is convinced that Sears is overpriced by $20 (his presumed tax payable) or by 17% vis-a-vis another stock or other medium available to be switched into. In other words, he is selling his Sears for (proceeds after tax) for 100, not 120. Either he has something equally over-valued to switch into, or he must be convinced that 100, not only 120, is an advantageous liquidating price.

In addition to calculating correctly the trading expense, as commission and transfer tax, involved in registering a loss, the loss-registerer must take into account the penalty involved in year-end selling of the depreciated stocks which are under concentrated pressure from others' similar sales. Such pyramided loss-registering liquidation entails extra pre-tax loss to the investor equivalent.

Indian Giving

Then, too, one must remember in arriving at a decision about a possible switch to establish a capital loss, the likelihood of an accompanying acquisition of a *future* equivalent capital gains tax, assuming that the switch will be successful and the paper profit is to be accepted before death (which wipes out the tax). This reacquisition of a potential tax liability applies clearly when a long-position is maintained or reacquired in a single security after a capital loss is registered.

"Tax Free" Delusions

The so-called "tax free" dividend is another area where one must desist from kidding one's self or from being kidded. It is true that dividends paid by some loss-incurring companies are free from current income tax; but the dividend must be applied to the holder's cost basis, which correspondingly increases the capital gains levy payable by the holder at subsequent sale time. Thus the security is not "tax free," but free of current income taxation.

In the same vein of taking into account a built-in capital gains tax obligation, remember that appreciation bonds, including those tax exempt, carry a tax bill to be paid at later redemption time.

Special Fund Regulations

The investment company shareholder must distinguish between that part of dividend payments that represents ordinary income, and that being passed on as a capital gain; the latter again representing a return of capital but which is immediately taxable at the maximum 25% rate. Special tax laws governing the investment companies tax the holder, on capital gains as well as income, as if he were himself investing directly in the portfolio's securities. Thus, distributions representing capital gains are to be treated as his own long-term capital gains. And a new shareholder buying into an investment company with long-term paper profits, realistically calculating "liquidating value" to him, must deduct the already accrued tax on capital appreciation; which tax he will be liable for if and when those gains are ever liquidated into his hands.

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

The Threat of Inventory Recession And Other Economic Soft Spots

By CHARLES T. BRODERICK*
Economist, Lehman Brothers
Members, New York Stock Exchange

Though foreseeing some likelihood of an "inventory recession," Mr. Broderick says that it poses no threat in the immediate future. Discusses as some other "soft spots": (1) the neurotic stock market; (2) our alleged vulnerability in foreign trade, and (3) the current tightness of credit. Holds long-term interest rates are more likely to be stable than to rise in near future. Says we are already skating on thin ice in matter of instalment credit and farm problem is serious, both economically and politically.

As the Good Book has it, "Knowledge Maketh a Bloody Entrance." This has no reference to your own slaughtering operations, but only to the extreme difficulty ideas have experienced in penetrating my head. In my personal life, and this may be true of you as well, I still haven't mastered the truth that 90% of the things I worry about never happen. My only consolation lies in the fact that, in my professional life, I **have** managed to apply this fundamental truth to the operations of the American economy.

Charles T. Broderick

At least 90% of the snares and pitfalls which lie in the path of American business are products of the vivid imaginations of economic researchers, and should be banished into exterior darkness. Of the remaining 10%, by all odds the most constant threat to American economic stability is the so-called inventory recession.

We Americans do everything on a big scale. When our manufacturers and distributors really get the bit in their teeth and wildly overestimate the demand for their products, the carriage they are pulling is likely to wind up against the nearest tree, on the two and only two occasions when our national economy declined during the postwar period, 1948-49 and 1953-54, abnormally high inventory-sales ratios were at the root of the trouble. In fact the 1948-49 decline was the classic example of a "pure" inventory setback, since general business activity dropped $13 billion and all of it represented inventory reduction on the part of businessmen.

Under the circumstances, it is not surprising that the fashion of the day is to forecast a third postwar inventory setback, to begin about six months from now. This prophecy has not been developed out of thin air, and we can't dismiss it too cavalierly. It is built upon the admitted fact that inventories were accumulating at roughly $4 billion annually in the second quarter of this year and $3 billion annually in the third. On the expectation that this process of building up stocks will continue for six months more, a large and growing body of economists strongly contends that American business will topple over the precipice into another inventory recession in second quarter, 1956.

The Wave of Inventory Accumulation

However, before we decide to give up the ghost and to accept the slings and arrows of outrageous fortune, let us try a few other facts on for size. In the first place, the current wave of inventory accumulation began barely eight or nine months ago, and was preceded by 15 long months of liquidation, during which businessmen frantically rid their shelves of refrigerators, radios and other durable goods. Secondly, consumption or final sales is considerably higher now than it was prior to the 1953-54 business relapse, and inventory-sales ratios correspondingly lower. Thirdly, the prospect of rising prices is the Lorelei which lures manufacturers and distributors into extending their forward commitments for raw materials. The **only** good aspect of President Eisenhower's illness I can think of is the possibility it may shake businessmen's confidence in the price structure a little, and make them a little less avid to accumulate stocks. Lastly, and it would be difficult to overstress this simple truth, this economy of ours has a **natural** tendency to grow, and will usually do so if we just leave it alone. Our economy doesn't require a steady diet of hypodermics to keep it healthy, and will surely outlive the economic doctors who think it does.

All this is by way of saying that the traditional way in which our economy strays from the path of virtue, to wit, the inventory recession, is no threat at all in the immediate future. As for the inventory decline scheduled by so many economists for second quarter, 1956, it is indeed **possible** but it is not probable.

Some Other "Soft Spots"

Were we to rest content with this appraisal of American business prospects, we would bring the wrath of the economic fraternity down on our heads. According to many astute observers of the economic scene, a number of soft spots other than the inventory situation have developed in our business structure, notably a skittish stock market, a vulnerable foreign trade position, extreme stringency of credit, excessive consumer debt and declining farm income. Let us try to put each of these problems in its true perspective.

First, the neurotic stock market. There is no phase of the American economy that provides so many occasions for quoting the epigram, "fools rush in where angels fear to tread," as does the stock market. I am going to try not to be a fool by not trying to predict the near-term behavior of security prices. Furthermore, this talk is being written two weeks in advance of the luncheon meeting for which it is intended, and any forecast I might make about short-term trends on the New York Stock Exchange would probably be proved wrong before I even had a chance to express it. God only knows what stock prices will do in the immediate future. That last sentence was not an expletive, but a simple statement of fact.

What **does** concern us here is the claim that, should the stock market take a bath in the months ahead, it would make the entire economy vulnerable to collapse. The possibility that the market may swoon sometime within the forecast period, either on general principles or because of some specific event, was demonstrated rather forcibly by President Eisenhower's sudden illness. But it's a long step from this admission to the conclusion that the national economy is equally susceptible to a fainting spell.

At the risk of losing my Wall Street friends and alienating people, I'd like to take some potshots at the cherished Wall Street belief that the stock market is a reliable harbinger of business trends. According to this belief, the Dow-Jones Industrial Average is a sort of impersonal deity to be spoken of with bated breath. It supplants providence in the business affairs of men, foresees the future with uncanny accuracy and possesses mystical powers one may revere but cannot hope to comprehend.

In the light of the assertion that "the market" sees all and knows all, it is remarkable it makes so many errors. In fact, a cool appraisal of its record from 1929 to 1939 seems to indicate that stock prices never did anything but **reflect** corporate earnings statements of the day before. From 1939 to date, when the industrial averages were asserting their independence of the current trend of net corporate profits and were practicing the art of fore-

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*An address by Mr. Broderick before the National Meat Institute, Chicago, Ill., Nov. 11, 1955.

What Lies Ahead in Wall Street?

By CHARLES B. HARDING*
Partner, Smith, Barney & Co.
Members of the New York Stock Exchange

Investment banker, in a discussion of the trends and problems affecting the securities business, reviews first the development of banking and investment institutions in the United States, and then lists the problems which lie ahead in Wall Street. Says the Number 1 Problem is competition, and a second one is the adjustment in relations between corporate ownership and management. Another problem facing the securities business is creation of a mass market for securities, and this entails better education and equipment for personnel. Holds, also, there is need for improved techniques in securities underwriting.

"Wall Street" means different things to different people. It covers a lot of territory and includes banks, insurance companies, investment trusts, trust companies, pension funds, and assorted individuals who inhabit these canyons for one reason or another. We will have enough ground to cover if we confine our discussion to the securities business. That is what you and I are most interested in.

Charles B. Harding

Perhaps my subject should have been "I wonder what lies ahead in Wall Street." I have no crystal ball. If I had one, I think I would break it. Imagine how boring life would be if we knew ahead of time exactly what was going to happen. I believe, however, that we — all of us — can influence our destiny. What lies ahead in Wall Street will depend on the decisions made and the policies adopted by you and the other young people in the business. The future is in your hands.

First, let's orient ourselves. Let's take a look at how we got here and where we are. Looking at history gives us perspective and may help us avoid making mistakes which someone else has already made. Sometimes, too, we are able to pick up good ideas which can be revived for present-day use. For instance, turnpikes or toll roads were a common method of financing road building in the 19th Century. They went out of fashion early in this century. Recently, as you know, the idea has been revived with spectacular success.

Let's discuss some of the problems facing us and try to think of possible solutions. I hope I can interest you enough to get you to exercise your creative imagination in developing your own ideas. There is no greater force than this gift of creative imagination, which distinguishes man from the animals. It is responsible for all the progress we have made in learning to live with our environment.

Let me reiterate that the future of our business will be determined by the decisions made and the ideas produced by the people of your generation. You may ask "What can I do that can possibly affect the conduct and policies of my firm?" You can do plenty. Most good ideas, particularly about doing new things or adopting new methods, come from younger people. They don't know so many reasons why something can't be done. As age creeps on, there is an increasing tendency toward calcification and decreasing energy. You will be surprised how many times your ideas will be accepted if they are vigorously and, of course, tactfully presented. Even if all of them are not accepted, you will be respected for having had them. If you ever want to get into a position of responsibility, you had better show people by having good ideas that you are fitted for it. So go to it.

The Future Will be Different

While none of us knows what the future will look like, there is one thing of which we can be sure. It will be different. Change is the law of life. You can view this with alarm and fight it, or you can accept it and profit by it.

Our business has to do with the formation of capital and the liquidity of investments. The system in which we operate is the outcome of a long process of evolution, or trial and error. It all began before the dawn of history with the invention of money. Accumulated capital in the form of tools, shelter, clothing and animals could not easily be moved around and so money, representing the value of these things, was invented. But because money was easily transported, it was easy to steal. So gradually the idea of a bank was developed.

Human nature being what it is, some people always have more money than others. One of these smart jokers conceived the idea of renting out his surplus funds and so interest was invented. This wasn't, however, always a popular idea. People who needed money disliked having to pay to get it. For a while they passed laws against it and called lenders ugly names like usurers. This war between the lenders and the borrowers has been going on for a long time. It looms large on the backdrop of our own political history.

As lending money at interest became legal, various instruments were devised to secure the loans. Notes, bonds, mortgages, and other contracts to repay came to be bought and sold as "securities." One of the great financial inventions was the corporation or limited liability company which replaced the sole or partnership ownership of a business. Without this invention, businesses could never have grown as they have. Ownership in corporations is, of course, evidenced by stock.

Commercial banking as we know it developed in the 17th Century in England. The first modern bank in this country, the Bank of North America, founded in 1781, was modeled on the Bank of England, then privately owned. It loaned money on mercantile credit, received deposits, and issued bank notes which became a medium of exchange. This pattern was followed in other banks throughout the country. As banks differed in strength, their notes sold at varying discounts. This gave rise to the growth of dealers in bank notes. They also dealt in securities and were known as stock and exchange brokers. A smart broker had to know the value of the currency of hundreds of banks all over the country. It was not an easy job in the days of slow communication. This problem was finally solved at the end of the Civil War by the creation of a national bank system. Notes issued by national banks were exchangable at par.

It is interesting to note that, had it not been for the political situation in Andrew-Jackson's time, we might have developed a central banking system about a hundred years before its creation by the Federal Reserve Act of 1913. Central banking, typified by the Bank of England, developed in Europe long before it did here. But the conflicts between the "haves" and the "have nots", and between agriculture and industry, destroyed the second Bank of the United States, founded in 1816 which might have become our central bank. What effect this would have had on our economy in the intervening years is in the realm of speculation. It was a period of particularly violent boom and bust. Many of the busts were caused by "money panics," an actual shortage of money in the financial centers as it flowed out to the country banks to finance the crops.

Investment Banking in America

Investment banking, too, began in this country about the end of the 18th Century. It had its roots in England and on the continent. At first, loans to governments were taken by banks or private individuals for their own accounts. Usually they were sold on a competitive basis. Investment banking developed with the idea of banks or private firms negotiating the purchase of an entire loan for resale to traders or to investors.

About this time, too, it became fashionable to use lotteries as a means of raising capital. Many of our early railroads and canals were financed in this way. One of the largest investment banking firms of the early 19th Century, S & M Allen, started as a printer of lottery tickets, but found their sale more lucrative. They developed a system of branch firms in various cities, a pattern followed by others in later years.

In 1792, a group of brokers got together and formed the New York Stock Exchange, the first organized securities market in this country. This is an institution that we tend to take for granted because it has become so familiar to us. As you know, its function is to provide an efficient liquid market for securities. Without the fluidity of funds provided by such a market, it would have been impossible for us to have raised the large amounts of equity capital needed for our industrial development. Backward countries have no stock exchanges. You know the saying, "There is no Stock Exchange in Moscow."

The investment business developed gradually until the Civil War. As in later wars, the people in our business were called on for the tremendous task of raising the funds needed to fight the war.

Many of the techniques in use in investment banking today are developments of ideas formulated by Jay Cooke in selling bonds for the state and Federal Governments during the Civil War. He adapted the idea of forming syndicates for the sharing of underwriting liabilities and for the distribution of securities from an earlier development in Europe. He originated the sale of bonds to millions of small individual investors rather than to banks and capitalists. Their patriotism was appealed to, as well as their desire for a good return. Investing in government bonds gave them a financial stake in the success of their cause.

Millions of people, both then and in World War I and II, made their first security investments in government bonds. Thus they were educated in the purchase of other kinds of securities. It is hard to realize that wide public ownership of securities has come about only in the last 50 years. Of course, the era of industrial, railroad, and utility mergers was necessary to create the big national companies like U. S. Steel, General Motors, and A. T. & T., which are suitable media for wide public ownership.

Investment banking developed rapidly after World War I as many of the big commercial banks, as well as the larger private firms, built up large sales forces. "Bond schools" were started to train salesmen in the art of selling securities. Raising capital by the sale of stock was slower in its evolution. In the early 1900's, it was not fashionable for companies to give out much information about their affairs. Successful investors and speculators were usually those whose connections gave them access to inside information. The New York Stock Exchange, through its Committee on Stock List, pioneered the idea of full disclosure of pertinent information. It is largely due to its years of effort in this direction that the small investor now has available so much information, many times more than he is able to digest.

Panics and depressions bring financial disaster to many people. There follows a demand for corrective measures to prevent a recurrence. The 1929 crash, the worst we have had because of the number of people it affected, was followed by the passage of the Securities Act, the Securities and Exchange Act, the Public Utility Holding Companies Act, and the Investment Company Act. The Federal Reserve Board was given jurisdiction over margins. You are all familiar with the abuses corrected and the risks lessened thereby. You may not be so familiar with some of the other things done in our financial community to lessen risks both to the investor and to ourselves.

Let's look at some of them. One of the greatest causes of loss used to be failure of firms. Like the failure of banks, this wiped out the savings of millions. In the case of banks, this risk was practically eliminated by the formation of the Federal Deposit Insurance Corporation. The New York Stock Exchange met the problem by the imposition on its members and member firms of minimum capital requirements and periodic surprise audits. 100% solvency of member firms has been the result.

Another major cause of loss to the investor was bad advice from his broker. A lot of progress has been made in curing this by the Stock Exchange's requiring examinations for registered representatives and by the efforts of individual firms to improve the caliber of their personnel but much remains to be done in this field.

One of the most effective ideas for the reduction of risk to ourselves was the use of the layoff during underwriting carries.

All these improved safeguards do not mean that we are in a riskless economy or a riskless business. Far from it. As Henry Alexander said in his recent speech to the New York Chamber of Commerce, "It gives me an uneasy feeling to hear all this talk of 'It can't happen again because of all the safeguards that have been built into our economy.'" Speculative bubbles and their burstings are phenomena of mass psychology. The best safeguard is to study those of the past so as to be able to recognize the symptoms when they occur. Then, even if you can't prevent them, you may be able to minimize their effect on you and your customers.

I hope this brief outline of the evolution of our business has made clear the point I want to make, that creative ideas have been responsible for that evolution. Fritz Redlich has written an excellent book called "The Moulding of American Banking, Men, and Ideas." I recommend it to all of you who are interested in studying the history of our business. With regard to the importance of new ideas for economic development, he says: "What actually makes great business leaders and statesmen is the instinct for choosing the idea suited to the day, or the ability to effect a new combination of ideas, a combination in which an older thought can suddenly become a compelling one. He must, of course, work within the institutional setup of his day."

What, then, are the problems to the solution of which we must direct our idea machines? I can think of a number. You can no doubt think of others. Don't let the fact that we are faced with problems, and many of them big ones, discourage you. I don't remember a time when we didn't have them, in business, in politics, or in our personal lives. During the last war there were a lot of people in Washington who used to relish telling their friends some awful story of mismanagement or mistakes in high quarters. They came to be known as "Oh, my Godders." You learned to avoid them at parties. Don't face your problems with that attitude. Assume that there will be a solution to every problem and try to find it. Throw your heart over the fence and you will make the jump all right. Lack of courage is one of the greatest inhibitors of success in business.

Competition: Number 1 Problem in Securities Business

To my way of thinking, the number one problem in our business is competition. This is true in any business except where there is a monopoly. As businessmen, we compete with everybody, with each other, and with people in other businesses. As brokers we compete for the investor's dollar with life insurance companies, banks, savings banks, real estate salesmen, phony stock peddlers, and lots of others. As investment bankers we compete with life insurance companies, which now do about 70% of corporate financing through direct private placement. Those of us in the government and municipal field compete with the commercial banks. A few of the larger ones would like to increase the profits of their bond departments by getting the Congress to make it legal for them to underwrite revenue bonds as well as general obligation municipals. We hope this won't be allowed. In addition to its effect on our profits, it might bring a return of some of the abuses of the Twenties, which resulted in the elimination of commercial banks from all but municipal and government business. We can also see the possibility that this may be the first step leading to the banks' reentering the corporate underwriting business. We don't think that commercial banks belong in the investment banking field any more than we belong in commercial banking.

We also find life insurance companies wanting to sell mutual funds under the guise of variable annuities. In their competition with us for corporate financing, they are helped by the fact that private placements do not require registration with the SEC. Similarly, in the sale of variable annuities they have the advantages of (a) an exemption from registration; (b) an exemption from the Investment Company Act; and (c) lower taxes. Life insurance companies pay about 1% Federal income tax.

Some of this competition seems a little unfair, as does the fact that unlisted companies are free of many of the regulations besetting listed ones, and also the fact that banks may loan money to our customers on certain securities on which we may not. But let's not worry about com-

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*A talk by Mr. Harding at New York University Graduate School of Business Administration to members of the Investment Association of New York, New York City, Nov. 16, 1955.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Industrial resources of the area—Utah Power & Light Co., Dept. M, Salt Lake City 10, Utah.

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

Atomic Fusion Confusion—Quarterly report containing commentary on fusion, thorium, and uranium oversupply—atomic map also available—both contain portfolio as of Sept. 30, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

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

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

Look Into the Future—Analysis of economic prospects for coming decade by Leon H. Keyserling—Henry Montor Associates, Inc., 32 East 57th Street, New York 22, N. Y.

Massachusetts Bonds — Bulletin — Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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

1955 Federal Income Tax on Security Profits and Losses—Booklet on how to figure—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a bulletin on **Yield Comparison.**

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.

Overseas Shipments—Booklet—Chesapeake & Ohio Railway, World Commerce Department, Newport News, Va.

What Really Happened in the Stock Market Monday, Sept. 26—In October issue of "The Exchange"—monthly magazine—$1.00 per year—The Exchange Magazine, Dept. E-4, 11 Wall Street, New York 5, N. Y.

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Allegheny Ludlum Steel — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y.

Allied Stores Corporation—Brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available are memoranda on **Texas Industries, Inc.** and **Vendo Co.**

American Duchess Uranium & Oil Co.—Bulletin—Cayias, Larson, Glaser, Emery, Inc., 10 Exchange Place, Salt Lake City 1, Utah.

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

Bergstrom Paper Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Buckeye Steel Castings Company—Analysis—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Emporium Capwell—In the Financial Chronicle of Nov. 10 it was indicated that Morgan & Co. of Los Angeles had a circular available on this company. This was in error. Dean Witter & Co. have a memorandum on Emporium Capwell.

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

Food Machinery and Chemical Corporation—Analysis—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

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

General Gas Corporation and Subsidiaries—Progress report—Cohu & Co., 1 Wall Street, New York 5, N. Y.

G. M. Giannini & Company, Inc.—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Gross Telecasting Inc.—Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

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.**

Lisbon Valley Uranium—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

R. H. Macy & Co.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

Milwaukee-Northwestern Merger—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

National Fuel Gas—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Pacific Clay Products — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Penn Texas Corporation—Report—McLaughlin, Cryan & Co., 1 Wall Street, New York 5, N. Y.

Pennsylvania Railroad Company—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Price Brothers & Company, Limited—Analysis—James Richardson & Sons, 173 Portage Avenue, East Winnipeg, Man., Canada and Royal Bank Building, Toronto, Canada.

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

Raymond Concrete Pile Company—Audit report—American Institute of Management, 25 East 38th Street, New York 16, N. Y.

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

Salem Brosius, Inc.—Data—Parsons & Co., Inc., N. B. C. Building, Cleveland 14, Ohio.

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

Southern Pacific Co.—Memorandum—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Standard Packaging Corp.—Memorandum—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Sunray Mid Continent Oil—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Glidden Company.**

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

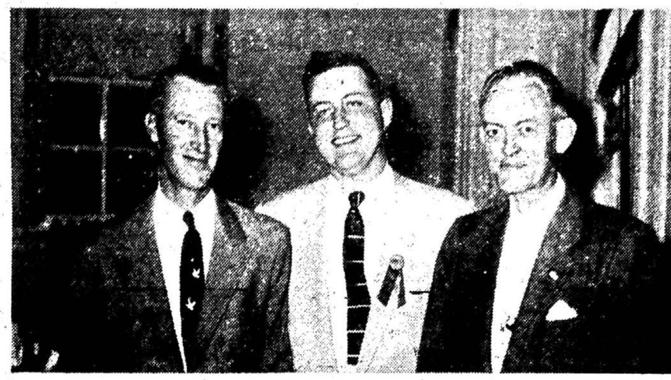
Texas Oil Producing Co.—Memorandum—Alexander Watt & Co., 42 Broadway, New York 4, N. Y.

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

Walworth Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Pittson Company.**

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA



Wallace H. Runyan, Hemphill, Noyes & Co., President of Investment Traders Association; William R. Raditsky, New York Hanseatic Corporation, Philadelphia office, Chairman of the Supper Dance Committee for I. T. A.; John Hudson, Thayer, Baker & Co., Secretary of the National Security Traders Association.

The Investment Traders Association of Philadelphia held their Third Annual Supper Dance for their members and wives at the Germantown Cricket Club on Saturday night, Nov. 12. The evening was an outstanding success. Many of the members with talent (in addition to trading stocks and bonds) entertained with songs, dances, etc.

John Hudson, of Thayer, Baker & Co., showed colored moving pictures taken on his recent trip to the NSTA Convention at Mackinac Island and probably planted a few ideas of going to next year's convention.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Annual Meeting of the Security Traders Association of New York, Inc. will be held Dec. 2, 1955 at the Bankers Club, 120 Broadway, New York, N. Y., at 5 p.m. There are matters of importance coming up before the membership at this meeting.

The By-Laws Committee has made certain recommendations which members are requested to consider carefully. Copy of these changes is enclosed.

As soon as the meeting has concluded, a Cocktail Hour will ensue with entertainment.

A THANKSGIVING MESSAGE

Thanksgiving is the time for veneration of the Faith, Philosophy and Wisdom of the early settlers that must be daily vindicated by the American people for true Thanksgiving days to live. Go easy on the Thursday turkey, but continue hard on Social Democrats always.—RICHARD SPITZ, Fortunes Rock, Biddeford, Me., Nov. 21, 1955.

Harris Upham Appoints Clayton W. Johnson

Clayton W. Johnson

Clayton W. Johnson has been appointed Manager of the New York Commodity Department of Harris, Upham & Co., 120 Broadway, New York City, according to a joint announcement by George U. Harris and Henry U. Harris, senior partner of the nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange.

COMING EVENTS

In Investment Field

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.

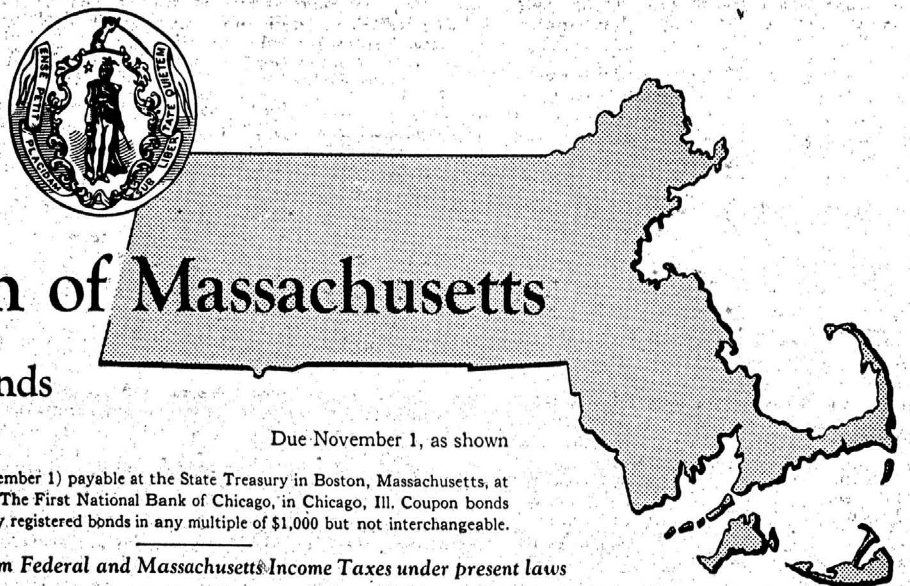
Jan. 27, 1956 (Baltimore, Md.)
Baltimore Security Traders Association 21st annual Mid-Winter Dinner at the Southern Hotel.

Jan. 30, 1956 (Chicago, Ill.)
Bond Traders Club of Chicago annual dinner at the Drake Hotel.

Jan. 30, 1956 (Chicago, Ill.)
National Security Traders Association National Committee Meeting at the Drake Hotel.

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.

New Issue



$159,791,000

Commonwealth of Massachusetts

2.30% and 2½% Bonds

Dated November 1, 1955 Due November 1, as shown

Principal and semi-annual interest (May 1 and November 1) payable at the State Treasury in Boston, Massachusetts, at Bankers Trust Company in New York, N. Y. or at The First National Bank of Chicago, in Chicago, Ill. Coupon bonds in the denomination of $1,000, exchangeable for fully registered bonds in any multiple of $1,000 but not interchangeable.

Interest Exempt from Federal and Massachusetts Income Taxes under present laws

Legal Investment, in our opinion, for Savings Banks and Trust Funds in New York, Massachusetts and certain other States and for Savings Banks in Connecticut

These bonds, to be issued for various purposes, in the opinion of the Attorney General of the Commonwealth will constitute direct general obligations of the Commonwealth for the payment of which its full faith and credit will be pledged, and for such purpose the Commonwealth will have power to levy unlimited taxes on all the taxable property therein.

AMOUNTS, RATES, MATURITIES AND PRICES

(Accrued interest to be added)

$40,000,000 2.30% Bonds

$30,000,000
Veterans' Services Fund Loan, Act of 1953
$3,000,000 due each year 1956 to 1965 inclusive

$10,000,000
Hurricane Relief Loan, Act of 1954
$1,000,000 due each year 1956 to 1965 inclusive

$3,500,000 2½% Bonds

$2,750,000
Metropolitan District Water Loan, Act of 1950
$55,000 due each year 1956 to 2005 inclusive

$750,000
Metropolitan District Water Loan, Act of 1952
$15,000 due each year 1956 to 2005 inclusive

$116,291,000 2.30% Bonds

$83,000,000
Highway Improvement Loan, Act of 1954
$4,150,000 due each year 1956 to 1975 inclusive

$15,000,000
Highway Flood Relief Loan, Act of 1955
$750,000 due each year 1956 to 1975 inclusive

$10,000,000
Capital Outlay Loan Act of 1952-1955
$500,000 due each year 1956 to 1975 inclusive

$5,000,000
August Flood Relief Loan, Act of 1955
$250,000 due each year 1956 to 1975 inclusive

$550,000
Metropolitan District Water Main Loan, Act of 1954
$19,000 due each year 1956 to 1983 inclusive, and $18,000 due 1984

$120,000
State Office Building Loan, Act of 1955
$9,000 due each year 1957 to 1964 inclusive, and $8,000 due each year 1965 to 1970 inclusive

$2,621,000
Metropolitan Water District—Water Use Development Loan
$88,000 due each year 1956 to 1966 inclusive, and $87,000 due each year 1967 to 1985 inclusive

Amount	Due	To Yield	Amount	Due	To Yield	Amount	Due Each Year	To Yield	Amount	Due Each Year	To Yield	Amount	Due Each Year	To Yield
$9,827,000	1956	1.50%	$9,836,000	1961	1.95%	$5,835,000	1966	2.15%	$5,826,000	1972-73	2.30%*	$175,000	1984	2.45%
9,836,000	1957	1.60	9,836,000	1962	2.00	5,834,000	1967	2.15	5,826,000	1974-75	2.35	157,000	1985	2.45
9,836,000	1958	1.70	9,836,000	1963	2.05	5,834,000	1968-69	2.20	176,000	1976	2.35	70,000	1986-90	2.50*
9,836,000	1959	1.80	9,836,000	1964	2.10	5,834,000	1970	2.25	176,000	1977-80	2.40	70,000	1991-95	2.55
9,836,000	1960	1.90	9,835,000	1965	2.10	5,826,000	1971	2.25	176,000	1981-83	2.45	70,000	1996-2005	2.60

**Where yield and coupon are the same, the price is par.*

These bonds will be initially issued by the Commonwealth of Massachusetts at not less than their par value, and a taxable gain may accrue on bonds purchased at a discount. Investors are required under existing regulations to amortize any premium paid thereon.

When, as and if issued and received by us and subject to approval of legality by the Attorney General of the Commonwealth of Massachusetts.

Bankers Trust Company — The Chase Manhattan Bank — The First National City Bank of New York — The First National Bank of Chicago — Lehman Brothers — The First Boston Corporation — Phelps, Fenn & 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. — Bache & Co. — A. G. Becker & Co. Incorporated — Braun, Bosworth & Co. Incorporated — Dominick & Dominick — Francis I. duPont & Co.

First of Michigan Corporation — Geo. B. Gibbons & Company Incorporated — Ira Haupt & Co. — Hemphill, Noyes & Co. — Laidlaw & Co. — Aubrey G. Lanston & Co., Inc. — Laurence M. Marks & Co.

W. H. Morton & Co. Incorporated — Schoellkopf, Hutton & Pomeroy, Inc. — Tucker, Anthony & Co. — G. H. Walker & Co. — Dean Witter & Co. — Baxter, Williams & Co. — Branch Banking & Trust Co.

Alex. Brown & Sons — Brown Brothers Harriman & Co. — Central Republic Company (Incorporated) — City National Bank & Trust Co. Kansas City, Mo. — Commerce Trust Company Kansas City — R. L. Day & Co. — Hallgarten & Co.

Hayden, Stone & Co. — Hirsch & Co. — Kean, Taylor & Co. — The Marine Trust Company of Western New York — Reynolds & Co. — F. S. Smithers & Co. — Stroud & Company Incorporated — American Securities Corporation

Bacon, Stevenson & Co. — Bartow Leeds & Co. — R. S. Dickson & Company Incorporated — Dwinnell, Harkness & Hill Incorporated — Eldredge & Co. Incorporated — Fidelity Union Trust Company Newark — W. E. Hutton & Co. — A. M. Kidder & Co.

King, Quirk & Co. Incorporated — Laird, Bissell & Meeds — R. H. Moulton & Company — National State Bank Newark — Wm. E. Pollock & Co., Inc. — Shearson, Hammill & Co.

Townsend, Dabney & Tyson — Tripp & Co., Inc. — Weeden & Co. Incorporated — Chace, Whiteside, West & Winslow Incorporated — George P. Fogg & Co. — Rockland-Atlas National Bank of Boston — Lyons & Shafto, Inc.

November 17, 1955. Statements herein, while not guaranteed, are based upon information which we believe to be reliable.

A Critique of the N.A.M.'s Report On the Gold Standard

By PHILIP CORTNEY
President, Coty, Inc.

Mr. Cortney maintains recent report by the National Association of Manufacturers adds to existing confusion about the gold standard, and that it endorses inflationary bias of our present monetary system. Criticizes report on ground it fails to make clear that existence of free market on gold is essential to gold standard system. Suggests comprehensive study of our monetary problems aiming at worldwide restoration of monetary order through a return to gold standard internationally, which would require change in operation of Federal Reserve System.

It's a great pity that the National Association of Manufacturers should have endorsed a recent statement on the gold standard prepared by its Money and Credit Committee because the Association has a great potential capacity for good or evil. The report will only add to the existing confusion on a very misunderstood subject. Worse yet, without even realizing it, the NAM, by approving the report, has given its powerful endorsement to the continuation of a monetary system which is the most streamlined and sophisticated inflation engine the world has ever seen. It is the more dangerous an inflation machine as its working is understood by very few, and not at all by the great majority of our people.

Philip Cortney

The greatest intellectual sin of the report is that it doesn't make clear beyond any doubt that the existence of a free market on gold and the freedom of its export and import is essential to the functioning of any kind of gold standard system.

The report presents some excellent criticism of the Federal Reserve System and of politics in general. It points out that the tinkering with the gold reserve requirements emasculates the essential functioning of the gold reserve.

Many statements in the report contain a part of truth. Unfortunately, the entire report as it stands can only be misleading and gives support to the continuation of a monetary system which will lead to trouble or disaster. It may well be, as the report itself suggests, that the restoration of a sound monetary system would require some constitutional amendments to protect our political system from the pressures originating with powerful business interests or with large groups of voters like the unions. The NAM should put its influence behind a campaign for the adoption of such amendments.

The NAM could have rendered a great service to the community if its report had brought out the following points:

(1) That the present monetary chaos in the world will be brought under control only if there is a return to the gold standard internationally, or at least in the great trading nations.

(2) The return to a gold standard internationally would require bold action and initiative by the United States.

(3) The report should have made clear that the restoration of a gold standard domestically and internationally will not be possible until and unless the method of operation of the Federal Reserve System is thoroughly changed so as to create a closer relationship between our gold reserve and the money supply, and unless a free market for gold is reinstated.

Professor von Mises calls our monetary system "a modern variety of the greenback standard."

In an excellent book on "Banking and the Business Cycle" published jointly in 1938 by three professors, C. A. Phillips, T. F. McManus and R. W. Nelson, one can read the following statements:

"Two events occurred in 1914 that were to have profound influence upon subsequent economic developments in the United States. The first of these was external, the outbreak in Europe of the World War; the second was internal, the formal inauguration of the Federal Reserve System. Both were events propagative of an unprecedented orgy of inflation. The two, inextricably intertwined, brought about a great inflation of bank credit in connection with war finance, and both were productive of striking changes in the economic structure of the world during and after the War.

"When the hegemony of world finance passed to the United States during and after the War (World War I), and with it the responsibility for international monetary management, there were only a few nations remaining on the gold standard, and the inexperienced or incapable hands in this country essayed to manage a purely domestic gold standard, apparently with but scant regard for the international aspects of the situation."

Specific Criticisms

I should now like to make a few specific criticisms of the views presented by the report:

(1) On page 5 one can read:

"There is a paradoxical situation with respect to the gold standard. On one hand, a principal advantage attributed to the gold standard during its heyday, and a major argument advanced now for its restoration, is its efficacy in preventing inflation. But on the other hand, it was a succession of tidal waves of inflation that compelled abandonment of this standard. These great inflations were the product of world wars. It would be fruitless, now, to debate the issue of financing a long, costly war without resort to credit and currency inflation, for these events are now past history. The fact is that this was not done."

Since the inauguration of the Federal Reserve System, and as a result of the fact that the hegemony of world finance passed to the United States after World War I, we have been juggling, albeit unwittingly, with the gold standard so that actually the world has been on an arbitrary standard ever since World War I. Under the method of operation of the gold standard until 1914 great inflations like those produced by World War I and World War II would have brought about the suspension of the gold standard. But due to the hyper-elasticity of our Federal Reserve System, and to the fact that our country is not only large, but rich and powerful, the United States has been able to affect at will the value of gold. Professor D. H. Robertson, in his famous book on money, makes the statement:

"It is open to such a country (as the United States) to maintain what is in effect an arbitrary standard, to make the value of gold conform to the value of her money, instead of making the value of her money conform to the value of gold, and this she can do while still preserving intact the full trappings of gold circulation or gold bullion system."

In countries less powerful and rich than the United States it is still necessary for the monetary authority to make the supply of money conform to the gold position. (We are witnessing this right now in England, Scandinavia, France, Denmark, etc.) But in a country like the United States, endowed besides with a Federal Reserve System enjoying an abnormal elasticity for the expansion of its money supply, it is open to the monetary authority "to make the supply of money dance to its own sweet pipings."

(2) On Page 5 one can read:

"It is another matter to consider whether, at the end of each war, the gold standard could or should have been resumed, or re-established, on a valuation basis that would have adjusted the gold monetary unit to an appropriate relationship with the price level as it stood at the end of the inflation."

True enough, it is "another matter," but an essential one! Why did the committee not tackle this subject? We have just come through a considerable inflation, and ten years have already passed since the end of the war, with the price level still at a peak. This is the time, if ever, to restore monetary order, and the question raised by the committee regarding the valuation basis of the gold monetary unit is both pertinent and urgent.

(3) The committee states on Page 5:

"What to do about gold as money henceforth requires clarification. Enough progress has been made by the leading industrial nations toward control of public and private finances since the end of World War II to make this subject a pertinent matter of discussion."

Indeed, what a fine progress! The world's monetary situation is in full chaos, but the NAM Committee doesn't seem to be aware of it. The world will suffer continuous hampering and interference with the flow of its trade as long as we shall not have restored the gold standard internationally. The world needs the restoration of the free convertibility of currencies as badly as it needs fixed exchange rates. The committee doesn't seem to be aware that we cannot have at the same time free convertibility of currencies, fixed exchange rates and unhampered international multilateral trade as long as the great trading nations of the world maintain each autonomous and arbitrary management of their money supply. Only an international gold standard can provide the necessary link of the various monetary systems compatible with the independence and sovereignty of nations.

(4) The report mentions that the total of the U. S. gold reserve amounts to $22,044,000,000 as of Jan. 31, 1954. Against this total there were obligations as follows:

Required as gold reserves	$11,799,000,000
Foreign short-term $ bals.	11,947,000,000

The report minimizes in my opinion the danger of massive withdrawal of the foreign short-term dollar balances in the form of gold. (Holland for the last few years is constantly changing its dollar balances into gold.) It states that the foreign owners of

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Connecticut Brevities

Connecticut General Life Insurance Company has called a special stockholders' meeting for Dec. 20, 1955 to approve a proposed affiliation of the **National Fire Insurance Company of Hartford** with Connecticut General. The exchange offer, which is contingent upon acceptance by holders of at least 80% (400,000 shares) of National Fire stock, calls for the issuance of one share of Connecticut General for each three and one-half shares of National Fire, and will expire on Jan. 23, 1956. Connecticut General directors also approved, subject to favorable stockholder action at the February annual meeting, a further increase in the capital stock to $15,000,000 to provide for a stock dividend of one and a fraction additional shares for each share held.

* * *

Plans were announced last month for a merger between **Cott Beverage Corp.** of New Haven and **Mission Dry Corp.** of Los Angeles. Under the agreement Cott Beverage will exchange $1,500,000 in 5% subordinated convertible debentures for the 250,000 presently outstanding shares of Mission Dry stock. Mission's Los Angeles plant would be able to serve as a manufacturing and distribution center for Cott franchise bottlers west of the Mississippi. The merger would also give Cott 220 licensed Mission bottlers in the U. S. and abroad.

* * *

Stockholders of **Colt's Manufacturing Company** of Hartford have approved the plan of merger with **Penn-Texas Corp.**, involving the transfer of all Colt's assets and liabilities to Penn-Texas in exchange for three Penn-Texas convertible preferred and four common for each 10 shares of Colt's. Officials of Penn-Texas have indicated that the Colt's operations will continue to be centered in the Hartford area.

* * *

Veeder-Root Incorporated of Hartford has broken ground for the construction of a new branch plant at Altoona, Pa. The factory, which will have 100,000 square feet of space, is expected to cost approximately $1,500,000 and will be in operation within the next 12 months. Some manufacturing operations will be transferred to the new location, but Company officials indicate that they expect no change to take place in the total employment in the Hartford plant. Veeder-Root has also declared an extra cash dividend of $1.00 per share (same as last year) and a 20% stock dividend to be paid to stockholders in December.

* * *

Another company which has declared a year-end extra dividend is the **Associated Spring Corp.** of Bristol. Stockholders of record Dec. 1 will get $0.60 extra on Dec. 10 along with the regular $0.40 quarterly dividend.

* * *

The Fafnir Bearing Co. of New Britain has recently announced that its new plant in Newington, Conn., which is currently under construction, will be expanded an additional 57,000 square feet to 210,000 square feet.

* * *

American Hardware Corp., also in New Britain, has called a special meeting of stockholders for Dec. 16, 1955, to approve (1) an increase in the authorized stock from 500,000 shares to 1,000,000 shares; (2) a reduction in the present par value from $25 to $12.50; (3) the issuance of up to 75,000 shares of new $100 par preferred stock; (4) payment of a 20% stock dividend on the common stock.

Lehman-Lazard Freres Group Offering Huge RCA Debenture Issue

Radio Corporation of America is offering to its common stockholders the right to subscribe for $100,000,000 of 3½% convertible subordinated debentures, due Dec. 1, 1980, at the rate of $100 principal amount of debentures for each 14 shares of common stock held of record on Nov. 17, 1955, David Sarnoff, Chairman of the Board of RCA, announced on Nov. 18, 1955.

The debentures are priced at 102½%. The right to subscribe expires at 3:30 p.m. (EST) on Dec. 5, 1955.

The debentures are convertible into common stock at any time on or before maturity at $50 per share.

The offering is being underwritten by a nation-wide group of investment banking firms headed jointly by Lehman Brothers and Lazard Freres & Co.

During 1954, more than 80% of RCA's total sales were in products and services which either did not exist or had not been commercially developed 10 years ago. The most important of these products and services were created in whole or in part by substantial expenditures for research and development carried on by RCA. Proceeds from the sale of the debentures, together with other corporate funds will be used in meeting such cash requirements and the further expansion and development of RCA's research, manufacturing and service facilities in the electronic and related fields.

The debentures have the benefit of a sinking fund under which $4,500,000 principal amount of the debentures will be retired on Dec. 1, in each of the years 1965-1979, inclusive. In addition, RCA may, at its option, also provide for the retirement through the sinking fund of up to $4,500,000 principal amount of debentures in each of the years 1960-1979, inclusive.

The debentures comprise the sole long term debt of RCA with the exception of $150,000,000 of promissory notes due 1970-1977 held by insurance companies. Also outstanding are 900,824 shares of $3.50 first preferred stock, without par value, and 13,923,327 shares of common stock without par value.

Prosperity Without Inflation Or Deficit Spending!

By HON. GEORGE M. HUMPHREY*
Secretary of the Treasury

Describing recent economic progress in the nation as "betterment from the bottom up," Secretary Humphrey recounts advancements that have benefited all, worker and businessman alike. Stresses the growing field of investment by all segments of society, and points out labor and management have the same basic interest. Says curbing inflation is the Eisenhower Administration's goal, and because a flexible monetary policy has been effective, there will be no recourse to deficit spending to maintain prosperity.

It is an often-neglected fact that within the last half century this nation has gone through an economic evolution that makes pale any other in the long history of man's efforts to achieve a better life.

George M. Humphrey

The result is—that this nation is today a nation made up of small to medium savers and investors. This means that today this is a nation of "haves," and not a nation of "have nots." We have been in a tremendous and beneficial evolution, peacefully bettering the lives of most of us.

We in this Administration have hitched our wagon to this rising star of a "have" nation to make sure of its continued rise—to keep making "have nots" into "haves."

We are admirers of, and believers in this uniquely American growth and progress.

But on coming into office we found that this great day-to-day American evolution from the bottom up was in danger. In fact, we found that it had not even been properly recognized by economic policymakers of the past two decades. They were too busy fighting the ghosts of a "have not" nation, a nation that had even then already ceased to exist.

As a result, we found the economy blown up with the hot air of inflation, to a point where there was real danger that it might burst, letting us all down with a crash that would have maimed us as a nation, and dropped the free world's defenses invitingly low.

We found the economy's growth hampered and hobbled by a tangle of successive layers of regulations, controls, subsidies and taxes imposed in past emergencies. The economy was being twisted into the shape of things past, when it should have been reaching freely for its rightful future.

In addition, we found defense spending being used partly to buy defense, and partly as a crutch to support an unsound economy, thereby endangering both defense and the economy.

In other words, we found an economy in danger of going stale, out of step with the times and out of step with the nation it had to serve, an economy fearful of the ghosts of bygone crises, living precariously on the treacherous dodges of inflation, subsidy, and excessive crash-and-crisis government spending.

We have been reshaping this government's economic policies into the policies required for a strong and forward-looking nation, its economy firmly footed and self-supporting; an economy that will pump a continuous new flow of nourishment into the day-to-day American evolution of self-betterment; an economy that will constantly generate new and better paying jobs for an ever-growing population. At the same time our economy must provide an ever-higher standard of living, plus the social services the people want and need, as well as the men and weapons the nation must have for its defense.

Now, let's look at what you millions of American citizens have been making of our economy, how you have been creating the world's most successful and beneficial economy, and what we in the government are now doing to see that you have every possible opportunity to press forward and continue making a better life for all.

All hands in our nation—labor unions and the employer, the rich and the poor, both major parties, the farmer and the city man, the woman at home and the man at his job—all have had a part in making our new productive way of life.

The point now is that the peaceful evolution has resulted in a tremendous upheaval of this nation's whole economy that really has created a different kind of nation, a unique nation of "haves" that needs an up-to-date way of thinking about itself, and up-to-date policies, in keeping with its strength and growth potential.

50 Years of Economic Progress

Let's look back to the turn of the century and see what has been happening, economically, since then. Only by making such a comparison can you realize how outmoded a line of thought can be, even if only a few years old, when applied to our dynamic economy, and how alert we must be not to let out-of-date thought and practices tie us down while opportunity passes us by.

Our total national production of goods and services now approaches $400 billion. That is just 20 times as much as our national output in 1900. When you make allowance for price rises since the turn of the century, today's national production is still about seven times what it was in 1900. Our population has more than doubled since 1900, but our national output per capita—production per man, woman and child in the nation—is three times what it was then.

Our national income is now over $320 million. After allowance again for price changes, this is seven times what it was in 1900. And our income per man, woman and child in the whole population is, like production, three times as much as in 1900.

Here is the important thing about that income change since 1900. The lower and middle income groups have received the greatest share of our increased income. Early in the century, only 1 out of every 10 American families earned as much as $4.000 a year in terms of today's prices. Now almost half of our families earn more than $4,000 a year. Those with inadequate incomes for a decent living are becoming fewer and fewer, and more and more of them are becoming "haves"—people who have enough money not only to live adequately, but to save besides. That is the basic economic development in this country which we are trying most fervently to keep going, and to continually improve.

Let's see just how widespread and important this flow of purchasing power to the broad base of our economy has been and will continue to be.

One of the most common methods of savings is the purchase of insurance. At the turn of the century, people in this country had taken out 14 million life insurance policies. Today, with the population only slightly more than doubled, and with many people owning several policies, the number of life insurance policies has increased nearly 18 times, to about 250 million.

Ownership of individuals in their life insurance has increased from under $2 billion in 1900 to more than $85 billion today.

Small investors' holdings in United States Savings Bonds, total the huge amount of $50 billion. No such investment existed in 1900.

Let's see some other ways in which the average man on the street in this nation has been making himself over into an investor—a man with a real financial stake in the future such as no other average citizen anywhere ever had before.

Nearly 10% of all American families today own stock in American corporations. At the turn of the century, this was just getting under way.

In 1900, individuals had liquid savings of all types amounting to less than $10 billion. Now such savings of individuals in this country total more than $235 billion.

Last year alone, Americans bought equipment for themselves and their homes of almost $30 billion. This included things unknown to the homeowner of 1900, like seven million radios, seven million television sets, nearly 3½ million washing machines, and a million air conditioners. These are mass investments in a better life only a nation of "haves" could make.

About 25 million families own their own homes today, compared with only seven million homeowners half a century ago, while population has only a little more than doubled in that time. About 55% of our families now live in homes of their own. Nearly all the others want to. And ways and means of helping them to do so are of greatest concern in present government policy.

Labor unions to which many American workmen pay dues, are also investors. Not so many years ago, union treasuries were low. Today many of them bulge with huge sums. They own banks and buildings, bonds and stocks, and investments of many kinds. These are investments belonging to—and benefiting—the man in overalls.

Today more than 15 million Americans have more than $30 billion dollars invested in pension and retirement trust funds. This represents an investment of almost $2,000 per worker. Such retirement plans were practically unknown in 1900.

You can see from these few examples what has been happening to the ordinary individual and the ordinary family in our wonderland economy. We need a completely new set of standards in thinking about ourselves. We are a nation of "haves," not of "have nots." This nation's economy has grown right over and has left behind in the dust, both socialism and communism.

The consequence of this brilliant human achievement in our nation

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*An address by Sec'y Humphrey before the American Petroleum Institute, San Francisco, Calif., Nov. 17, 1955.

Probable Impact of Atomic Energy On the Petroleum Industry

By ROBERT E. WILSON
Chairman of the Board
Standard Oil Company (Indiana)

Though hailing the progress in use of atomic fuels, Standard Oil executive asserts that anyone claiming that the new Atomic Energy Act turns over to private industry "a bonanza", in the form of already-solved technical and economic problems that assures a profit, "either does not know the facts or is an arrant demogogue". Holds atomic power, on a commercial basis, will develop slowly, and therefore no existing conventional plant of reasonable efficiency will be shut down or converted. Concludes oil industry will not be adversely affected, but is likely to be aided by use of atomic fuels.

In the past half-century of amazing development and change in this country, one of the most dramatic shifts has been in the sources that supply our expanding needs for energy. At the turn of the century the statistical information was none too accurate, but best estimates are that the burning of coal provided about 70% of the energy supply of the nation. The burning of wood provided about 20%. The remaining 10% of the energy supply was divided between oil, gas, and water power.

Robert E. Wilson

By the end of World War I, oil and gas had grown to about 15% of the total. Today they supply close to 70% of the country's energy! Coal's percentage has faded, and wood has been almost eliminated. Although our population is 58.5% larger than in 1918 and uses much more energy per capita, the country's coal usage is actually lower than it was then.

Now we are entering what is widely heralded as the Atomic Age. The release of atomic energy is probably the outstanding scientific achievement of the century. People are naturally asking whether atomic energy will in the next few decades do, to oil, what oil and natural gas have done to coal and wood. What, if any, threat does the new challenger pose to the reigning champion?

In trying to appraise the probable impact on our industry, I cannot accept the views of a few incurable optimists, who focused their attention only on the enormous power theoretically obtainable from a pound of uranium and were certain, way back in 1945, that atomic energy would soon be producing large quantities of power. Neither can I accept the views of the pessimists, who think we may never solve the serious problems that still prevent the economical production of atomic power for commercial purposes. Fortunately, there is today a great body of fact and informed opinion which gives one a well-established base between these two extremes.

I am not going to bury you under the mass of facts and figures which I might cite from the many papers published on this subject in the last two years, but rather give you the essential conclusions I have reached after reviewing many of them.

In the great bulk of the following discussion when I speak of atomic fuels and atomic energy I am referring to the "fission" processes based on uranium on which the great bulk of the research and development to date has been done. Near the end of my paper I will discuss the much more remote and difficult possibility of getting power from the "fusion" of some of the light elements by the kind of reaction which makes the so-called hydrogen bomb so devastating.

New Problems Uncovered

I yield to no one in my admiration for the research done in government university, and industrial laboratories on the many problems involved in producing power from atomic fuels. However, I think it is fair to say that this research has uncovered almost as many new problems, unsuspected in the early days of rosy optimism, as it has fully solved of the problems then recognized. That is not surprising because the military aspects of atomic energy have necessarily had priority during the hectic years since the war, and the research achievements in that area have been truly amazing. Until a couple of years ago power generation has been largely an incidental by-product of this great program. If anyone claims that the new Atomic Energy Act turns over to private industry a bonanza in the form of already-solved technical and economic problems and an assured profit, either he does not know the facts or he is an arrant demagogue. Any private investment in commercial atomic power generation in the near future will have to be inspired more by long-range hopes and public service motives than by any reasonable expectation of substantial early profit.

Commercial Use Defined

In discussing the probable rate of development of the commercial use of atomic energy, I should define what I mean by commercial use. Basically, I mean production of power at costs (including depreciation) which are competitive with power from conventional fuels, and without direct or indirect subsidy. I use this criterion because it is hard enough to appraise the complicated economic factors that will affect the rate of development without trying to take into account the unpredictable political and other factors that might lead to all sorts of open or concealed subsidies. Most of those individuals, either in government or industry, who predict early commercial developments by private enterprise, are tacitly assuming such subsidies in one form or another. I am not implying that subsidies cannot be justified in this important new area, but they nevertheless are subsidies.

Specifically, I consider that to qualify as unsubsidized, a commercial power development:

(1) We have to be set up on the basis of financing at commercial rates, paying the usual taxes, and making a reasonable profit on the total investment, while charging rates no higher than necessary for a modern plant using conventional fuel. Since capital costs will be much higher than for conventional power plants, these factors are highly important in determining whether or not a nuclear plant is really competitive.

(2) Would provide a plant location, safety devices, shielding equipment, and provisions for waste disposal substantially as safe as those of the existing atomic piles. While this factor of safety is costly, and may well be higher than needed, as a practical matter it will probably be many years before any political subdivision would feel that it could permit substantial relaxation of present precautions. Also, the cost of liability insurance for a plant located in a populated area is likely to be either unobtainable or prohibitive in cost for many years. While putting the reactors underground or inside huge steel shells may well decrease the area required and permit building plants closer to populated areas, these alternatives also cost money.

(3) Would pay for its uranium (or other fissionable material) either by outright purchase or on a rental basis that fully covers at least the *average* going cost to the Government. (The Government now pays widely diffferent prices to different uranium producers, depending largely on their costs.)

(4) Would get no Government-guaranteed price for by-product plutonium. Although the Government is now producing plutonium at rather high cost for weapons, it is probable that before long the Armed Forces will have no real need for additional plutonium, at least beyond the AEC's own production. The plutonium would, of course, have value for generating power, but to determine that value fairly, a commercial plant should pay the cost of separating and recovering its by-product plutonium, and use it up in its own power-generating operations.

Commercial Power Production Will Develop But Slowly

Defining commercial power production in this way, I believe most experts will agree that:

(1) *There will be few, if any, unsubsidized atomic power plants built in this country for purely commercial purposes within ten years.* These "few, if any," would be only at points remote from conventional fuel supplies, and with high load factors.

I made essentially this statement more than a year ago at the Third Atomic Energy Conference of the National Industrial Conference Board. It might appear to be questionable in view of several recent announcements of so-called commercial plants, at least six of which are supposed to be completed between now and 1960. If you check into them, however, you will find that not one of them qualifies under my definition of an unsubsidized commercial plant. In the first, the Shippingport, Pennsylvania, plant, the Government is justifiably paying over half the capital cost; in others, a substantial part of the cost is being charged to research or shared by a number of interested companies. In others, the subsidy apparently takes the form of an understanding with the local public utility commissions that, in the interest of promoting progress, the company will be permitted to charge rates high enough to insure a fair return on the heavy investment required. Some of them may also have indirect subsidies in the price they pay for uranium or other fuels, in arrangements for processing the spent fuel slugs, for atomic waste disposal, or for insurance. There is a trend toward the use of "enriched" uranium fuels containing more than the normal percentage of fissionable atoms, and these would be almost prohibitive in price if produced commercially.

Confirming this viewpoint, Keith Glennan, President of Case Institute of Technology, and a former AEC Commissioner, said recently of these projects, "None of these units is expected to be economically competitive with the average conventional thermal plants."

I want to make clear that I am not objecting to the Government, the utilities commissions, or the companies making these arrangements to speed up this important development—it is a real tribute to the progressive drive of America—but I do think many have been misled into thinking that these proposed plants are expected to be commercially competitive.

(2) *Between 10 and 25 years from now (the timing depending partly on technological developments and partly on the trend of prices of competitive fuels), a moderate, but increasing, proportion of the larger commercial power plants may well be built without subsidy to utilize atomic fuel. No existing plant of reasonable efficiency would be shut down or converted to atomic fuel.*

As was pointed out by Mr. Whelchel, of Pacific Gas and Electric, during the 1953 Atomic Energy Conference, ". . . looking to the future, we do not expect nuclear power to supplant power generated by hydro and conventional steam stations. On the contrary, when and as nuclear power becomes economical, we believe it will fit into the nation's ever-growing integrated power systems without displacing then-existing generating facilities or preventing the construction in the future of hydro and conventional steam power plants."

As to the above-mentioned factor of the price of competitive fuels, while I both expect and hope that the price of oil and natural gas will increase enough in the next 25 years to make atomic energy more competitive, I believe the price of coal will be the principal determinant. If oil and gas prices do rise, I am confident that John L. Lewis and his successors will combine with economics to make sure that coal does not lag far behind! As a matter of fact, there is a real world shortage of coal today outside the United States.

If the foregoing is *even close to* a fair appraisal of the outlook for commercial atomic power, what impact would it have on our industry? To summarize my opinion in a few words, I believe that, while the development is highly important to the nation and the world, the impact on our industry will be negligible over the next 20 or 25 years. Beyond that, I believe we will welcome the aid of atomic energy in helping to take care of the country's rapidly growing needs for power.

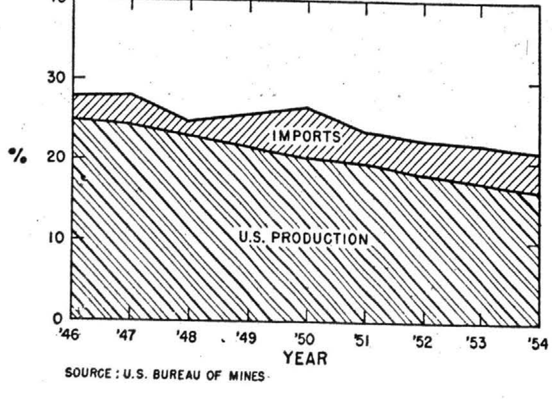
Effect on Residual Fuels

To understand the reasons for this opinion, let's analyze more in detail the effect on our industry of such power developments, even if they should be speeded up somewhat by subsidies of one kind or another, as they probably will be. In the first place, heavy residual fuel oil would be almost the only oil product affected, as it is the only one in substantial use by central power plants. While the over-all consumption of heavy fuel oil has been growing slowly, Figure 1 shows that, *when expressed in percent of domestic crude runs,* both total consumption and U. S. production have been declining since the end of World War II.

Over the past nine postwar years, our over-all *consumption* of heavy fuel oil has decreased from 28% to 22% of the volume of domestic refinery runs. Our *production* from domestic refinery runs has been cut from 25% to 16%. If the figures were in dollars, the percentage would be still lower. Residual fuel is our least

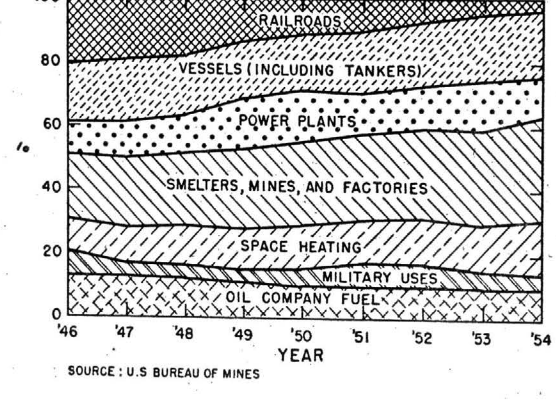
*A talk presented by Mr. Wilson before Annual Meeting of Independent Petroleum Association of America, at St. Louis, Missouri, Nov. 1, 1955.

FIGURE 1
U.S. CONSUMPTION OF RESIDUAL FUELS
(AS PERCENTAGE OF DOMESTIC CRUDE RUNS)



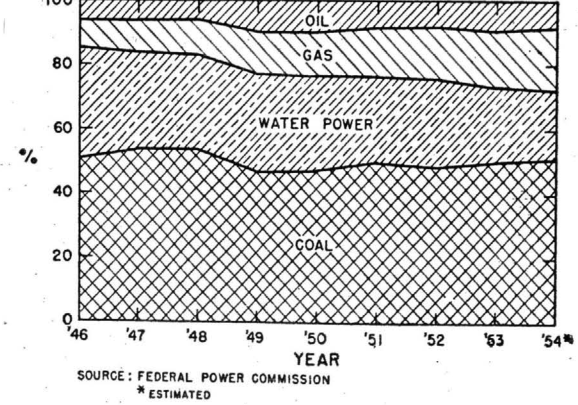
SOURCE: U.S. BUREAU OF MINES

FIGURE 2
SALES OF RESIDUAL FUEL OIL BY USES



SOURCE: U.S BUREAU OF MINES

FIGURE 3
SOURCES OF U.S. ELECTRICITY



SOURCE: FEDERAL POWER COMMISSION
* ESTIMATED

profitable product—the only one selling for less than the cost of crude oil. As a result, we have been steadily reducing our yields and converting more and more of our residuals into more valuable products.

Moreover, only a small part of our residual fuel is used to generate electricity. As you see from Figure 2, power plants take only 10 to 15% of these fuels.

In fact, the total amount of residual fuel used for power generation in the United States in 1954 *represented only about 3% of the total volume of crude run*, and here again the percentage would be even smaller if expressed in dollars.

So, even if we lost all our central power-plant business during the next 25 years, we would hardly notice it; in fact, we may well lose most of it to coal before that, and no tears will be shed. Certainly long before we seriously undertake to make motor fuel from coal we will burn more coal in power plants and convert our residual fuel into gasoline, at much lower cost than we could make it from coal.

While a small proportion of our lighter distillate fuels is also used to make power, this is mainly in very small plants where atomic power would hardly be considered. An exception might be in remote locations where transportation costs may be several times as large as the basic cost of the fuel.

What about fuel oil for ships, which today take about 20% of our residual fuel oil? While some submarines and possibly other special naval vessels will be atomic powered for war service, I believe that the comparatively high first cost of atomic power plants of moderate size and the hazards involved will make their use on commercial ships develop even more slowly than in large central power plants. But again, if we should lose the fuel oil business of some of the larger new ships after 15 or 20 years—what of it?

Effect on Natural Gas Demand

Natural gas, also, is used as fuel in power plants. Figure 3 shows the over-all situation as to how the nation's power is generated. Note that in this area coal has held its percentage since the war, and has, of course, gained greatly in total volume.

While the use of natural gas for power generation has been increasing, it still accounts for slightly less than 20% of the country's total fuel for electric power. Outside of the gas producing areas it is used today largely because it is available as "dump" gas at low prices during the warmer seasons when the big gas pipelines from the producing areas would otherwise be operating far below capacity. The availability of dump gas at such low prices will tend to decrease as the older supply contracts expire and as more underground storage for gas is put into service near consuming centers. These facilities will make it possible to keep the long pipelines running nearly full the year round, the summer excess being stored in order to have it available for winter household consumption at higher prices. The use of natural gas for power generation outside the gas producing areas can be expected to decline gradually whether or not atomic energy begins to compete, and again few tears will be shed by the gas producer or transporter over gradually losing this very low-priced market. His higher priced markets are bound to continue their rapid growth.

Doubt Use of Atomic Fuel in Land Vehicles

How about atomic fuel for locomotives, or for cars, buses, and trucks? In this field of land transportation lies, of course, the oil industry's principal market. The only use of atomic power in land transportation which is being seriously discussed as a possibility is in a large locomotive. However, even if this should prove to be both safe and economical in normal service (which I seriously doubt), can you imagine either the railroads or the regulatory authorities being willing to risk a possible wreck of an atomic engine in one of our large cities? I realize that a theoretically safe shielded "package" might be designed, but I think psychological factors would bar it for many years. Either a gas turbine or a resurgence of electrification for dense traffic would seem more probable, if diesel fuel costs should eventually climb too far above present levels.

For cars, trucks, or buses the idea is fantastic. Even supposing people could afford the minimum conceivable cost of many thousands of dollars for an atomic engine, we would have to have at least a steel or concrete dashboard several feet thick to protect the passengers from dangerous radiations, and similar sidewalls to protect the passers-by.

For commercial passenger planes, too, the shielding problems seem to constitute an almost insuperable bar, though it might be feasible to shield the crew of a very large bomber or cargo plane. The weight of needed shielding on such a plane has been estimated at around 50 tons! However, the military value of a plane of unlimited range is so great that over $200,000,000 has been spent on the general project, and such a plane probably can be built within a few years.

There has been some speculation as to the possibility of finding some much more efficient shielding material or a combination thereof to minimize this problem. Shielding ability is, however, a property of the atom and by now every available element has been tested. The results confirm the prior opinion of the physicists that no major improvement can be anticipated from new shielding materials.

Other Automotive Power

In discussing the impact of atomic energy on the automobile business, we can rule out engines using atomic fuel, but there are other possibilities to be considered. Might not cheap electricity from atomic power plants be used to charge some new kind of highly efficient storage batteries for electric automobiles?

In the first place, even if atomic power plants do become commercially competitive in from 10 to 25 years, there is very little likelihood that the power will be substantially cheaper than at present; in the second place, further radical improvements in storage batteries for automotive power do not appear to be in sight despite many years of research. Furthermore, even solving these problems would probably not affect the gasoline business very much.

Let's review some facts about automobiles. One important point is that gasoline is a relatively small part of the cost of driving a car. On the average, gasoline accounts for less than one-quarter of the total cost of the transportation. If we base our calculations on the price of gasoline (ex tax) at the refinery gate, we find that the raw fuel cost of the energy represents only about one eighth of the total cost. Any competing source of mobile energy will have a hard time beating such figures. While the refinery price figure omits the relatively large factors of gasoline taxes and distribution costs, distribution costs would certainly not be less for charging and handling storage batteries, and you can be sure that the governmental bodies would not long neglect to tax the competitive motive power if it became important.

Incidentally, gasoline prices, ex taxes, are about the same as they were in 1926, whereas automobiles cost over twice as much. They are, to be sure, greatly improved, but so is modern gasoline, which, thanks largely to improved antiknock rating, will do 65% more useful work per gallon in a modern high-compression engine than would 1926 gasoline in *any* engine.

Another important point is that the gasoline engine is a very low-cost engine. In a small car costing around $2,000, the engine represents only about $300 of that total. The designer of a competitive type of engine or motor does not have much money to play with.

Most important of all, however, the buyer of gasoline is not looking primarily for cheap B.t.u.'s. Instead, he demands in his car things like fast acceleration, agility in traffic, driving comfort, and the other qualities that come under the general heading of "performance."

The electric car lost out once in the competition with the gasoline car when gasoline engines were far less efficient and reliable and power requirements far lower. Atomic energy seems unlikely to put it back in the race.

There is, of course, the remote possibility of revolutionary new devices being discovered which would convert atomic energy directly to electricity, but this seems highly unlikely. At a conference held two years ago, Dr. Walter H. Zinn said he had seen no such scheme that seemed practical. Here again the low first cost and operating cost of the gasoline engine seem practically certain to hold the business for the oil industry.

Possible Space Heating Competition

After the various transportation uses, the next most important use of oil products is in space heating. Is there any chance that atomic energy will replace our distillate fuels, used mainly in home heating? In this field, the customer comes much closer to shopping for mere B.t.u.'s than when he buys gasoline.

Direct use of atomic energy for home or apartment house heating seems to be ruled out by its usual handicaps: the need for heavy shielding, the problem of handling radioactive wastes, and the high cost of the equipment. The high equipment cost is pointed up by the estimates made in connection with the Army Package Power Reactor, designed to generate 1,700 kilowatts. Dr. Lawrence R. Hafstad said the probable cost would be "considerably less than $8,000,000," and there were some "guesstimates" as low as $5,000,000. Even this figure, however, would be ten times the cost of an equivalent diesel unit. For generating electric power *or* for producing heat, atomic energy would seem to be attractive only in locations like northern Greenland, where diesel fuel may cost a dollar a gallon instead of the normal 12 or 13 cents.

In other remote locations, particularly where the climate is not too cold, electricity from either coal or atoms might prove economical for driving heat pumps. These are the devices that take low-level heat from outdoors and convert it to the higher-level heat needed indoors. They can also be reversed to cool homes in the summer. It is possible that, in spite of high first cost, the heat pump will within a few decades become a substantial competitor of the oil industry in certain areas.

Atom to Aid Oil Industry

I have indicated the reasons why I believe that no important phase of the oil business will be

Continued on page 21

A Progress Report on Canada

By JAMES G. K. STRATHY*
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Dominion Securities Corporation, Ltd.
Vice Chairman, The Toronto Stock Exchange

Canadian investment banker recites the economic development of Canada from the formation of the Confederation in 1867, up to the recent past. Notes greatest progress has taken place since World War II, due to discovery of strategic natural resources. Reviews some of the important economic trends of the past two years in Canada, and stresses the importance of U. S. private investments in Canada. Analyses Canada's foreign trade and the situation with reference to Canada's leading industries.

Canada, in many ways, is still an unknown country; even in the crowded 20th century which may yet become Canada's century of destiny. Challenging extremes of distance, of climate, of natural barriers, have been conquered, and the last frontiers of the Arctic North and the inmost reaches of the Precambrian Shield are yielding to the assault of a people on their destined march.

J. G. K. Strathy

Much as we Canadians might like to complete these amazing developments from our own physical and monetary resources, we know and respect our limitations, and have come to appreciate the true value of your participation in these great economic enterprises, and nowhere in this country has the financial participation been exemplified more clearly than in Boston, where so many of the most important investment decisions in this country have been made and will continue to be made.

Here it was that the celebrated "Boston Trustee" laid down the early principles of sound investment under the famous "Prudent Man Rule" which allowed the Trustee to invest the money of his clients freely as long as he conducted himself faithfully, exercised sound discretion, and observed how men of prudence, discretion and intelligence managed their own affairs.

I am told that so prudent and careful were some of the early Boston Trustees that one of them remarked that his father, also a Trustee, would invest in nothing that he could not watch from his office window. I suggest that principle holds equally well today, but the window is higher and wider, and brings into focus the whole investment scene.

And now perhaps a few words on the Canadian scene might be appropriate. Any examination of the principal changes which have occurred in Canada's economy in the postwar period, generally speaking, cover the years 1946 to 1955, and to bring this period into proper perspective, it may be interesting to make some reference to the economic history of Canada prior to 1939 to illustrate the firm foundation on which Canada is developing.

Canada's Historical Development

Prior to confederation in 1867, the economy was concerned initially with the fur trade and fishing, then with lumbering and farming and light manufacturing allied to these two industries.

Between 1867 and 1914, paralleling the industrial development in the United States, railroads were constructed which led to the opening up of the rich wheat lands of the Prairie Provinces. Nickel was discovered in the Sudbury Basin, gold in the Klondike and in the Porcupine District of Ontario, and lead and zinc in British Columbia. This period also saw the initial stages of the development of Canada's hydro-electric power industry, the pulp and paper industry, and the aluminum refining industry.

*An address by Mr. Strathy before the Boston Investment Club, Boston, Mass., Nov. 22, 1955.

During World War I, Canada for the first time developed miscellaneous heavy industries for the production of armaments and military supplies. An intensive search for additional metals necessary to the war effort also took place.

Stimulated by development and manufacturng during World War I, the 20's saw the first real industrial development in Canada. This period featured the rapid development of our pulp and paper industry, the intensive growth of the hydro-electric power industry, and an expansion of both heavy and light manufacturing. Several new mining areas were also opened up, particularly in Quebec, and for the first time, many U.S. corporations established subsidiaries or branches in Canada, primarily to take advantage of preferential tariffs for export to British countries.

During the depression and the recovery prior to the war in 1939, the most important aspect of Canada's economy was her sound policy of governmental finance. In the early 30's there was a boom in the gold mining industry, but essentially, the entire period was one featured by companies putting their financial houses in order.

In the years 1939 to 1945, Canada became known as the arsenal of the British Empire. Great expansion took place in our industrial plant in order to provide facilities for the manufacture of all kinds of armament, and although it was a period of intensive utilization of natural resources, many new discoveries of strategic metals also were made. Between 1939 and 1945, the G N.P. increased from $5.7 billion to $11.9 billion.

Progress After World War II

During and immediately following World War II, strategic natural resources were discovered in Canada which were the keystone to the new era of industrialization. The most important were crude oil, iron ore and natural gas. Hitherto, Canada had to import almost her entire requirement of both petroleum and iron ore. The development of these two vital natural resources stimulated a chain reaction and expansion of established manufacturing industries and the formation of new industries allied to crude oil and natural gas.

Other important mineral discoveries which deserve special attention were the discovery and subsequent development by Government-owned corporations of high grade uranium deposits in the Northwest Territories during the War, and more recently in the Provinces of Saskatchewan and Ontario. Several private companies have discovered and are now developing extensive deposits of uranium ore, both in Saskatchewan and Ontario. This period has seen the development of one of the world's largest deposits of ilmenite, the basic ore of titanium, on the north shore of the St. Lawrence River. In the base metal field, there have been extensive discoveries, including new nickel mines in the Sudbury Basin, Ontario, and at Lynn Lake, Manitoba; lead, silver in the Yukon, and copper in the Gaspe Peninsula and other sections of Quebec and in Northwestern Ontario. And finally, hydro-electric power facilities have been greatly increased throughout Canada to satisfy the growing demand of the natural resources industries as well as from the greatly-expanding manufacturing industries. The principal developments have been at Kitimat in British Columbia, at Niagara Falls, on the St. Lawrence in connection with the Seaway, and at Bersimis in Quebec.

The dynamic growth in the Canadian economy is possibly best illustrated by two widely recognized measures of national expansion—(1) the population growth, and (2) the trend of the gross national product. The present population of Canada is approximately 15 million, an increase of 3½ million, or almost 30% in the last 10 years. In 1954, the net increase of 405,000 or at the rate of 2.7%, was considerably in excess of the population growth prevailing in the United States. The expanding opportunities which our development is creating is one of the reasons behind the more rapid rate of increase in Canadian population than in the population of the United States. In the period 1946 to 1955, the United States' population increased 17% itself—a very vigorous increase.

It is becoming commonplace in Canada to think in terms of a population of 25 million in the not so very distant future. The addition of 10 million more Canadians to our present population of nearly 16 million offers prospect of a market large enough to support a greatly increased number and variety of industries operating at high levels and technical efficiency, and the further prospect of having next door to us, as friendly neighbors, possibly 50 million more Americans with steadily rising standards of living is an irresistible long-term bullish factor of which we are very conscious.

Canada's Gross National Product

Turning to the trend in the gross national product, I should point out that similar methods of compilation of GNP are used in Canada and the United States, and it is generally admitted this is one of the best measures of national growth. The revised estimate of the gross national product in Canada for 1955 is $26.2 billion compared with $12 billion in 1946, and only $5.7 billion in 1939. Even allowing for changes in the value of the dollar, the 1955 estimate is more than double the level for 1939 or even 1929. The pace of Canada's development in the post-war years 1946 through 1955, using this yardstick, is revealed by the fact that its GNP increased 112%, while in the United States, the gain was only 76%. I see no real reason why this growth trend should not continue, indicating clearly the dynamic possibilities for the future for investors in Canadian industries over the years ahead.

Before dealing with the individual sectors of the Canadian economy, a review of some of the important economic trends of the past two years might be useful. As in the U. S., this period is highlighted by the moderate recession of 1953-1954, followed by the extraordinary rapid recovery during the past 12 months. In Canada, government policy, through Central Bank control, met the recession in a variety of ways. From the beginning of this period in 1953, easy money as a policy gradually dropped our three-month treasury bill rate, which had been close to 2%, to below 1% in the first quarter of 1955. Government of Canada five year money fell from over 3½% to below 2½%, and long-term rates from about 3¾% to about 3¼%. Undoubtedly there were two main factors prompting this change in money rates, one being the problem of recession and the threat of growing unemployment, and the other, of course, being the premium of 3 to 4% then prevailing on the Canadian dollar, and now almost eliminated.

With the rapid acceleration of activity, including increasing employment during the past eight months, it has been found necessary to apply the monetary brakes to the extent that short term funds are now back just over the 2% level.

Canada's Fiscal Operations

Fiscal operations have also had an important part in the post-war period. After eight successive years of budgetary surpluses, a deficit of $150 million was incurred in the 1954-1955 fiscal period. Nevertheless, the tax rate was reduced moderately in 1955 on the premise that economic activity in the present year would show considerably higher levels of activity. At that time, the forecasted deficit by the Finance Minister on this year's operations was indicated at approximately $160 million, but events are turning out considerably better than originally expected, and it now appears probable that the actual deficit for the fiscal year ending next March 31st will be reduced considerably.

It is interesting to note that as a result of the 1954 revision of the Bank Act, which is reviewed and amended by Parliament every 10 years, the Canadian chartered banks entered the mortgage lending field in a very big way, and these mortgage loans set up with very generous terms have a government guarantee under the National Housing Act. As a result, residential construction, instead of declining in 1954 with general business activity, actually increased to a point where new housing starts were running about 25% higher than in the same period of 1953.

Our recovery from this modest recession of 1953-1954 has been very rapid, and it appears to be soundly based. Employment is expanding to new high levels; in fact, employment opportunities have grown continually faster in 1955 than the labor force.

Investment in new plant and equipment which has been one of the main driving forces in the post-war period, has again expanded in 1955, and the mid-year survey of investments indicates that total capital expenditures will be somewhat higher than originally forecast for this year.

This increased capital investment is particularly related to our rising level of exports of pulp and paper and non-ferrous metals. Capital outlays in the paper products group of industries are expected to be 73% higher than in 1954, and in the non-ferrous metals group, 53% higher. Increased capital outlays in mining and oil wells may run to 28%, in housing to 13%, and institutions, schools, hospitals, etc., to 20%. In the aggregate, the main increase is in construction rather than in machinery and equipment, with the latter estimated at only 1% above last year.

In the same period, trade is up at least 10%, with exports and imports both expanded during 1955, but with significant trade deficit still running with the United States of over $600 million in the first 9 months of 1955. Our increase in exports has mainly been in the non-agricultural field, with the major gains in base metals, lumber, chemicals, iron ore, primary iron and steel and newsprint.

Canadian Foreign Trade

As you know, our export trade plays a much larger role in our economy than it does in yours. To illustrate, in 1954, export trade represented 16.4% of our G. N. P. compared with about 4% in the U. S. Shipments of iron ore for the first eight months of 1955 have been more than $50 million, compared with $15 million in the same period of 1954. Exports of primary and semi-finished steel have risen from $20 million in 1954 to $45 million in 1955. Similarly, crude petroleum exports have increased from $4 million in 1954 to $18 million in 1955. Needless to say, the largest increase has been in forest products which are $120 million higher at about $950 million for the first eight months of 1955.

The increase of our imports has been spread fairly broadly throughout the various categories and has come, in the main, from the United States. This expansion reflects our growing economic activity with an increased volume of manufacturing and a growth in consumer expenditure.

Wheat and wheat flour, our major agricultural export, is slightly down from last year. The wheat problem, while admittedly a serious one for Canada, is not just a product of the temporary generosity of nature. Basically, the large stocks of grain, represented in 1954 by a carryover of almost 900,000,000 bushels, have arisen largely because of world acreage expansion, and this acreage expansion has been the result of national policies of subsidies and tariff protection. The Canadian wheat producer is fully prepared to compete on equal terms in the world wheat market. He has confidence in the quality of his product, and his technical efficiency in producing it. However, it is quite another thing to compete with wheat grown in other countries where it is heavily protected by either high tariffs or high subsidies, or both. While admitting that the agricultural industry is probably the softest spot in the Canadian economy, it is interesting to note that the importance of agriculture is declining in the over-all picture. Prior to World War I, agriculture was the prime industry in Canada. In 1954, only 7% of the G. N. P. was derived from agriculture, while 39% came from manufacturing, construction, and the mining industry. In 1926, comparable percentage figures were 19% for agriculture and 28% for manufacturing, construction and mining. Again, on foreign trade, it may be interesting to note that values have increased from $1.7 billion in 1939 to $4.2 billion in 1946, and to over $8 billion in 1955. And, in addition, its character has undergone many changes. In 1954, 66% of total foreign trade was with the U. S. A., and only 18% with the British Commonwealth countries, a distinct change even from 1939 when the proportions were 52% U. S., and 40% Commonwealth respectively. In 1914, 63% of total exports were raw materials, and only 37% partially manufactured or fully manufactured goods, while in 1952, only 33% were raw materials, while 68% was partially or fully manufactured goods. As I mentioned earlier, in 1954, 16.4% of Canada's G. N. P. was derived from the export of goods and service which, compared with 31% in 1926, clearly indicates our great internal industrial growth.

The strength of the Canadian dollar, which has prevailed since exchange restrictions were lifted on October 1st, 1950, is one of the best indications of the sound growth of the Canadian economy. Since February, 1952, the Canadian dollar has sold until recently at a premium of 3% to 4% over the U. S. dollar. However, at the moment, this appears to be a matter of history, with virtual parity having been achieved, a source of great satisfaction to Canadian exporters who, for a very long time, have been severely penalized in foreign markets. To understand the reasons for the trend in the Canadian dollar, it would be necessary to study carefully the Canadian balance of international payments. However, without going into this too deeply, it is obvious that one of the principal reasons for the strength has been the flow of foreign capital, principally from the United States. This flow of capital and other changes in both current and capital account has enabled Canada to increase its holdings of gold and U. S. dollars from a post-war low point of $501 million at the end of 1947 to nearly $2 billion at the end of 1954, with the figure only slightly lower at this date. In 1955, however, the net inflow of capital has been reversed, largely due to unattractive yields, and this, coupled with the continuing adverse trade balance, has eliminated the vexatious premium.

Capital Investment Expansion

In reviewing Canada's growth industries, it should be pointed out that practically all branches of the Canadian economy have participated in the post-war expansion. Certain industries have grown much faster than others.

Of the private new capital invested in Canada during the period 1946-1955 totalling in excess of $30 billion, 29% has gone into housing, 22% into manufacturing, 14% into agriculture and fishing, and 15% into public utilities.

While more money is being expended in Canada on housing since 1946 than in any other branch of industry, nothing has contributed more to Canada's expanding economy than the discovery and subsequent development of enormous crude oil resources in the Western provinces, which has occurred since the Leduc discovery in Alberta in February, 1947. Since that date, crude oil reserves have increased from 72 million barrels to 2,400,000,000 barrels, or over 3,200%. Crude oil production in the same period has increased from 20,000 barrels per day to a present rate of 400,000 barrels per day. Domestic oil consumption has increased from 233,000 barrels per day to over double — 500,000 barrels per day. Alberta has the largest developed oil reserves in Canada, but important discoveries have also been made in Saskatchewan and Manitoba. It would appear possible that Canada can develop at least 10 billion barrels of oil reserves, and possibly a much higher figure, if the geological formations favorable to oil prove productive at the same rate as in the United States. Natural gas reserves already are known to be at least 14 trillion cubic feet, and it would appear likely that a solution to the distribution problems of this commodity may be on the cards in the not-too-distant future. This solution, through the construction of natural gas pipe lines to make natural gas available to all parts of Canada — both west and east — could involve the export of substantial quantities both on the west coast and into Minnesota if approval is granted by the Federal Power Commission to the two proposals now being submitted at Washington. Natural gas, a new source of basic power, supplementing hydro-electric power, cannot arrive too soon for Ontario, as it is quite possible that growing demand will outrun available developed hydro power in the next 5 years.

The total capital expenditure of the oil industry in the past nine years has amounted to more than

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Frederick D. Flaherty, W. Putnam Livingston, and Thomas E. Sime were elected to the position of Vice-President at **Bankers Trust Company, New York,** it was announced by S. Sloan Colt, President of the bank, on Nov. 21. Simultaneously, Mr. Colt made known the promotions to Assistant Vice-President of Lloyd Clarkson, John W. Fiske, Jr., and Edward F. McDougal; and the official appointments of Harold J. Flynn, Andrew Patey and Walter J. Woytisek as Assistant Treasurers. Mr. Flaherty, of the Banking Department's Operations Division, joined Bankers Trust in 1933. He served in the Pension and Personal Trust Department and the Personal Department of the bank before joining his present department in 1948. He became an Assistant Treasurer in 1948 and an Assistant Vice-President in 1950. Mr. Sime who has been with the company since 1922 has worked in various divisions of the Banking Department, most currently with the Banking Operations Division. He became an Assistant Treasurer in 1942 and an Assistant Vice-President in 1945. Mr. Livingston, of the Research and Methods Division, Controller's Department, joined the company in 1930. He was elected an Assistant Treasurer in 1942 and an Assistant Vice-President in 1945.

Mr. Clarkson, of Branch Loan Supervision, Banking Department, joined the bank in 1950 as a senior credit analyst. He became an Assistant Treasurer in 1951; Mr. Fiske, of the Banking Department's Operations Division, joined the Trust Operating and Custodian Divisions of the bank in 1935. He became an Assistant Treasurer in 1947; Mr. McDougal, of the bank's Public Relations Department, joined the company in 1947 and was elected an Assistant Treasurer in 1951; Mr. Flynn, formerly manager of operations in the bank's Queens Offices, has been reassigned to the Banking Department's head office operating staff; Mr. Patey joined the company in 1932 and is with the Banking Department's Operations Division, while Mr. Woytisek, with the Research and Methods Division of the Controller's Department, began his career with Bankers Trust Company in 1941.

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The appointment of Franklin Thompson as an Assistant Secretary of **Manufacturers Trust Company of New York** was announced on Nov. 17 by Horace C. Flanigan, President. Mr. Thompson joined the Personal Loan Department of the bank in 1935. His career was interrupted for four years during which he served with the United States Navy during World War II. Upon discharge he entered the bank's Credit Department training program, and was appointed Assistant Manager in 1953. At present Mr. Thompson is assigned to the Central Credit Department in the bank's main office, 55 Broad Street, New York.

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The election of L'Huillier S. Sheaff as a Trustee of **Empire City Savings Bank** of 2 Park Ave., **New York,** was announced on Nov. 17 by Charles Diehl, President. Mr. Sheaff is Executive Vice-President and a Director of Cushman & Wakefield, Inc.

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At its meeting on Nov. 15, the Board of Trustees of **Kings County Trust Company of Brooklyn, N. Y.,** adopted a proposition that it be recommended to the stockholders for action at the annual stockholders meeting to be held on Jan. 16 next, that the authorized capital stock be reduced from $40 par value to $20 par value, and the number of authorized shares increased so that stockholders will receive two new shares for each share now held, and that a 10% stock dividend be declared and distributed. Kings County Trust Company split its stock once before in January 1954. At that time par value was reduced from $100 per share to $40 per share. The stock was split 2½ shares to 1 and a 300% stock dividend was declared.

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The 60-year old **Roosevelt Savings Bank** of **Brooklyn, N. Y.,** opened its first branch on Nov. 17 at 2956 Avenue U, it was announced by Adam Schneider, President. James L. Compton, of Woodhaven, has been appointed manager. The one story, granite front structure, was designed by Halsey, McCormack & Helmer, specialists in bank architecture. It will be called the **Marine Park Branch** after the beautification project planned by the city for that area of the borough. According to Mr. Schneider, 9,684 savings accounts were opened during the 2-day opening celebration of the branch office with deposits totaling more than $540,000. The parent bank was founded in 1895 as the **Eastern District Savings Bank** and has always been located at Gates Avenue and Broadway, Brooklyn. The name was changed to Roosevelt Savings Bank in 1922 in honor of Theodore Roosevelt, who had died shortly before.

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The board of directors of the **Lafayette National Bank of Brooklyn, New York,** has authorized the payment of a Christmas bonus equal to 5% of the salary paid during the year, to all employees and officers of the bank. The bonus will be paid on Dec. 14 to those employed on Dec. 5.

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While reference was made in our issue of Nov. 10, page 1984, to the consolidation in Long Island, effective November 4 of the **First Suffolk National Bank of Huntington,** common stock $1,830,600; the **South Bay National Bank of Center Moriches,** with common stock of $150,000 and the **Bank of Northern Brook Haven, at Port Jefferson** with common stock of $412,500, it may be noted here that the consolidation was effected under the charter and title of the **First Suffolk National Bank of Huntington,** the name of which, with the approval of the Comptroller of the Currency became the **Security National Bank of Huntington** on Nov. 4. The Treasury Department announces that at the effective date of the consolidation the consolidated bank had a capital of $2,319,430, divided into 231,943 shares of common stock, par $10 each; surplus of $3,126,520 and undivided profits of not less than $1,320,000.

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Blair & Co. Inc., as underwriters, announce that the 14,625 shares of $10 par value capital stock of the **State Bank of Suffolk** at **Suffolk, Long Island, N. Y.** offered to the bank's stockholders at $34 per share have all been subscribed for. The holders of the capital stock of the bank were offered rights to subscribe for these additional shares on the basis of one new share for each four shares held of Nov. 1. The subscription rights expired on Nov. 18. Proceeds of the issue will be used to increase capital funds of the bank. The present name of **State Bank of Suffolk** was adopted on Sept. 30, 1955, when the **South Side Bank of Bay Shore** and **The Bank of Amityville at Amityville, Long Island,** were merged to form the present bank. Reference to this appeared in our Oct. 20 issue, page 1634. Upon completion of the financing the bank will, it is stated, have total capital funds of $1,716,000 and total resources of in excess of $24,000,000.

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It was made known on Nov. 21, according to Associated Press accounts from Washington, that Comptroller of the Currency, Ray M. Gidney has barred further merger by two banks in Nassau County and another in Suffolk County, Long Island, N. Y. As given in the New York "Times" of Nov. 22 the press advices stated in part:

"Mr. Gidney said he has informed the **Meadowbrook National Bank of Freeport, N. Y.,** the **Franklin National Bank of Franklin Square, N. Y.,** both in Nassau County, and the **Security National Bank of Huntington, N. Y.,** in **Suffolk County,** that he will not approve now, or for some time in the future, further acquisitions of smaller banks by them."

In a recent speech Mr. Gidney said he had nothing in principle

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THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market blew both hot and cold in the holiday-shortened week, leaving in doubt whether there is any serious intention of striving for a new all-time peak for the industrials any time soon.

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After having reached to within seven cents of the previous high a week ago, the industrial average backed up to carve out a trading range of some 10 points. It was somewhat misleading, however, since a good share of the setback in the average was due to the erratic action of duPont after directors voted a yearend dividend, but took no notice of the high Street expectations for a fat stock split running on the order of 5-for-1. The initial reaction was a loss that reached 10 points in a couple of hours with a lukewarm rebound in subsequent sessions.

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Technical considerations were mostly on the constructive side. Volume dwindled on selling but expanded on the rebound with the long-dormant oils and rails prominent along with the usual blue chips on optimistic moments. Overall activity was far from impressive and the impending holiday layoff kept traders cautious.

GM and Panhandle Oil Volume Leaders

General Motors' new split stock continued in high activity although it occasionally yielded the top spot in the most-active roster with the sustained competition coming mostly from Panhandle Oil about which the rumor mills were busy.

Oils had quite a few better-acting spots for a change. Royal Dutch, about which talk of a stock dividend centered, was prominent without yet working into position to do serious joust with its year's best price. Phillips Pete was another given to multipoint spurts to help brighten the division. Continental Oil, however, was quite obviously depressed by dividend action that didn't come up to expectations and it was occasionally prominent among the casualties.

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Cutler-Hammer was another dividend-disappointment issue and it reacted a bit sharply after having posted a new high bright and early in the week. Visking followed the same pattern with some of its losses running to a handful of points.

Two Zooming Split Candidates

Chrysler showed the best price tone in the automotive section, largely because it is still a candidate for an eventual split even though hopes for such action at the last directors' meeting was somewhat premature. Another favorite split candidate is Montgomery Ward which fully indicated that hopes were high with some good gains when the going was good.

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The metal favorites were numerous and ranged from Inspiration Copper to Reynolds Metals and even, on occasion, U. S. Steel was able to appear among the better gains for a day. Bethlehem Steel is the split hope in this group and it was able to stride along easily in a trading range only slightly below its best price of the year.

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Whirl in "Stock of the Month"

Otis Elevator was given an occasional whirl, partly due to one service's selection of the issues as the "stock of the month." The issue has been among the placid ones recently and, in fact, for the full year has yet to swing in an arc running as much as 15 points.

Rail Hopes

Occasional strength in the rail section was largely based on hopes for future dividend action since the meetings held so far haven't been especially noteworthy for any great liberality. However, the better-than-average yield in this section justifies occasional attention from the traders. Traffic is expected to show an increase of something like 8% over last year but, because of high fixed charges, there is far more leverage on the earnings and they could gain 25% this year, according to some estimates. The section has been laggard for a long while and when the industrials worked to within pennies of the previous high the rails were some three points short of any serious challenge of the peak.

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Among the split candidates in the carrier section Union Pacific looms importantly and, as a result, the stock has been able to put on some spirited shows, including run-ups of as much as half a dozen points at a time. It forged into new high territory in the process this week. Santa Fe has been somewhat erratic at times, but when strength was general in the rails, it was able to join Southern Rail and Rock Island as issues in good demand. New Haven was occasionally laggard with some conviction, with the blame laid to liquidation of the issues by the Dumaine-Amoskeag interests. These interests have already confirmed plans to sell out large holdings of the preferred stock.

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The electronic - television group was a drab one mostly, Zenith Radio occasionally spurting to provide virtually the only feature in the group. General Electric's hiked dividend buoyed the stock but there was nothing excessive about it.

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The merger scene was rather subdued with quite a bit of analysis and pro-forma calculating over the Mohawk Carpet - Alexander Smith pending merger in the carpet field. One of the very obvious benefits is a $30,000,000 tax credit which, at least for the immediate future, could be an important help to earnings. Some definite opposition had cropped up in the Diamond T-White Motor merger over the sale of assets of $12,000,000 for a price of less than $9,000,000. The fact that two-thirds of the shares are needed for approval is an added handicap.

New Market Pet

The play in Olin Mathieson at the time it was revealed the firm was entering the aluminum field has run its course. But this fast-growing company, only recently catapaulted into the ranks of the giants by merger, was a particular pet of the market letters since most of the larger chemical companies in the premier growth industry already have reached levels where their profits are being capitalized at a rather high ratio.

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Somewhat similar logic occasionally centers on Sperry-Rand which is available in the popular priced bracket while International Business Machines is definitely among the more costly of the issues around. Sperry has an added benefit for the long pull since the stock has been somewhat depressed recently on the premise that volume this year will be off because of a series of strikes, giving it that much more chance to show improvement in the future.

[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.]

Rudolph Sandell to Be Shuman Partner

Rudolph T. Sandell

SAN FRANCISCO, Calif. — Rudolph T. Sandell on Dec. 1 will become a partner in Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges. Mr. Sandell is Manager of the firm's trading and municipal departments.

Craig-Hallum Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — William J. O'Brien, Jr. is now with Craig-Hallum, Inc., First National Bank Building.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

WINONA, Minn. — Earl G. Springmire is now connected with King Merritt & Co., Inc.

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News About Banks And Bankers

against bank mergers so long as they did not do harm to effective banking competition.

From the same account we quote:

He [Mr. Gidney] said his ruling in the case of the Meadowbrook bank would prevent a proposed merger of that bank with the following banks: The Glen Cove Nassau Union Trust Company, Glen Cove; the Bank of Malverne, Malverne, and the Central Bank and Trust Company, Great Neck.

In the case of the Franklin National Bank, Mr. Gidney said his ruling would prevent merger with the following banks: Valley Stream National Bank and Trust Company, Valley Stream, L. I., and Fort Neck National Bank, Seaford, L. I.

Mr. Gidney said the Huntington bank did not at this time have before the Comptroller's office any merger proposals, but that he was applying his ruling to it because, like the other two banks, it has been merging rapidly with smaller banks, "and we think that in case of all three mergers have gone far enough."

The Comptroller's office supervises the activities of National banks—those chartered under act of Congress. It has no authority over State-chartered banks.

Mr. Gidney said "the ruling did not mean that the Comptroller's office is going to turn against bank mergers in general across the nation."

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The issuance and sale of 10,000 shares of stock of the **Long Island Trust Company of Garden City, Long Island, N. Y.** at $40 per share and the issuance of an additional 2,000 shares as a 2% stock dividend on 100,000 shares outstanding, was approved at a meeting of stockholders on Nov. 21, it has been announced by Fred Hainfeld, Jr., President. The new issue will be offered for subscription on or before Dec. 7, to stockholders of record at the close of business on Nov. 10, on the basis of one share for each ten shares held. The 2% stock dividend will be paid to stockholders of record on Dec. 1, at the rate of one new share for each 50 shares held. The regular quarterly dividend of 25 cents per share will be paid in cash on Jan. 3, 1956 to stockholders of record on Dec. 1. The new stock issue will bring the total capital and surplus of Long Island Trust Company to $2,500,000. It is estimated that capital, surplus, undivided profits and valuation reserves by Dec. 31, will total approximately $3,300,000. Reference to the foregoing plans was made in our Nov. 10 issue, page 1984.

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The Rye National Bank of Rye, N. Y., announced on Nov. 17 that the plan for increasing its capital from 366,100 shares to 418,400 shares which had been approved by the stockholders at a special meeting Sept. 22, had been completed and final approval received from the Comptroller of the Currency. It is stated that the issuance of the 52,300 shares of new stock was entirely subscribed for by the stockholders without any underwriting. The increase brings the total capital stock to $836,800 of $2 par value. Capital, surplus and undivided profits of the bank it is indicated now exceed $1,700,000. It is added that this action provided all the funds required for the improvements which are nearly completed in both the main banking premises in Rye and in its Harrison office and has strengthened the financial structure of the bank.

Prices: Is Inflation Dead?

By HEINZ LUEDICKE*
Editor, New York "Journal of Commerce"

Dr. Luedicke, though stressing the current over-all stability in the general commodity price structure, warns against assuming inflation is dead! Holds basic correlation between business activity and the commodity price level rests largely on ability to prevent future economic recessions.

The over-all stability in the general commodity price structure during the past 3½ years has contributed to a widespread belief that inflation is no longer a threat. The Bureau of Labor Statistics wholesale price index now stands at almost exactly the same level as in the spring of 1952.


Heinz E. Luedicke

This past summer, as a fresh round of wage increases got under way, there was considerable belief that a fresh inflationary price rise might be at hand, but this fear dwindled as the price index leveled out after a short and limited upswing.

Nevertheless, it would be premature to assume that inflation is "dead." While it is true that, short of another large-scale war, there is no danger of an explosive outbreak of inflation in the foreseeable future, the issue remains with us as a very real long-range problem. As a matter of fact, it has never really ceased to be with us even during the recent years of price stability.

Contrary to the general view, the steadiness of the over-all price level since 1952 attests to the fact that there still is a large amount of inflation in our system. Otherwise, prices would have reacted downward more sharply in those fields where early postwar shortages in both supplies and productive facilities were overcome. Only in agriculture has there been a sharp downward adjustment in prices to supplies and this, despite the determined Government efforts to support farm prices.

Two historical rules of price behavior seem to have gone by the board during the postwar period:

(1) There has been no sharp cave-in in the price structure as occurred roughly within ten years after the end of each major war in the past.

(2) The long decline in farm prices—25% since 1951—has not led to a general price decline as in the past.

Each major war, in the past, has led to a permanently higher price level—although usually not without a period of rather violent fluctuations, during which prices were adjusted to new supply and demand, as well as cost relationships.

These adjustments were tied to the general postwar business patterns or specifically to the traditional postwar business recessions.

The price stability after World War II and the Korean War was due primarily to the fact that business activity stubbornly refused to live up to the traditional postwar pattern. There was no postwar recession, due partly to economic and partly to artificial or political forces. The same combination of economic and political forces that prevented a postwar recession brought about the relative postwar stability in the commodity price level.

It is important to recognize, however, that the basic correlation between business activity and the commodity price level probably still exists. Thus the future stability of the price level rests largely on the ability of the Government to prevent future business recessions from going beyond the scope of the first two postwar inventory recessions in 1948, 1949 and 1953.

Conversely, much of the Administration's intent to prevent future boom and bust patterns depends on its ability to maintain a reasonably stable price level. How are its prospects in this respect, both short-range and long-range?

As far as the short-range commodity price outlook is concerned—let us say for the next year—it is coupled closely to the general level of business activity and to the future relationship of wage increases to productivity gains.

It would take a slowdown in the international armament boom or a complete reversal in the domestic trend toward inventory accumulation to bring about a genuine relaxation in the current metals price structure. That is not now in the picture. Actually, the possibility of further tightening of metal supplies cannot be ignored, particularly if industry goes through with its current expansion plans for 1956. Such expansion plans chew up a lot of steel and other metals. Thus the total supply and demand picture is likely to get worse before it gets better, unless there is a sudden realization that we have been jumping ahead too fast for our own good.

This test will be closely tied to future wage trends. There is reason to believe that this year wage increases in industry generally exceeded average productivity gains. This fact has been overshadowed by the high level of profits from which it has been concluded that industry can well absorb still higher wages without increasing its prices.

This attitude is fallacious for several reasons:

(1) The complete industrial profits picture is not nearly as strong as the record profits shown by the country's biggest and financially strongest companies indicate.

(2) A large number of the medium and smaller companies in many industries already are being severely squeezed by rising costs and their inability to raise prices because of prevailing competitive conditions in their fields.

(3) Any attempt to preempt current and future productivity gains by wage boosts must ultimately "kill the goose that lays the golden eggs."

If wage boosts for any length of time exceed productivity gains, one of two things must happen: either prices are being raised to protect industry's profit margins or a growing number of marginal manufacturers are being forced into the red and finally out of business which would tend to strengthen Big Business further and at the same time carry the threat of growing unemployment. As further mechanization gets more and more costly, particularly where it qualifies as "automation," this trend looms as a very real danger to the maintenance of adequate profits for smaller businesses.

There is little doubt that the upward pressure on industrial prices will increase next year. More companies will seek higher prices; some of them to compensate for this and next year's rounds of wage increases; some of them to restore more satisfactory profit margins; and some of them to contribute to further expansion costs.

This is bound to give the industrial price structure the appearance of greater strength, at least for a while. As this trend probably will be accompanied by some improvement in the farm price structure, also at least for a while, the chances are that during the early part of 1956, the commodity price level will trend moderately higher.

Whether such a trend will deserve the designation "inflationary" is largely a matter of definition. Rising or falling prices do not necessarily denote inflation or deflation. However, they are so associated in the minds of the public.

There is a distinction between price increases caused by temporary maladjustments in the supply and demand of a commodity and increases in the general price level caused by monetary factors, be it a deliberate deficit policy or encouragement of rapid expansion in private indebtedness. Inflation in this sense has at least a strong connotation of a progressive decline in the purchasing power of the dollar, if not an outright threat to government credit and a flight from currency into goods, as in the case of the great European post-war inflations.

Under this broader definition, the price increases that may occur next year will hardly qualify as inflation.

This does not mean, however, that at least this type of inflation can be considered as dead as a long-range factor in this country. "Inflation" in this broader sense, may be caused either by the unrestricted play of economic forces or a deliberate economic policy. In this country, with its fantastic productive capacity, it could get started only as a deliberate economic policy.

Our economic policy, as laid down in the Employment Act of 1946, has a two-fold aim: full employment, and the preservation of the purchasing power of the dollar. To facilitate this latter aim, both political parties have long made a balanced budget one of their economic goals.

It is difficult to see how, as a long-range proposition, full employment, stable prices and a balanced budget can be achieved at one and the same time. You can have any two of these aims at the same time, but not all three of them.

Actually, we probably are currently as close to full realization of the three objectives as we'll ever get and probably even this degree of success cannot be expected to be permanent. We have nearly full employment; reasonable price stability and an almost balanced budget.

It must be realized, however, that even now the combination of almost full employment and some rather critical materials scarcities, notably in the metals, seem to be unable to impart anything like sustained strength to the general price level.

That brings up the question of what will happen once the labor situation becomes easier due to greater increases in the labor supply. There are serious doubts that full employment and full production can be maintained under such circumstances unless there is a gradually rising price level to facilitate rising wage payments without impairing industry's ability to carry on future expansion. This would result in a choice between continued, moderate inflation of the type that would definitely cut the purchasing power of the dollar or periods of sporadic unemployment.

The current boom has renewed the belief of many observers that a slow-term rise in the price level is inevitable unless the majority of the voters clearly put a stable price level ahead of full employment.

That is not likely to occur very soon. But as labor gains a greater vested interest in the stability of the currency as the result of an expanding system of insurance, savings, pensions and social security, the balance of political power could be thrown away from the current overheated pressure for higher money wages and shorter hours.

It probably would take some costly lessons, however, before such ideas would be accepted by organized labor. Right now, labor leaders are riding high because the 1955 recovery was carried along by a particularly rapid advance in consumer spending, even though much of the increase was debt-financed. They see in this the vindication of their purchasing power theory which is based on the belief that prosperity can be maintained as long as the consumer's share in the national income is rising.

Once a policy of moderate inflation has been declared the deliberate policy of any future Administration, there is little doubt that sufficient tools can be made available to carry it out. A combination of wage boosts going beyond productivity gains and a deliberate policy of Federal deficits could do the trick, even in the face of prospective further technological advances. Psychology, of course, will play an important role under such a policy which could be carried on successfully only as long as the public is willing to go along with it.

To sum up, while immediate prospects are only for a moderate strengthening in the commodity price level, even such a move probably will prove short-lived because of existing competitive conditions in most economic sectors. Nevertheless, inflation as a long-term issue is not dead although it probably could be revived only as a matter of over-all economic policy and not as the spontaneous and undesired result of economic forces. Hence much will depend on the economic policies of future Washington Administrations, specifically their degree of determination to restrain future booms.

*A talk by Dr. Luedicke before the National Industrial Conference Board, Philadelphia, Pa., Nov. 15, 1955.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Raymond H. Marcoux is now with Investors Planning Corporation of New England, Inc., 68 Devonshire St.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Gordon R. Ludwig is now connected with Dean Witter & Co., 632 South Spring Street.

Joins Walter Gorey Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Aaron Senderman has become associated with Walter C. Gorey Co., Russ Building. He was formerly with General American & Canadian Securities, Inc. and Schwabacher & Co.

New Horizons for Private Foreign Investments

By MARSHALL E. YOUNG*
Vice-President and General Manager,
Overseas Division, Monsanto Chemical Company

Mr. Young estimates that more than 2,500 U. S. companies already have foreign branches or subsidiaries and in last ten years they have invested over $10 billions in new projects and expansion of old ones. Predicts that by 1975, assuming no major war, direct overseas investments of U. S. business will exceed $40 billions, or more than twice present amount. Says this development will result from the desire to preserve established markets, and the urge to obtain needed raw materials. Sees some little improvement in the overseas "investment climate."

One of the greatest challenges facing our foreign trade community today is the question of overseas investment. At stake is far more than the $2.2 billion of dividends and profits we now collect annually on our business operations beyond our borders—important as this amount is to the overall profit picture of many individual companies.

Actually involved is the question whether or not we are going to enlarge or even maintain our present share of overseas markets for hundreds of kinds of manufactured goods ranging from chemicals to typewriters, and from machine tools to automobiles. For, let us not be mistaken, the urge to industrialize and become more self-sufficient is going to spread and intensify in practically every part of the world. If we hope to hold the share we now have in many of the most promising overseas markets we shall do so only by expanding our production inside their borders. And if we want to insure a steady flow of adequate supplies of many of the raw materials our rapidly burgeoning economy is going to need, we shall have to develop many of them ourselves beyond our borders.

To the people in this audience of foreign trade specialists a prediction that more United States businesses are going to build more manufacturing facilities and develop more mines and properties is no surprise. One reason for the size of this convention is that more than 2,500 United States' companies already have foreign branches or subsidiaries, and in the ten years since the war, they have invested well over $10 billion in new projects and the expansion of old ones. If, despite these sizable totals, our foreign trade and our overseas business operations are still only a small fraction of our total business volume, this can be explained as a logical development in a country endowed originally with an extraordinary range and quantity of strategic raw materials, and with a population that has grown so fast that it could readily absorb the bulk of industry's incredible increases in output, and call for more.

Today, however, a dramatic new challenge confronts us. The second half of the 20th Century is beginning to unfold as something quite different from that which we had expected, even as recently as ten years ago.

Shifts in the International Political Front

Spectacular shifts have taken place on the international political front. The great colonial empires of the beginning of the century have become unhinged in places. London, Paris, Rome, Berlin, and Tokyo no longer exercise dominant influence in international negotiations, while places like Morocco, Egypt, India, and Indonesia command increasing attention, and China casts a steadily lengthening shadow over the whole of Southeastern Asia. Most significant change of all, however, is the fact that the world today gravitates around two orbits — Washington and Moscow — and around their diametrically opposed philosophies of governing and of doing business. Ten years of cold war topped by two recent Geneva conferences have made it clear that the most that can be expected in today's tense rivalry is an uneasy accommodation between the Communist and the Free World.

But even more spectacular shifts have taken place on the economic front. After two world wars, during which it drew without stint on its own resources, and following the enormous expansion of its own industrial consumption — especially in the last 20 years, the United States is beginning to run into shortages of vital raw materials. More than 12% of our oil is now imported; 20% of our iron ore comes from abroad; imported copper supplies a quarter of our demand; and half of our lead is currently produced outside our borders.

Portentous as this recent shift in our self-sufficiency is, a glimpse no more than 20 years into the future indicates even more significant changes. Our population by 1975, according to experts, will top 220 millions—with all that this means in the way of soaring demands for everything from coffee to copper, and air conditioning to automobiles. At today's rate of transportation speedup, London and most European capitals will certainly be no more than four hours from New York, and Japan and the Orient not out of the convenient reach for a two-week holiday. I am inherently too conservative to venture any forecasts on space travel, but I think most of us in this room can fully expect to witness some form of experimental satellite circling the earth —with or without a human pilot —well before 1975.

These are the kinds of mind-stretching measurements of the next 20 years which we need to have in mind when we contemplate our future overseas investment policies. Add to them the fact — according to the Harvard Business Review — that Western Europe's greatest economic change in the present decade almost invariably will prove to be the development of a distribution system geared like ours to a one-class market; that firms like Sears Roebuck are proving Latin America is also growing up to mass distribution on the United States pattern; and that hundreds of my fellow producers of everything from foods to chemicals are finding out that, when necessity pushes us to it, it is not only profitable to produce overseas, but it is increasingly essential if we want to maintain big international markets built up over many years of careful planning and hard selling effort.

The Quaker Oats Company, in its last annual stockholders' report realistically states the case for overseas operations when it says: "We now have small operating units in Brazil, Colombia, and Argentina. We were forced to establish these production units or abandon profitable local markets we had spent years in building. These units have been operating only a short time, but the evidence is that they will show satisfactory growth and earnings."

This was certainly the motivating force in many areas in which my own company now operates. In other areas the motivation has stemmed from other directions.

What We Can Expect in Coming Years

Against this exciting backdrop of phenomenal growth and convulsive change, what can we expect on the foreign investment front?

I predict that in the 20 years between now and 1975 the direct overseas investments of United States business will climb to slightly over $40 billion (compared with today's $17.7 billion); and that the annual return on this stake in overseas business will top $5 billion, and may exceed $6½ billion (compared with $2.2 billion last year). All of this, of course, must be predicated on the supposition that there will be no major war.

I predict further, that while as many as a thousand new United States companies will enter the international business scene, the bulk of the expansion in overseas business will be made by the 2,500 companies already operating through branches or subsidiaries beyond our borders.

There is less daring in these forecasts than you might at first expect. And, considering this country's position of economic leadership in today's world as well as the challenge from the Communist orbit to prove the vitality of our capitalist philosophy, they are considerably smaller than they perhaps should be.

Our expansion into overseas production by direct private investment has grown irregularly over the years. It boomed from less than $4 billion at the end of World War I to more than $7.5 billion in 1929; it declined to less than $7 billion in the troublesome 1930's, but had recovered to $8 billion in 1945. In the last 10 years, however, our direct investment in overseas operations has more than doubled.

For several reasons, I do not believe that these investments will double again in the next 10 years—to a total of $35 billion. I base my thinking largely on the fact that oil companies have already showed the extraordinary tempo of overseas expansion which marked the first seven or eight years after the war, and that our big iron ore developments in Canada and Venezuela have also passed the peak demanded in the initial stages. The market for American technology or know-how, which has been a strong contributor to the rise of investment totals during the past several years, has already shown signs of diminishing. In addition, however, there was a modest wave of expansion in the late 1940's by smaller investors who had been prevented by the war from undertaking normal overseas developments, but who now are back to more normal scheduling of their overseas programs.

Two Compelling Forces for Overseas Investment

I count on two compelling urges, however, to sustain the $1 to $1.5 billion a year that we have been adding recently to our investment in overseas operations:

The first is a direct result of our desire to preserve markets we have established abroad, sometimes with long and costly efforts, or—for the newcomers—the desire to create wider and more diversified markets for the products they mass produce so efficiently at home.

The second is the urge to cover our growing needs for a growing number of raw materials which we can no longer supply or soon will be unable to supply in adequate quantities domestically.

Whether we have readily admitted it heretofore or not, the force which has impelled us to make the bulk of our investments to date in overseas manufacturing properties has been a desire to preserve profitable markets which we originally established for our exports. When the depression of the 1930's touched off the wave of currency inconvertibility from which we still have not fully recovered, and when the Second World War magnified the problem, American manufacturers began warily to set up small overseas factories to meet local market demands for their product. By 1950, when the last official count was made, there were 6,954 units operating overseas as branches or subsidiaries of United States companies, and 2,419 of these had been established after 1945.

Too many of you in this audience represent firms which have participated in this migration for me to have to cite more than a few typical examples of the diversity of interests that have been represented.

I have already referred to Quaker Oats in the food field.

Sears Roebuck has carried the torch for the retail business, even when local currency restrictions in imported merchandise forced the management—perhaps against its will—to add local manufacturing to the myriad of unfamiliar problems in order to keep the international retailing project alive.

My own firm, Monsanto, has ventured cautiously but successfully into overseas operations—as have other chemical and drug producers.

Our most recently announced ventures are an entirely new manufacturing operation in Argentina and substantial expansions of our existing operations in England, Japan and Mexico—all financed primarily by private investment funds.

A. C. Nielsen, market counsellors to all kinds of distributors but with a special reputation in the drugstore field, moved into Britain at the first sign that scientific measurement of local markets was in demand—and has already expanded its operations to the Continent.

And only last September when the Bankers' Association for Foreign Trade gathered in Chicago to discuss the problems peculiar to rapidly growing international business, representatives of 112 banks in 24 states were present. When the Association was founded in 1921 it boasted only 10 members. This expansion of the overseas facilities of our leading banks is indicative of the mounting importance of international business. Growing banking facilities in all corners of the globe mean speedier financing for exporters and importers, increased service for American investors who want information and advice on where to plunk down their dollars in foreign ventures, and wider credit facilities for the steadily mounting volume of foreign business. Newcomers in the overseas field will run into fewer obstacles when they start to do business abroad and will find that far more concrete help is available to them in their early surveys as a result of this spectacular growth of banking facilities.

Overseas Sources of Raw Materials

The development of new overseas sources of raw materials may be less spectacular in the next 10 or 20 years than it has been in the last 10, but more United States companies are likely to be involved, even if the total annual outlay for facilities is smaller. After all, the development of the huge Middle East oil basin outstripped in both size and glamour anything that had ever before been undertaken overseas except in time of war, and the development of great iron ore beds in Canada and Venezuela—while somewhat less costly—utilized all of the massive equipment and specialized know-how of the most highly mechanized war in history.

Though individual foreign development projects in the near future may be on a smaller scale, they are likely to be far more diverse. Expanded production of bauxite, copper, lead, and uranium by United States firms is already under way in regions as far apart as Jamaica and Australia. A little study of the Paley Report indicates that for supplies of a number of other materials—not even overlooking sulfur—we are likely to turn increasingly to foreign production to supplement our domestic output. In agricultural lines, timber and timber products are likely to top the list, since our Latin American neighbors seem perfectly capable without our aid of expanding supplies of our biggest import — coffee — no matter how rapidly our consumption grows. But as our market grows, United States capital and know-how may share with local producers the problems of meeting the soaring demand for every other agricultural product that we import. We and our overseas suppliers need to remember that in the next 20 years we shall almost certainly add 55 million to our population, or an increase of one-third above today's total.

The full significance of the new responsibility that this spectacular growth imposes on us—and on our friends overseas — is understood only when we stop to realize that, as long ago as 1952, more than 21% of all our imports came from companies abroad which were owned by United States business or in which it had a major investment. With our mounting dependence on foreign raw materials this percentage is more likely to rise than to shrink. In fact, Washington claimed that by last November it had already grown to 25%.

The Investment Climate

Our foreign trade group has been justifiably preoccupied for almost as long as I can remember with the problems of convertibility, quotas, and the whole range of problems that we usually lump under the term "investment climate."

This "investment climate," as far as regulations on the statute books are concerned, is not a great deal better today than it was just before the war in the 1930s, but it is obvious from the figures I have cited that we are operating overseas far more extensively now. There are several reasons for this, it seems to me, and since they are likely to be continuing influences, they are worth highlighting.

In the first place, as I have already pointed out, the preservation of our stake in overseas markets has become so much more important than it used to be; we are working harder to find more ways to preserve it — including making more intensive and better planned efforts to manufacture abroad.

In the second place, as I have also pointed out, we have a far more acute need today to organize

*An address by Mr. Young at the Foreign Investments Session of the 42nd National Foreign Trade Convention, New York City, Nov. 15, 1955.

and produce a steady flow of an increasing number of essential raw materials outside our borders. Pushed by this necessity, we have found ways in the last few years of fulfilling our needs despite obstacles which formerly seemed insurmountable.

But there is a third point. I wonder just how many persons—even in this group of foreign trade specialists—are aware of the very handsome profits that many companies have been earning—and transferring home—over all these years when the investment climate seemed so inhospitable overseas. I don't want for a minute to appear to ignore such unhappy situations as we have faced in the Argentine for some years now, or the losses that some have suffered in the Far East. I don't even overlook the acute problems that have arisen because of the lack of convertibility of the British pound, or of Brazil's chronic shortage of dollar exchange. No business can operate for long without showing a profit, and the costs of doing business in the maze of quotas, soft currencies, and nationalistic restrictions have undoubtedly hit all of us seriously at one time or another. But this is only one side of the picture, though it is the one that most often takes the headlines.

Probably the best evidence that overseas business is profitable is that so many of us are here today. But how many of you are aware that foreign earnings account for about 10% of total earnings of those United States manufacturing companies which operate both domestically and abroad? Also, do you know that almost the same percentage of the net book assets of these companies is located abroad? In the petroleum industry, more than one-third of the total earnings of the industry is derived from producing abroad and supplying crude and refined products to the United States and the expanding economies of foreign countries.

Don't be deceived into thinking that these profits are hopelessly locked up abroad, despite the prevalence of currency restrictions in many countries. More countries than many of you realize make possible the transfer of profits—or of a large portion of them in order to attract desperately needed development capital and know-how. In 1946, the first year after the war and at a time when overseas direct investments amounted to less than $9 billion, American operators transferred home in the form of dividends, interest, and branch profits a total of $636 million, and reinvested $300 million overseas where it was earned. There is no record, unfortunately, of how much of the $300 million could not be transferred at the time because of exchange restrictions and how much was left overseas because of the attractiveness—profitwise—of the local operation.

By 1950, our overseas operations paid us $1,469 million in profits which we transferred, and another $443 million which we immediately reinvested. Some part of this, at least, must have been willingly reinvested because Americans put an additional $700 million of new capital into overseas projects the same year.

By last year, overseas operations netted us a return of $2.2 billion, all but $800 million of which we transferred to home accounts even in the face of generally difficult transfer conditions in a number of Latin American countries (where our investments are largest), and in parts of the Far East and Europe.

While the rate of return on our overseas investments has not increased in the last few years in line with the soaring total we have invested, this is admittedly due to the fact that some of the most costly projects are only now beginning to produce. Even so, earnings show an over-all profit ratio of 14-17%, a good—if not a spectacular—record.

So, it seems to me that this may be a good time for us to take a fresh look at the subject of overseas investment.

The dramatic growth of the last ten years is the result of the efforts of too few of us. Two dozen companies account for more than half of it; 200 companies established the trend and—I imagine—will enjoy the handsomest profits from it. So far, the remaining 2,300 companies involved in this overseas business have simply trailed along. They have allowed the complexities and the risks to dominate their thinking.

The time has come, I believe, when all of us need to look first at the opportunity, and then the risks, just as aggressive leaders do when they evaluate a new home market. Big and powerful firms have paved the way and set the pace. Fellow executives are already established abroad solving basic problems of communications, transport, labor regulations, taxes, and the transfer of profits. Market survey teams from the airlines, steamship lines, the banks, and the government have a wealth of information to help us. And, most important of all, we have a better measure today than ever before of our potential needs—both in the way of expanded markets and increased sources of supply.

Must Invest $1 to $1½ Billion A Year Abroad

The challenge, it seems to me, is clear cut. Merely to maintain our stake in world business we need to invest from $1 to $1½ billion a year in projects beyond our borders. I don't think that any progressive management is willingly going to lose its place in the lineup. The problem for each responsible executive—with all the new information at his disposal—is to fix his eye on the opportunities and, when he has taken their measure carefully, to weigh them against the risks. Judging by the experience of those who have pioneered the field so vigorously in the last ten years, the returns are worth the gamble.

Beyond this issue, however, there is the challenge from Moscow to our dominant position in the world's economy. Leaders from within our group have already demonstrated that this challenge can be faced successfully within the framework of our private enterprise system, and at a profit.

I have no doubt that when this country's 2,500 foreign traders—rather than just the 200 leaders—put their collective drive to work we shall do the job successfully and to the benefit of our overseas friends as well as ourselves.

Joins McCoy & Willard

(Special to The Financial Chronicle)

BOSTON, MASS. — Michael J. Orlito is now affiliated with McCoy & Willard, 30 Federal Street.

With B. C. Morton

(Special to The Financial Chronicle)

DETROIT, MICH. — John F. Carsley is now with B. C. Morton & Co., Penobscot Building.

Joins Keenan & Clarey

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — Joseph J. Sterner is now associated with Keenan & Clarey, Inc., McKnight Building.

Joins King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, MO. — Alvin B. Cunningham is now with King Merritt & Co., Inc., Woodruff Building.

Phila. Bond Club Honors Walter A. Schmidt

An original colored etching of Independence Hall is presented to Walter A. Schmidt (left), retiring President of the Investment Bankers Association of America and partner in the investment securities firm of Schmidt, Poole, Roberts & Parke. Edward Hopkinson, Jr., senior partner of the investment banking firm of Drexel & Co. made the presentation to Mr. Schmidt in recognition of his outstanding contribution to investment banking. Harley L. Rankin of Goldman, Sachs & Co., President of the Bond Club of Philadelphia, witnesses the presentation at a luncheon meeting of the Bond Club, Nov. 17, in the Warwick Hotel, Philadelphia.

Two With Stern Brothers

(Special to The Financial Chronicle)

KANSAS CITY, MO. — John W. Olander Jr. and Thomas L. Wilkerson are now with Stern Brothers & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange.

With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, MINN. — J. Scott Hemry is now connected with State Bond & Mortgage Co., 28 North Minnesota Street.

Joins Lester, Ryons

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—John L. Mathison is now connected with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges.

Two With J. Logan

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Musa L. Miller and Bernhardt Packer have joined the staff of J. Logan & Co., 210 West Seventh Street.

Lehman Corp. Names Pearson Executive Vice President

The election of Alvin W. Pearson as Executive Vice President of The Lehman Corporation, 1 William Street, New York City, was announced by Robert Lehman, President.

Alvin W. Pearson

Mr. Pearson has been associated with The Lehman Corporation since it was organized in September, 1929. He has been a Vice President of the Corporation since May, 1942 and was elected a director in October, 1949. Mr. Pearson is a trustee of Reed College, Portland, Oregon.

Yates, Heitner & Woods Appoint J. J. O'Brien

ST. LOUIS, Mo.—Yates, Heitner & Woods, 320 North Fourth St., members of the New York and Midwest Stock Exchanges, have appointed James J. O'Brien as Missouri Bank representative. Mr. O'Brien was formerly with Newhard, Cook & Co.

Rader, Wilder & Co. Formed in Memphis

MEMPHIS, Tenn. — Rader, Wilder & Co. has been formed with offices in the Union Planters Bank Building to engage in a securities business. Officers are R. Bruce Rader, President; Gordon J. Wilder, Vice-President and Treasurer; and William K. West, Jr., Secretary. Mr. Rader was formerly local Manager for Clark, Landstreet & Kirkpatrick and prior thereto was with Mid-South Securities Co.

FNMA'S Role in Mortgage Market

By J. STANLEY BAUGHMAN*

President, Federal National Mortgage Association

Mr. Baughman reviews background leading up to the establishment of the Federal National Mortgage Association, which he heads, and describes its activities and the ways the Association can be useful by supplying secondary market services for home mortgages. Gives information regarding secondary market operations, and lists the special acceptability requirements. Indicates rapidly increasing business of the FNMA.

J. Stanley Baughman

Those of you who are not acquainted with or have not had business transactions with the Federal National Mortgage Association — or FNMA, as it is sometimes called — may be a little curious about our organization; what it is — what it does — what its purposes are—and how it fits into your operations. A brief statement of the background leading up to the establishment of the Association and a description of its activities will supply the answers to some of these questions. I hope that my remarks will provide a clearer understanding about FNMA's activities and the ways in which the Association may be useful to the members of your organization.

For many years various trade groups have recognized the desirability and need for a privately financed and privately owned and managed organization to provide secondary market services for home mortgages. To achieve this end quickly and on an adequate scale, a limited measure of government participation was made possible by the approval last year of the Federal National Mortgage Association Charter Act.

Specifically, the Charter Act authorizes FNMA to conduct three separate operations, each with separate accountability. These are (1) the Secondary Market Operations, (2) the Special Assistance Functions, and (3) the Management and Liquidating Functions.

Management and Liquidating Functions

Under its Management and Liquidating Functions, FNMA manages and liquidates its remaining "old" mortgage portfolio in an orderly manner, with a minimum of adverse effect upon the residential mortgage market and minimum loss to the Federal government.

From the time of FNMA's establishment in 1938, it purchased more than $4\frac{3}{4}$ billion of mortgages, providing for over 600,000 dwelling units. About $2\frac{1}{4}$ billion in mortgages have already been liquidated through repayments and sales to investors, so that there remains in the portfolio of the Management and Liquidating Functions approximately $2\frac{1}{2}$ billion to be liquidated solely for the account of the government.

Special Assistance Functions

The new Special Assistance Functions are conducted upon the specific authorization of the President of the United States or of the Congress, using funds borrowed from the Treasury. Special assistance is provided for financing selected types of residential mortgages, pending establishment of their marketability. Special assistance may also be provided through purchasing residential mortgages, generally, as a means of retarding or stopping a decline in mortgage lending and home building activities which threatens materially the stability of a high level national economy. The new Special Assistance Functions should not be confused with the new Secondary Market Operations. The general purpose of the Special Assistance Functions is to assist in financing home mortgages originated under special housing programs in instances where established home financing facilities are inadequate. In the financing of these programs FNMA supplements but does not supplant the activities of private enterprise. Government funds are used only when and to the extent that the activities of private enterprise might not suffice. Under this program FNMA issues commitments. It may commit to purchase whole mortgages, and it may also issue commitments to purchase participations in mortgages. Under the participation plan FNMA will purchase a 20% immediate participation in a mortgage and at the same time enter into a related deferred participation agreement under which it agrees to purchase the remaining outstanding interest in the mortgage upon the occurrence of such a default as gives rise to the right to foreclose.

Thus far the Association has seven Special Assistance programs covering (1) housing intended primarily for victims of major disasters, such as hurricanes and floods, (2) housing in Guam, (3) housing constructed or rehabilitated under Urban Renewal programs, (4) housing in Alaska, (5) housing for defense and military personnel, (6) cooperative housing, and (7) housing for the Armed Services.

As specific programs are authorized, FNMA issues an announcement setting forth complete information concerning such items as commitments and prices.

Mortgage sellers do not purchase the common stock of FNMA in connection with mortgages sold to the Association under the Special Assistance Functions nor is there any recourse to the capitalization of FNMA, as in the new Secondary Market Operations. All benefits and burdens incident to the administration of the Special Assistance Functions inure solely to the Secretary of the Treasury.

Secondary Market Operations

The new secondary Market Operations, which are financed by private capital to the maximum extent feasible, supply supplementary assistance to the general secondary market for residential mortgages by providing a degree of liquidity for mortgage investments. FNMA's Secondary Market Operations serve to improve the distribution of investment capital available for residential mortgage financing. This is accomplished by the purchase of mortgages at times when, and in areas where, financing is needed and by the subsequent sale of the mortgages when and where investment funds are plentiful.

A clear understanding of the operations of the general secondary mortgage market is important because the volume of new and existing housing that can be sold and financed by private enterprise during a given period is determined to a large extent by the availability of funds for long term mortgage financing. Today's mortgage market and its limitations are being widely discussed among builders, Realtors, mortgage companies, and bankers. Funds for home mortgages have, in the past, been supplied primarily by savings and loan associations, commercial and savings banks, and insurance companies. Additional financing assistance has been made available by warehousing programs, by recent legislation permitting national banks to expand their mortgage lending activities to include 20-year mortgage loans up to $66\frac{2}{3}\%$ of value by some pension fund investments, and by FNMA.

With the establishment last year of FNMA as a secondary market facility for home mortgages under the FNMA Charter Act, however, the Association's assistance to the general secondary mortgage market has taken on even greater significance.

The need for such a secondary market facility is being demonstrated now in many areas where mortgage funds have disappeared or substantially diminished. At any particular time, need for the facility can exist in certain geographical areas but may not necessarily be applicable to the country as a whole. The extent to which FNMA's operations should supplement the general secondary market depends upon the availability of other mortgage credits and their distribution.

Financing of Secondary Market Operations

FNMA's new Secondary Market Operations are designed so that they will eventually become privately owned and financed. Capital and operating funds are obtained through the issuance of common and preferred stock and by the sale to the public of notes or debentures in an amount up to ten times the Association's total capitalization and surplus. The Secretary of the Treasury has subscribed to $93 million of preferred stock. To provide for the eventual transfer of the Secondary Market Operations to private ownership, lender-mortgagees subscribe to FNMA's common stock in an amount equal to 3% of the unpaid principal balances of the mortgages they sell to the Association. More than $1 million of common stock has already been subscribed by users of the facility. Consequently, the basic capitalization and borrowing authority are now more than $1 billion. As the volume of FNMA's purchases and sales increases, its borrowing and purchasing authority will expand and thereby provide assurance of liquidity for acceptable mortgages, at market prices as determined by the Association.

Holders of the common stock may receive dividends, as determined by the FNMA Board of Directors, not in excess of five per cent per annum and not in excess of the dividend rate paid to the Treasury on the preferred stock so long as any of the preferred stock remains outstanding. Although the common stock may be issued initially only to mortgage sellers, it is nevertheless freely transferable, and FNMA imposes no restrictions as to who may hold it.

The purchase of FNMA stock should not be regarded as a penalty nor should it be considered as a discount in connection with the sale of mortgages. The record of FNMA's consistent earnings over the years establishes the stock as being of real value. But of even more significance, the stock furnishes a means by which its holders can participate in the establishment and development of the type of privately owned secondary market facility the home mortgage industry needs to provide liquidity in times of stress

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*An address by Mr. Baughman before the National Association of Real Estate Boards, New York City, Nov. 7, 1955.

Warns Against Clause in United Nations Declaration of Human Rights

Keith Funston, President of the New York Stock Exchange, writes Ambassador Henry Cabot Lodge that Par. 3 of Article I of the draft for "International Covenants on Human Rights" could jeopardize billions of dollars of American investments abroad.

G. Keith Funston

Keith Funston, President of the New York Stock Exchange, in a letter to Henry Cabot Lodge, U. S. Ambassador to the U. N., warned that language proposed in the United Nations International Covenants on Human Rights could jeopardize billions of dollars of American investments abroad.

A section of the Covenants, now being considered by a Committee of the General Assembly of the United Nations, states:

"The right of peoples to self determination shall include permanent sovereignty over their natural wealth and resources. In no case may a people be deprived of its own means of subsistence on the ground of other rights that may be claimed by other states."

Mrs. Oswald B. Lord, United Nations alternate delegate in Committee III of the United Nations, has stated that "this phraseology is already regarded widely among large elements of public opinion as implying endorsement by the General Assembly of the right of expropriation of foreign capital investment without compensation."

In his letter to Ambassador Lodge, Mr. Funston commented:

"Investors seek neither special privilege nor do they desire to interfere with the rights, aspirations or sovereignty of other nations. The right of sovereign nations to nationalize the investments represented by peoples' savings is not questioned, provided they are given prompt, adequate and effective compensation in accordance with international law of long standing."

Mr. Funston told Ambassador Lodge that he wanted to emphasize his agreement with the United States view that any final draft should make crystal clear that the rights of individuals, including investors, everywhere must be respected.

"Free countries," Mr. Funston declared, "recognize that the right of individuals to own property is one of the oldest of human rights, and a failure to recognize this cannot but have an adverse effect upon the climate for private overseas investment and the willingness of people to invest their savings outside of their national boundaries.

"At least $7\frac{1}{2}$ million American individuals in all walks of life," he added, "are direct share owners, and tens of millions more are the indirect owners of American companies and institutions which have made and are contemplating making investments overseas.

"More than half of the industrial companies whose stocks are listed on the New York Stock Exchange have part of their assets invested abroad. The investing public also owns directly bonds and shares of numerous foreign enterprises and governments which are listed on the Exchange."

Bondholders Approve Connecticut Plan—New $100,000,000 Issue Scheduled for Dec. 13

Revised financing program had been recommended by Lehman Bros., Financial Consultants, as being advantageous to bondholders and the State of Connecticut

Connecticut Governor Abraham A. Ribicoff and Connecticut State Treasurer John Ottaviano announced that the legally required number of holders of the $100,000,000 outstanding Expressway Revenue and Motor Fuel Tax Bonds, First Series, have approved the State of Connecticut's revised plan for financing the $398,000,000 Connecticut Turnpike, originally named Greenwich-Killingly Expressway, and that Second Series Bonds in the amount of $100,000,000 will be offered for public sale on Tues., Dec. 13. Lehman Brothers, Financial Consultants to the State of Connecticut with respect to the Turnpike, had recommended approval of these amendments as being advantageous to both bondholder and the State.

The State had proposed to bondholders that the original financing plan be revised so as to permit the State to finance free roads through the issuance of bonds payable from gasoline taxes and other highway fund revenues. As additional security for both the outstanding and future bonds, the State has pledged never to reduce the gasoline tax below 4 cents per gallon so long as any of the bonds are outstanding and has made other motor vehicle fees and taxes available for payment of any free road bonds which may later be issued. Actually the Legislature has not authorized the issuance of any free road bonds but has increased the gasoline tax to 6 cents per gallon for the current biennium.

A 4-cent gasoline tax in the last fiscal year produced more than $25,000,000 and other motor vehicle fees and taxes more than $15,600,000. The State expects to collect Turnpike toll revenues fully sufficient to meet debt service charges on the $398,000,000 revenue bonds, which are estimated at $11,300,000 for the first full year of operation.

The $100,000,000 new bonds to be offered in December will mature serially on July 1 from 1961 to 1995 and will be callable beginning in 1961 at 105%. Bids will be requested at a price of not less than par value and accrued interest, with interest rates to be named by the bidders.

Connecticut Highway Commissioner, Newman E. Argraves, stated the 129-mile turnpike from the New York State line at Greenwich to the Rhode Island line at Killingly is scheduled for opening by the end of 1957. The Commissioner expects proceeds of the forthcoming bond sale to cover costs until the fall of 1956.

Continued from page 13

Probable Impact of Atomic Energy On the Petroleum Industry

adversely affected by atomic energy in the foreseeable future. On the contrary, atomic energy is likely to help us in many direct and indirect ways. For example, the increasing tendency toward decentralization, for both industry and the population generally, is undoubtedly partly due to the atomic bomb threat. Decentralization means increased travel which will be largely powered by oil, and mainly over roads built with our asphalt. New construction in outlying districts will use oil-powered bulldozers and certain asphalt-based building materials.

The enormously greater power of atomic bombs will cut down bomber fuel requirements if we do have a war, but that would mean a welcome reduction of the oil industry's peak load in wartime, and would lessen the need for wartime rationing of our products—even assuming the next war lasted long enough to require it.

Turning to a radically different benefit, the oil business — like most others using science — will benefit from the radioisotopes used as tracers in many lines of research. Our products are more complicated than most chemical products, and so we are in an unusually favorable position to use the information these tracers make possible. Tracers are already being widely used to make quick and accurate measures of wear in automotive engines or on cutting tools. For some time we have been using radioactive devices for logging oil wells. Radioactive markers are used to indicate instantly the boundary between different products being pumped through our product pipelines. The radioactive by-products of atomic power installations will supply low cost sources of radiation which may be very important in carrying out chemical reactions of importance to the oil and chemical industries. Much research is now going on in this field.

Possibilities of the Fusion Type of Process

I promised that before I closed I would make some reference to the rather remote possibility of getting controllable power from the "thermonuclear" or "fusion" type of process in contradistinction to the "fission" type of process where uranium 235, or plutonium produced from uranium 238, or uranium 233 made from thorium, is split into smaller atoms with the release of large amounts of energy. Most of the development work to date has been made on the fission type of process and it is so far the only one known to be feasible.

It was, of course, known, even before we learned about fission, that most of the energy of the sun comes from a fundamentally different type of nuclear reaction, namely, the "fusion" of the light element hydrogen into the heavier element helium. This reaction, like that of fission, involves the disappearance of mass and the creation of energy. In the past this reaction took place only under extremely high temperatures and pressures like those existing in the sun. Both of these conditions seemed unattainable on earth until we got the atomic bomb and realized that, for a few millionths of a second, such temperatures and pressures did exist near the center of an atomic bomb. This realization eventually led to the discovery and development of the thermonuclear type of bomb, in which some of the heavier isotopes of hydrogen, usually with an isotope of lithium, are set off in an atomic bomb to produce the devastating thermonuclear explosions about which you have read so much.

The larger amounts of energy involved, the sharp reduction in undesirable radiation and other by-products, and the ready availability of the necessary raw materials have made the possibility of fission for power generation an appealing one. The value of possible success is so great that continued research effort is warranted, even though an early solution does not seem to be at all likely. It is my opinion, verified by talks with individuals who are much closer to the situation than I, that the chance of getting controllable power at competitive cost from a reaction which cannot be carried out until you reach extremely high temperatures — measured in many millions of degrees Fahrenheit—or barely possible by bombardment of minute particles in a very high vacuum with extremely high-velocity subatomic particles, is quite remote. Dr. Smyth of Princeton, formerly Atomic Energy Commissioner, referred only last week to the obstacles as being "seemingly insurmountable." Of course, no true scientist will say that anything is *impossible*, and this is what tends to give those who like to make sensationally optimistic predictions an advantage in public discussions.

Some have said that the generation of controllable power from this source is inherently no more improbable today than was the whole idea of power from atomic fission, say, 15 years ago. Actually, however, the possibilities of fusion were known several years before those of fission, and much scientific analysis has been devoted to it over the intervening years. Most of those who did that early work turned with relief to the possibilities of fission, which has the great advantage of starting at ordinary temperature and being controllable within any temperature limits set by the materials available.

I might add that if a fusion type of process ever were developed, it would almost certainly be extremely complicated and difficult to control, and even though the fuel cost might be lower, the investment would almost certainly be much higher. "Business Week" for Aug. 6, 1955, quoted an unnamed scientist as trying to put matters in general perspective by using these "heavily rounded" and probably exaggerated figures:

"With $10 worth of coal and a $10 stove, you can get $10 worth of heat.

"With $10 worth of uranium, you can get $10,000 worth of heat, but you need a stove that would cost $100,000.

"With $10 worth of heavy water, you could get $100,000 worth of heat, but the stove would cost you $10 million."

Outlook for the More Distant Future

Thus far, I have been discussing primarily the nuclear fuel outlook for the next 25 years. Beyond that time, any predictions are bound to involve more and more uncertainty, not only because of unforeseen developments in the utilization of atomic energy, but because of uncertainties regarding the rate of discovery of oil in the more distant future. It is true that as oil gets harder to find, the long-time trend of petroleum costs and prices is upward and likely to continue that way; whereas the trend of atomic power costs is downward and should continue that way for at least the next two decades. For central power plants in typical U. S. locations the two curves seem likely to cross sometime within the second decade from now, but for most other uses the crossing will be far in the future. However, the country's needs for energy are expanding so rapidly (certainly more than doubling in the next 25 years) that *the ultimate problem is not what fuel is going to be crowded out, but what can come along to help carry the rapidly growing load.* Petroleum's present advantage in most of its fields of usefulness is so large that only a very major increase in price could prevent it from having all the business it would be able to handle far beyond the next 25 years. It is much more certain that we will find early use for all the petroleum we discover in this country than it is for uranium—our weapons requirements will certainly decline and breeder reactors will sharply reduce prospective uranium requirements for generating a given amount of power.

Barring a world cataclysm, world population in the next century is almost certain to increase by threefold and its power requirements at least tenfold. With this outlook, I, for one, welcome atomic energy with open arms. For the long pull it will be, not a competitor, but a burden-sharer; and its ultimate availability should still the recurrent cry that we are running out of oil and that the government should therefore take us over.

You may wonder why the prospective growth in population and fuel demand will create so much of a problem during the next half-century than it has during the past one. This is partly due to the fact that population normally tends to increase in geometric ratio, and partly to the unexpected increase in birthrate since the war. The present outlook is that the growth in population in the next 25 years will be about equal in numbers to that in the last 50! On top of that, the per capita demand for energy is increasing at an accelerating rate, and we can no longer take care of a good share of that per capita increase by increased efficiency in the use of fuel, as we have during the last 50 years. Both central power plants and automobile engines are more than twice as efficient as they were 50 years ago, and we cannot expect any similar gain in the future.

Facing such a demand outlook, you can see why I feel that you gentlemen of the Independent Petroleum Association of America are in the best branch of a wonderful business. The certainty of continued growth in demand will solve most of our present problems. Unlike atomic energy, which needs government help to speed it along, all our industry needs and asks is continued freedom of enterprise and fair tax treatment. Our competitive industry has demonstrated its ability to meet growing demand at moderate cost for nearly a century, and this should certainly entitle us to continued freedom, even though there are many who would put us in one kind of shackles or another.

The one thing on which we must all unite is the maintenance of our freedom, both as a nation and as an industry. There is more inherent power in freedom than in any physical manifestation of energy.

Inv. Planning Co. Opens

PLAINFIELD, N. J. — Leonard Fanc has formed Investment Planning Company with offices in the Union Building to engage in a securities business.

Forms Investor Service

MAPLEWOOD, N. J.—Irving S. Rosenberg is engaging in a securities business from offices at 31 New England Road under the name of Investor Service Company.

Two With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph Rogers and John R. Leong are now with Harris, Upham & Co., 232 Montgomery Street.

Northeast Metals Securities Offered

Pearson, Murphy & Co., Inc. is offering in units $300,000 of 6% convertible debentures, due Nov. 1, 1963, and 45,000 shares of common stock of Northeast Metals Industries, Inc. Each unit, consisting of $100 principal amount of debentures and 15 shares of common stock, is priced at $100.

Net proceeds from the financing will be used by the company for the payment of bank loans, expansion, and working capital needs, including the development of new products and the relocation of plant facilities for greater efficiency.

Northeast Metals Industries, Inc., with its principal offices in Philadelphia, Pa., is engaged primarily in the business of fabricating a variety of metal products. These products include metal cabinets for housing electronic equipment, including radar and microwave items; flight instrument cases; aircraft ground handling equipment; a wide variety of tanks for storage and transportation of fuels and other liquids for industrial lift trucks, aircraft and other industrial uses; cabinets for various components for the Univac digital computer, and a variety of other metal products, including commercial machinery and equipment. The company's customers include some of the country's leading corporations.

Upon completion of the current financing, outstanding capitalization of the company will consist of 333,000 shares of common stock; 371 shares of preferred stock; $300,000 of 6% convertible debentures; and $5,000 of equipment notes.

$50,000,000 City of New York Bonds Offered

A group headed by The First National City Bank of New York is offering $50,000,000 City of New York 2.70% serial bonds due 1956-1970 at prices yielding from 1.75% to 2.70%. Proceeds from the sale of the bonds will be used for various municipal purposes and school construction. The offering group won the bonds on a bid of 100.2899%.

Interest on the bonds is exempt from Federal and New York State income taxes.

Included in the offering group are—Bankers Trust Company; Guaranty Trust Company of New York; The First Boston Corporation; Smith, Barney & Co.; Halsey, Stuart & Co. Inc.; C. J. Devine & Co.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co.; Continental Illinois National Bank and Trust Company of Chicago; Kidder, Peabody & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Eastman, Dillon & Co.; The First National Bank of Portland, Oregon; Mercantile Trust Company St. Louis; Shields & Co.; Stone & Webster Securities Corporation; Ira Haupt & Co.; W. H. Morton & Co Incorporated.

America's Role in World Prosperity

By FRED F. FLORENCE*

President, The American Bankers Association
President Republic National Bank, Dallas, Texas

ABA President, describing our nation's dominant role in maintaining world prosperity, stresses the urgency of keeping the domestic economy strong and prosperous. Says this is means of preservation of Western ideals of civilization, with the valuable by-product of a constantly rising standard of living, both at home and in the free world. Concludes future holds great promise for our people, and a world at peace can best be preserved by a strong and prosperous America.

Our country now occupies a position of leadership in the world. The mantle of leadership has come to rest on our shoulders primarily because of the unparalleled success of our system of free business enterprise, which has enabled us to provide for the material needs of our own people, to contribute to the well-being of other nations, and to create a military force and national defense that serve as strong deterrents to aggression by the enemies of freedom and justice.

Fred F. Florence

Although our position of leadership is similar to that of other great nations of history, it is unique in that the world has become an organic whole, in which important events in one area can readily and quickly affect conditions in the furthermost corners of the earth. Especially since the beginning of the Twentieth Century, all parts of the world have gradually been drawn more closely together. No event in history can match the dramatic stimulus given to this process of integration and growing interdependence by the first use of the atomic bomb at the close of the Second World War. It marked the formal burial of isolationism as a defensible national policy and, at the same time, the formal opening of the atomic age.

The course of events has thrust upon us a heavy responsibility—a responsibility so grave that the success of our policies and actions may well be the decisive factor in the preservation of world peace and the continued existence of Western civilization. The possibility of such far-reaching and world-shaking consequences makes it especially important for us to appraise carefully the impact of our policies and actions on the well-being of our neighbors abroad.

Our Ultimate Goal

Our ultimate goal is a peaceful world founded on justice and freedom. Because we so desire peace, and because we have recognized the responsibility for helping others less fortunate than we, in the past decade we have presented the free world with gifts totaling some $47 billion in goods and services. This era of postwar giving began in 1945, when we provided urgently needed short-term relief and rehabilitation of basic economic processes in Western Europe and a few other countries. This phase of our postwar assistance was followed by the Marshall Plan, which called for large-scale assistance to promote the recovery of Western Europe by means of grants rather than loans. With the increase in world tension in 1949 and especially after the outbreak of fighting in Korea in June 1950—emphasis was shifted toward an expansion of military assistance and a strengthening of the defenses of the Far East, as well as of Western Europe. While the emphasis was on the military measures for the preservation of peace, the economic effects were recognized as being of tremendous significance. The fourth phase of our policy was initiated in January, 1949, in the form of the Point Four Program, a plan designed to stimulate the long-range economic growth of underdeveloped countries by providing technical assistance.

In addition to these four stages of foreign economic assistance, we have encouraged the flow of capital abroad—through both private and public channels — to build productive capacity and other facilities. And recently we have emphasized a principle of primary importance—that a balanced and healthy growth of world trade is an overriding necessity if the free world is to fulfill the hopes of its people in providing for their material wants and establishing a strong front against the scourge of Communism.

These policies and programs have made an important contribution toward strengthening the free world. Yet, they alone cannot suffice; something more is needed. Success in deterring aggression and in raising the standard of living of the friends of freedom and justice can only be realized if we maintain a strong and stable economy in our own country. America's role in world prosperity is greater today than ever before.

Speaking before the convention of the American Bankers Association in September, Robert Cutler, a fellow trustman and a former consultant to the National Security Council, expressed this thought in these words:

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

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

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

These words are thoughtful; they are meaningless; they are almost inspired, for they emphasize with great forcefulness and clarity that the world today is dependent upon the preservation of our economic might and military potential.

The Predominent World Position of U. S.

The United States now occupies a position in the world economy reminiscent of that of the United Kingdom in the last century. We account for over a third of the world's manufacturing output. We are an important producer of many agricultural commodities. We are a tremendous market for goods from abroad, absorbing about 15% of the world's exports. We are the largest supplier of goods to other countries. And we are the world's largest investor, while providing at the same time a growing outlet for investment by other countries.

Our own economy gradually is becoming increasingly dependent upon foreign trade, especially as a source of supply of raw materials. Domestic output of essential raw materials has not kept pace with the rapid expansion in production. Consequently, a growing portion of our needs for these materials is being satisfied by foreign suppliers. Almost all of our consumption of tin, natural rubber, nickel and manganese, over half of that of wool, lead and tungsten, and almost half of that of copper and zinc are imported from abroad. In addition, we depend on imports for all of our consumption of such products as coffee, tea and cocoa. This increased reliance on foreign sources of supply has been accompanied by an enhanced importance of foreign markets for our own products. We are exporting about one-third of our cotton, one-fourth of our tobacco and wheat, and one-half of our rice. Significant percentages of machinery, tractors, and trucks are sold abroad.

Economic isolation—like political isolation—is simply not feasible in the world of today. Our dependence upon the free world is substantial, and the rest of the free world depends even more upon us.

Although our foreign trade accounts for only about 5% of our total national output, trade is a matter of survival for many of our trading partners throughout the free world. A curtailment of our purchases abroad which might appear insignificant in our domestic economy could have a serious effect on such countries as Brazil, with its large exports of coffee, Chile with its fertilizer, New Zealand and Denmark with their dairy products, Australia with its wool, as well as many other countries outside the Communist orbit.

The maintenance of prosperous conditions in the United States is also essential to a sustained flow of investment funds to those areas in which more and better machinery and equipment is so necessary to an elevation of living standards. As the leading investing nation of the world, with nearly $27 billion of private investment abroad, other sectors of the world look to us to help build their productive processes, although admittedly the progress is slow when local conditions are not favorable to capital investment.

In view of all of these relationships, it can be readily understood why economic developments in the United States are followed abroad with great interest and anxiety. This was clearly illustrated by the experience of the spring and summer of 1954, when our economy had receded slightly from the peaks of the preceding year. At that time the fears of the world were aroused over whether these were signs of an old-fashioned depression that would reverberate around the world.

These fears were based on the feeling that a retreat from prosperous conditions in the United States would be accompanied by a curtailment in our imports and that other nations would feel the impact of such a cutback in varying degrees. A decline in exports of foreign countries would lead to a fall in their own production,

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*An address by Mr. Florence before the 24th Annual Meeting of the Mid-Continent Trust Conference, Houston, Texas, Nov. 4, 1955.

Finance and Foreign Trade

By A. L. MILLS, JR.

Member, Board of Governors, Federal Reserve System

Pointing out that banks are not primarily originators of foreign trade, but follow its development, Federal Reserve Governor discusses the role of the foreign offices of U. S. banking institutions in serving foreign trade. Furnishes data regarding present U. S. foreign trade position, and says present objective should be to consolidate gains made in ways that will enable foreign countries to balance their international accounts and reduce their needs for U. S. aid. Stresses importance of greater U. S. foreign investment as placing our foreign trade on a secure foundation.

I propose to begin by discussing the importance of banks to the foreign trade of the United States. This importance obviously derives from the role of banks as financial intermediaries between the various parties to international financial transactions. In that connection it is fair to say that banks follow foreign trade that has been opened up and are not its primary originators.

A. L. Mills, Jr.

This point is well illustrated in the development that has taken place in our intenational banking business in the ten years since the end of World War II hostilities. In the period between December 31, 1945 and September 30, 1955, foreign offices of United States banking institutions have increased from 78 to 116. Latin America and the Far East are the geographical areas accounting for the largest part of this increase, with expansion in Brazil, Cuba, and Japan standing out. As is fully reflected in the statistics of United States foreign trade, our growing commercial interests give cogent reasons for the extension of our banking services abroad. The increase since 1945 in the business of the foreign banking offices that were then in existence is as impressive as the rate of increase in newly established offices.

An analysis of the causes for the growth in the foreign trade of the United States as to the extent to which it was war-born, the consequences of natural forces, or the product of vigorous promotion is beside the point of this discussion. What must be noted is that various circumstances have combined to place the United States in the forefront of the world's suppliers of goods and services, and that achievement of this position has been reflected in the expansion of our foreign banking facilities. What must also be remembered is that the foreign countries that are hosts to United States banking institutions have highly developed banking systems of their own which are equipped to serve both the needs of their own nationals and the foreigners doing business in their lands.

The foreign offices of United States banking institutions play an important part in this international financial context as intermediaries for serving the credit needs abroad of their countrymen, and also for serving the reciprocal needs of the foreign nationals in whose countries these offices are domiciled. With the dollar as the world's anchor currency, the complementary advantages of these arrangements cannot be overstressed.

The clearest conclusions to be reached from the expansion of our foreign banking facilities are, first, at some point in the development of our export trade with a foreign nation it becomes advisable and profitable to provide our nationals abroad with an extension of the banking services of domestic United States banking institutions. Second, once established, foreign offices of United States banking institutions engage as intermediaries in fostering two-way trade to the mutual advantage of our own and of foreign businessmen.

The fact that our foreign banking activities follow rather than lead an initial growth of international trade does not detract from belief in the usefulness of our banking establishments abroad, in that once in operation they become outposts not only for the granting of credit, but also become pools of information and sources of experience to which, not only our own countrymen, but our foreign friends, can turn advantageously.

In truth, the heart of banking at home or abroad is the ability of the banker to apply a broad experience in financial matters to practical problems in ways that will work to the ultimate benefit of national and international well-being. Stated more prosaically, the foreign banking facilities of United States banking institutions participate importantly in the development of our foreign trade by way of this advisory function of their officials and the credit-creating actions that follow therefrom. Thus, while banks are not to be regarded as the primary originators of foreign trade, they certainly help to increase the level of such trade once the initial trade contact has been made.

The fact, however, that the United States dollar has been a persistently hard currency brings into focus the necessity for the judgment and discretion that must be used by the officials of United States banking institutions abroad in their dealings, so as to channel our foreign trade in those directions that will do most to foster multilateral balance of trade conditions and prevent distortions conducive to potential trade imbalances.

Present U. S. Foreign Trade Position

A look at the present foreign trade position of the United States is illuminating. For the first half of 1955 our nonmilitary exports of goods and services came to $9.5 billion while our nonmilitary imports of goods and services came to $7.1 billion, thereby resulting in an export surplus of $2.4 billion. An export surplus of this relative magnitude has been true for some years past and has been an important stimulant of our domestic prosperity. To emphasize that point, it is only necessary to mention that in 1953 merchandise exports represented 6.6% and in 1954, 7.4% of the total production of United States movable goods. Obviously, exports make a significant contribution to our total economic activity, as is also revealed in the fact that in 1953 goods and services exported represented 4.7% and in 1954, 4.9% of gross national product.

However, the disparity between the amount of United States ex-

*An address by Mr. Mills at the International Finance Session of the 42nd National Foreign Trade Convention, New York City, Nov. 14, 1955.

ports and imports has been reflected in the balance of trade problems of some foreign countries that have experienced difficulty in covering their trade deficits through conventional means. In some such cases, the deficits have been met through United States Government grants and military expenditures abroad, which for the first half of 1955 at $2.5 billion more than offset the $2.4 billion favorable balance on trade and non-military services that has been referred to. Partly as a result of these kinds of payments, the difficulties implicit in the otherwise adverse trade balances of some countries were mitigated; and after allowance for various less important items figuring in our balance of payments, the gold and dollar reserves of all foreign countries increased for this period by over $600 million.

Important as United States aid has proven to be, and continues to be, a general betterment in economic conditions abroad has been the chief factor for strengthening foreign gold and dollar reserves and for the consequent ability of many foreign countries to meet pressure on their balance of payments.

The Task Ahead

It is now necessary to ask by what means the remarkable gains that have been won in the field of international finance and trade can be consolidated and then extended in ways that will enable foreign countries to balance their international accounts and reduce their needs for some forms of United States aid. There are several answers to this question, of which the most important is the capacity and willingness of the United States to import from abroad because, fundamentally, payments for our exports must depend on the dollars that we supply in payment for our imports. United States imports of goods and services continue to rise impressively, and in 1953 represented 3.8% and in 1954, 3.7% of the gross national product; but which percentages, it will be noted are considerably below the percentages that our exports bore to gross national product in the same years.

How to encourage a foreign trade that will preserve and increase our vital export business and at the same time work toward evening out the disparity between the total of our exports and that of our imports is undoubtedly close to the core of the objectives of the National Foreign Trade Council.

There is no argument but that a further expansion of United States imports is to be sought after. However, increased imports are not a complete solution to the problem. An expansion of multilateral trade, facilitated by the lowering of international trade barriers, is one solution that holds considerable promise, in that each step taken in the direction of expanded multilateral trading implies a lesser dependence by foreign nations on the United States to supply dollars as a preferred means of payment in foreign transactions. Encouragement can be taken from the progress that has been recorded in this area and which is most evident in the moves toward currency convertibility that have been made during the past year and which are especially significant as regards the United Kingdom, The Netherlands, Belgium, and Western Germany.

As you are aware, the relaxation of import restrictions and restrictions on the transfer of capital have been the most fruitful steps that have been taken toward currency convertibility, which, when finally achieved on a broad international basis, will remove a great many of the barriers obstructing foreign trade.

Private U. S. Investment Abroad

Other actions that can be helpful in placing the foreign trade of the United States on a more secure foundation focus on our foreign investment activities. In 1954, United States private investments abroad increased by nearly $3 billion, to reach a total of $26½ billion. The fact that more than $10 billion have been invested abroad by United States corporations since World War II gives some idea of the size of this facet to our foreign business.

The importance of our foreign investments lies, of course, in the stimulus that they give to the domestic productivity of recipient foreign nations. Broadly speaking, the lasting benefit of our foreign investments is the help given foreign nations to become more self-sustaining and in the process to raise their standards of living. In so doing, greater purchasing power is placed in the hands of their peoples, who then become likely customers for more diverse lines of United States products.

Both governmental and private actions have been taken within the past year to facilitate United States investment abroad. Participation by the United States in the International Finance Corporation has been approved by Congress and will have an indirect bearing on the flow of United States funds into foreign investments. Congress has also approved an expanded lending authority for the Export-Import Bank. Regulation K of the Federal Reserve Board has been amended, liberalizing the conditions under which United States banking corporations can conduct their foreign banking business.

In this latter connection, it is interesting to remark that five United States banks recently combined to form the American Overseas Finance Corporation, which has been set up to provide medium-term credit to domestic exporters of the type similarly provided by the Export-Import Bank. Last month announcement was given of the formation by a group of investment houses and foreign banks of the Transoceanic

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Achieving Goals of International Trade

mind and apply our thinking to ourselves as well as to others if we are to understand and gradually evolve solutions of the many problems with which world trade and investment are beset.

Essentials to Growth of International Trade

International trade and world investment will grow and prosper only as the countries of the world — which constitute the world market — adopt, individually at home, economic systems and monetary policies which promote the growth of production, employment and living standards within their own boundaries. These things well started, the resulting pressures and opportunities for expansion of world trade would be almost irresistible—and there would remain only to regulate and lubricate the mechanisms by which goods, services, and capital flow across national boundaries.

Each of us, in short, must first take steps to put our own national house in order if we really mean to create conditions under which world trade and investment can thrive and expand. Many countries, including our own, have taken important steps in the right direction. These may not be and frequently are not the same steps, but their end objective, their target, is identical.

I am sure there is no single political or economic system — least of all, perhaps, our own — that is best for all countries of the world. Wide differences in educational background, experience in self-government, social habits, climatic conditions and national traditions suggest important variations in the organization and administration of national economies throughout the world. And certain it is that we don't know all the answers, even to some of our own most trying problems, not to mention those of other countries. It is well in this connection to remember those recent words of Secretary Dulles of our foreign policy, "Many things will go right without our help and many things will go wrong that we cannot help."

But in the course of visiting some 30 foreign countries since World War II, it is my observation that every successful economic system must be founded on one indispensable concept — Growth. Growth — the idea of constant progress, and the creation of incentives for every element of the economy to achieve it, is an absolute **must** in any economic system that is going to prosper in the world's economy.

This may seem so obvious as scarcely to warrant more than passing mention. The fact is, however, that reasonably comfortable human beings, — you and I, for example, particularly as we grow older — develop a tendency to resist change and to cling to the status quo. Growth and the status quo are as incompatible as competition and cartels or as benzidrine and barbital. And it is for this very reason that such immense importance should be attached to so designing our economic rules of the road that powerful incentives are provided for research, for expansion and modernization of facilities, for increased productivity, for investment in new businesses and in exciting new prospects for old businesses.

Progress has become such a commonplace, that it seems almost a natural law. It is difficult for us to realize that the idea of progress itself — the concepts of growth and change, with the steady, continuous improvement and amelioration of man's social, economic, and political condition — which seem so natural and obvious to us now, is of fairly recent origin historically speaking. J. B. Bury, the English historian who has traced the idea of progress through the history of human thought, places its first real hold on opinion between the Reformation and the French Revolution. The Greeks, who were so fertile in their speculations on human life, somehow failed to hit upon this idea. The climate of the Middle Ages was not favorable to its development. And the men of the Renaissance, in their prodigious accomplishment and in their reaction against medievalism, looked back mentally to the Greeks and the Romans.

So this great idea, with its dynamic power to move individuals and nations, and which holds almost universal sway over the mind of modern man, is scarcely older than the steam engine. Yet already it has percolated down, even to those regions of the world where the least progress has been made and where, as in certain parts of Asia and Africa, the concept is far ahead of conditions that will make it a practical ideal. But the idea has been planted; and until people prefer hunger rather than plenty, disease rather than health, and slavery rather than freedom, it will remain one of the most potent, and frequently explosive forces, of our times.

Filling the Economic Vacuum Created by War

The almost unbelievable economic progress of the past decade has been grounded partly upon filling the economic vacuum created by the war and partly upon this indispensable concept of growth, with incentives for investors, workers and management to plan and strive toward its realization. And the rate of growth in the future will depend heavily upon the economic climate which the nations of the world select — or, more accurately, elect for themselves in the years ahead.

If growth is the essential characteristic of a sound, dynamic and prosperous economy, how does one get it? What acts or attitudes create the best climate for its development? Here again the answer will not be identical for all countries or regions. But for America the answer is found in the elements of our own very distinctive brand of capitalism. Around the world that term "capitalism" is applied to economic systems which bear little or no resemblance to each other and which, unhappily, in some countries have achieved so little that even communism can compete.

American capitalism is badly in need of some distinguishing term —something to indicate that all the people, not just the privileged few, participate in its fruits and benefits. The term "People's Capitalism" has been suggested, and I submit it has real merit.

Distinguishing Features of Our Capitalism

But what are the distinguishing features of our American capitalism? They can be simply described because each component is aimed and oriented toward one thing—vigorous growth. Let me mention the principal elements.

(1) We in America believe in large volume and small margins—not small volume and large margins.

(2) We in America believe in high wages, high productivity and high purchasing power. They must occur together. One without the other defeats its own ends but together they spell dynamic growth.

(3) We in America believe in scrapping the obsolete, regardless of its remaining useful life. A new tool, a new technique, or a new machine which can do the job better and faster and which, by resulting savings, will pay for itself in a reasonable time, is a good investment even though it replaces equipment in first-class condition.

(4) We in America believe in consumer credit, and have developed and used installment sales techniques to a degree unparalleled elsewhere in the world. Without it our economic indices would be at a fraction of their present level, and new industries like television, for example, would still be in their infancy.

(5) We in America believe in more leisure for our people through a short and highly productive work week. And the very fact of extensive leisure has produced great new industries which provide means for entertainment, for cultural pursuits, for sports of all kinds and for the do-it-yourself enthusiasts.

(6) And finally and most importantly, we in America believe deeply in competition versus the cartel. Competition is the sparkplug of our economy. It keeps us endlessly, urgently searching and researching for new and better products, more efficient methods of production and surer marketing techniques. It is both the "carrot" and the "stick" at once pulling and pushing us along the road to better things. Human nature being what it is, I submit there is no substitute for competition.

These, then, are the prime elements of our American brand of capitalism. And I am prepared to assert quite dogmatically that a finer combination of economic principles and concepts just does not exist under the sun.

It should be added that potent as is our "People's Capitalism" the political environment in which it functions can either augment or obstruct its effectiveness. And I deem it only fair and right to observe that the present Administration in Washington, by its very evident purpose and endeavors to do those things which will stimulate business confidence, encourage productive investment and so regulate our money and credit supply as to promote growth and development without inflation, has provided a climate in which our "People's Capitalism" could scarcely fail to thrive.

I think I have made clear that I am not advocating the indiscriminate export of our American brand of capitalism. But I would like to add one point of correction to the astigmatism with which it is sometimes viewed from abroad. History has no parallel for America. I do not say this boastfully, but in the sense that as a model for the most productive economy the world has ever known, we are *sui generis*, a separate breed. It is particularly important at this stage of history that the world not only understands the results of modern capitalism but what makes it run. Its base is not imperialism but industrialism; its real profits have not been from colonialism but from productivity; and its aim is not exploitation but building up new markets and creating prosperous customers.

For all over the world peoples are making a portentous choice. It is important for them to appreciate that their only choice is not between the system they may now know and call capitalism, and communism. And to help them choose rightly, it is important that they know the fundamental conditions which will make the system work.

Fortunately, there are many signs that the nature, capacities and incentives of private competitive enterprise are beginning to be better understood. Paradoxically, the realization on the part of many Americans that our system was so little understood may have in fact contributed to the misunderstanding, and to the charges that we were a boastful and materialistic people—just as a man speaks louder and louder when he is conscious that he is not being heard. The productivity teams which have visited this country, and which have been as uniformly struck by the characteristics of our system as by its technology, have contributed greatly to a better understanding in Great Britain and in Europe. And our own technical assistance programs in other parts of the world have also borne this kind of fruit.

Asia and Africa Achieving Economic Progress

Economically, Asia and Africa have a long way to come. But it is encouraging to believe, as I do, that it won't take them as long as it did the Western world. Not because they are smarter than we are, but because the concepts and models of our progress are on display throughout the world; not just our products in the markets of the world, and in international trade fairs; not just our scientific and technological progress which we are sharing through technical assistance and the visits of productivity teams; but also the political and economic principles of our "People's Capitalism." One of America's brilliantly inventive young men is credited with the slogan "Anything man can think of man can do." The world today, with its improved communication and transportation is in effect a gigantic supermarket where countries may shop for political and economic and technological models of progress. If we believe, as we must, that the best truth is the market place, we need not fear the economic competition of communism. The political competition, of course, is another story. And we should never forget that communism is not just a result of the economic position of many countries today; it is itself an active obstruction to economic progress in many parts of the world.

Progress will come, then, at an accelerated pace, because the models and the idea of progress exist. As the American poet Carl Sandburg puts it in "The People":

"The first wheel maker saw a wheel, carried in his head a wheel, and one day found his hands shaping a wheel, the first wheel. The first wagon makers saw a wagon, joined their hands and out of air, out of what had lived in their minds, made the first wagon."

We have never had, even in America, all the electrical energy, all the automobiles, and refrigerators, and telephones, and radios, all the food, and clothing, and housing, that man needs. And we have never had here or anywhere else in the world, all the teachers, the artists, the poets, the scientists, the social workers, the economists, the statesmen, that the world needs.

In the long run, our material progress promises to give us both. Through gains in productivity, particularly through increasing automation, and through the development of abundant new sources of energy, such as atomic fission and fusion, we are approaching the time when we can afford to have many more creative workers in the educational, philosophical, moral and spiritual fields. These have always been splendidly productive workers in any society, and there is never any fear of over-production here. This is a luxury that society has never been able sufficiently to afford.

This is a particularly important factor in insuring our future progress. In the next decades one of the greatest problems will be to keep our economic, social, political and juridical institutions abreast of our tremendous scientific advance.

May I give you a single example? If we should liken the five billion years of the universe's existence to one year, the physicist Arthur Compton tells us, the last two generations would be but a third of a second, the time to take one quick step. It is some 500,000 years since man first appeared on the scene, and as we go back through the centuries, and read history's record of hundreds of millions of people, we cannot help but be struck by man's continuous and too often hopeless struggle. Hopeless because there was no prospect of conditions getting any better. The ancients thought that mankind followed a preordained and repetitive cycle. In the Middle Ages thought and practice were cramped by the common belief that man was a sinful creature, born to trouble here on earth. It was not until fairly recent times that it became possible to think of an immense future for mortal mankind, the conquest of the material world through science, and providing the conditions for a good life for all the peoples of the world.

Making This Life a Better One

Yet even today hundreds of millions of people all over the world are getting neither joy nor satisfaction out of life and have only the hereafter to look forward to. I am reminded, however, of a notable exception which is evidenced by an epitaph I once saw in a graveyard just outside Paris. It was an epitaph for a French lady whose moral behavior was not wholly exemplary and who, apparently, lived more by her heart than by her head. The epitaph read:

"Here lies Madame DeBouvray
Who for better security
Made this life her paradise."

Without condoning the lady's conduct, I want to say that I am very much in favor of making this life a better one, with a little more paradise on earth for millions upon millions of people, here and abroad, who are still unacquainted with the joys of living beyond the level of bare subsistence. And in my view it is the business leaders of the world, beyond all others, who can bring about this end. For it is business leaders with the capacity to see the economic possibilities, with the courage to back their vision with large investment, with the ability to organize men into productive teams, and the wisdom to share the fruits of the enterprise with consumer, worker, investor and manager alike — it is these men who have, and who can on a much broader and deeper front, project ever upward the standard of living of their countrymen.

In short, it is our job, gentlemen, to lift our sights, to future-orient our thinking and our corporate planning. Thus, and only thus, can we do our full part in maintaining the now splendidly rising trend of production, investment and trade—and hence living standards — in America and throughout the free world. In a very real sense, the kind of lives our children and our grandchildren will live is in the making now. And because the pattern is so largely ours to determine, we must do our utmost in their behalf.

With Arthur M. Krensky

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ben Verson is now with Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

Christmas Trade

By ROGER W. BABSON

Pointing out Christmas buying is a good barometer of the nations' feeling, Mr. Babson explains how Christmas buying increases employment and aids business of both manufacturer and retailer. Says Christmas buying thus far indicates a good 1956, "but something could happen during next few weeks to change the outlook."

There are several reasons why we all—buyers, clerks, storekeepers, and manufacturers—should be greatly interested in Christmas buying. Christmas buying is a good barometer of the nation's feelings. When I was younger, I thought that the nation's business was ruled by statistics — certainly statistics on the wages and credit available. Now I am older I have learned that it is ruled not alone by **figures**, but by **feelings**. I am happy to report that an impartial study of the outlook for Chrismas business shows our people are feeling good.

Roger W. Babson

May I comment further on the above. I have just read the annual report for 1955 of my great friend—Dr. Edward B. Hinckley, President of the Babson Institute. In this report, he speaks of two kinds of income which he must give to his professors. One of these, of course, is **Cash Money** with which he can pay their bills and lay up some savings. The other income which they must get he calls **"Psychic Income."** This is largely a matter of feeling secure, happy, and contented. I think every reader of this column, from the humblest worker to the highest-paid executive, might ask himself: "What is my **Psychic Income?"**

Buying Determines Employment

Christmas buying also means much in a tangible sense. When you buy a present for a friend, you start a most important business cycle. First, you cause a gift to go to a friend or relative or—best of all—to someone in need. Second, you give help to the retailer, providing him with pay for his very important work of distribution. But remember that he gets his small portion, two or three cents from your dollar, only after he has paid for the goods, paid the wages of his clerks, paid his rent, advertising, and other bills.

Then there is a third part to the Christmas Cycle. In paying for the goods, the storekeeper enables the manufacturer to employ people. These people bring most of their wages back to the store and buy more goods,—thus completing the cycle. When the cycle works as described above, the nation enjoys prosperity. When the cycle is broken at any point, employment and business (they always go up and down together) fall off. Then—unless the break is repaired—the nation suffers a depression.

The Business Outlook for 1956

Christmas buying thus far indicates a good 1956; but something could happen during the next few weeks to change the 1956 outlook. Readers of this column will get my detailed "Outlook for 1956" in a later issue. It will treat of Business, Inflation, Retail Trade, Wages, Employment, Politics, and the Stock Market.

Of course, all sections of the country will not be equally happy this Christmas. The thousands of families in New England, Pennsylvania, and other areas which have had their homes washed away by floods cannot forget their losses. On the other hand, states which for three years have suffered from droughts are rejoicing over the good 1955 rains. In fact, the weather for the balance of 1955 could be a factor in this year's Christmas buying. We are all inclined to give too little thought to weather, epidemics, threat of war, and even to possible earthquakes. What President Eisenhower's heart attack did to the markets in September could be repeated for the same or other reasons.

What Would Jesus Say?

What Jesus would say to the present-day celebration of His Birthday, I do not know. It seems to me that He would be unhappy about the way it is being commercialized. Jesus, however, was liberal, as is shown by the lesson He gave during His walk through the corn field. On the other hand, anything can be overdone; everything can be either used or abused.

Let us so use Christmas that there will never be an unfavorable reaction. Let us make gifts to those who need them. Let us keep in mind what good we can do for others—rather than what profit the gifts may bring to us. To help keep me on the right road I have put up a Holiday sign near the Great Babson Globe (the largest revolving Globe in the world) with these words thereon: "FOR WHAT IS A MAN PROFITED, IF HE SHALL GAIN THE WHOLE WORLD AND LOSE HIS OWN SOUL?"

J. Logan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald R. Ashton, James D. Barton, Stanley M. Dreyfuss, David E. Glatt, John Hampton, Robert L. Kooch, Jack D. Laughlin, Ned Leigh, Buddy J. Lile, Paul Massari and Warren A. Robinson are now connected with J. Logan & Co., 210 West Seventh Street.

"Political" Wage Demands Cause of Britain's Inflation

By PAUL EINZIG

Answering a criticism of Edward H. Collins in the New York "Times" of Oct. 31, Dr. Einzig recalls the facts in the inflationary situation in Britain, and contends that in spite of credit squeezes and instalment selling restrictions, inflation in Britain is proceeding unabated. Says most important single cause is the stepping up in the demands for higher wages.

LONDON, Eng.—In the Oct. 31 issue of The New York "Times," Mr. Edward H. Collins takes the writer of these lines to task for having written in "The Commercial and Financial Chronicle" some weeks before the introduction of Chancellor of the Exchequer Butler's Supplementary Budget, that any disinflationary efforts would be of no use unless the wages spiral could be brought to a halt. Mr. Collins thinks that Britain should be congratulating itself on the devices actually chosen by Mr. Butler, although they have no direct bearing on the wages spiral. There has been, so far, very little evidence of any such self-congratulations in the British Press or in the House of Commons. Indeed, but for the unfair personal attack directed on him by his Socialist predecessor in office, Mr. Gaitskell, the Budget of Mr. Butler would have been subject to much more criticism from Conservative quarters. Even so, his own supporters are unable to work up any enthusiasm for the formula he has chosen, precisely because they realize that it is not likely to stop the wages spiral, either by breaking it or by inducing the labor unions to refrain voluntarily from pressing their claims.

Paul Einzig

Just in case Mr. Collins and his readers should think that Mr. Butler has joined the ranks of those who cannot be prophets in their own country, it might be well to recall the facts of the situation. The basic fact is that, in spite of 10 months of credit squeeze and restrictions on instalment selling, inflation in Britain is proceeding unabated, and that by far the most important single cause of it is the stepping up of demands for higher wages, quite out of proportion to the rise in the cost of living or to the increase in the output. The extent of overfull employment continues to increase, judging by the widening of the gap between the number of unemployed—most of whom are probably unemployables—and that of registered vacancies, which latter probably represents a bare fraction of the number of unregistered vacancies.

Mr. Collins admits that "Mr. Butler's second Budget contains no specific provisions for dealing with the wages spiral as such." Nevertheless, he feels that his proposal for an increase in the distributed profits tax has some indirect bearing on that problem. He cannot be very familiar with the postwar mentality of British workers and their union leaders if he imagines that they would be impressed and touched to tears by the increase of the tax on dividends by 5%. It is true, that increase brings the rate of taxation of dividends to the impressive figure of 70%. But the workers in postwar Britain would not be really satisfied with a tax of less than 95%, and many of them would demand full 100%.

Unfortunately, this is not just a matter of opinion about which we could argue indefinitely. The proof of the pudding is in its eating. Immediately after Mr. Butler's Budget statement, several labor unions increased the wages demands which they submitted previously. They went out of their way to emphasize that this was being done as a direct consequence of the view they took of the Budget. They were encouraged to adopt this course by Mr. Gaitskell and other Socialist speakers who declared that the nature of the Budget justified additional wages claims. Hitherto, all responsible Socialist leaders abstained from making any public pronouncements tending to encourage wages demands. But the very moderate increase in the cost of living which is liable to result from the application of Mr. Butler's measures has provided them with an opportunity for enlisting wages demands in the service of Party politics.

Mr. Butler's Budget, and the reactions of Socialist politicians to it, has placed the responsible and public-spirited among the Trade Union leaders in a very awkward position. Before the Budget, they used all their influence to induce the workers to moderate their wages demands. Now their hand is forced by the unpopularity of Mr. Butler's measures and by the political exploitation of that unpopularity by the politicians of the labor movement. Since Mr. Gaitskell has forecast considerable additional wages demands, the Trade Union leaders now consider it their duty to do their best to prove him right. So there is bound to be a wave of wages demands of a political character.

It is true, the evidence of growing industrial profits tends to encourage wages demands, since, as Mr. Collins rightly points out, "the British worker has been conditioned for some years now to relate wages to profits." This attitude has come to be taken as a matter of course, not only among trade unionists and Socialists in general but even among industrialists. For instance, in a recently published letter to the "Daily Telegraph," Mr. Osborne, a Conservative industrialist Member of Parliament, endorsed that attitude. Yet it is quite obvious that the increases of profits in recent years have been achieved entirely as a result of increased mechanization, brought about by the employers at considerable cost. The workers' share in the progress was less than nothing; it has been achieved in spite of the increasing degree of their slackness and lack of industrial discipline resulting from overfull employment. In many instances the workers actually resisted the installation of labor-saving equipment, for fear that it would reduce their scarcity value. There is therefore no moral justification whatever for their contention that they are entitled to the lion's share of the amounts saved.

However, the soundness or unsoundness of arguments matters very little in wages dispute. Lafontaine's proverbial wolf ended by devouring the lamb, in spite of the unsoundness of his arguments with which he sought to justify his impending action. And the British workers are in a position to keep the wages spiral going, irrespective of whether or not their arguments based on higher profits are sound. The minor concession made by Mr. Butler by raising the dividend tax by 5% made no difference in their attitude. It may be recalled that, even though the dividend restraint was very effective between 1948 and 1950, wages advanced by 19%. So it is reasonable to assume that, even if Mr. Butler had raised the dividend tax by 20% instead of 5%, the wages spiral would have continued unabated. The arguments in favor of wages demands would have sounded less convincing, but the effective power behind them would have been just as strong.

Marquette Cement Mfg. Common Stock Offered

A. G. Becker & Co. Inc., of Chicago heads an underwriting group which on Nov. 15 offered 262,500 common shares, $4 par value, of Marquette Cement Manufacturing Co., priced at $34.75 a share. Of the total shares, 12,500 are being sold by a stockholder.

The company will apply its proceeds toward construction of new cement plants at Milwaukee, Wisconsin and Cape Girardeau, Missouri and major improvements at the Des Moines, Iowa, plant. Marquette Cement now operates eight cement plants.

Giving effect to the current issue sold for company account, capitalization will consist of $11,400,000 funded debt, 388,125 6% cumulative preferred shares, $8 par value and 2,625,000 shares of common stock; the preferred and common shares were split 2½-for-1 on Nov. 7.

For the nine months ended Sept. 30, 1955, Marquette Cement reported net earnings after taxes of $5,174,462, equal to $2.12 per share of common stock.

Laird & Co. Appoints Miller Synd. Mgr.

Laird & Company, members of the New York Stock Exchange, announced that Duncan Miller has been appointed manager of the firm's syndicate department, with headquarters in the New York office, 61 Broadway.

With Fahnestock Co.

PHILADELPHIA, PA.—Edward C. Bostock, Jr. has become associated with Fahnestock & Co., 123 South Broad Street, members of the New York Stock Exchange and other leading exchanges, in their Philadelphia office as a registered representative. Mr. Bostock was formerly associated with the Second National Bank of Philadelphia.

Greenberg, Strong and Company is Formed In Denver

DENVER, COLORADO — Greenberg, Strong and Company announces its official opening as a securities brokerage firm with office headquarters established at 218 First National Bank Building, Denver.

The new trading company has installed communications facilities in its six office suite for complete wire service to all major markets in the United States and Canada. Greenberg, Strong will trade in unlisted, speculative securities. A special department, emphasizing oil, gas and mining securities is now being developed.

Gerald M. Greenberg is president; Robert Leopold is sales manager. Other personnel include seven broker salesmen and an accounting and clerical staff of five.

Securities Salesman's Corner

By JOHN DUTTON

The Affirmative Attitude

Every successful and creative effort first takes place in your own mind. This is a basic law that underlies all constructive effort. It is fundamental to successful sales work which after all is based upon the ability of one person to convey a suggestion to another that will meet with approval. It is therefore clear that suggestions which are conceived in a negative state of mind, and that are hazy and cloudy in their inception will be be projected weakly and will be ineffective. I don't mean to write a highbrow column on this subject—just state a fact.

In this connection, it seems to me that many who have studied the field of sales psychology have over-complicated a subject that admittedly can become involved. I am not questioning the need for study and for experience if one wishes to become an effective salesman, but I do believe that if many of the technicalities of the sales process were analyzed they could be boiled down into some simple procedures that, if followed, would produce successful results.

Believe It

One of the rules that I believe should head such a list is "Believe It Yourself." **If you have conviction then there will be no doubt about your ability to convey confidence to another.** If you **believe**, you don't have to grapple for words of explanation, you need not take the defensive, you have no use for a canned sales talk. As an illustration let us consider the matter of unlisted securities. For many years investment salesmen have had to live down certain prejudices against securities that were traded in the Over-the-Counter Market. Gradually that prejudice is disappearing because **investment salesmen have discovered** that it is a fact that some of the most outstanding investment opportunities available can only be found in the unlisted market. The "Chronicle" has been emphasizing this fact in a series of well-timed articles. Other publications and the daily papers are at last waking up to the same conclusion. Meanwhile, many investors who had confined their commitments to listed issues have begun to see the light. Prejudice is being swept away because it should never have existed in the first place. Slowly but surely, not only people in the investments business and professional investors, but also the lay public are not only putting aside their resistance to a good investment because it is not listed, but they are **beginning to seek them out.**

If you have watched the development of such companies (to name only a handful) as Marathon Corp.; Winn-Dixie Stores, Inc. (formerly Winn & Lovett Grocery); Florida Power & Light Foremost Dairies; Storer Broadcasting, whose common stocks are now listed on the New York Stock Exchange and selling at several times the price at which they were available only a few short years ago when they could have only been bought on the unlisted market, you won't have any trouble convincing yourself that the time to make a good investment is when you can buy into an aggressive growing company that has a future, and that's that!

State the Facts

Knowing that a good investment is good for your customers is just about all you need to know. In your own words tell them why this is so. Sales must result. You don't need to apologize for an unlisted stock. Take the affirmative because you are doing your customer a favor when you sell him a security that has a future, and that can be bought today at a price that represents an uninflated value. You don't have to go into all the technicalities of unlisted trading, of listing versus over-the-counter, of why he shouldn't be afraid to buy an unlisted stock. That's what I mean when I suggest that you take the affirmative.

The other day I had a client who owned all listed stocks. They were all high-grade investments with the exception of two issues. We both decided that these two stocks had appreciated in value to a point where they appeared to have exhausted their possibilities. After we made the decision to sell I suggested a high-grade convertible preferred that was only available in the unlisted market. My customer said, "I've never bought an unlisted stock before." He inferred that possibly he was in doubt about the commitment because it was unlisted. I replied, "Frank, I want you to listen to me carefully. Isn't it possible that you may have missed some wonderful opportunities during these past few years?" Then I named a few listed stocks with which he was familiar and I quoted some of the profits that had been made by buying them **before they were listed.** Then I said, "Prejudices as you know can sometimes be based upon misconceptions. In this instance I want to ask you to look at this situation with an open mind and to eliminate any prejudice you may have regarding the fact that this stock is unlisted. In fact, that is one of the reasons I want you to buy it now. Some of the most informed investors in this country have bought thousands of shares of this preferred because they see not only a sound investment today but a vast growth practically assured for this company." And I went on from there. There was no reason to go into a defense of the unlisted market, or a long talk about the bid and the asked, or how liquid was the investment. The point at issue was—here is the best reinvestment I can find for you.

Either you have the facts and believe them yourself, or you half believe, half understand and half-sell others. If you "believe it" you can only take the affirmative and that will be apparent and believed by others.

Parker, Ford Co. Formed

DALLAS, Texas—Parker, Ford & Company, Inc. has been formed with offices at 7145 Wildgrove Avenue to engage in a securities business. Officers are Leslie P. Lagoni, President; J. F. Lagoni, Vice-President; and David A. Witts, Secretary.

Joseph Stotler Opens

ARDMORE, Okla. — Joseph L. Stotler is engaging in a securities business from offices here under the name of Joseph L. Stotler & Co. Mr. Stotler was previously with McDaniel Lewis & Co. in Greensboro, N. C.

With Curtis Merkel

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Marion M. Aydelott, formerly with Goodbody & Co., is now associated with Curtis Merkel Company, 601 First Avenue, North.

Credit Restraint to Continue While Business Booms: Nadler

In a report on "Aims of Credit Control," distributed by The Hanover Bank of New York, he says the current policy of credit restraint will give way to one of neutrality, and, then, if business activity declines substantially, it will be followed by a policy of credit ease.

The monetary authorities' policy of restraint will remain unchanged as long as the nation's economy is running at capacity, Dr. Marcus Nadler, consulting economist to The Hanover Bank, and Professor of Finance at New York University, states in a report on "Aims of Credit Control," which is distributed by The Hanover Bank.

Marcus Nadler

"The recent credit policies of the Reserve authorities have been well conceived and skillfully executed. Supported as they were by the appropriate debt management policy of the Treasury and by constructive action on the part of those agencies dealing with home financing, they give assurance that the present boom will not be permitted to degenerate and that appropriate measures will be taken when business shows signs of a decline."

Dr. Nadler added that in the immediate future the Reserve authorities will continue to furnish member banks with reserves to meet at least partial seasonal credit requirements and the seasonal demand for currency.

"But," he said, "the member banks will continue to be forced somewhat to obtain their additional reserves by borrowing from the Reserve banks."

The policy of restraint will give way to one of neutrality as soon as business activity begins to level off and inflationary forces begin to disappear, Dr. Nadler explained. And if business activity declines somewhat early next year, the credit policy will change to "one of ease, and may be one of active ease," he said.

"Not only will the Reserve authorities increase reserve balances through open market purchases, but later on it is quite possible that the Reserve Board may lower reserve requirements," he continued. "This will be done partly to raise excess reserve balances of the member banks—thus increasing materially the availability of bank credit — and partly because reserve requirements in the United States are altogether too high.

"A lowering of reserve requirements sometime in the future is imperative in order to enable the member banks to meet the secular growth of the economy. Future credit policies will continue to remain flexible and subject to change depending upon business activity. They will be guided by economic rather than political considerations, aimed toward keeping the economy healthy, preventing inflationary and deflationary forces and providing the banks with the necessary reserves to enable them to finance the country's economic growth."

Now Johnson & Johnson

HOUSTON, Texas — The firm name of Ray Johnson and Company, Inc., West Building, has been changed to Johnson & Johnson, Inc.

Forms McCormick & Co.

LONG BEACH, Calif.—Gordon C. McCormick, 110 Pine Avenue, is now conducting his investment business under the firm name of McCormick and Company.

Bell & Company Formed

KEW GARDENS, N. Y.—Anna C. Belliveau is engaging in a securities business from offices at 120-44 Queens Boulevard under the firm name of Bell & Company.

A. M. Krensky Co. Opens Two New Branches

CHICAGO, ILL. — Arthur M. Krensky and Co., Inc., members of the New York and Midwest Stock Exchanges has added two new branch offices in Fort Wayne, Indiana, and El Paso, Texas. This expansion brings to four the number of branch offices established since the firm went into business a year and a half ago.

The Krensky firm already has branch offices in Princeton, Illinois and Grand Rapids, Michigan.

The Fort Wayne addition became possible when Krensky purchased the assets of Foelber and Company, Inc., of that city. The Krensky offices will be located on the 13th floor of the Lincoln Bank Tower Building. The El Paso office will be located at 311 Texas Street in that city.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—E. Gordon Harvey is now with A. M. Kidder & Co., 139 East Flagler Street.

Varying Types of Investments And Their Yields

By HERBERT JACQUES MORRIS*
Herbert Jacques Morris Corporation, New York City

Mr. Morris covers the investment and yield qualities of real estate and various types of securities from the point of view of safety, yield, and marketability. Compares railroad, utilities and other corporate bonds with first mortgages; preferred stocks with second mortgages; and common stocks with mortgage equities. Reviews investment situation with reference to tax exempt bonds, and finds an upward trend of income yields on mortgages.

Real estate is not as easy to classify as securities. You can't rate real estate as AAA bonds or preferred stock. There is an individuality about real estate which makes it difficult to classify. Sure, there is a similarity between a row of 25 x 100 five-story tenements on East 85th St. between 2nd and 1st Aves., but even there the proximity to the corner or the state of repair creates a variation. Nevertheless, in broad outline for the purpose of this talk, I will attempt to classify. There is the difference between an unmortgaged property and a mortgaged one. The yield is less because there is no leverage but the security is better because the only fellow who is ahead of the owner is the real estate taxing authority.


Herbert J. Morris

Then there is the property occupied by a chain rated AAA1 on Main Street in the best location. There you have the double security of both location and good paper. Then you have the location occupied by Sears, Roebuck or an industrial giant. There you have only a fair spot but top paper. Then you have the multi-tenant store property. Then the multi-tenant office building, then the prime apartment building on Park Avenue, etc., then the loft building, walk-up apartment, etc. Those are the general classifications.

Cardinal Investment Factors

The cardinal factors to remember in the investment business are safety, yield and marketability. You can seldom get all three. One of the pet arguments an investor uses to resist the subject of buying real estate as an investment is its lack of liquidity. That is true. You cannot sell real estate at the drop of a hat. Other types of securities have a free market with a bid and asked price so that you can get out fast. This does not always prove to be an unmitigated blessing. I have known many cases where the lack of a market has forced a reluctant owner to hold on with the ultimate result that he has cashed out at 100 cents on the dollar or better.

One shining example of this was the Bank of the United States. The bank was closed after the 1929 crash by the bank examiners. It has subsequently paid off over 90 cents on the dollar. If the depositors had been able to draw their money at that time, how much do you think would have been left? I was mixed up in one real estate deal where the property was bought less than a year before the 1929 market crash. The buyer could not cash out and was forced to hold all through the bad years. The property was unmortgaged. He sold last year at a price far in excess of his original dreams. If that investment had been in listed securities I doubt if he would have had a cent left by 1954.

Bear in mind that depreciation of improved real estate is an allowable deduction by the Tax Department. Before the payment of corporate or individual income tax on real estate, you may deduct not only real estate taxes, mortgage interest, general maintenance charges and management, but in addition, you may deduct depreciation on the improvement, generally not less than 2%, frequently more. There are no such deductions from dividends paid on stocks or interest paid on bonds. There are tax exempt bonds, but more on that later.

Before going into the subject of comparative yields, I want to dramatize the value of depreciation with a simple example.

Let us take a hypothetical, typical multi-tenant building. This is probably the most common form of urban investment real estate. Let us assume:

Price	$100,000
Cash	40,000
Mtge. at 4½% int.	$60,000
Gross rent	$16,000

From the gross rent you may deduct:

Interest on mortgage	$2,700
Real Estate taxes (assuming an assessment of $85,000 incl. land at $25,000)	3,400
Gen. maint. & mgmt.	5,000
Cash expense	$11,100

Accordingly the grand total of $11,100 cash expense as against the gross income of $16,000, leaves a net rent before depreciation or amortization of $4,900. This is equal to 12¼% on the cash investment or if unmortgaged, equal to 7.6% on a free and clear basis both before payment of income taxes.

In order to figure depreciation, we may take the purchase price of $100,000 and use the same proportion as the assessed value:

Land value	$30,000
Building value	70,000

The building at a value of $70,000 may be depreciated 2½% or $1,750. That deducted from the $4,900 net income would leave you net earnings after depreciation (which earnings are taxable) in the amount of $3,150. Assuming the ownership is in the hands of a corporation having net earnings of less than $25,000 or an individual having net earnings in the $6,000-$8,000 bracket, the tax on the $3,150 should be 30% or $945. In other words, the depreciation equals approximately 35% of the taxable income. To recapitulate: of the $4,900 net income before income taxes, you deduct income tax of $945, leaving a balance of $3,955 tax free. This is approximately 10% yield on the equity invested and 6.6% plus after taxes on a free and clear basis. No allowance has been made in this calculation for the payment of amortization because amortization is only the reduction of capital indebtedness and is taxable. A reasonable formula to bear in mind is that the depreciation should equal or exceed the amount of amortization payments to be made.

Compare this with the purchase of common stocks. In a broad sense, common stocks sell on a basis of 4-5% yield, as compared to the equity example just quoted. $40,000 would yield 5% or $2,000. On the same tax formula, the tax would be 30% or $600 leaving a net after taxes of $1,400 or 3.5%. This is quite a price to pay in terms of yield for marketability and diversification. Even after the early October sharp decline, the yield on good stocks is out of line. That partly explains the recent stock market shakeup.

Another example is the purchase of a long-term lease for investment (not a fee subject to a lease). Here you may write off your investment over the period of the lease. Thus if the lease term is 20 years, you can write off an average of 5% yearly. The difference between this type of investment and a fee purchase is that the leasehold is a diminishing return. That is, the longer it runs, the shorter the remaining term and, therefore, the lesser its value; while in a fee ownership, you may look for a capital gain if conditions improve during your ownership.

Other Types of Investment

Now let's take a look at the other types of investment. Leaving out tax-exempt bonds and government bonds, we will attempt to compare in a broad sense blue chip, railroad, utility and corporate bonds with first mortgages; preferred stocks with second mortgages and free and clear equity; and common stocks with mortgaged equities.

Remember that when you own a free and clear property you are the boss, you dictate policy. If mortgaged, the mortgagee only has a say when you mortgage the property or when the mortgage is up for renewal when he may stipulate various conditions which may involve additional capital outlay. As you can see, the choice depends on the type of ownership. People without business experience or training may be better off with well selected securities whereas the person with the time and business ability may be better off with real estate. The ideal investment portfolio contains both. My purpose in accenting these types is to save you time and money. Don't try to sell a security-minded person real estate. The best real estate customers are the individualists who rely on their own judgment. When you own stocks and bonds, the management policy is out of your hands. I have already compared real estate equities and common stocks. Let us take a look at the others.

U. S. Government bonds, notes and certificates are the safest investments in the world; also probably the most liquid. Now let us take a look at the yield. They range from a low of 1.71% to 3.03%. These figures are based on 1955 prices. Bear in mind that when money is plentiful, yields are lower and when the supply of money tightens, the rates are higher. The yield is reflected in the price of the bond. Some certain few governments, state and municipals are tax free.

Now let us look at some other bond yields in 1955:

Railroad

AAA	from 3.14 to 3.17
AA	from 3.22 to 3.29
A	from 3.56 to 3.60
BBB	from 4.06 to 4.18
Grand Avg.	from 3.51 to 3.58

Utilities

AAA	from 3.05 to 3.17
AA	from 3.09 to 3.16
A	from 3.19 to 3.28
BBB	from 3.42 to 3.46
Grand Avg.	from 3.20 to 3.27

Industrials

AAA	from 2.91 to 3.01
AA	from 3.04 to 3.13
A	from 3.22 to 3.27
BBB	from 3.61 to 3.70

Grand Composite

AAA	from 3.03 to 3.11
AA	from 3.13 to 3.18
A	from 3.33 to 3.37
BBB	from 3.70 to 3.77

These figures are from Fitch Bond Yield Average.

In a broad sense I would say that these bonds might be compared with first mortgage investments from the point of view of safety. Obviously mortgage-yields are higher, recently averaging in the neighborhood of 4½%. By comparison with marketable securities, mortgages lack liquidity. This accounts, in part, for the higher yield. Preferred stocks might be compared to second mortgage loans in that they are secondary in safety as compared to bonds or first mortgage. This is reflected in the yield which roughly averages 4-5% as against 5-6% plus for second mortgages.

One other point of comparison, common stocks and real estate equities have the speculative advantages of possible capital gains (or losses). First mortgage and/or high grade bonds reflect safety and conservative yield. Second mortgages and/or preferred stocks, less safety with better yield. Real estate equities and/or common stocks still less safety with much better yield plus capital gain speculation.

Tax Exempts

Now a word about tax exempts as compared to low yield mortgages or other real estate investments. As stated: interest from some government, state and municipal bonds is exempt from Federal income taxes. Taxable income for the year 1954 is subject to tax rates ranging from 20% to 91%, as specified in the Internal Revenue Code of 1954.

Tax exempts yield from .75% to 5% and mean an awful lot to the fellow in a high bracket. Before I forget, let me give credit at this point to Merrill Lynch, Pierce, Fenner & Beane for furnishing me with tables and lists which have enabled me to make these comparisons. Their research department has been most helpful.

I have before me a table of "Taxable Equivalent Yields" comparing "Tax Free with Taxable Bonds." Except for the saving grace of the depreciation factor, on real estate you could substitute the words "free and clear" for "taxable bonds." Don't get fidgety. I'm not going to read the table.... only a couple of examples.

One, a person having $33,000-$44,000 taxable income (69% bracket) would have to earn 8.06% from taxable bonds (or real estate) to be the equivalent of 2.50% tax exempt yield.

Two, a person having $10,000-$12,000 (38% bracket) taxable income, would have to earn 4.03% from taxable bonds to be the equivalent of 2.50% tax exempt yield.

Summary

To attempt to sum up:

Real Estate Yield vs. Security Yield: Securities have better marketability (not always a blessing). Real estate yield for comparable risk better by at least 1%. (1st mortgages vs. bonds.)

Equity Yield vs. Free and Clear Yield: Higher, of course, by virtue of leverage obtained through financing; for example—my original demonstration:

Price	$100,000
Net rent free and clear (7.6%)	7,600
Mortgage at 4½%	60.000
Equity (12¼%)	4,900

Amortization, Depreciation and Tax Free Income: I have avoided any reference to amortization because contrary to what professional operators may tell you as a broker, amortization is a repayment of a debt and does not affect your financial set-up excepting when it exceeds depreciation. If your cost is sound value and you owe money against your property, amortization is not an expense.

Depreciation: A sound principle, is recognized by the tax department. Structures do get old. Depreciation is a valuable offset against taxable income and incidentally against high amortization. "Tax Free Income"—the only true income. Real estate, because of its depreciation factor, and tax exempt bonds, because of the exemption. I have already rated the various types of investments.

Trends of Yield Demand: During the war years and after, savings banks, trust companies and insurance companies were unloading from portfolios top heavy with real estate. The result was competitive selling which means lower prices and inevitably higher yields. Today most property owners are hanging on, which means prospective buyers are bidding for property. Here you have the reverse, higher prices mean lower yields.

Contrary to this current trend and due in part at least to a tightening of credit, 1st mortgage rates are higher than a year or so ago. Where some time back prime loans were placed at 3-3½% and then 4%, now the going rate is 4½% and more. If the price of common stocks continues to lose ground and dividends hold, yields will increase. Obviously the same is true of bonds and preferred stocks, the lower the price the higher the yield from fixed amount coupons.

In closing, let me repeat my opening remark. The cardinal investment principle is safety, yield and marketability. They are intertwined, the greater the safety, the better the marketability, the lesser the yield and vice-versa.

*Partial text of a lecture by Mr. Morris sponsored by the Real Estate Board of New York, New York City.

Heiligenstein to Represent Walker in Decatur

DECATUR, ILL. — G. H. Walker & Co. of St. Louis has announced the appointment of Ron Heiligenstein as resident representative in Decatur, Illinois. Mr. Heiligenstein has been associated with the home office in St. Louis where he has been employed in the Stock Exchange and Municipal Bond Departments. He is moving with his family to Decatur about the first of December.


Ron Heiligenstein

Mr. Heiligenstein is a graduate of the University of Illinois and a native of Belleville, Illinois where his father, Mr. C. A. Heiligenstein, is president of the First National Bank.

Joins Coffin & Burr

(Special to The Financial Chronicle)

PORTLAND, Maine — John W. Deering, Jr. is now with Coffin & Burr, Incorporated, 443 Congress Street.

With Federated Secs.

(Special to The Financial Chronicle)

WINTER PARK, Fla. — Ernest W. Williams is now with Federated Securities Company, Inc., 530 North Orlando Avenue.

"Say Not the Struggle Naught Availeth"

"First, we still hope to balance the budget. And secondly, that will not be done in any way at the expense of military strength and power. The requirements of those necessities of course come first.

"We are continuing to make efforts throughout the government to save.

"Our budgets for the defense program have not been built on day to day shifts in diplomatic discussions. We have built them on a long-range basis of strengthening United States power. We are engaged in a regular, permanent strengthening program." — Rowland R. Hughes, Director of the Budget.

Rowland R. Hughes

We hope Mr. Hughes and the others will stick to their guns regardless of the abuse heaped upon them by Democratic leaders.

U. S. Commerce and Labor Departments Expect Construction Outlays to Attain New High in 1956

Forecasts, on basis of moderate increase in over-all economic activity, a $44 billion total or 5% increase in construction outlays over current year. Sees no serious materials shortages, and holds there is adequate investment funds both for public and private projects.

New construction expenditures may reach a record-breaking total of $44 billion in 1956, 5% above the $42 billion peak indicated for 1955, according to estimates prepared jointly by the Labor and Commerce Departments. Substantial gains are anticipated in private non-residential and public construction. New housing, although slightly below this year's volume, is expected to continue at a high level.

A more detailed report on the outlook will appear later this month in the November issue of "Construction Review," published jointly by the Business and Defense Services Administration of the Department of Commerce and the Department of Labor's Bureau of Labor Statistics.

The 1956 estimates are based on the assumption of a moderate increase in over-all economic activity. They reflect also the tremendous volume of construction now in progress, much of which will be carried over into the new year. Construction costs are expected to continue to rise moderately. Increased plant capacity and rising productivity will prevent all but minor or spot material shortages. Investment funds were assumed to be adequate to underwrite the estimated level of both private and public construction.

Private construction outlays in 1956 are set slightly above the 1955 total of $30 billion. Public construction, which in recent years has increased steadily but more slowly than private work, is expected to rise 10% in 1956—to more than $13 billion.

The value of private non-farm residential construction will remain near the 1955 level of over $16 billion in the coming year. A decrease in the dollar value of new homebuilding will be largely offset by greater outlays for additions and alterations to older homes and for construction of motels and other non-housekeeping residential units. Expenditures for new housing will reflect a continuing trend toward larger homes with more quality features, as well as moderately higher construction costs, so that dollar outlays will not drop as much as housing starts.

Private non-farm housing starts in 1956 are estimated at about 1,200,000 units—100,000 fewer than in 1955 and 200,000 less than the 1950 peak. Basically, this relatively high level of homebuilding in 1956 results from the widespread demand for better housing in prosperous times, a large volume of retirements (demolished, abandoned, or converted units) from the housing supply, as well as from population increase and mobility. The expected 1956 decline in housing starts had its origin in the latter part of 1955 when funds became relatively scarce for long-term, low downpayment mortgages at low interest rates, thus affecting the financing of homes to be started early next year.

Most of the increase in private construction between 1955 and 1956 is anticipated from the rise in expenditures for new non-residential building to $8.7 billion—with industrial building showing the largest relative gain. Expanding industrial production, favorable profit positions, and excellent long-range market prospects explain the expected rise in construction of new production facilities to a record level. Some of the construction will be in the nature of plant modernization to cut costs and keep pace with technological change.

Probable 1956 expenditures of $2¼ billion for stores and other service establishments — many in new suburban developments and along expanding highway networks—are 17% above the 1955 total and 80% above that for 1954. A record $850 million is in prospect for religious buildings in 1956.

New construction expenditures of privately owned public utilities in the coming year are expected to remain near the 1955 level of $4½ billion, with substantial increases in the construction programs of railroads and telephone and telegraph companies offset by decreased activity on the part of electrical and gas companies. An anticipated reduction in farm construction is based chiefly on recent declines in farm income.

The outlook for public construction in 1956 is for a rise of about 10% over 1955 expenditures, with gains in all major categories. During the postwar period State and local governments have been faced with a growing backlog of construction needs despite increasing outlays for new projects. Requirements are especially pressing for highways, schools, and sewer and water facilities. It is estimated that these three types of facilities will account for fully three-fourths of the rise in public construction expenditures in 1956, and each will reach a new record level. Power and other facilities in connection with the St. Lawrence Seaway account for a large share of the increase in State and locally owned miscellaneous public service projects between 1955 and 1956. Expenditures for military facilities next year will continue to rise. The dollar values of public housing and conservation and development work are expected to increase in 1956 for the first time in several years.

Joins Anderson Cook

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Sidney Hirsch has become affiliated with Anderson Cook Company, Inc., 308 South County Road.

With Walston & Co.

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Albert O'Malley, Jr. has been added to the staff of Walston & Co., 926 J Street.

Joins Courts Staff

(Special to The Financial Chronicle)

ATLANTA, Ga. — Ralph W. Williams, Jr. has become associated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange. He was previously with the Trust Company of Georgia.

Now With Wm. R. Staats

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Harold D. Padgett has become connected with William R. Staats & Co., 111 Sutter Street. Mr. Padgett was previously with Francis I. du Pont & Co.

Expanding Markets For Trust Services

By RICHARD P. CHAPMAN*
President, Trust Division, American Bankers Association
President, The Merchants National Bank of Boston

In pointing out the immense dimensions of potential trust services, Mr. Chapman lists as fields of expansion: (1) the management of small estates, and (2) the management of estates consisting of real property of business interests and of securities of closely held corporations. Says a considerable portion of productive wealth is represented by assets other than marketable securities and therefore the time has come for banks and trust companies to accept accounts involving business or property in trust. Accordingly, he urges trustee institutions acquire competency in this field. Concludes, though risks are real and difficult, the management of property in trust can be handled by careful planning and experience.

In a world of many controversies one obvious fact is the vigorous growth in the material wealth of our nation. That this provides a continuing opportunity for the steady development of trust business is equally evident. If we were to develop our business in present fields of trust service, this alone could provide us with a prolonged period of active growth.

Richard P. Chapman

In two immense dimensions of potential trust service, however, we have scarcely scratched the surface. One of these is in serving the small estate. We have talked a good deal about it, particularly during the period when it was fashionable to say that no more large estates would be created because of progressive income and inheritance taxes, a forecast that has now proved rather wide of the mark, at least for this generation. We also have made a measure of progress, notably in the development of the common trust fund device, but elements of almost prohibitively high servicing costs still remain to be licked before the small trust account becomes an equally attractive vehicle both for trustee and beneficiary. We will be doing a great service to the American public when we solve this equation, as I believe we must.

My particular interest today, however, is in exploring the other great and largely unrealized market for our services, namely, estates consisting primarily of real property, business interests, or securities of closely held corporations as against estates largely comprised of assets such as marketable stocks and bonds, bank deposits, and life insurance contracts.

The Segments of Private Wealth

That I do not overestimate the size of this potential is indicated by an interesting article, "Who Owns the Nation's Wealth?" in the April 1953 issue of "Business Record," published by the National Industrial Conference Board, in which the net consumer wealth of the nation was estimated as exceeding $745 billion at the beginning of 1952. Equities in residences and automobiles and the value of appliances accounted for $200 billion of this, leaving $545 billion in cash and productive property. Insurance equities, cash, and marketable securities were estimated at $280 billion.

The remaining $265 billion, or one-third of total private wealth, represent the kind of assets I am discussing: it was divided about $100 billion in farm-owner assets, $100 billion in non-farm real estate, and $65 billion in unincorporated business and privately owned corporations. Obviously these figures would be substantially higher in 1955, and I feel safe in estimating them as in excess of $300 billion by now.

As yet another measure, there were 4,179,000 businesses of all types in operation in this country on Jan. 1, 1953, according to Department of Commerce figures, of which only 539,000 were corporate. Of these latter, the S.E.C. has recently estimated that only 2% by number enjoy reasonably adequate market quotations for their stocks. If we substitute market valuations, it would be quite a different story, since shares of large companies are almost universally marketable, but nonetheless my point remains.

It is clear that a considerable proportion of the productive wealth of our people is represented by assets other than the marketable securities of well known corporations. Reducing this to the aggregate of personal estates in the whole country largely so invested represents a significant percentage of total private wealth. It is in this area that I foresee the opportunity for much broader and more effective applications of our trust services.

The subject I introduce is by no means new. An increasing number of business interests, both controlling and minority, and covering an exceptional range of activity, are being left in the hands of bank trust departments, and to an extent which is requiring many of the large institutions to set up special departments or other facilities to deal with the problems involved. A mere listing of the kinds of business and agricultural enterprises which banks have taken successfully under their wing for at least temporary periods would consume all of my time. General interest has become so great that the Trust Division has been obliged to create a standing committee on the Handling of Businesses in Trust, of which Art Pfleiderer of the Detroit Trust Company is the competent chairman, and he and others have addressed our trust conferences on both general and special problems in this field. This generous sharing of experience will continue to go forward for our common education and benefit, and it is highly essential, for we have much to learn if we are to function competently in these new areas.

Leaving the specifics to those qualified by greater experience, my purpose today is to advance a thesis which I strongly hold, that the time has now come to abandon what seems to me to be a generally apologetic and defensive attitude toward accepting accounts involving business or property in trust, an attitude not confined to smaller institutions and those without experience, and to adopt an affirmative viewpoint of preparing ourselves to handle such trust business, and of adopting institutional policies welcoming such accounts from our customers.

Our present approach to this type of estate all too often appears to the customer to be regressive in outlook, and weighted by a desire to avoid not merely possible liability to the bank, but the assumption of any responsibility for intelligent judgments after the testator's death, except on routine estate matters. In estate planning this is sometimes observable in the determined effort, however praiseworthy on other grounds, to liquefy the estate whether by life insurance or by other means, or to provide machinery for disposing of the business interests to named individuals in accordance with a predetermined price formula, or to turn over management to named individuals with no responsibility for their subsequent conduct of the business. Or, where such policies of avoidance are ineffective in barring the door to responsibility, there is too often a disposition to dispose of the business so received on the first bona fide offer, even though there be no real need for cash for the estate itself. Of course, very frequently one or more of these courses of action may be the wisest thing in the world for the estate in question, but this "red hot poker" type of approach is hardly calculated to produce the best result for the beneficiaries under all conditions and is all too obviously loaded, however subconsciously, on the side of minimizing the bank's acceptance of responsibility, as distinguished from exposure to risk. I don't believe we can expect to cut a large figure in this field, requiring as it does the application of our highest abilities, if our ambition does not reach beyond the performance of merely routine duties.

While I have stated my own conclusion in positive terms, this is, of course, a matter for each institution to determine for itself on the basis of its own experience and outlook. Any program of actively seeking such business should follow carefully reached judgments as to policies and practices. As a preliminary, it is only prudent for us to examine closely the reasons, other than tradition and inertia, which may have deterred banks from actively entering this field. Let us review, then, some of the more important objections or drawbacks that have been raised.

The Question of Competency of Trusteeship

First is the question of competency to fulfill the obligations of trusteeship where specialized and "closely held" assets comprise most of the corpus. Certainly no bank should seek or accept appointments where it does not feel itself qualified to discharge the duties involved. This is perhaps the most important single question to ask ourselves, and we owe to our customers and our own institution a duty of candor. But before we become overwhelmed with a sense of inadequacy, there are two points to be observed. Everything in life is relative. If we were to lay down all the desired qualifications for the Presidency of the United States, would any mortal man ever fulfill them, (or would we like him much if he did?). In daily life we reach the best available answer to our problems as they arise. The successful owner of a business rarely has a single perfect solution to the problems involved in settling his estate; he, too, faces compromise. His perfect solution might well be to name as fiduciary an able, experienced and resourceful businessman, thoroughly familiar with his business, thoroughly conversant also with estate settlement and trust administration, and selflessly devoted to the testator's family and its affairs. We can't claim to score 100% on such a test of qualifications, but we do score high, and except in the instances where available individuals possess exceptional merits, we need not suffer by objective appraisals and comparisons.

Remember, too, that the problem is not to run a business or a farm on a daily basis, but to see that it has competent operating management, then to follow its affairs carefully, and to make timely and proper decisions as to its continuance as a trust asset in the light both of its changing outlook and the particular requirements and objectives of the trust estate. It is something considerably more weighty than is involved in granting a routine proxy to the management of General Electric, to be sure, but it is not alien to our daily decisions as bankers.

We need no claim to expertness in any line of business to advance our qualifications, which rest upon broad experience in dealing with and appraising business managements, in obtaining expert assistance to help solve business problems, and in the comprehension of detailed financial reports, upon our specialized experience in trust administration, and upon our reputation for integrity and for the faithful discharge of our duties.

Where some banks have obtained a sufficient volume of this business, they have gained thereby not only considerable practical experience but the opportunity for specialization of services, whether by creating a separate trust committee in some cases, by delegating senior officers for full-time service, or by setting up special units. While these opportunities afford such trust departments obvious advantages, I do not think it follows that this field is the special province of larger trust institutions only. The most important single requisite for dealing with these unusual estate problems is ordinary common sense, necessarily coupled with well-rounded business and trust experience. Common sense, indeed, will tell us when not to tackle something for which we are not equipped; but experienced officers of smaller trust departments are qualified to handle many of the estate problems in their communities falling within these categories.

Individual vs. Bank as Fiduciary

It is said, and not without truth, that an individual as fiduciary can be more aggressive and flexible in his approach to handling a business than can a bank, which traditionally inclines to the cautious. I suspect that this is sometimes another way of saying that a bank would not countenance the cutting of corners, legal and ethical, sometimes practiced in business. We cheerfully yield any such business to others, for it is no part of our duty to anyone to lower our standards of conduct. But an individual might well have a more positive attitude toward taking new risks or toward aggressive expansion of a business held in trust than would a bank normally; in this respect I believe that we must adopt a more progressive point of view, in recognition of the fact that any business cannot stand still, and must move forward or stagnate. To paraphrase Churchill, we are not appointed fiduciary to preside at the dissolution of family empires. But there are undeniably many businesses requiring special knowledge or aptitudes which fit better in some other frame than under the wing, however temporary, of a trust department. We all recognize this.

It is no part of my argument that a bank is always, or even usually, best fitted for the role of executor-trustee in this type of case. My conclusion is simply that there are many instances where a bank, acting alone or with others, is well qualified to serve as fiduciary where property or a business is to be left in trust; that taking the nation as a whole, there is a large potential of such estates—running into the tens of thousands—where we can perform services of real value in meeting the needs and problems of our customers; and that elaborate administrative machinery is not a prerequisite where competent, mature, and experienced officers are available to serve such estates.

Our second major question revolves around the legal aspects of the duties, powers, and liabilities of the executor-trustee in handling business interests in trust. They have been explored for us both publicly and privately by members of the bar, and we know that they pose very real problems indeed. There is no special provision for the business interest or the closely held corporation in trust law, and indeed it runs counter to some historic trust concepts, including the rule of diversification of risk. Where a controlling interest in a corporation is held, the relationship of the fiduciary to the corporation and its minority stockholders is largely undefined. Where the business is unincorporated, we know that in carrying it on we subject ourselves to a considerable assortment of liabilities, not all of which can be adequately covered by insurance.

The Question of Accepting Responsibilities

Numerous and real as these problems are, none has proved insurmountable in experience to date. It is never wise to accept duties and responsibilities without corresponding grants of powers; lacking the latter, as where the will is silent, we operate in this specialized field at our peril. It is quite unwise to depart from normal estate and trusteeship principles and practices without specific and full authorization for doing so.

In fact, the most important initial requirement is that the instrument under which we are to serve be the product of an experienced and competent draftsman, and convey the broad powers needed to retain and handle businesses or property interests in trust, with exonerations for so doing. While the value of these latter is untested in many jurisdictions, it is important to have exculpatory clauses.

Of almost equal importance, and also in the testator's interest, is that the bank be consulted during the estate planning process and before final execution. We thereby familiarize ourselves in advance with the problems of the testator's estate and of his business, learn his wishes and objectives first-hand, work in a preliminary way with his legal counsel, insurance and tax advisers, and trusted business associates, and review the provisions of the will. While general language is always valuable in enlarging powers, it is desirable to have closely held interests mentioned by name, and the language conveying the powers should be directed as specifically as possible, without limiting their generality, to the business interest held and any unique problems it poses.

In any event, to understand in advance exactly what is expected of us and to have a well drawn instrument granting us clear powers and exonerations go a long way toward eliminating potential risks to the bank in accepting such appointments.

We may not always have been consulted in advance, and in such cases we must again lean heavily on able and seasoned legal counsel in the interpretation of our duties and powers. I strongly urge that in this whole field we educate our

*An address by Mr. Chapman before the Mid-Continent Trust Conference, Houston, Texas, Nov. 3, 1955.

customers to advance consultation so that we and they may be fully acquainted with our respective problems, and so that we shall not, when too late, find that there is no effective way to accomplish the objectives, or perhaps not without in doing so subjecting the bank to a degree of risk which it should not assume. In fact a collateral reason for my view that we should actively seek this type of business is that, in so doing, we are much more likely to be consulted at an early planning stage, which works to the mutual benefit of the bank as fiduciary and of the estate.

Where the bank has been consulted in advance, it has an obligation to serve except under unusual changes of circumstances; conversely it has no clear duty to accept appointment where it has no prior knowledge, without first scrutinizing the instrument, the business, and the surrounding circumstances.

Once we have qualified under an instrument with which we are satisfied, our problems are by no means over; but if we carefully review our legal powers, and discharge our duties fully and to the best of our abilities, making certain that such an account is never reduced to a routine level, it would appear that we would be assuming no undue risks for our bank. It is good practice to be doubly sure by consulting counsel more freely on the problems arising during the administration of such estates and trusts than would otherwise be considered needful. Each case is so different that generalizations are of less use here than in any other field I know, and the value of competent legal guidance throughout the life of the account can hardly be overstressed.

Sometimes it is possible to obtain protection by asking for prior court approval of an action where a question of interpretation of the language of the instrument or of the law is involved. In some instances effective protection is possible by obtaining approval of our actions by the beneficiaries, which is particularly useful where the instrument itself offers no help. The fiduciary is operating outside of the broad historical pattern of trusteeship by request and design, and therefore is entitled to be relieved of liability for so doing.

In summary, the problems of duties and powers involved, and the attendant risks of liability, are real and difficult, but experience would indicate that they can be brought within bounds by careful planning and expert draftmanship.

The Question of Adequate Compensation

The third major objection raised to our serving actively in this field is the difficulty in obtaining adequate compensation. It is correctly pointed out that these accounts require substantially more work and responsibility than do most trust accounts, which are generally governed by relatively simple and well-understood powers and duties, and are invested in well-known and easy-to-follow securities, commonly held in our other accounts. In many states fiduciary fees are governed by statute, and in those states where the rule is one of reasonable compensation, there is a burden of proof on a trustee to justify charging a special fee, higher than the common expectation in that jurisdiction.

I do not think that this objection, on analysis, amounts to much. We are clearly entitled to be fairly paid for what we do, and it requires no great effort to show that this type of account requires an exceptional degree of attention by our best personnel. Both the quantity and quality of performance called for is high, and most of our customers will want to pay adequately for it. Indeed, it is in their own interest to do so, to provide adequate incentive for trustees to accept these heavier burdens.

The most satisfactory solution is for the instrument to specify the right of the trustee to receive extra compensation, but without specifying a percentage, because compensation in such cases does not lend itself to a formula.

Our problem is really one of education — of the bench, the bar, and the public — to the need for extra payment for the extraordinary duties involved. In a "reasonable compensation" jurisdiction, once a sound basis for making an extra charge has been reached, it can be supported by records of work done, time required, and responsibilities assumed, perhaps buttressed by testimony from expert witnesses. Where statutory fee schedules prevail, and the instrument makes no special provision, an agreement by the current beneficiaries to approve extra compensation frequently removes the problem.

Probably it will not always prove possible to obtain a satisfactory fee, but the exceptions should disappear in time as the reasons supporting extra compensation become more widely understood.

Beyond those that I have covered, some other objections to our acting as trustee for closely held businesses have been advanced, largely in the field of general bank policy and public relations, as distinct from questions of possible liability. For example, a bank not only finds itself lending money to corporations which it controls in a fiduciary capacity, but sometimes indirectly assuming the role of employer of some of its most important customers, or possibly — even worse — of one of its own directors! It can find itself holding competing businesses in trust. The possibilities are almost endless, involving both legal complications and difficult problems of policy and public relations. Doubtless some really delicate decisions will occasionally confront us, and we may well find ourselves obliged to decline some otherwise desirable business that, for one reason or another, we do not feel that we can properly accept. While I believe that we should be willing to accept this general type of trust, we should also be equally prepared to decline it when that is desirable. It should be sufficient protection, however, to decide each case that arises on its merits, without adopting a general rule of refusing to serve at all.

The three principal objections to welcoming businesses and property interests in trust, then, are first, that the bank may not feel that it is properly qualified to handle such accounts; second, that they can involve it in undue risks; and third, that it is difficult to obtain adequate compensation for the extra work and responsibility involved. While I have discussed them only briefly, this is because of time limitations, and I hope that no one has the impression that I dismiss them lightly. On the contrary, they are formidable and demand our careful reflection, but I believe that none of them poses an insurmountable problem to those of us who wish to go forward. As time goes on, and these principal objections receive more and more attention from both lawyers and trustmen, the accumulation of practical experience in meeting them should serve gradually to reduce their significance.

Doubtless experience will vary from section to section, just as our problems will. In New England we deal largely in family businesses and urban real estate equities; elsewhere the emphasis may be on farms, ranches, or mineral rights. Whatever the exact problems, I believe that we face a wide range of possibilities with correspondingly wide opportunity to serve our customers in conserving the values they have created.

I certainly do not favor jumping into deep water before learning to swim, much less before you even know if you want to learn to swim. Perhaps there is no compelling urgency in this matter, but some day you will surely face this problem, if you have not done so already, and it will recur more frequently as time goes on. If your policy has been to avoid such estates, I respectfully suggest that you re-examine it.

Of the $300 billion or more of property today in the general category I have been discussing, a substantial total is in hands having only moderate resources of cash and conventional securities, and yet the need for trust services can be as great or greater here as in other categories of private wealth. Enlightened self-interest, if nothing else, dictates that we should explore this large area of potential trust service fully and constructively, substituting for the negative and defensive attitudes long too prevalent the positive approach of discovering and removing whatever obstacles may exist.

NASD District No. 11 Elects to Committee

WASHINGTON, D. C. — The members of District No. 11 of the National Association of Securities Dealers, Inc., embracing the District of Columbia, Maryland, North Carolina, Virginia and West Virginia, have elected the following to serve on the District Committee for a three year term commencing next January 16th:

J. William Butler, Baker, Watts & Co., Baltimore, Maryland; Ludwell A. Strader, Strader, Taylor & Company, Inc., Lynchburg, Virginia; Robert B. Dixon, McDaniel Lewis & Co., Greensboro, North Carolina; J. Nathan McCarley, Jr., McCarley & Company, Asheville, North Carolina.

They succeed to the offices held by the following whose terms expire on the same date:

Glenn E. Anderson, Carolina Securities Corp., Raleigh, North Carolina; Edwin B. Horner, Scott, Horner & Mason, Lynchburg, Virginia; F. Grainger Marburg, Alex. Brown & Sons, Baltimore, Maryland; W. Olin Nisbet, Jr., Interstate Securities Corp., Charlotte, North Carolina.

Form Utility Investments

RENO, Nevada—Utility Investments, Inc., has been formed with offices at 573 Mills Street to engage in a securities business. Officers are H. D. Peterson, President; M. B. Brundidge, Vice-President, and B. M. Cundick, Secretary and Treasurer.

With Hancock, Blackstock

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Edward A. Albright, Jr. has become affiliated with Hancock, Blackstock & Co., Fulton National Bank Building. Mr. Albright was previously with Merrill Lynch, Pierce, Fenner & Beane.

With Wilson Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Earl R. Carper is now with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the San Francisco Stock Exchange. He was formerly with Stephenson, Leydecker & Co.

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Prosperity Without Inflation Or Deficit Spending!

is that the basic interests of the man in the overalls are today the same as the basic interests of the man in the business suit.

Labor and Management Have Same Basic Interest

Business long ago recognized this fact, and centered its attention on the wants and needs of the far greater number of men who at times wear overalls. It is time that we all caught up with the facts of life in this nation.

Let's see how the man in the overalls and the man in the business suit today have the same basic interests and what that revolutionary fact means to the whole economy:

In the first place these clothes are interchangeable and great masses of our people wear both depending upon the day of the week—the time of day—and their occupation at the moment. This fact in itself illustrates the virtual removal of any gap between them. But there are many other illustrations of similarity of purpose, thought and situation.

Both men have current earnings and probably savings in one form or another. That means that both are interested in seeing the dollar keep its purchasing power. To the extent that inflation develops, both men are robbed.

If you had $1,000 saved up in 1939, which you did not draw out to use until 1953, you really took a beating. Inflation had sneaked into your savings during those years and made off with $478. How? Because inflationary price rises during that time cut the purchasing value of the dollars you were saving, every minute of every day. When you drew out your $1,000 savings, inflation had stolen away with all but $522 of the purchasing power your dollars had when you put them aside in 1939.

This is a terrible thing to happen to a nation of people who are working and sweating and scrimping to put aside money for the education of their children, the purchase of a home, or to provide for their old age.

The man in the overalls and the man in the business suit often try, by purchasing insurance, to build up some security to leave to their wives and children in the event of untimely death. It is a terrible thing to have the purchasing power of his insurance—the time that it will pay the rent and set the table or help with the education for those that are left—cut nearly in half in the short period of just 15 years.

It is a heartbreaking thing for a man and woman who put aside savings in a pension or retirement trust fund as they work during their lifetime to find on retirement that inflation has robbed them of nearly half of what they had invested to live on in their declining years.

Curbing Inflation, the Eisenhower Goal

We in the Eisenhower Administration have made halting inflation one of the principal goals of our Administration. In the last 2¾ years, the value of the dollar has changed only one-half of one cent. This means that we have kept inflation's hand out of your savings almost entirely. We want to keep inflation locked out, so that when you save—by putting money in the bank, by buying a savings bond, by buying insurance, by contributing either work or money to a pension fund or fraternal order or in any other way —you will get from your investment the same value that you toil now to put into it.

The man in the overalls and the man in the business suit have at least an equal interest in this fight. But, if there is any difference between them, it is the man in the overalls who most needs protection. He can less afford to lose.

Now, it is growing more and more to be, that it is the vast sum of the many smaller savings of the man in the overalls on which our industrial and commercial system depends for its financing. The sum of all the little savings is funneled mainly into big investments by the savings banks, the building and loan associations, the insurance companies, investment trusts, pension funds, union and fraternal organizations, and others handling the savings of the man in the overalls.

Business in this country is pouring nearly $28 billion of new investment into its plants and equipment this year. That tremendous amount must come from somebody's savings. Without it, the future's new jobs will never be born, nor will we get tomorrow's increase in productivity, as the result of new and better tools of production, bought by new investment.

Saving is important to the nation, and must be encouraged, not discouraged, because it strongly influences the security of the job you have, and your hopes for ever-better pay through continued increase in your productivity. Thus you can see how inflation can rob you not only of your personal savings but, in addition, steal away your pay increases and perhaps even your jobs.

We must have policies that put solid ground under our day-today evolution of continual betterment from the bottom up. Such policies must aim at everyone, spreading the riches throughout the land. There is only one way to have everyone have more and that is to produce more. The nation's treasures of goods and services must constantly increase, by continually increasing individual productivity, so that they can be spread ever deeper and broader throughout the whole economy.

Our policies must result in giving the man in the overalls ever more and more of the same things which the man in the business suit also wants to have. And that can only be accomplished by an economy that constantly produces more of the comforts, conveniences and necessities of life. Such an economy will not only be of direct benefit here at home, but will also be a beacon of progress in the whole Free World.

Our strong economy must—and can—carry the costs of fully adequate defense, and of indispensable public services, and at the same time continue its healthy growth. But it will only be able to do so if we balance the load correctly, so that it can be carried, and carried indefinitely, without a breakdown.

Flexible Balancing Policies

We have devised policies to fit our new situation and we are balancing the load.

We are **not** the slave of any particular aspect of our flexible policies. We regard inflation as a public enemy of the worst type. But we have **not** hesitated, either, to ease or restrict the basis of credit when need was indicated. Under the new cooperation that exists in this Administration between the Treasury and the Federal Reserve, the full force of monetary policy has been made effective more promptly than ever before in the nation's history to better respond to natural demands.

We found when we came to office an overblown economy. It was hobbled with all sorts of artificial controls, dangerously dependent upon the uncertainties of defense spending, and inflationary pressures. It was borrowing from tomorrow's production and income at a prodigious rate, with unsound confiscatory taxation that still failed to provide for the profligate spending. This resulted in huge deficits that were passing the heavy burden of our excesses on for our children and grandchildren to bear. And sooner or later it was sure to result in complete downfall.

Under the Eisenhower Administration, the whole economy, the livelihood of all the people, has been made more safe. This has been done by the timely use of monetary policy and credit in response to actual demand; by the return to the public of purchasing power through the biggest tax cut in the history of the nation, by cutting unjustified government spending; and at the same time by timely encouragement to construction, home building, and needed improvements. By the prompt and vigorous use of all these measures we have made the difficult and delicate change from a dangerously artificial economy to a healthy one, with every effort exerted to the utmost to involve the very minimum of cost in terms of unemployment.

In turning our faces resolutely from inflation, and unrealistic spending, what have we turned toward?

We have turned to you, to the 166 million people of America.

We have turned with full confidence to a people who have demonstrated that you are industrious, saving, inventive, daring, progressive and self-reliant to an unprecedented degree. We believe in your capacity to go on providing yourselves with an ever better life, if we in government support your efforts where the general welfare calls for such support, and do **not** load you with unnecessary burdens, or take from you by excessive taxation, the increase in your income that you might otherwise earn and save, or allow you to be robbed by inflation.

Realistic economic policies that take account of the true nature of our economy and the burdens it must bear, will bear big fruit.

No Inflation or Deficit Financing To Keep Prosperity

We will **not** be rising on the hot, uncertain air of inflation. Nor will we be wearing the false, rose-colored glasses of a prosperity based on unwise and dangerous government deficit spending, treacherous alike to the nation's security and its economic health.

We will be rising on the solid ground of these things:

Savings protected against shrinkage by a stable dollar;

Increased production and increased wages and earnings made possible by the investment of those savings in more, new and better tools of production;

Wide use by Americans who are both workers and investors of these tools of production for the creation of more jobs and new, better and cheaper goods, with ever-widening distribution among an ever-growing number of consumers as their earning power increases and the cost of the goods decline;

Use of the increased income from this increased production of the things you want—NOT to pay the bill for unneeded or unwise government spending, or as tribute to inflation, but for the creation of a better life for all.

We have turned our backs on artificial stimulants. We have turned our faces confidently to practical, natural methods for the creation of a better life for all of us—firm in the belief that continuation of the processes of the American evolution of self-betterment from the bottom up is second nature to our whole people.

The United States is now enjoying plenty—*in peace*. Americans are breaking all records in the number of people with jobs, the high wages they are receiving, and in the production of goods for people to enjoy. And they are enjoying this high prosperity while successfully resisting pressures toward inflation.

Whether this high prosperity will continue without getting into the excesses of inflation or deflation depends in very large part upon what 166 million Americans do. It depends upon you in this room this morning, and your associates in the economic life of America.

We hope for continued prosperity based, not on war scares or artificial government stimulants, but on steady spending by consumers, and investment by business. It has a broad and solid base. We have laid to rest the myth that a free enterprise system can thrive only in war. We have shown that free men in a free world can provide an abundance — can provide plenty in peace—far above the capacity of the government — run economies of the world.

The best that government can do to strengthen our economy is to provide a fertile field in which millions of Americans can work. The continued success of our economy depends, not upon government, but upon the efforts of all the people trying to do a little more for themselves and their loved ones. It is the sum total of all these individual efforts that makes our system superior to anything known in this world before. It is what *makes* America.

The continued prosperity of America is peculiarly a responsibility of a group such as the petroleum industry of America. For it is from such industries as yours that we constantly get the new products, and new uses for products which lead to the new jobs, higher income, and better living, which is the progress of America. From the seemingly inhaustible spring of American research flows a stream of new ideas and new products resulting in new opportunities and new wealth for everyone. Your industry is one which must continue to be a front-runner in nurturing progress from the spring of research.

The continuance of good—and even better—times in America is up to you. It is up to you and all the rest of the American people.

If all Americans—workers, producers, businessmen, consumers, and investors—go ahead and buy and build and improve with confidence tempered with prudence, this nation will continue to be even more a nation of "haves" enjoying new peaks of prosperity in business, production, and wages, and constantly higher standards of living—for *all* the people.

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Foreign Economic Policy— Promise and Performance

to give them half a chance. By dynamic capitalism I mean a system of truly free enterprise based on competition without the crutch of cartels and other devices designed to avoid the free play of the market place. Standards of living throughout the world can be raised if the expansive forces of enterprise are liberated from restraint and regimentation.

It is to forward the objectives of moving toward a free world economy that we have developed a foreign economic program which will, as the President has said, expand trade, encourage investment, help bring about currency convertibility, and reduce the need for direct aid to other countries. This program is designed to create the conditions for a freer movement of goods, services, capital and skills across national boundaries.

As a free enterprise economy, the policies which we follow include those of business, labor and agriculture as well as those of government. For example, we must always remember that the Administration can do no more than encourage the expansion of foreign trade and investment. In a free enterprise economy, such a policy is only effective if it results in decisions on the part of individual business enterprises to expand their participation in foreign trade and investment.

Most of us here have lived through two World Wars, the Korean conflict, the boom of the '20s, the depression of the '30s, and a decade of cold war. Living through these troubled times, we have I believe learned a good deal about the problems arising out of our foreign economic relations. As a consequence, we have developed over recent years a generally accepted foreign economic policy.

We have all learned that the policies we pursue have consequences for good or ill upon the rest of the world. Equally true—although we and more particularly our friends abroad sometimes tend to forget this—the economic policies of other countries have their effect on us here in the United States.

Since what we do at home matters abroad, and since what other countries do matters to us, each country has a stake in the policies of other countries. In considering what our policies should be, one of the questions we should ask ourselves is what the effect of the proposed policy is likely to be abroad.

A Reasonable Balance Between Domestic and Foreign Considerations

While we must always consider the effect of our actions abroad, it is clear that we cannot be guided in our policy determinations solely by this consideration. We must strike a reasonable balance between domestic and foreign considerations.

Perhaps at this point I should refer to the happy circumstance that the most important element of our foreign economic policy is also the keystone of our domestic economic policy. It is our firm purpose to maintain an economically strong United States. We intend to maintain through the process of our free enterprise economy and with a minimum of government interference, a dynamic economy which while moving forward avoids the alternatives of boom and bust.

Fortunately in this respect our domestic and foreign interests are the same. It is at one and the same time to the advantage of our citizens and to the advantage of our friends abroad that we maintain a stable progressive economy. As a matter of fact, our greatest contribution to economic health abroad is the maintenance of economic health at home.

Our national interest in the economic health—in the growth and stability—of other countries has a number of roots.

Expanding two-way trade is importantly dependent upon economic strength abroad. The expanding demand for goods and services which would result from economic progress abroad would create additional market opportunities for American exporters. The experience of the last two years with our exports to Europe underlines the importance of this point.

The imports which we increasingly need are also dependent upon the development and maintenance of policies making for economic growth and stability in the supplying countries. Our unhappy market experience with commodities coming from countries where there is a high degree of inflation is a striking example of why we as a consuming nation are interested in economic stability abroad.

The network of defensive alliances in which we participate can only be effective if the participants are economically strong. Similarly, the ability of countries which prefer to follow neutralist policies to withstand the aggressive pressures of international Communism and to retain their independence is contingent upon their pursuit of policies which will strengthen their economies and improve the economic position of their citizens.

Finally, while we Americans are inclined to brag that we are hardheaded, we have never been ashamed of our warm hearts. As human beings, we are interested in the welfare of other human beings, wherever they may reside.

Our Foreign Economic Objectives

If I were asked to state in the broadest possible terms my understanding of our foreign economic objectives, I would say that we follow and seek to encourage other countries to follow policies which would result in soundly based economic progress in all countries. We shoulder our share of the burden to help in the attainment of this objective.

However, the achievement of this goal depends upon the efforts of other countries as well as our own and I may say that recent developments in many countries provide good grounds for optimism.

I am one of those who believe that it was right and proper for us to give our economic strength to the reconstruction of Europe. But that job is virtually done. It would be intolerable both from our point of view and from the point of view of other countries to base their economic growth upon a long-term policy of international aid.

It is true of course that economic progress requires a satisfactory rate of investment which for many countries means an increased rate of investment. It is also true that some part of this investment can and should come from abroad.

For that reason, the United States Government encourages other countries to pursue policies which will attract to them private funds from abroad as well as from the United States. While we are firmly of the view that an increase in foreign investment is largely dependent upon the efforts of capital-importing countries, we as a capital-exporting country are doing all that is within our power to encourage the free flow of private funds from our country to economically sound enterprises abroad.

Even now we are considering other measures to help promote foreign private investment. As you know, there is now pending in the Congress an Administration proposal further to encourage by tax incentives such an increase in investment of United States private funds.

We also support the World Bank and the soon-to-be established International Finance Corporation. Through our voting rights in those institutions, we encourage them to lend their funds in such a way as to supplement and encourage private investment rather than to replace it.

In the administration of the Export-Import Bank, we follow similar policies when we finance such soundly based projects as cannot be financed fully by private means or through international institutions.

Through our technical assistance programs, we assist other countries to develop the knowhow which will enable them to improve their agriculture, their educational facilities, their health services, and to some extent their industry.

Again I want to emphasize the fact that the United States cannot alone create the conditions for economic progress in the rest of the world by these programs or by any other method. Our efforts in this respect can accomplish little unless the nations we help seize the opportunities which our programs create.

The big job in any country has to be done by the leaders and people of that country. Materials, capital and even know-how can be imported. The spirit of enterprise cannot be imported—it must be home-grown.

Expansion of International Trade, Keystone of Our Policy

As I have previously indicated, one of the keystones of our foreign economic policy is the expansion of international trade. It is the purpose of the Administration to assist in the expansion of world trade by the gradual removal of unjustifiable barriers both to imports and to exports.

Healthy world trade is important to the economic growth of every country. If we are to have a sound world economy, there must be a freer exchange of goods, services and capital than now exists. To this end, the Administration is devoted to the job of working together with other countries to create the conditions, including the full convertibility of the major currencies of the world, which will permit a more adequate flow of trade.

However, we must resist the temptation to over-simplify this problem. All too frequently there is a tendency to reduce this problem to the issue of the American tariff. This in my judgment is not an adequate approach to the problem of trade.

While our tariffs are only one of the present two-way restrictions on trade, it is important to note that United States tariff rates have been gradually but significantly reduced through the working out of our trade agreements program. Under previous Trade Agreements legislation, we negotiated earlier this year an important tariff agreement with Japan, and preparations for a much broader trade agreement conference to be held early next year under the authority of the new Act are now in full swing.

Because I believe that the facts regarding U. S. tariff reductions have not received adequate recognition, either here or abroad, I would like to review some of them for you. They constitute an impressive record of positive contributions to the lowering of trade barriers.

If United States imports in the past few years had still been subject to the tariff duties prevailing just before the passage of the Trade Agreements Act in 1934, the average rate on all dutiable imports would have been near 25%. In fact, however, under the reduced tariffs established through the whole series of reciprocal trade agreement negotiations to date, the average rate on dutiable imports amounts to only about 12%. This represents a reduction of fully 50% in the average level of our tariff rates. Nearly two-thirds of this reduction has occurred during the decade since World War II, while the remainder reflects concessions negotiated in prewar trade agreements.

The comparisons I have just made reflect only such changes in the weighted average as have been brought about by changes in particular rates of duty, rather than by shifts in the import pattern or in the level of import prices for goods subject to fixed amounts of duty per unit of quantity. I shall comment further on the effects of price increases in a moment.

Before doing so, however, I want to point out how widespread the reduction of duty rates has been. The proportion of imports unaffected by trade agreement concessions is very small indeed. Roughly nine-tenths of our dutiable imports now enter the country at lower tariff rates as a result of those concessions. Moreover, many of the remaining imports, both free and dutiable, have been bound against tariff increases by our trade agreements.

Furthermore, the reductions have been widely scattered among the various categories of imported commodities. Of the 16 tariff or import excise tax schedules into which dutiable imports are grouped for customes purposes, there is none for which the average rate reduction through trade agreements has been appreciably less than 40%. Average cuts in most of the schedules range between that figure and 60%.

A full story of reductions in the U. S. tariff level since inception of the trade agreements program must take into account not only rate changes as such, but also the fact that unlike many other countries we have refrained from adjusting our specific duties upward in line with the world-wide inflation of prices during and after World War II. As I am sure you all appreciate, the relative level of a given specific duty, unlike that of a given *ad valorem* duty, will rise or fall with decreases or increases in import prices.

Average prices of U. S. imports today are, of course, several times as high as they were before inception of the trade agreements program. Just since 1945, they have risen about 80%. By foregoing adjustment of specific duties to these sharp increases in prices, the U. S. has accepted very substantial cuts in the effective levels of those duties, quite apart from reductions in the rates as such. Since more than two-thirds of dutiable U. S. imports are subject only to specific duties, our restraint on this point has been of no small consequence. In fact, its effects on the average tariff level over the entire life of the trade agreements program have been approximately as great as those of rate reductions.

Through the combination of factors which I have mentioned, the actual average ratio of U. S. tariff collections to dutiable imports, which exceeded 50% during the years when rates of the 1930 Tariff Act were fully applicable, has been reduced to less than 30% at the end of World War II, and to only about 12% today. Over the whole span, in other words, our traiffs have been lowered by an average of more than 75%.

Moreover, we must remember that well over half of our total imports enter free of any duty whatever. If these goods are weighted into the calculation of a comprehensive duty ratio for all imports, we find that it now scarcely exceeds 5%, as compared with 18 or 19% before the initiation of the trade agreements program.

Incidentally, dutiable imports have expanded more sharply than duty-free entries over this period, so that the proportion of our total imports which falls in dutiable categories has risen from about one-third in the early 1930's to some 45% in recent years. At least in part, this undoubtedly reflects the stimulating effect of tariff reductions upon our foreign trade.

These modifications in our tariff structure have, since World War II, been negotiated under a system of rules developed through the General Agreement on Tariffs and Trade, generally known as GATT. In his message to Congress early this year the President stated: "The United States and the other participating countries concluded on the basis of seven years' experience that the

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organizational provisions of the General Agreement should be changed to provide a continuous mechanism for the administration of the trade rules and the discussion of mutual trade problems. . . . The Organization for Trade Cooperation would provide a mechanism through which arrangements for trade negotiations could be facilitated. It would also serve as a forum for the discussion of trade matters and the amicable adjustment of problems involving the trade rules. The Organization would have no supra-national powers. . . . Such action would also serve the enlightened self-interest of the United States. As a member of this Organization we could work more effectively for the removal of discriminatory restrictions against our exports. We could help establish conditions favorable to convertibility of currencies. We could further the expansion of markets abroad for the products of our mines, our farms, and our factories."

Trend Toward Liberalization of U. S. Tariffs

These past and currently proposed actions of our government indicate a consistent trend toward liberalization of U. S. tariff policy over a considerable period of years.

Another way of assessing the progress we have made is by taking a look at the development of our international commercial policy from a somewhat broader perspective than is customary.

In order to do this, I ask you all to think back to what you learned about our 19th and early 20th century political history in your high school classes. I am sure none of you ever heard the word commercial policy there. At least I didn't. But we heard much about tariffs. It sometimes appeared to us that the first hundred or so years of our national existence was one big tariff debate.

We learned that one of the main differences between the two major parties—and they went by different names at different stages of our history—was that one was a low tariff party and the other a high tariff party. As recently as 1934, the first Trade Agreements Act was passed by a largely party vote. Even when an unprecedented degree of bipartisan unity was achieved and the European Recovery Program was implemented by a bipartisan vote, it was made clear that trade agreements questions were excluded from the area of bipartisan agreement.

Until quite recently, tariff questions were considered to be matters of domestic policy rather than foreign policy; they were not generally thought to be a proper subject for international agreement; they were matters for partisan debate between the two great parties. In other words, we had no generally accepted international commercial policy.

Under those conditions, of course, our commercial policy could not be stable. It was subject to change in direction as the political winds changed their direction.

I think that most Americans have come to recognize that all elements of our foreign policy should be bipartisan and they must be relatively stable and continuous. Only if these conditions are met can our friends abroad rely on them. Only then will a base have been laid for a steadily and healthily expanding volume of international trade with accompanying benefits for all.

I would suggest that in the last few years we have secured a reasonable degree of national unity on the subject of our commercial policy. I think we are generally agreed that the tariff, to take one example, is a field in which international and domestic considerations must be weighed against each other. There is little disposition to quarrel with the proposition that under appropriate standards tariff rates can be negotiated with other countries to mutual advantage. I am even optimistic enough to believe that the general view is that tariff rates should be as low as is possible without creating impossible problems of adjustment for American industry, agriculture and labor.

Within this general agreement, of course, there are differences of view as to emphasis. Some believe we have gone too far in cutting tariffs—others believe we have not gone far enough. There is no responsible suggestion that we should revert to the tariff levels of pre-trade agreement days.

Differences in emphasis led to division of opinion in the Congress when the authority of the President under the Trade Agreements Act was recently renewed and extended. It is noteworthy, however, that the division was not along partisan lines; there were more differences of opinion within each of the parties than there was between the parties.

The development of a truly national bi-partisan policy over the last few years represents substantial progress. This development should give our friends abroad real confidence in the stability of our intentions.

In our trade agreements program, the need to reconsider tariff concessions is bound to arise from time to time. It is certainly not the policy of the United States Government to use its tariff powers to effect major alterations in the industrial or agricultural structure of our economy. Without provision for reconsideration and readjustments, we could scarcely undertake such extensive and important commitments. Other countries, of course, also insist on similar reservations. For these reasons, the trade agreement legislation includes an "escape clause" to be invoked if imports increase as a result of tariff concessions to an extent which causes or threatens serious injury to a domestic industry.

During the past year and a half, our use of this escape clause in two widely publicized cases—watches and bicycles—has given rise to expressions of alarm among some of our friends abroad who have misconstrued these decisions as a basic change of United States policy.

It seems to me, however, that we might reasonably ask them not to draw exaggerated inferences from two exceptions to the general rule. We need not hesitate to remind them that the escape clause is in the nature of a safety valve, and that like any well-designed safety valve, it has been characterized by very infrequent use. Though there are over three thousand commodity classifications, involving more than $4 billion worth of imports, for which the escape clause is available if needed, applications for its use have numbered only about 60 during the entire 13-year period of its existence. Moreover, the great majority of these applications have failed to establish their merit under the thorough process of government review.

While it is true that trade may be adversely affected merely by the uncertainties of the investigation period, the fact remains that the escape clause has ultimately been invoked in only six cases and in each of these any adversely affected countries receive adequate compensation in the form of additional concessions on our part or the withdrawal of concessions on their part. In the case of Swiss watches this resulted in compensatory concessions on such items as chemicals, precision instruments, textile specialties and motion picture cameras. Of these, all except the watch and bicycle cases involved insignificant amounts of imports, and even those two items are relatively quite minor components of our import trade. All together, the six cases covered less than 1% of our total imports.

The Responsibilities of Private Enterprise in Foreign Trade

Again, I should like to emphasize the limited function which governments can perform in expanding trade. They can reduce the barriers to trade. They cannot create trade. This is why we in the Department of Commerce, while putting great faith in the Administration's program to work with other countries toward the reduction of tariff and other trade barriers, feel so strongly that supplemental efforts are required. This is why we emphasize in our own programming the importance of facilitating the efforts of businessmen to conduct trade—our so-called trade promotion activities.

These activities do not substitute for the efforts of business. They merely are designed to provide businessmen with tools which they need for their own promotional efforts.

When Secretary Weeks and his team first came to Washington, we were advised by many of your companies that the business service functions of the Department had been allowed to deteriorate. For that reason, the Secretary, while vigorously reducing the budget for the Department of Commerce as a whole, has made efforts to increase the resources devoted to our business service activities.

As a result, we have been able to expand somewhat the services offered by our Bureau of Foreign Commerce and our Business and Defense Services Administration which together furnish foreign traders and investors with the types of service which they need to supplement their own promotional efforts. We hope that the improvements in our publications and other programs that have been effected over the last year have commended themselves to you.

As most of you know, the major limitation upon the services we can provide for foreign traders and investors results from the curtailment of the commercial activities of the Foreign Service of the United States. We in the Department of Commerce have no representatives stationed abroad and we are necessarily dependent upon the Foreign Service both for information and for direct assistance to American businessmen who consult us or who go abroad.

Ever since we came to Washington, we have been working very closely with the Department of State in an attempt to remedy this situation. I think it is fair to say that the Department of State has been very sympathetic to our problem and is making every effort to meet it.

During the last year at the request of the President, we in the Department of Commerce have developed an international trade fair program. This program has been designed to serve the dual purpose of contributing to a better understanding of the American way of life and the American economy and of supplementing our trade promotion activities. Basically this program is designed to encourage greater participation by American business in trade fairs held abroad. We however supplement the efforts of businessmen by developing central exhibits, which tell the thousands of people attending trade fairs the true story of how American ownership, management, labor and agriculture work together in a free economy to produce goods and services in great quantity for the common good.

Our participation in trade fairs has included a uniquely American contribution. Alone among all participating countries, we have sent to these fairs missions composed of experienced private businessmen who work along with government marketing specialists to assist the business visitors to the fairs in their problems of developing two-way trade with the United States. We in the Department are extremely grateful for the enthusiastic cooperation which this program has received from American business including many of the firms represented here.

These marketing missions have done much to convince businessmen abroad of the sincere interest of our business community in helping to promote their trade with us. The files of the Department are replete with evidence that this joint business-government undertaking is one of the most successful efforts which have been made in recent years to promote better business understanding abroad of the American market and the American economy as well as of the American business point of view.

In conclusion, let me emphasize again that the policy of the Eisenhower Administration is to go forward in the direction of gradual reduction of international trade barriers and expansion of international trade.

We have made real strides in that direction, but the foreign economic program of this Administration is not yet complete. Important measures recommended by the President are still before the Congress. They are all proposals carefully designed to meet the objectives which you as foreign traders and investors share with the Administration. It is not my purpose to discuss them at length here. We should, however, bear them in mind as "unfinished business."

The most important of these items of unfinished business are:

(1) The proposal that the United States join the Organization for Trade Cooperation. Our membership in this Organization is essential to insure that we continue to obtain the benefits of the General Agreements on Tariffs and Trade and to symbolize our continued interest in the joint international efforts for the progressive reduction of trade barriers.

(2) The customs simplifications proposals now before the Congress, especially those relating to valuation.

(3) The proposal for a reduction of 14 percentage points in the tax rate applicable to foreign investment.

(4) The bill to increase duty free exemptions of returning tourists.

In these remarks, I have of course not been able to go into all the details of our efforts to encourage economic growth and stability throughout the world by reliance on the capacities and incentives of private enterprise.

Our program is a complex one because the problems with which it seeks to cope are complex and varied. It is a program which requires your understanding and your support. It is a program which can only be carried out if we in the government continue to receive your sympathetic advice.

We do not have all the answers. We can only continue to work on the problems with success if our thinking is constantly refreshed by guidance obtained from informed and experienced businessmen like yourselves.

Sargent Administrator In N. Y. Office of SEC

James C. Sargent entered on duty on Nov. 14 as Regional Administrator of the New York office of the Securities and Exchange Commission. This office comprises the States of New York and New Jersey. The induction ceremonies were presided over by SEC Chairman J. Sinclair Armstrong, who came up from Washington, along with Commissioner Clarence H. Adams and S. Bourne Upham 3rd; Assistant to the Executive Director, to welcome Mr. Sargent and introduce him to the New York office staff. Also in attendance was Mr. John Trubin, First Assistant Attorney General, representing New York Attorney General Jacob K. Javits. For a period in 1948 Mr. Sargent was an Assistant Attorney General in the Election Fraud Bureau, New York City. In his new position as SEC Regional Administrator he will work closely with the Attorney General's Office in investigation and enforcement work pertaining to securities violations. Mr. Sargent practiced law in New York from 1941 to 1951 (except for four years service in the U. S. Army Air Force); served as law assistant to the Appellate Division, First Department, Supreme Court, State of New York, from July 1951 to August 1954; and thereafter returned to private law practice in New York.


James C. Sargent

With McCormick & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Shirleu J. Lynn has joined the staff of McCormick & Co., Security Bldg.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Donald C. White has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 1125 Van Ness Avenue.

With Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Ronald H. Hammershoy is now connected with Merrill Lynch, Pierce, Fenner & Beane, 311 C Street.

Two With Revel Miller

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jarvis R. Call and Albert W. McCready, Jr. are now with Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. McCready was previously with Walter C. Gorey Co.

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Finance and Foreign Trade

Development Corporation, Ltd., which will engage in the field of foreign capital financing. All of these actions and organizations are symbolic of the interest in and efforts to encourage investments abroad in ways that will work to the advantage of enlarging and stabilizing world trade.

Recent World Trade Developments

As to enlarging and stabilizing world trade, it is interesting to trace the course of recent developments. World exports rose at an annual rate of about 7% in volume and 5% in value during 1953 and the first half of 1954. Later in 1954, the rise became steeper for a time. By the first half of 1955, world exports were about 10% greater in volume than the year before, and 9% greater in value. Export increases of this size are further indications of the recovery that has been made from the ravages of World War II and of widespread prosperity in many parts of the world.

Even so, prosperous conditions have not been attained without putting heavy pressure on the balance of payments positions of a number of foreign countries. Such difficulties have derived from high levels of domestic employment and consumption, which together have had the effect of absorbing domestic resources at the expense of export activities necessary to trade-balancing requirements. In result, not only has export income fallen short in these cases of the amounts necessary to help balance the cost of imports, but the high rate of domestic activity, in subjecting wage rates and prices to upward pressures, has threatened to place export undertakings at a competitive disadvantage in world markets. Developments, of this kind have been characteristic as regards the United Kingdom, Australia, and other countries that might be mentioned. Unlike the United States, all of these countries are critically dependent on their import-requirements; and that being the case, are highly sensitive to conditions that are due partially to their internal prosperity, but which have unstabilized their general economies.

This kind of situation has been reflected in weakness in the foreign exchange value of some currencies. However, the warning of these experiences has brought remedial actions which, in the case of an important trading nation like the United Kingdom, have principally been in the area of monetary policy. This accounts for the setting of higher discount rates, rising interest rates, and regulatory limitations to the availability of credit in order to damp down pressures on internal economic activities.

When the vast amount of business that is transacted through the medium of credit is considered along with the greater use of credit that accompanies prosperity, the latent power of monetary policy to cut down the use of credit through its cost and availability factors becomes clearly apparent. Monetary policy is in no wise a cure-all to economic instability of the kind discussed, but it is a highly useful instrument in the hands of governmental authorities, as is borne witness in the current course of events in the United Kingdom. As you are aware, a supplemental budget has been submitted in the United Kingdom which is intended to strengthen the hand of monetary policy by actions on the fiscal front.

It has been the aim of this discussion to point out the relevance of finance to foreign trade, beginning with the recital of the outpost duties of the foreign offices of United States banking institutions and their international usefulness, on to the constructive bearing that United States investment activities abroad have on the domestic economies of foreign countries. The magnitude of United States foreign trade were sketched in as the background to these two kinds of financial activities. The discussion then turned to the recovery in the volume of foreign trade since the end of World War II and the economic consequences to some countries of growing prosperity. The perverse financial ramifications of these situations were then explored.

The time has now come to take up the relevance of domestic finance to the foreign trade of the United States. The United States is not only the world's largest self-contained market, but also the largest market in the world for foreign exports. The latter is of particular significance to foreign countries whose internal stability is heavily dependent on their export trade with the United States. In that connection it is well to remember that although United States imports of the products of some foreign countries may not loom large in the over-all total of our business and industrial activity, a reduction of such imports often has harmful effects on the economies of the exporting countries. In turn, difficulties started in this way, if not countered, can spread out effects that can eventually become matters of serious concern at home.

The vital importance to world prosperity of a stable and active economy in the United States is widely recognized. For example, it has been calculated that the modest downward readjustment in United States business conditions in 1953-1954 caused a drop of around 7% in the aggregate value of our imports. The interaction of economic impulses between the United States and foreign countries reveals vividly the importance of foreign trade in supporting world economic activity and the particular importance of the United States to this whole scheme of things.

Domestic Policies and Our Foreign Trade

It is, therefore, now necessary to scrutinize the bearing that the internal financial affairs of the United States has on its foreign trade relationships which, in essence, involves delving into the means by which our domestic financial arrangements can contribute to the nation's economic stability and growth.

It is quite evident that, under our system, bank deposits constitute the most important element in our supply of money; and through the use of bank checks provide our most familiar medium of exchange. Inasmuch as bank deposits are the product of bank credit-creating operations, it follows that our national money supply very largely owes its paternity to activities within the banking system. Experience has also shown that if inflation or deflation is to be avoided, the size of the money supply must be held in consistent relationship with the pace of economic activity.

It is here that the operations of our domestic banking institutions come into contact with the foreign financial relationships of the United States, for any distortion in our domestic bank credit-making activities that leads to internal inflationary or deflationary tendencies is bound to have repercussions in the sphere of international economic affairs.

It is here, too, that the Federal Reserve System comes onto the stage, for Congress has placed with it the responsibility of setting the limits within which our commercial banks can ply their credit-creating trade. As has already been pointed out, in view of the large part of all business that is carried on through the medium of credit, any regulation of the supply of credit available to the nation's business community has a decisive influence on our internal economic stability.

As to Federal Reserve policy at the present time, the picture that has been drawn of foreign economic affairs and your own observations, both of foreign and domestic economic affairs, must reconcile in your minds a policy that has as its objective the containment of credit activities within bounds that will sustain a high level economy, geared to a reasonable growth factor. However, it is the individual banks of the United States that have the last word as to whom and how the available supply of credit will be granted, and on whom we must rely to follow the kinds of banking policies most conducive to maintaining our national prosperity.

As you well know, it is customary to report the statistics of United States foreign trade in terms both of dollar value and physical quantity. This twin fashion for reporting our international movements of goods is a perfect example of the affinity that exists between finance and foreign trade. The two are linked inseparably, for all transactions in our foreign trade have a financial side. Starting with production and leading on through transportation to distribution — all of the multitude of processes that enter into the marketing of the vast array of goods that flow through the channels of our foreign trade at some point grasp the helping hand of finance. And thus it is that "Finance and Foreign Trade" has been a fitting subject for discussion.

Exch. Firm Ass'n Elects Officers

James J. Lee, partner of W. E. Hutton & Co., New York, was elected president of the Association of Stock Exchange Firms for the 1955-56 fiscal year by the Board of Governors at its annual meeting. Mr. Lee was elected to the Board in 1952 and has also served on the Board of the Investment Bankers Association since then. From 1949 to 1951 he was on the Board of the National Association of Securities Dealers. He succeeds John J. Sullivan, senior partner of Bosworth, Sullivan & Co., Denver, who has been president since November, 1954.

James J. Lee

Marco F. Hellman, J. Barth & Co., San Francisco, and Sewell S. Watts, Jr., Baker, Watts & Co., Baltimore, were elected vice presidents and Robert J. Lewis, Estabrook & Co., treasurer.

New Governors elected for varying terms to the Board of thirty-five at the annual meeting of members held earlier in the day are:

John D. Baker, Jr., Reynolds & Co., New York; John D. Burge, Ball, Burge & Kraus, Cleveland; David S. Foster, Pershing & Co., New York; James A. Hetherington, II, Goodbody & Co., New York; Henry Hornblower, II, Hornblower & Weeks, Boston; Michael W. McCarthy, Merrill Lynch, Pierce, Fenner & Beane, New York; John J. Phelan, Nash & Co., New York; William C. Roney, Wm. C. Roney & Co., Detroit; Jay N. Whipple, Bacon, Whipple & Co., Chicago.

Re-elected were: Charles E. Ames, Kean, Taylor & Co., New York; Charles P. Cooley, Cooley & Company, Hartford; Harry C. Piper, Jr., Piper, Jaffray & Hopwood, Minneapolis; James H. Scott, Scott & Stringfellow, Richmond.

Elected as the Nominating Committee for 1956 were: Amyas Ames, Kidder, Peabody & Co., New York; Benjamin H. Griswold, III, Alex. Brown & Sons, Baltimore; Jerome W. Nammack, Sprague & Nammack, New York; William F. Van Deventer, Laidlaw & Co., New York; Phelps Witter, Dean Witter & Co., Los Angeles;

Three With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert W. Staples, Henry L. Richman and Shirley R. Chilton are now with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

With First California

(Special to THE FINANCIAL CHRONICLE)

CHICO, Calif.—John G. Baker is now connected with First California Company Incorporated, 221 West Second Street.

Joins Harry Pon

(Special to THE FINANCIAL CHRONICLE)

AZUSA, Calif.—Robert J. Hoy is now with Harry Pon, 711 North Azusa Avenue.

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As We See It

finance to hinder or hamper them. A great many things were soon found to be far more important than making both ends meet financially. In point of fact, virtue was found in the deficit as such. Prices had been adjudged too low. President Roosevelt had again and again and again promised to raise them. One of the ways chosen for this purpose was to monetize an ever increasing debt. Of course, the budget was to be brought into balance at some time in the future, but that time never came and no one was inclined to worry about it. Budget balancing was part and parcel of the "Old Deal" and, for that reason, was unworthy and deserving of death.

Balanced—So What?

There was a year or two of the Fair Deal regime when the budget was balanced—more or less by accident, it appeared, but balanced in any event. But no one in authority thought enough of it to make any real effort to keep it in balance, and indeed the matter was often decried with statements that other things were much more important. No one seemed to care a fig that colossal waste was running rampant in defense. It seemed to be supposed that the state of our defenses was to be measured by the amount of money spent. Of course, money spent to keep the farmer voting right was well spent. That these funds —or some of them—had to be, or actually were, obtained by what amounted to coining Treasury deficits into money seemed to perturb no one in places of influence.

The Eisenhower Administration started out with high hopes and broad statements about balancing the budget. It found the going rough partly because so many had for so long been feeding from the public trough. It winced and relented and refrained on more than one occasion. It certainly had no help from the Democratic party as such, though of course such men as Senator Byrd were to be counted on. It has not yet balanced the budget although it is said to have high hopes of doing so this year—as a result far more of extraordinarily active business and hence of high tax collections than prudent management of expenditures. It has, however, continued to talk of getting outlays and revenues into balance and has seemed to believe it important.

This was enough, apparently, to stimulate in Democratic ranks a good deal of derision of the general idea of getting the budget in order and keeping it there. We do not know, frankly, what the Democratic party would do were it to be returned to office. Its condemnation, or rather that of a number of the leaders of the party, is a throwback to the New Deal days and the New Deal political magic. It is not easy to believe that Mr. Stevenson, for example, would be quite as indifferent to sound public finance as some of the talk now going the rounds would suggest. Still it is fact that a Democratic President successfully going before the people with talk of the sort now common about budget matters could do wild things without violating any sort of pledge.

Lost Its Terror

Fiscal looseness has lost its terror for the professional politician and for a good many others throughout the length and breadth of the land for two reasons among others. One is that it has now become accepted as sound and wholesome tactics to raise needed funds by placing Treasury deficits in the banks of the country against deposits specially created for the purpose, and to do so with the aid of the Federal Reserve System. There was a time when such procedure was frowned upon by informed citizens. It is now relatively easy to obtain funds without appearing to lay burdens upon any one. It is an easy going policy, the penalty for which may be very considerably deferred. It tends to take some of the sting out of Treasury deficits.

Another factor in this situation is the apparently fixed and permanent policy of collecting taxes from the comparatively few wealthy individuals and corporations —soaking the rich for the benefit of the many, as it were. Thus large and indefensible outlays are passed over in the popular belief that the taxes to cover them come from the "millionaires," not from the rank and file of the voters. Indirect or hidden taxes are, of course, not recognized or thought of. Thus even continuing deficits and mounting debt fail to disturb the rank and file since funds to carry, and presumably ultimately to pay off the debt will, so it is reasoned, be taken from the rich.

This, of course, is an immensely dangerous situation. If the American voter is prepared to look effectively after his own interests, he will place a demerit against the name of any candidate for office who speaks slightingly of sound public finance. Slurs such as we have been hearing of late about budget mindedness should be made political liabilities of the first water.

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America's Role in World Prosperity

employment, and imports. This process would tend to cumulate and gather force as world trade declined. Shifts and flights of investment capital would add to the disturbance. Various nations would begin to experience serious balance of payments difficulties and as a defensive measure might adopt policies of competitive exchange devaluation of their currencies and increases in import tariffs. The broad, multilateral trade mechanism might ultimately collapse and be replaced by a limited volume of two-way trade.

The Experience of 1953-54

Actually, the experience of 1953-54 was no more than a mild breathing period in our sustained drive for a higher standard of living. Yet, if a real depression had occurred, our efforts in the postwar period to restore a healthy pattern of world trade and investment in the interest of all free nations would have been in vain, and — more important — the foundations for lasting peace would have been jeopardized.

The maintenance of sustained prosperity—characterized by stable economic growth and a gathering of the fruits of our inventive and productive genius—can provide the greatest contribution to a strengthening of the foundations of peace. There is much less likely to be agitation for trade restrictions when prosperous conditions prevail. When men and factories are not fully employed, it is easy to blame the interference of competition from abroad. Since our attitudes on trade barriers are regarded by other countries as a significant measure of American sincerity regarding trade policy, prosperous conditions are a distinct asset in this important respect.

In addition, the flow of income produced by prosperous conditions tends to encourage American expenditures for travel abroad and for certain luxury items that so many foreign countries produce with such skill and dexterity. Increased expenditure for such items by Americans results in the creation of additional dollars with which foreigners can pay for imports from the United States. Our prosperity is reinforced as foreign demand for our goods increases.

And prosperous conditions in the United States introduce strains upon the limits of our own resources, and these in turn cause us to seek new sources of materials from friendly countries in other parts of the world. Capital investment is stimulated, which in turn furthers the goals of economic improvement and a rising standard of living for other nations.

Our Primary Role

America's primary role in world prosperity, therefore, is simply that of maintaining a strong and prosperous domestic economy. Our failure to do so could be critical, both at home and abroad. But our success in achieving many years of stable economic growth might well assure the preservation of Western ideals and civilization with the valuable by-product of a constantly rising standard of living for both our own people and friendly nations throughout the free world.

What are our prospects for success in this vital endeavor? If the record of the past few years can be taken as an indication, our prospects are excellent. The resiliency and vigor demonstrated by our system of free business enterprise in springing back from the business recession of 1953-54 are heartening signs that the business cycle—although certainly not a thing of the past in a dynamic, free enterprise society—is amenable to a significant degree of control. We have learned much from the past; and we shall apply these hardwon lessons in the future. In so doing, we shall strengthen the American way of life and transmit the fruits of our system of free business enterprise to our friends throughout the world.

Those of you in this audience who reside in Houston should particularly appreciate the significance of the inter-relation between American prosperity and world prosperity. This is one of the greatest ports of our country —indeed, of the world. The ships that pass through this port channel, even though many are engaged in coastwise operations, tell the story of the constant flow of trade to and from our country to the ports of the world. It requires little imagination to observe that a significant portion of the growth and prosperity you have experienced is directly related to the expansion of trade made possible by the general prosperity of the nation.

Nevertheless, let it be understood that this message has not been earmarked for my friends in Houston. The question of America's role in world prosperity is one that deserves the attention of the financial fraternity across the country to the far corners of Maine, Washington, California and Florida, with stops at 44 other states in between.

All of us have a genuine stake in the preservation of our own prosperity and, in turn, the promotion of the well-being of our neighbors abroad. It is our responsibility to support the sound, stable growth upon which the preservation of that prosperity depends. This responsibility of the financial community does not rest solely in the laps of those who are working primarily in commercial banking operations. Those who are engaged in other aspects of banking and business must do their part.

The trust business is no exception. The great trust institutions of our country face a tremendous challenge in the administration of wealth—the very root of our economic system. The safe and constructive manner in which they administer this wealth, therefore, has a bearing upon broad economic developments which are ultimately reflected on the world scene. This is not to infer that our trust institutions comprise a concentration of economic power in themselves, but as an important group of financial intermediaries, they must share with other groups in the economy, the responsibility for seeing that their policies and actions are geared to the preservation of economic stability.

Throughout the years our trust institutions have been conservative. They must continue to be conservative. Their function involves the conservation of wealth. Yet we can be proud of the accomplishments through which alert management has adapted the business to the changing needs of the times—as new forms of wealth and new institutional and structural arrangements have tended to replace the creation of the kinds of estates that marked the earlier period of growth of our country.

Conservatism does not mean unwillingness to change. It does mean, however, that the basis for our decisions and policies should rest on solid, constructive, and intelligent judgment. We should not subscribe to the assumption that continued inflation is inevitable. We in the financial community have an important responsibility to resist inflationary pressures.

In this respect, our trust institutions can lend a helping hand. In the administration of trust accounts, they can demonstrate through sound and conservative actions that they have confidence in the ability of our people to deal with the ugly and persistent problem of inflation. Such actions will help to keep our economy on a stable base of prosperity, upon which the well-being of our own people, our friends abroad, and the strength of peace so much depend.

The Future Holds Great Promise

The future holds great promise for our people. The coming of the Atomic Age has opened up new areas of progress never before anticipated. The ingenuity of our science and technology, the energy and skill of the American people, and the stimulating atmosphere of our system of free business enterprise promise accomplishments in the future that may well dwarf even the remarkable advancements of the past. Our people are looking ahead with courage and confidence, and it is gratifying that in many parts of the world the atmosphere has become encouraging and hopes have been lifted. A world at peace can best serve mankind, and a strong and prosperous America is the greatest assurance of the attainment of a true and lasting peace. Let us hope and pray that we shall demonstrate the good sense, the patience and the judgment that will enable us to fulfill the promise that the future holds for humanity.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George E. King is with King Merritt & Co., 1151 South Broadway.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Merth G. Mortenson is now connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With Protected Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Albert E. Miller is now with Protected Investors of America, Russ Building.

Real Property Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — James T. Willcoxon has been added to the staff of Real Property Investments, Inc., 233 South Beverly Drive.

Joins Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Eva F. Baker has been added to the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

With E. H. Hansen Co.

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — Lloyd W. Spitzbarth is now connected with E. H. Hansen & Co., 104 South Bright Avenue.

With H. L. Jamieson Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Merritt G. Lucas is now with H. L. Jamieson & Co., Inc., Russ Building.

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The Threat of Inventory Recession And Other Economic Soft Spots

casting, they seem almost invariably to have been wrong. For example, it would be difficult if not impossible to find an economic indicator more out of tune with the facts of the business world than the stock market was from 1946 to 1949. When the national economy buoyantly rode out the inventory recession of 1949, the stock market painfully gave birth to the idea that this postwar economy of ours is far less vulnerable to prolonged depressions than the economy of 1929. By 1955, that idea had finally grown to manhood, but it is pretty difficult to have much faith in the omniscience of the stock market when it took 10 long years fully to realize what was fairly obvious back in 1945. This is another way of saying that, if business activity and the stock market are not actually divorced, they are at least occupying separate bedrooms. In my opinion, it is the beginning of economic wisdom not to predicate business prosperity on a rising stock market or a business recession on a falling one.

Our Foreign Trade Vulnerability

Another alleged weakness in today's economy is our vulnerability in the field of foreign trade. With England making frantic efforts to get off the ropes by increasing her exports to us and with Japanese textiles already flooding the American market, it is feared that our merchandise export balance will be eliminated and that American-made goods will go begging for a buyer in competition with the products of cheap foreign labor.

Far be it from me to derogate the adverse effects of a possible deterioration of our position in international markets on export houses or on individual companies and industries. The time-honored definition has it that a recession is in progress when you lose your job and a depression when I lose mine. In line with this definition, businessmen directly affected by foreign competition are understandably frightened by the ogre of vanishing markets.

The problem of foreign competition, however, is a specific one; it hardly touches the American economy as a whole. Our gross exports barely amount to 1/25th of American business activity and our net exports to only 1% or so. Unless one is dedicated to the proposition that the scallops around its circumference are what make the pie, this country is singularly insulated against business conditions in the outside world. It is therefore entertaining, but hardly instructive, to listen to periodic forecasts of the doom about to befall America as a result of political upheavals in Afghanistan or a sharp drop in the price of Persian rugs. One of the more recent examples of thus losing one's sense of proportion was the dire warning of certain economists in late 1949 that the American commodity price structure would collapse if England were to devalue the pound. This prophecy fell somewhat short of fulfilment, and it was stupid ever to have made it.

The Credit Squeeze

A third source of concern to people who like to wring their hands over the sorry plight of the American economy is the current tightness of credit. Hardly an economist in the country but raises the question of whether the business bubble may not be burst by the restrictive credit policies of the Federal Reserve Board and the attendant rise in interest rates. Here I'm going to convict myself of heresy and put myself beyond the pale of respectable economic forecasting by questioning both the fact and the theory of money tightness.

As to the fact of credit stringency, let me illustrate the reason for my doubts with a little bit of personal history. Early this year, three prominent midwestern commercial bankers, all of whose names you would recognize, visited my office. My chief purpose in telling you so is to impress you with my importance, my secondary purpose to tell you what they had to say. All three of them claimed to be "loaned up to the hilt." They were taking on no new accounts, and holding old customers to their minimum credit requirements. So much for lip-service to the screening of intended debtors.

Now what do we find on reviewing the actual record of credit extension this year? Merely that commercial, industrial and agricultural loans—the so-called business loans—**increased** contraseasonally from Jan. 1 to June 1. On June 1 they took off into the stratosphere and are now breaking through the sound barrier. I will not bore you with the old gag about Maxie Baer fighting Joe Louis, but if my banker friends are really applying the screws to credit, we had better watch the referee, because **somebody** must be lending some short-term money.

So much for the facts—now for the theory. According to good classical economic doctrine, rising interest rates should discourage businessmen from borrowing, and particularly from borrowing long-term money. Unfortunately, as most of us find out before shuffling off this mortal coil, what should be and what is are two different things. Cruel experience says that, generally speaking, businessmen don't borrow money on the basis of what interest rates **are**, but on the basis of what the prospective borrower thinks they **will be**. Now all of us benighted human beings are prone to extend indefinitely any existing trend. When the Brooklyn Dodgers lost the first two games of the World Series, I was sure that they would lose four straight and was ready to cut my throat. In like manner, most businessmen are perfectly sure that interest rates will rise tomorrow if they're rising today. That's why they virtually broke down the doors of lending agencies in the second quarter of 1953, when interest rates were higher than they had been in a dozen years. And that's why, even if the long-term interest rate structure **were** to rise further in the months ahead, no disaster would befall corporate capital expenditures. What's more to the point, the monetary authorities are likely to tread very gingerly in the direction of tightening credit, now that President Eisenhower, the symbol of business confidence, has been stricken. In my opinion, a poor one perhaps but my own, long-term interest rates are more likely to be stable than to rise or fall appreciably in the near future.

Will "Built-In Stabilizers Be Effective?

Not to whip a dead horse on this subject of the adequacy of our financial mechanism to support the current business boom, let me say a word about becoming obsessed with the magic properties of the so-called money supply. To judge by some of the pronouncements on this subject, all that's necessary for controlling the economy is to turn the money supply on and off like a spigot. We ought to live in constant trepidation, therefore, that someone may forget to turn on the water at a time like the present when lots of water is necessary to keep the economic pot boiling.

What has common sense to say of this theory? It is probably sacrilegious for a "Wall Street Man," whatever that may be, to poke fun at anything as sacred as money. Nevertheless the facts seem to assert that the money supply is large or small because the economy is large or small, not the other way 'round. To be more specific, full employment, high wage rates and so forth produce a large supply of money; they are not produced by it. For now and forevermore, let the money supply fret about the economy, not the economy about the money supply.

Another and even more common cause of mental indigestion, for those who expect the worst of the economic front, likewise concerns the field of money and credit. We've been concerned thus far with the contention that **not enough** business credit will be available to keep the economy on an even keel; now let us examine the claim that **too much** consumer credit has already been extended, particularly in the installment field, a claim that proves we economists are capable of worrying on both sides of the street at the same time.

On the surface, this last position has a lot to back it up. Where installment debt averaged about 7% of disposable income just prior to World War II, it is higher than 10% today and rapidly getting higher. There is plenty of food for thought in these statistics. Unquestionably, installment debt cannot continually mount, *vis-a-vis* the wherewithal to pay it off, without grave danger for the economy. Unquestionably, the consuming public cannot borrow without limit against future earnings without eventually coming a cropper.

In Instalment Debt, We Are Skating on Thin Ice

What I **would** dispute is that we are **already** skating on thin ice in the matter of installment debt. A bare comparison of the ratios between debt and income obtaining in 1940 and today, without reference to the different patterns of life in these two periods, can be seriously misleading. Some small part of today's repayments on automobile paper used to go out in the form of rapid transit and railroad fares. Today's installment payments on refrigerators, in greater or lesser degree, supplant the 25 cents a day we used to pay the iceman. Of course, no one was contractually obligated to buy a cake of ice prior to World War II, but it was a good idea to do so if you expected to eat something besides shredded wheat. Finally, we are living in a virtually "servantless" society today, and the installment charges on our vacuum cleaners, washing machines and other household appliances are the counterpart of the wages we used to pay, or at least you used to pay, to butlers, cooks and French maids. In short, it is natural and reasonable that installment debt in our new postwar society should loom larger against the background of disposable income than it did prior to the war, though the sky is not the limit and though there is some indeterminate point beyond which installment debt cannot safely mount.

To terminate any talk about the near-term business outlook without discussing the plight of the farmer would be like reviewing the recent world series without mentioning Duke Snider or Johnny Podres. There is no doubt that the economic status of the farmer has worsened considerably during the past four years. Equally, there is no doubt that the farm problem calls for the most intelligent political handling, whereas all signs point to its being made a political football in 1956. A welter of ominous forecasts that the farm depression will put the over-all economy into a tailspin has already started the ball rolling.

Now the role of the farmer in our economy is a vital one, and his interests should be properly safeguarded by Government. How this is to be done is a subject for another time and another place. What I **would** like to comment upon today is the loose talk, which does not serve the farmer's true interests, to the effect that the farm depression of 1926 paved the way for the business disaster of 1929. The majority of college textbooks accept this proposition as axiomatic. In my one-time capacity as a Professor of Economics, I used to comment sagely on this axiom myself. When I was later let loose among the robber barons of Wall Street, I had to sharpen my wits in self-defense, and I finally experienced a stroke of intuitive genius—I decided to look up the figures. Here is how the farm depression of 1926 led to the general debacle of 1929: In 1927 gross farm income was higher than in 1926, in 1928 higher than in 1927, and in 1929 higher than in 1928. It cannot exactly be said that these statistics strongly support the notion that the 1929 collapse started "down on the farm." I rate my brilliant decision to look up the facts in this case right along with the two other great lessons of my life, both learned in the United States Army: First, that it is possible to sleep under utterly impossible conditions; second, that you should hold a nail near the head, and not near the point, when you hit it with a hammer.

The Decline in Commodity Prices

Before closing the books on the business outlook, a word on the recent decline in commodity prices may be in order. In spite of the business boom of the last 12 months, the daily index of wholesale commodity prices is somewhat lower today than it was a year ago, and substantially lower if industrial raw materials are excluded from the lineup. For example, hog prices displayed extraordinary weakness this year, a fact with which this assemblage may possibly be vaguely acquainted. Does this softness in commodity prices other than those for industrial raw materials portend a decline in retail prices in general and a setback for the over-all economy?

Now it must be admitted that falling commodity prices are a bete noire of many economic prophets. More often than not, we are told, debility of the commodity price structure has been the forerunner of a general business relapse. Fortunately, there are one or two gaps in the reasoning behind this theory.

In the first place, the current decline in the daily index of wholesale commodity prices has been going on for more than four years. Aside from the general impracticability of using an economic indicator that is at least four years too early, it would seem that the national economy should have faltered in 1951 or 1952, when commodity prices fell continuously and sharply, not now when this decline has virtually halted. In the second place, a much more general charge can be levelled at the practice of using commodity price weakness as a bellwether of depression. It's a wonderful idea to have a fire-alarm that rings whenever there's a fire, but the firemen are going to be run ragged if there's a steady stream of false alarms. It may be true that price softness in commodities has fairly commonly preceded depressions, but the number of times is legion when it has rung the gong and there wasn't any fire.

To summarize these views about the short-term business outlook, I believe:

(1) That an inventory recession is out of the question in the immediate future.

(2) That the inventory recession scheduled for second quarter, 1956, is possible but not probable.

(3) That stringency of business credit will not bring the business structure tumbling down on our heads.

(4) That consumer debt is not yet out of line with consumer income, though it could become so in the future.

(5) That the prolonged decline in the price level of commodities other than industrial raw materials is not the signal for a general economic bust.

Admittedly, this is an optimistic forecast. My only excuse for making it is this: The skid rows of this land of ours are full of people who persisted in betting against the New York Yankees, the Notre Dame football team and the American economy. The economic prospect opening up before us presents at once a challenge and a rare opportunity. To judge by the way in which you members of the American Meat Institute have met the tests of the past, you will not fail to measure up to the requirements of the future.

Loeb Chairman in United Hospital Drive

Henry A. Loeb, a partner in the investment banking firm of Carl M. Loeb, Rhoades & Co., has accepted the chairmanship of the Hospital Trustee Division of the United Hospital Fund's 76th annual fund-raising appeal, it was announced by Sumner B. Emerson, general Campaign Chairman. Mr. Loeb is replacing the late William Woodward, Jr.

Mr. Loeb, who lives in New York City, has been an active Fund volunteer for many years. Last year he was vice-chairman of the Hospital Trustee Division. A member of the board of directors of Mt. Sinai Hospital, he has been trustee chairman for Mt. Sinai for the past two years.

The United Hospital Fund's 1955 campaign goal is $3,500,000, which will be distributed to its 82 member voluntary, nonprofit hospitals on the basis of the amount of free and below-cost ward and clinic care provided the medically needy of our community.

Scholl & Co. to Be Formed in New York City

Scholl & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will be formed as of Dec. 1. Partners will be Thomas F. Scholl, member of the Exchange; John A. Stewart, member of the Exchange; Prentice Strong, William S. Greene, who will become an exchange member, general partners; and Ruth H. Strong, limited partner. Mr. Scholl and Mr. Stewart have been active as individual floor brokers. Mr. Strong is a partner in Prentice Strong & Co. which will be dissolved as of Dec. 1.

Sprayregen, Borinstein

Sprayregen, Borinstein & Co., members of the New York Stock Exchange, will be formed as of Dec. 1 with offices at 39 Broadway, New York City. Partners will be Richard H. Sprayregen, member of the Exchange and Arthur J. Borinstein.

Continued from cover

Outlook for Liquor, Wine Beer and Related Industries

Repeal, which has brought the excise rate up 854%, and has kept the liquor industry from enjoying its share of the current national prosperity.

In 1942, the industry received 2.3% of the consumer dollar, and in 1954 only 1.6%—a 33⅓% loss. And since 1942, the adult population of the nation has increased 17.4%, national income has increased 118%, personal consumption expenditures have increased 69%, and disposable personal income has increased 116%.

If the liquor industry had kept pace with the growth of the economy, it would have sold last year 229 million gallons of its products instead of 189 million, while maintaining the national pattern of moderation. Consumption of 229 million gallons would have meant a per capita consumption of 1.42 gallons, 14% below the 1946 figure, and 27% below the estimated Prohibition era figure.

One effect of the high tax rate has been to encourage moonshining, which has been constantly on the increase since the end of World War II, to the point where last year, over 25% of all distilled spirits consumed in this country may have been moonshine rather than legal liquor.

In 1954, Federal agents seized 11,943 illegal stills—85% more than in 1945 and 13.4% more than in 1953. State and local officials, operating independently of the Federal men, seized another 10,970 stills in 1954, for a total of almost 23,000.

These captured stills, and those which no doubt continued to operate unmolested, produced an estimated 72,000,000 gallons of illicit moonshine. At the same time, apparent consumption of legal liquor amounted to about 189,000,000 gallons.

The huge proportions of the moonshine racket are largely due to the excessively high Federal excise tax rate on distilled spirits. The moonshiner, who evades all taxes, can operate with a high margin of profit, and can woo consumers who feel they cannot afford to pay the tax-inflated price of the legal product.

Lower prices to the consumer, which would result from a lowered tax, would enable the legal liquor industry to recoup some of the losses it has suffered to the moonshiners. They would not, however, result in any increase in overall liquor consumption.

Last year, Americans consumed 1.18 gallons of legal distilled spirits per capita. Total consumption of both legal and illicit products came to 1.62 gallons per capita, or 19% less than per capita consumption during Prohibition.

It is not anticipated that a reduction of the excise tax to $9 would eliminate moonshining, but it would reverse the upward trend prevailing since 1946.

Any shift in consumption from moonshine to legal liquor would benefit the Federal Treasury, and would help to offset any minor loss that might result from tax reduction.

The government's tax loss resulting from moonshine operations last year may well have been in the vicinity of $700 million.

EDWIN J. ANDERSON

President, Goebel Brewing Co., Detroit, Mich.

We expect that 1956 will be a year of greater sales volume and profits for those breweries which are in a position to meet increased competition. The outlook for a year of greater sales volume is very good, due to our expanding population and the increase in the available time for individuals to consume the product of brewers.

Edwin J. Anderson

After many years of decline, 1955 is the first year to show an increase in the number of people reaching the age of 21. Population analyses indicate that this increase will continue in 1956 and that the rate of this increase will be growing significantly for many years to come. Research has indicated that the consumers who account for the greatest share of beer consumption are in the 21 to 40 age group. As the numbers of these beer drinkers increase, the opportunity for greater sales volume for every brewer, is available.

We feel that the brewing industry should be one of the first to benefit from the increase in leisure hours and the increase in disposable income which has been taking place so spectacularly since World War II. Again, we expect that the trend will continue and accelerate in the years ahead. Beer is closely associated with the pleasures of leisure time activities. It is largely because of the greater leisure time of Americans that the place of beer consumption has shifted to the home. This has already resulted in an increase in total volume in the first three-quarters of 1955, and as leisure time increases, we expect that beer sales volume will increase along with it.

With this opportunity for greater volume, we expect that the competition for consumers will be more intense in 1956 and in the years following as well. The total number of brands competing for these consumers will continue to decline. Smaller breweries, finding it increasingly difficult to compete, will continue the trend of mergers and consolidations which has been taking place for several years.

With greater volume available and fewer brands to share it, the rewards for successful selling in the beer industry in 1956 will be greater. Increased competition for these rewards is a certainty. We expect this trend to continue as well.

The outlook in 1956 with regard to taxation on the products of brewers appears to be more encouraging than it has been for many years. We believe that increased consumption will be the result in the event that there is some degree of relief in the excise tax levies.

We, at Goebel, feel that we are in a relatively strong competitive position. Our markets stand high in consumption per capita relative to the United States as a whole. Population growth in 1955 resulted in a 4% increase in production in the state of Michigan alone and should accelerate. We are directing our attention to increasing the effectiveness and efficiency of our overall marketing activities and expect it to result in a significant increase in volume in 1956.

HARRY BLUM

Chairman of the Board, James B. Beam Distilling Co., Chicago, Ill.

The outlook for our company appears encouraging and favorable for several reasons. It is my belief that consumer income will be substantially increased, which will result in accelerated consumer spending. Population growth has been a factor in the development of many new markets, because of the need for additional housing and general building, as well as highway improvements and construction for private interests. The confidence of big industry has been evidenced by the tremendous amount of money spent for rehabilitation and increased capacities. Most important in our industry is that the public has indicated a strong preference for straight whiskies as compared to blends. It is my opinion that consumption during the year 1956 will be close to an all time high.

Harry Blum

We, at the James B. Beam Distilling Co., are not planning on marketing or promoting any new brands for 1956. The policy for 1956 is to concentrate our efforts and increase our advertising and support programs on our brands that are showing a much higher percentage increase on the already increased consumer demands for straight whiskies.

We are hopeful that Congress will find it necessary to increase appropriations to the Alcohol and Tobacco Tax Unit for stricter enforcement against illegal liquor. Some sources have quoted as high as 25% to 30% of consumption in illegal spirits. Naturally a stronger and stricter enforcement program would materially effect our industry with a greater gain in legalized consumption thus increasing the sales of legal distillers.

I believe the top officials of the industry have come to the conclusion that price cutting or endeavoring to imitate well known brands, is not the solution for increased sales and profits. We all agree that imitation will not eliminate competition. Our philosophy at Beam is our obligation to supply a product of quality at a price that will satisfy the consumer that he is getting the best value to be had. The companies that will maintain their growth and profits will be those that will establish brands on a sound marketing basis and will win the recognition and trust of the consumer.

From all reports and indications, whether it be Kentucky Straight Bourbon Whiskey, household appliances or be it the many thousands of other consumer items that are offered, it has become increasingly evident that the consumer is most interested in purchasing a quality item.

GEORGE G. BROWN

President, Brown-Forman Distillers Corporation, Louisville, Ky.

Consumption-wise, 1955 promises to be the second best year for the distilled spirits industry, with about 198 million gallons being consumed. This is a 4.5% increase over last year, but when compared to the industry's high mark of 231 million gallons set in 1946, this year's second best is a strong indicator that the distilled spirits industry is not keeping pace with the over-all economic growth of the country.

Geo. Garvin Brown

The economy of this country has averaged a 7% gain yearly over the first half of this decade while the growth of the distilled spirits industry during the same period has been less than 1%, or just about static. The 1955 - versus - 1954 comparison shows the economy up 8% against the liquor industry's 4.5%.

Consumer type preferences have changed appreciably during the first half of the current decade. Five years ago blends were doing three-fourths of the total domestic whisky business while straights held only a 17% share, with the bond share then being 8%. Last year spirit blends did 60% of the total domestic output, with straights doing 30% and bonds nearly 10%.

This year, as expected, the downward trend in representation for spirit blends has continued with this type doing about 58% of the total output. Straights continue their upward trend, capturing about 32% with bonded whiskies holding their 10% share. So, in a matter of just five years, straights' importance to the consumer has almost doubled while blends today do only about one out of every two bottles of the domestic whisky business while five years ago it was three out of four.

Volume-wise, spirit blends in 1955 will match 1954 sales. This also holds true of bonded whiskies, but the forever-growing straights will show about a 14% improvement. These changes compare with an over-all distilled spirits' consumption gain of 4.5%. On a volume basis this year's blend consumption, though holding even with 1954, is still off a significant 29% or nearly one-third below 1950. Straights this year will be 75% above 1950's volume, and bonds will show an 11% gain for the same period. Distilled spirits in general this year will exceed 1950's consumption of 190 million gallons by 4%.

One of the major problems confronting the distilled spirits industry in the coming year is an unrealistic excise tax. The present Federal excise tax of $10.50 per gallon on distilled spirits has not only cut consumption, but has served as incentive to the moonshiner. Consumption of distilled spirits on an adult per capita basis has been 1.87 gallons for the past several years. In 1946 it ran 2.51 gallons per adult. Back in 1950 at a $9 Federal excise tax rate, consumption was 1.95 gallons per adult.

In the Federal fiscal year 1955, Federal seizures of illegal stills ran 12,509. This is 11% greater than 1954's 11,266 and 17% heavier than 1940's 10,663, a year when the tax rate was a realistic $3 per gallon. It is estimated that there are approximately 20,000 illegal stills seized a year by Federal, state and local authorities. During the Prohibition era seizures ran only 22,000 to 25,000 yearly.

If the industry gets promised tax relief in 1956, at the $9 rate, consumption of distilled spirits could run from 200 to 210 million gallons, pending the effective date of the lower tax rate. Without tax relief consumption should run about 200 million gallons. This year estimated consumer expenditures for distilled spirits will be approximately $4.4 to $4.5 billion. If realized, the industry's share of the consumer buying power would be roughly 1.66% as compared to 1.70% for 1954; 1.88 in 1950 and 3.18 in 1946. Today's share is equivalent to that seen in the Depression period two decades ago. This is just another indicator of the strangling effect that the current tax rate has had on the distilled spirits industry.

J. B. CELLA

President, Cella Vineyards, Fresno, Calif.

There is little doubt that the 1955 crop will be one of the largest for the California wine industry. This in itself would tend to give the impression that a large inventory will result and that the natural law of supply and demand would prevail resulting in lowering of prices. I feel, however, that if not already recognized by most members of the industry it will be realized at the conclusion of the crush that, even though the tonnage was large, the gallonage recovery, because of the lower sugars in the grapes this year, will result in an inventory needed to handle the demand during the coming year.

J. B. Cella

In addition, it is my opinion that a large gallonage of brandy and grape concentrate is being produced this year, which will take away substantial tonnage that would have normally gone into wine production. Therefore, these factors should not only tend to hold the present prices but could very well result in rising prices. Certainly I believe this will be the fact if during the Spring it shows that the crop will be normal.

MAURICE J. COOPER

President, Charles Jacquin et Cie, Inc., Philadelphia, Pa.

Cordials and liqueur specialties are now important factors in the liquor industry. Each year cordials and the specialties of cordial firms are gaining a greater percentage of the over-all liquor market. As a class, cordials are the most attractively packaged and colorful items sold in package stores, bars and taverns. The alert retailer is becoming more and more aware of the sales appeal of cordials. And there has been a big change in the tastes of the American people, with their constant desire for better living; the American public has been increasingly favoring drinks known as cordials. Many leading cocktails, such as Alexanders, Stingers, and Grasshoppers, are made exclusively from cordials.

Maurice J. Cooper

The cordial houses of America have expanded their scope of activity and besides the continental cordials, such as Creme de Menthe, Creme de Cacao and fruit flavored brandies, they have developed cordials tailored more to American tastes—and so we have Rock and Rye, Ginger Flavored Brandy, and Sloe Gin. Cordial firms are the leading producers of the vastly popular Vodka. Vodka sales

Continued on page 40

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The upping of the rediscount rate by the Federal Reserve Banks was not unexpected even though the timing of the announcement of the rise in the Central Bank rate did embody some element of surprise. Monetary statistics gave evidence that an increase in the rediscount rate was in the cards. Nevertheless, there were rather widespread expectations that the fourth rise in the rediscount rate would not come until nearer the year-end.

The Government securities market had been giving evidence of a more cautious attitude in the past two weeks because these obligations appeared to have been running into a certain amount of selling as prices approached the high levels for the move. The change in the rediscount rate brought a moderate amount of liquidation into a market which is still thin, and subject to quite a bit of professional operation. The continued hardening of interest rates and the coming Treasury financing are keeping many potential buyers of Government obligations on the side lines

Fourth Increase This Year

The Federal Reserve Board last week gave approval to another increase in the rediscount rate by the Central Banks of the system. This was the fourth time, during 1955, that the Federal Reserve Banks have increase the rate which is charged member banks of the system for borrowings. This latest rise in the rediscount rate is another move on the part of the money managers to tighten credit in order to keep the boom from blossoming into "runaway inflation." The Federal Reserve Banks, by increasing the cost of the money which it lends, is putting pressure on the commercial banks to curb their own loans to customers.

There had been opinions around that the rediscount rate would not be increased until after the Treasury had completed its year-end refunding and new money raising operation. However, with the pressure now being intensified as far as the money market is concerned, it is believed that the Treasury will have to make the impending offering a bit more attractive.

Active Credit Restraint Still Prevails

The upping of the rediscount rate from 2¼% to 2½% is a very definite confirmation by the monetary authorities that the policy of "active restraint" is still very much in force. The upswing in the economy has resulted in a tremendous demand for loanable funds, and the powers that be are attempting to slow down borrowings by increasing the cost of obtaining these funds. Up to now, however, the interest rate raising program of the credit managers has not been too effective in cutting down the demand for money. With business virtually operating at capacity, and taxes at very high levels, the cost of getting the needed credit is not too important a factor as far as most borrowers are concerned. However, it should be remembered that the monetary authorities do have the power to break any inflationary spiral if they want to take the necessary measures.

The rise in the rediscount rate was followed immediately by a rise in the brokers' loan rate from 3½% to 3¾%, but it is not expected that this will bring about a similar rise now in the prime bank rate. However, the pressure which the monetary authorities are keeping on the money market is expected, as in the past, to have its strongest effect upon short-term money rates. Accordingly, it is evident that there is some opinion in the financial district that with near-term interest rates turning upward, an increase in the prime bank rate would not be unexpected since this rate is likewise considered to be a short-term one.

Increase in Margin Requirements Possible

It is indicated that one of the forces which has had an influence upon the action of the monetary authorities has been the course of the equity market, which has regained nearly all of its lost ground and is again very close to its highs for the year. The psychology of a rising stock market is very important as far as the economy is concerned, but especially so when the forces of inflation have to be dealt with.

Therefore, it is believed in some quarters that if the trend towards higher interest rates does not have some deterring influence upon the future course of equity prices, there will be another increase in margin requirements. This would not be an unfavorable happening as far as the money market would be concerned.

Balanced Budget Bullish Market Factor

According to reports, prospects are good for a balanced budget this fiscal year. This would be achieved, not by cutting expenditures, but mainly because of increased tax revenues generated by the business boom. However, a sound fiscal policy which would bring about a balance in the budget would mean less trips by the Treasury to the money market, and this should have a good effect upon Government securities.

Railroad Securities

By GERALD D. McKEEVER

Great Northern

The market behavior of Great Northern stock is frequently described as so unspectacular as to be less than interesting. It is true that this stock has moved within a range of about four points for several months, but by the same token, it showed remarkable stability in the market break last September. But what is apt to be overlooked is the outstanding upward progress that Great Northern has made within the past two years, outstripping the Dow-Jones Rail Stock Average just as the road has exceeded in growth the Class I total as well as the other two "Northerns," the Northern Pacific and the Milwaukee.

At the recent price of 42½, Great Northern shows a 20% net gain over this year's low of 35⅜ as compared with the similar gain on balance of 16% for the Dow-Jones Rail Average. Based on the adjusted low of 22⅞ for 1954, which gives effect to the 2-for-1 split in May of that year, Great Northern has shown a net gain of some 85% as against a net gain of less than 69% for the Dow Rail Average from the 1954 low.

Thus the merits of Great Northern have not been overlooked, either from the standpoint of the road's exceptional postwar growth record or its efficiency of operation. Since 1946 the Great Northern has enjoyed a 50% gain in operating revenues as against a 23% gain for the Class I total. In comparison with the other two "Northerns," the Great Northern has taken an increasing share year after year for the past decade while the proportion of the Northern Pacific has done little better than to hold, and the Milwaukee has lost ground relatively.

This trend is recently less pronounced, however. For the first nine months of this year the Great Northern has shown a 6% year-to-year gain in revenues as against an estimated similar gain for Class I but it showed a further gain in relation to the two neighbor roads. This is the more remarkable because of the lag in the past year or more in iron ore shipments, still one of the road's largest revenue sources. Evidence of the loss of some of this business to competition from imported ore has justified in this connection only the apprehensions of many observers, but what was not foreseen was that the growth in traffic from other sources would more than offset this seepage.

On the side of efficiency, the Great Northern has one of the lowest Transporation (cost) Ratios among Class I roads, and at 32.3% for the first nine months of this year, this ratio is approaching its low mark of recent years set in 1953. Operations of the road are 90% dieselized in freight service and 96% in yard service while passenger operations are entirely dieselized. Steam power has been entirely superseded west of Minot, N. D., either by diesel, or on its 73-mile line through the Cascades, by electric power, but it is understood that even the latter is to be dieselized by the latter part of next year, with the cost of this conversion to be completely covered by the sale of salvaged electric equipment.

The heavy reduction in debt achieved by the Great Northern during the war years and the refunding of the balance in 1945 and 1946 at low interest rates has placed this road in a very strong capital position with the result of according investment character to the stock. Unlike its neighbor, the Northern Pacific, the Great Northern has no oil properties to lend speculative appeal to its stock, although this road has benefited traffic-wise from oil activities in the Williston Basin. While shipments of crude may be eventually lost in large measure to pipe lines, compensation may well be provided in an increase in drilling and construction activity and general growth in the area.

It is estimated that the Great Northern should earn between $5.00 and $5.25 per share this year as against $4.21 in 1954. While some of this gain may be attributed to the relatively small reduction in the rate of maintenance charge from the high level of 1954, it is mostly due to this year's gain in revenues and a reduction in expenses other than maintenance. Furthermore, the factor of tax-deferral due to fast amortization is small, amounting this year to only 56 cents per share. Thus the $2.50 dividend rate that became effective for the second half of this year appears well protected, and particularly so in view of the road's strong current finances. Both cash and net current assets have had a healthy gain this year to date of last report, showing that the large "cash flow" in the road's income gives ample cover to the increased dividend on top of the large capital expenditures budgeted for 1955.

It is concluded that in view of the semi-investment character of Great Northern stock and the growth aspects of the road, the yield of over 5.8% that this stock affords at the present time is highly attractive.

Annual Dinner Held by Goodbody's 25-Year Club

Members of The Quarter Century Club of Goodbody & Co., members of the New York Stock Exchange and other leading exchanges, held their 7th Annual Dinner Nov. 17 in the Manhattan Room of the New York Athletic Club. The Club has a membership presently of 40, comprising employees and partners of the firm who have completed 25 or more years of service. Oldest member in point of service is Marcus Goodbody, senior partner, who has been associated with the firm since 1898.

R. L. Day Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — J. Wilbur Chapman has become associated with R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

Now With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Robert H. DiComes is now associated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly with H. C. Wainwright & Co.

With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — A. Andrew Forman is now with A. M. Kidder & Co., 400 Beach Drive North.

Bear, Stearns Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Jack G. Swanson has been added to the staff of Bear, Stearns & Co., 135 South La Salle Street.

With F. I. Du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Morgan P. Underwood, Jr. is now with Francis I. du Pont & Co., 141 West Jackson Boulevard.

Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Donald J. Engels is now with Hornblower & Weeks, 134 South La Salle St.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Mrs. Helene L. Lohr is now with the Marshall Company, 30 North La Salle St.

Joins Risser Staff

(Special to THE FINANCIAL CHRONICLE)

PEORIA, ILL.—James R. Rindfuss has become affiliated with D. J. Risser Co., First National Bank Building.

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Outlook for Liquor, Wine Beer and Related Industries

have been nothing short of sensational, and today Vodka even outsells that great favorite, Rum! Why this big trend toward Vodka? Vodka is a unique beverage. It is the truly great neutral drink, and with reason. It is made from filtered neutral grain spirits and because Vodka is neutral, it can be mixed with any fruit juice. It can also be used in any drink in which gin is normally an ingredient. Thus, we have Vodka Martinis—Vodka and Tonic, and so on. People like the clear, dry taste of Vodka and the fact that it leaves no after-taste and no odor on the breath. Vodka's native advantages will be evidenced by a rising sales curve and will remain a strong public favorite.

It is with great justification that the writer and the executive staff at Charles Jacquin et Cie, which was formed in 1884 and is America's oldest cordial producer, are so optimistic about the future of cordials and specialties.

JOHN DANIEL, Jr.

Managing Partner, Inglenook Vineyard Co., Rutherford, Calif.

The bright prospect of a naturally strong and successful American wine industry is beclouded by artificial handicaps imposed upon it by governmental regulation and administrative policy which threaten to kill it at the top and weaken its entire structure.


John Daniel, Jr.

Such regulations and administrative policy have been developed independently, usually with other considerations than the health of the industry paramount, without the benefit of a study of their related effects upon the industry or the opportunity of tracing the effects of a depressed wine industry upon the much larger grape growing industry.

These comments, based particularly upon conditions in the California wine industry, representing 85% to 90% of the volume of the United States industry, and the California grape industry, representing an even larger percentage of the United States industry, apply with some modification to conditions in the rest of the country also.

By virtue of typical American pioneering and development, the wine industry "reborn" with Repeal in 1933, has made tremendous strides to produce wines in all price categories which are fine values in comparison with prices of merchandise of other industries in the United States today.

But the healthy growth of this complex industry is jeopardized, particularly in its table wine segment, vitality of which is the keystone to the wine industry of any country, by Federal regulations strongly favoring foreign wines and by slashing of the tariff on such foreign wines by 70% from the 1930 level to a point where imports of such wines have increased 582% from 1947 to 1954 and are driving premium American wines out of the market.

In any country, sale of wines is pyramidal with percentage of sales decreasing as the price increases from the base to the apex. It is most important that sales of the relatively small percentage of premium priced wines at the top of the pyramid be maintained in ratio to sales in other price ranges, since the prestige of a nation's wine is keyed to its finest (highest priced) wines.

Therefore, if the sale of American premium priced table wines is supplanted by foreign wines, the structure of sales of all American table wines is threatened. Weakening of the market for table wines, which only in the last several years has begun to grow toward the percentage of total United States wine sales necessary for permanent stability in a wine industry, jeopardizes the entire industry, and, of course, weakens its Sherry, aperitif and dessert wine segments as well as the brandy industry.

In nearly every one of the last 15 years, grapes have brought the greatest monetary return of any crop in California, the leading agricultural State in the Union. Wine production has absorbed from 40% to 60% of all grapes harvested, and a weakened wine industry is unfailingly reflected by weakness throughout all segments of grape growing.

Irrespective of the arbitrary definition in tariff legislation of "Peril Point," the wine and grape industries of the United States have passed the actual point of imperilment and injury years ago, and need real protection from foreign products created by labor paid from one-quarter to one-eighth of the American wage scale.

And last, but not least, time is overdue for bringing regulations on foreign wines parallel to those on American wines to give the consuming public the same protection on each, and to remove the American industry from its present competitive disadvantage.

At present foreign wines are sold in bottles from 6% to 10% smaller than those permitted for American wines. Labelling statements regarding the vintage, type and place of origin of foreign wines go largely unverified in comparison to rigid supervision on American wines, and standards of quality of foreign wines are seldom checked in contrast to standards among the highest in the world under which American wines are made.

The American wine industry has made an important contribution to the national economy. If the present burden of artificial handicaps jeopardizing its natural potentialities are removed, it can make greater contributions.

CHARLES FOURNIER

President, "Gold Seal" Urbana Wine Co., Inc., Hammondsport, N. Y.

The New York State high quality wine and champagne industry enters the 1955 Holiday Season with a strong feeling of confidence. Every year its business has been progressing at a very sound pace, and its gains have been greater than the whole wine industry's.


Charles M. Fournier

New York State Champagnes (fermented in the bottle) are now recognized in all the United States as second to none and their reputation is still growing. They represent a majority of the American production.

Although the New York State Wine business is only a small part of the wine sold in our country, it is a great influence in the premium wine market because their quality and flavor appeal to the American taste. They are even in demand in California now.

Sales of the GOLD-SEAL-Urbana Wine Company are already ahead of last year's. Our new Christmas packages have been enthusiastically accepted by our distributors. Our packing department is on full overtime schedule in order to ship our orders on time.

I take this opportunity to draw the attention of the public to the terrible unfairness of the special Champagne Excise Tax.

Champagne is a table wine; however, it is not taxed as a table wine.

Shortly after repeal of prohibition, our industry made the mistake of accepting the principle of a special champagne Federal luxury tax. The first tax levied was a fraction of a dollar per case, but it has been increased since so many times that it has reached the exorbitant rate of $8.16 per case paid by the winery when it leaves the plant, against a rate of 41¢ per case of table wine.

Champagne is not a luxury, it is the tax that makes it a luxury. Many old imported still wines sell at a higher price, but are not taxed as a luxury. Why tax bubbles as a luxury in wines, but not in water or soft drinks? It just does not make sense!

The champagne tax represents $600 per ton of champagne grapes, for which the vineyardist gets only $100 to $150. If it was repealed, champagne retail prices would drop 35%.

Champagne consumption in the United States is consequently but a fraction of what it is in other countries. The repeal of the special tax would provide an added outlet for the American farmer, and I hope that public opinion will express itself accordingly.

JOSEPH GRIESEDIECK

President Falstaff Brewing Corporation, St. Louis, Mo.

High taxes and rising production and distribution costs will once again face the brewing industry in 1956, yet the coming year holds promise for increased beer sales. Factors behind this optimism are the larger number of potential customers (in the 21-year-and-over age bracket), the continuing rise in disposable personal income and a growing acceptance of beer as the beverage of moderation.


Josepn Griesedieck

After a decade of decreases in the number of persons entering the adult market, the low point was reached in 1954. With the trend reversed, the prospects now are for a population increase of some 15,000,000 people in the nation 10 years from now and, within that population, a 50% increase in the number of persons of beer consuming age. Disposable personal income, which amounted to about $200 billion in 1950, should reach $280 billion in 1956.

These parallel increases not only point to larger industry sales in 1956 but set the stage for much greater increases in the years to come.

However, while an industry sales increase is expected, individual breweries will have to watch their profit margins more closely. Beer prices have been held down by the forces of competition, yet labor and material costs have moved upward. Intensified merchandising, necessitated by the high degree of competitive activity has increased advertising and selling costs. Added to these are taxes. Several states have increased beer taxes in 1955, and a number of local governments have also applied taxes on beer. Superimposed on the Federal excise tax of $9 per barrel, state and local beer levies have driven the total direct tax to seven and eight cents per bottle in some areas.

To offset higher unit costs, emphasis throughout the brewing industry is being placed on higher sales volume, and breweries have turned to more aggressive merchandising and broader distribution of their product to accomplish this goal.

Falstaff is in this pattern with a vigorous program of plant and market expansion, the most recent plant addition being our sixth which began operation in Fort Wayne, Ind., a little over a year ago to supply needed production in our established sales territories and to enable us to open new markets in the Great Lakes region.

Falstaff's net sales for the first nine months of 1955 increased 14% over the same period for the preceding year. The coming year should see continued increase in Falstaff sales with strong possibilities for further territorial expansion.

While Falstaff views the future with optimism, it is a cautious optimism that recognizes the problems of intensified competition and higher costs that all breweries will face.

JOHN E. LAIRD, Jr.

President, Laird & Co., Scobeyville, N. J.

This year, our 175th anniversary of producing and selling our Apple Jack, we are having somewhat of a revival. Where we had been qualifying our product as Apple Brandy since 1935, we are now labeling it Laird's Apple Jack. We are going back to this traditional name for our distilled and aged product. This, of course, is done in accordance with Federal regulations which state that Apple Brandy and Apple Jack are synonymous.


John E. Laird, Jr.

In general, the consumer is swinging back to straight liquors as evidenced by the yearly increases in straight whiskies. Our product is Laird's Straight Apple Jack. Part of the reason for our increases thus far this year must be this revival of consumer taste preferences toward straight liquor products.

Other factors that support our optimism for the future are our advertising, publicity, merchandising, and packaging plans for the future. Our "Have You Met Jack? (Apple Jack, that is)" advertisements have been appearing and will continue to appear both at the national and local level. The tradition of not only our product but of the eight generations of the Laird family, have been the subjects of much favorable publicity. Our merchandising campaign is highlighted by our 175th anniversary bottle which features our stunning new label and gift carton. All our point-of-sale materials are following up our themes "Have You Met Jack?" and "Jack's A Great Mixer."

Inventory position of Laird and Company is on a very sound basis. Excellent apple crops, both this year and last, have enabled us to replenish warehouse stock which had been depleted by increased sales over the past two years. The amount of aged Apple Jack that has reached maturity is sufficient to meet the increased demand for our product.

Of course operating costs are extremely high due to higher taxes, increased labor costs and higher costs of materials. Our base price (excluding taxes) has not been increased in 10 years.

Prospects for the future are good because of increased interest in Apple Jack, although high taxes continue to be as much of a burden here as in other segments of the industry.

MARTIN LEFCORT

President, Eastern Wine Corporation, New York City

New York and the entire Northeastern area of the United States are different from the rest of the country in the wine picture, in that the most popular sizes sold in dessert wines are full quarts and flask pints. In the states of New York, New Jersey, Connecticut, Rhode Island, and Massachusetts, it appears to be essential to be priced to the consumer at an even dollar for quarts and 50 cents for pints, including city and state sales taxes which prevail in most areas except New Jersey, at rates of 2% or 3%.


Martin Lefcort

This has tended to create considerable stability at the consumer price level. It has, however, not created much stability at the wholesale price level, as national and local brands, who are frantically competing in this area in what is usually called a "cut throat" manner, are giving retailers up to 100% markup in an endeavor to secure favored shelf positions, window displays, or retailer cooperation across the counter. One California vintner on a new Rose' item has gone so far as to give retailers a 200% profit.

Inasmuch as there are so many brands competing for dominance in these markets, all these efforts are nullifying one another and have the retailers completely confused, as to who is giving them the best buy, that month, so that no effort is being made by 99% to push any particular brand. No New York retailer of my acquaintance, which is quite wide, would switch a consumer from one brand to another, as he is wise enough not to take the onus upon himself, if the consumer should be displeased with the new brand of wine purchased. Most sensible retailers would prefer to see California producers compete on a quality and promotional basis rather than with "bargain basement" tactics.

In the New York and New Jersey markets there are six California bottle brands of wine and three locally bottled wines fighting for domination. In Connecticut and Massachusetts, pretty much the same situation prevails. In Maryland and Washington, D. C., local brands dominate. Local brands prevail throughout the south-

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A Critique of the N.A.M.'s Report On the Gold Standard

the dollar balances might be induced to require gold if they were to become convinced that our government intended to raise the price of gold. It, however, adds the following remark: "Fortunately this kind of sharp practice is not possible, for Congressional action is required to effect a further devaluation."

This is true, but if for one reason or another the foreign owners of the dollar balances should lose confidence in the dollar, our country would be free to put an embargo on the export of gold. In point of fact, a responsible person like Mr. Elliot Bell, in a recent speech delivered before the Saving Banks Association of New York State Convention, makes the following statement: "We won't sit quietly and let foreigners pull gold out of our country, forcing a credit squeeze upon us, when we want to be making credit easy."

The Price of Gold

(5) Regarding the price of gold, the committee makes the following comments on Page 10:

"The dilemma of the price at which gold payments should be resumed is not easily resolved by objective processes. The gold mining industry insists that it is between the millstones of rising costs and a fixed price. But this was equally true under the gold standard regime, for the mint price of gold was not then adjusted periodically to changes of mining cost of operation."

But, for Heaven's sake, who has ever asked that the mint price of gold be adjusted periodically to changes of mining costs and operations? I challenge the committee to provide the evidence that the gold mining industry has ever made such a request. But when we have gone through wild inflation due to war which raises prices, wages and all costs to abnormal levels, which would never have occurred without such an inflation, it is in my opinion necessary to adjust the gold value of the currency which has undergone such an inflation. The wicked thing is not the necessary adjustment of the gold value of the currency but the inflation and depreciation of the currency due mainly to the monetizing of the public debt.

(6) The report on Page 13 makes the statement that the first source of inflation is due to large government deficits caused either by an emergency such as war or threat of war, or ideological influences. (For instance, to boost the economy in the name of full employment.) Then the report declares that war or politics will induce inflation with the result that: "On the basis of experience it is reasonable to anticipate either a further reduction of the gold reserve requirement or a suspension of gold payments."

To these ideas my answer is the following: In the case of a great war, a democracy as we understand it and practice it, can apparently not do otherwise than suspend the operation of the gold standard. However, for the preservation of our monetary and political system there should be an amendment to our Constitution providing: (a) that in times of peace the gold standard cannot be suspended, and (b), that there can be no tinkering with the gold reserve requirements as fixed in the Constitutional Amendment.

(7) On Page 18 the committee makes the statement: "During the bank debacle of the early 1930's many bank failures were technical, being caused by the inability to secure promptly a sufficient quantity of coin and paper money to cover the withdrawals of the depositors. This condition is much less likely to arise today because the banks generally hold Federal debt paper sufficient to enable them to obtain on short notice such amounts of Federal Reserve notes as to be required short of a catastrophic run."

Now the truth is that the bank failures were not technical but were due to bad credits extended by many banks. It is surprising to find the NAM rejoicing at the fact that the banks are now holding Federal debt paper in large amounts. Besides, the gold reserve requirement would make impossible the issuance of large amounts of Federal Reserve notes.

(8) On Page 18 the committee states:

"In strict banking theory any well managed bank owns assets equal in value to its liabilities, chief of which is the deposit liability to the depositors. . . . Over and above the balance of total assets against total liabilities, there is the additional safeguard of bank reserve requirements, which are determined by Federal law for all members of the Federal Reserve system."

I submit that this statement is misleading because the bank reserve requirements are included in the assets of the banks and therefore do not constitute any "additional safeguard." In point of fact, the banks cannot get hold of these so-called bank reserves without reducing either their loans or their investments which are the counterpart of the deposits.

The Factor of Confidence

(9) On Page 20 the report makes the following remark:

"It has been said above, and it should be emphasized again, that the most important condition for the proper functioning of a money system as a medium of exchange is public confidence that the money will have and will maintain general acceptability."

A currency which is not based on gold may enjoy the confidence of the public for some time but history proves that this confidence is not being maintained in the long run, politics being what they are. Besides, whether the public is conscious of it or not one element of the confidence of the public in the dollar is the gold buried at Fort Knox as a reserve.

(10) On Page 20 the committee makes the following remark:

"There were wide movements in prices up and down while the country was on the gold standard. . . . For example, the wholesale price index shows 36.5 in 1890. It rose to 100.4 in 1920, and fell to 42.1 in 1932. . . . The lesson of both wars that is particularly applicable in the present connection is that there can be budget deficits and substantial inflation with a gold standard as well as without it."

Now, in the first place, the index 100.4 in 1920 chosen by the committee as an example is due to wild inflation during the war and immediately after the war. Second, as I have already mentioned in a previous paragraph, our country was not on a gold standard since 1914 but on an arbitrary standard.

(11) On Page 21 the committee states:

"Being on the gold standard did not cause or lead to either the speculative excess of the 1920's or the depression of the 1930's. This standard was evidently not a sufficiently potent force on the side of sanity to prevent these phenomena from happening."

Firstly, to repeat again, we were on an arbitrary standard and not on a gold standard. Secondly, nobody has ever contended that a gold standard, even when functioning properly, can prevent depressions or speculative excesses if the money managers mismanage and abuse credit. The method of operation of the Federal Reserve System should be changed so as to reduce these dangers to a minimum.

* * *

May I express the hope that the NAM will undertake a comprehensive study of the monetary problems, aiming at a restoration of monetary order in our country and in the rest of the world. There is no greater service the NAM can render to free enterprise and to our country.

S. D. Fuller Offers Chromalloy Shares

S. D. Fuller & Co. on Nov. 18 offered for public sale 133,100 shares of Chromalloy Corp. common stock (par 10c) at $2.25 per share.

The company proposes to use the proceeds from the sale of its stock in connection with the removal of its plant from New York City to Greenburgh, N. Y., and for the purchase of new equipment.

The company applies the chromizing treatment to metals to improve oxidation and increase resistance to corrosion. It is the exclusive licensee in the United States under a patent relating to the processes, apparatus and materials useful for the chromizing of ferrous metals. It is not a plating process but produces a chrome alloy casing on the treated metal by the diffusion of chromium into the surface. The company has applications pending for its own patents in the field of coating metals.

Since it has been engaged in commercial production, the company has received orders from such companies as General Electric, Bendix Aviation, Minneapolis-Honeywell, Bell Aircraft, General Motors, du Pont and American Can.

Giving effect to this sale there will be outstanding 386,025 shares of capital stock of 10 cents par value, 12,506 shares of preferred stock and $100,000 of debentures.

Bankers Offer Siegler Corp. Stock at $13

A total of 175,000 shares of The Siegler Corp. common stock are being offered publicly at $13 a share, by an underwriting group headed by William R. Staats & Co. and including Dominick & Dominick, Bache & Co. and Schwabacher & Co.

The Siegler Corp., which dates back to 1921, maintains its general offices and plants in Centralia, Ill., and is engaged in the manufacture and sale of space heating units for use with oil and natural gas fuel. In addition last June, Siegler acquired the Hallamore Mfg. Co., a California electronics firm. Another recent acquisition of the Siegler Corporation is the Holly Manufacturing Co., a California corporation specializing in the manufacture and sale of heating equipment, including gas wall and floor heaters and central heating systems. Proceeds from the sale of stock now being offered will be used to pay the major portion of the Holly purchase price.

Including the 175,000 shares in this underwriting, stock capitalization outstanding will be $1,000,000 4% installment notes, and 697,696 shares of $1 par value common stock.

Colorado Interstate Offering Completed

Union Securities Corp. manager of an investment banking syndicate, on Nov. 18 made a public offering of 256,503 shares of common stock ($5 par value) of Colorado Interstate Gas Co. at a price of $57.50 per share. It was quickly oversubscribed.

None of the proceeds from the sale of the stock will accrue to the company as the shares being offered are already issued and outstanding and are owned by Public Service Co. of Colorado.

For the 12 months ended Sept. 30, 1955, the company reported operating revenues of $39,127,393 and net income of $7,416,539, equal, after provision of preferred dividends, to $3.99 per common share.

Beecroft, Cole Co. Admit Five Partners

TOPEKA, Kans.—Beecroft, Cole & Co., 117 West Sixth St., members of the Midwest Stock Exchange, have admitted to partnership, A. B. Wood, Frank J. Snyder, Wynn Hugg, A. H. Saville, Jr., and Jack Dillard. All have been associated with the firm for many years.

With Bishop-Wells Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — Rees C. Williams is now connected with Bishop-Wells Company of Boston.

Newling Men Join E. H. Pooler Co.

TORONTO, Canada — E. H. Pooler & Co., Limited, 302 Bay Street, members of the Toronto Stock Exchange have announced that Kenneth H. McVittie, E. A. Clarke, C. A., John W. Hicks and Robert S. Newling have become associated with them. All were formerly directors of Newling & Co. Limited.

A. Waxer, J. Eugene Scanlon, Corinne A. Bake, Walter W. Basiuk, H. Clayton, John B. Mackenzie, Henry S. Jones, Floyd E. Hall, Jessie M. Ritchie and Thomas Scott all formerly with Newling & Co., Ltd., will be associated with E. H. Pooler & Co. as account executives.

Don H. Mathison With Piper, Jaffray & Hopwood

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Don H. Mathison has become associated with Piper, Jaffray Hopwood, 115 South Seventh Street, members of the New York and Midwest Stock Exchanges. Mr. Mathison was formerly with Dallas Title & Guaranty Co. in Dallas and prior thereto with J. F. Perkins & Co.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Richard S. Lynch is now connected with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

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Outlook for Liquor, Wine Beer and Related Industries

east, where they far outsell California bottle wines, particularly as several of the states restrict the sale of wines above 14% alcohol to either their state or county stores.

With regard to Kosher wines, these do not have such pre-eminence in the states along the Atlantic seaboard as they seem to have in the middle western states, where in several states of the southern tier I understand they outsell all other wines put together. Along the Atlantic seaboard, a New York City bottled Kosher wine is the biggest seller, whereas in the states across the Alleghenys a Chicago bottled Kosher wine outsells all others. Even in New York City, with its very large Jewish population, Kosher wines account for less than 5% of the total wine volume. Its biggest sale, except for the Passover holidays, is not usually in Jewish neighborhoods.

Efforts of certain California firms to get local bottlers to use the label of the California producer, have not been successful except in rare instances. Most of the local bottlers prefer to build their own brands and in many areas they are doing a great deal more to advertise and promote them than any California producer. In the New York area particularly, the writer's Chateau Martin brand was the first American wine to be advertised extensively following Repeal, and the methods we developed of using radio spot advertising, subway cards, and posters, etc., have been widely copied by California bottlers. The top California brands are fighting desperately in New York City to hold their position by means of cut prices, big discounts, etc., etc.

One of the great dangers which face California wineries in Eastern markets, is the flood of cheap imported wines inundating this area. Italian Chianti, in the traditional Fiasche straw-covered bottle, are being advertised to the consumer as low as 79 cents a quart and less than $2 per gallon, which is lower than the red dry wines of any advertised California brand. French Sauterne, Claret, and Burgundy are being offered to retailers at $6.50 per case, giving the retailer a handsome profit on imported wine selling at less than $1 per bottle. While there are very few Ports and Sherries available at less than $1 a bottle, there are many in the $1.25 to $1.50 range which create real competition for California wines. Unless something is done by the California Wine Institute and Wine Advisory Board to see that the tariffs on these European wines are brought up to a figure where our labor cost, which is three to six times as high as that in most European wine producing countries, is adequately compensated for, all dry wine sales in the East will eventually be absorbed by foreign wines. Many European countries, particularly Italy and France, have a surplus disposal program on wines, similar to our own on wheat, cotton, etc., whereby the government buys the surplus and exports it at a loss. Our tariff law has anti-dumping provisions in it. A strong effort should be made by the responsible organizations of the industry to see that these provisions now in the law are enforced.

As most people in the wine business know, the average consumer judges quality by the label on the bottle, and while in many cases these imported products are inferior to those of our own American vineyards, the foreign label very frequently swings the sale. The entire industry should give this matter serious and immediate consideration. It is of vital importance to all segments of the wine industry.

With regard to California premium wines, these, unfortunately, are suffering even more than other wines because of the flood of cheap imports. The demand for them in the Eastern area is very small indeed, and only among the few "Cognoscenti" who read all the books on wine and make it a hobby. There are not enough of these people on which to base a business. The most popular premium wines in the Eastern areas are those produced in the Finger Lakes district of New York State, which have developed a reputation for quality, particularly in their dry wines, to an impressive extent. Most Eastern consumers believe that New York State wines are superior to all California wines. We know, of course, this is not true, particularly in the dessert wine field, but good promotion and **Avoidance of Price Cutting Tactics** has built for them a solid position in the market.

Restaurant wine sales in the Northeast, unfortunately, are very poor indeed. Very few restaurants in the Eastern area make a real effort to sell wines. Most discourage wine sales with fantastic prices per bottle. It appears that most restaurateurs prefer to sell cocktails. The only solution the writer can see to this problem is to convince two or three restaurants to sell by the glass and small bottles, at prices in keeping with the price of their food. If two or three of the chain restaurants could be convinced of this, we believe the movement would spread.

With regard to state taxes on wine in this area, most states are moderate, with the exception of the state of Georgia which charges $2 per gallon on wines made outside the state, and only 5 cents per gallon on wines made in the state. One firm appears to do most of the business in this state. In Florida the tax on dessert wine is $1.40 per gallon, which has greatly restricted the sale of it. The writer has been told frankly by several wine and liquor wholesalers that they want to see a high tax on wines, as it creates more whiskey sales. There is need for a real educational job to be done in the Florida state legislature. In most other states along the coast, the tax on wines is only 10 cents per gallon, except in Massachusetts where it is 30 cents. In the state monopolies there is no direct tax on the wine but the state gets its revenue from the markup in its own operated retail stores, such as 58% in Pennsylvania.

There are great possibilities for increased wine consumption in the Eastern area. We have there a Cosmopolitan population which has its roots in European wine drinking countries. If good quality wines can be put within their reach at reasonable prices and properly promoted, there is no reason why wine consumption should not increase steadily year by year. Proper advertising and promotion by the California Wine Advisory Board, the largest factor in this field, is necessary to stimulate this progress.

JOSEPH H. MAKLER

President, Waterfill and Frazier Distillery Company Bardstown, Ky.

Because of the depletion of excessive inventories during the current year, the liquor industry is gradually moving into a position where most companies can expect improved sales and earnings in 1956.

Joseph H. Makler

The healthier inventory situation and the continuation of our nationwide prosperity should make the coming year one of the best the industry has had for some time.

For the third year in a row, the sales volume of Waterfill and Frazier Distillery Company is setting new records. Our sales show an increase of 50% over the preceding year. Shipments are now at the highest point in the 145-year history of this independent Kentucky distillery.

As we anticipate the continuation of the high level of business generally, we look forward to 1956 as another year during which Waterfill and Frazier sales volume and profits will continue to increase. We are making aggressive plans now for stronger advertising and sales promotion activities in all our principal markets.

Although this is an age when the independent producer in many industries finds it difficult to compete with gigantic rivals, we are very much encouraged by the way the position of Waterfill and Frazier Kentucky Bourbon is being strengthened in market after market as our sales continue to increase. Evidently, the public will buy a famous old brand of Kentucky bourbon such as Waterfill and Frazier when it is reasonably priced and consistently advertised.

HARRY A. MAY

President, Pleasant Valley Wine Co., Rheims, N. Y.

During the past year, it was most evident from records of Great Western sales as well as most other companies in the wine industry, that there has been a decided increase in the number of families which are using wine to make their luncheons and dinners more enjoyable. There is no indication that this larger use of wines has even approached a saturation point. On the contrary, our surveys indicate that an increase of 8% in wine sales throughout the United States may be anticipated with confidence. At Pleasant Valley we are planning the installation of additional facilities to take care of that additional amount of sales as a minimum. If, as has been proposed, the present burdensome excise tax is eliminated or reduced, sales generally should show a much greater increase.

Speaking specifically of prospects for the coming year for our company, we look forward without misgiving to a year of wider acceptance of all wines in which as an industry leader, Great Western will naturally share. Our advertising and distribution is being planned to take care of this anticipated substantial increase. Our production facilities are also being enlarged so we may adequately supply the requirements of our customers. This should, and we believe will, result in increased profits for the Pleasant Valley Wine Company. We see no reason why other producers of recognized brands of wine should not share in our feeling of optimism for the coming year.

RUDY A. MORITZ

President, Drewrys Limited, U. S. A., Inc., South Bend, Indiana

We at Drewrys look forward with confidence to 1956.

The beer industry as a whole should enjoy a year of improved sales volume. The increase in population of beer consuming age—the consistent wider acceptance of beer as a beverage of moderation—the growing percentage of women as purchasers of beer—aggressive advertising and sales efforts at brewery, wholesaler and retailer levels—constant improvement in packaging for consumer convenience and eye appeal—all should be advantageously reflected in beer sales.

From the viewpoint of our company, we feel that during the past year we have further solidified our position both in established and embryo markets within our primary distribution area.

As a result, distributor organization and consumer acceptance have been strengthened; which should result in increased sales of our products.

Our sales and advertising budgets for 1956 have been based on an expectancy of a 10% increase in sales volume.

TUBIE RESNIK

Executive Vice-President, Calvert Distillers Company, New York City

Because the liquor industry expects to get a larger share of the gift dollar this coming Holiday Season, 1955 will be the second best year consumption-wise since 1946. Between 30 to 40% of the year's business is done in the last four months of the year.

Tubie Resnik

Moreover, Calvert's gift business will probably register an all-time high because of its unique Christmas packaging and decanters.

Impelled by keen competition, distillers have contrived new packages, new promotion and colorful advertising for the coming season. Larger ad and promotions budgets than ever before have been allocated.

Calvert's new gift decanters were the first of the 1955 gift packages marketed. Although the bulk of holiday and industrial buying has only begun, the demand for Lord Calvert and the Calvert gin decanters are already outrunning supply. The Lord Calvert decanter is being called "the hottest package" of the 1955 holiday business.

The Calvert frosted gin decanter is a "first" in the industry which never had a gin special bottle, and also bids fair to be sold out before the season ends.

Observers believe that the liquor industry will be more successful this year in competing for a share of the consumer gift dollar because of its more aggressive advertising and promotion.

This will probably lift industry sales to the 200 million gallon mark for 1955. This will make 1955 the second largest consumption year since 1946 when consumption registered the all-time peak of 230 million gallons.

As for the future, the industry continues to fight a basic declining consumption trend resulting from an excessive excise tax which puts the price of whiskey above the ability to purchase of too many millions of consumers.

This is reflected in the fact that although 65% of the total adult population consume distilled spirits, only 27% of the male and only 8% of female consumers are classified as "regular" consumers, or those who drink at least three times a week.

That leaves 73% of the male consumers and 92% of the female consumers who are occasional drinkers. This means those who consume on an average of only one drink a week.

According to a Crowell-Collier survey, 82.3% of the homes with weekly incomes of $200 or over usually or occasionally serve alcoholic beverages as against only 23.5% of the families with income of $40 a week. The high tax factor is primarily responsible for the small total of whiskey consumers in the low-income category.

Consequently, per capita consumption was only 1.18 gallons last year as against 1.26 gallons in 1950 and 1951, 2.52 gallons in 1946, 2.10 gallons in 1945, 2.19 gallons in 1942, 1.67 gallons in 1937 after repeal, 2.07 gallons in 1870, 2.86 gallons in 1810 and 2.24 gallons in 1850.

Because of the excessive excise tax on distilled spirits, consumption has lagged behind the general economic expansion. Between 1947 and 1954, gross national product increased 53.1%; disposable income adjusted to the 1947 value of the dollar was up 24.4%; population was up 13.4%; employment increased 5.5%, but distilled spirits consumption increased only 2.3%.

In those seven years, failure of distilled spirits to keep pace with real disposable income has cost the industry a total of 188 million gallons, almost a year's total business lost in the past seven years and, because of an excessive tax rate, an equivalent amount of revenue for government has been lost.

It seems established, that people continue to drink regardless of tax or prohibitory laws. If they can afford it, they buy legal liquor; if not, they are likely to purchase moonshine. Moonshine consumption has, therefore, tripled since 1947 when it was estimated to be 10,500,000 gallons, as against 31 million gallons last year.

Moonshining remains more than ever today the industry's and society's prime problem. For that reason, the industry looks forward to 1956 when the 1.50 a gallon tax levied Nov. 1, 1951, is scheduled to terminate.

Congress may postpone its termination as it did last year, but the industry intends to make a strong bid for a lower tax.

After all, since 1933, there have been seven increases in excise rates totaling 854% from 1.10 a gallon in 1933 to 10.50 a gallon in 1951.

The tax, like Topsy, has "just growed"; but it seems to have outgrown its usefulness as a maximum revenue producer.

LEWIS S. ROSENSTIEL

Chairman and President, Schenley Industries, Inc., New York City

Most significant developments for the distilled spirits industry of the United States in 1956 would be passage of the Eberharter Bill (thus removing the due date of the Federal excise tax until there is a consumer market for the goods) and a reduction of taxes to where the State and Federal Governments collect not in excess of $7 per gallon, compared with $10.50 presently levied by the Federal Government alone.

L. S. Rosenstiel

There is no member of the U. S. trade who does not agree *something* has to be done. So far the opposition to the Eberharter Bill stems from the Distilled Spirits Institute, a so-called trade association dominated and mostly paid for by the Canadian Big Two — Seagram and Hiram Walker—and some companies beholden to them. The Institute does have some members who are not in this category but an analysis of the paying membership would quickly enable one to ascertain whose policies are followed.

I believe Congress should pass the Eberharter Bill introduced last session. United States distillers are forced in a sense to finance the Government, advancing huge sums for excise taxes, for long periods—sometimes years —before reimbursement, while foreign distillers are not.

MARVIN SANDS

Canandaigua Industries Co., Inc., Canandaigua, N. Y.

Prospects for total sales in the wine industry appear brighter than ever before. Increasing consumer appreciation of wine and unprecedented high personal income hold forth the promise of new records in retail spending for wine. However, in spite of predicted sales gains, the highly competitive struggle for market supremacy among some of the larger advertised brands will be a major economic force in restricting profits for many concerns. Furthermore, this contest for brand domination will not be without its casualties among the weaker companies. If the past is any indication, deals and below cost sales will not be uncommon as many companies maneuver for position. This situation continues to be the sorest problem of the wine industry. Assuming an eventual adjustment of this condition, the outlook for all segments of the industry will then look good, indeed.

Marvin Sands

Planning within our own particular company is based upon the premise of a growing wine market. We recently completed an expansion of our facilities in anticipation of this growth. Most of our distributors and bottlers are well entrenched in their respective markets and should share in the overall future increase in wine consumption. In order to further insure a strong position for the future, we have been doing research in consumer wine tastes and preferences. For many years our laboratory has been experimenting with numerous varieties of New York State grapes attempting to formulate a wine which would most appeal to the American palate. After the expenditure of much time and effort we believe our work has borne fruit in a new wine recently developed. This wine is merchandised under the name "Richard's Wild Irish Rose," New York State wine. It owes its distinctive taste and flavor to the particular varieties of grapes employed which heretofore were used principally in champagne production. Present results lead us to believe that sales of "Wild Irish Rose" wine will alone account for a substantial portion of our volume within a few years. Like so many other industries, new products specifically designed to satisfy consumer tastes, hold the key to future growth.

R. J. SCHAEFER

President, F. & M. Schaefer Brewing Co., Brooklyn, N. Y.

Total sales by the brewing industry for 1955 will probably show a fair increase over 1954.

This result is due in some part to the incidence of a protracted period of hot dry weather which prevailed throughout most of the country during the past summer. Weather being a factor in determining the rate of beer consumption, it is difficult to predict with certainty the industry's total sales volume for 1956. However, the current consumption rate and surveys of potential market indicate that total sales in our industry should at least equal and probably will exceed the 1955 figure.

R. J. Schaefer

As for our own company's sales performance during 1955, I am glad to say that Schaefer has achieved the highest volume of business in its history. We confine our operations to the Eastern seaboard: our principal outlet is the metropolitan area of Greater New York City, one of the richest and, by the same token, one of the most highly competitive markets in the world. Just as Schaefer is America's oldest lager beer, so our company is the oldest brewing company operating in New York, where we have been something of a landmark for more than 113 years. The traditional acceptance which our product enjoys in this territory is an important factor in our ability to maintain a sales volume within a bracket which includes brewers operating on a national basis.

Competition in our industry continues to be increasingly keen. This is naturally due in part to the development of an increasingly competitive economy. Consumers of our product have to pay a high rate of excise tax, more appropriately applicable to a luxury than to an article of general consumption widely used by those least able to pay luxury taxes.

At the same time, rising costs are producing narrow profit margins within the industry itself. In addition to increased production costs, changing patterns of public consumption habits have brought about higher costs of packaging, distribution and merchandising.

A product which was once bulk packaged and distributed for the most part for on-premise consumption, must today be packaged, distributed and marketed to a large extent for off-premise retail sale, through a wide variety of point-of-sale channels. The resultant effect of all these elements has been the closing of a lot of breweries over the last several years.

Despite the narrowing profit factor, the outlook for the brewing industry appears to me to be very bright. Surveys made by the United States Brewers Foundation indicate that per capita consumption of our product is highest among persons between 21 and 45 years of age. Within the next few years, a greater number of people annually will reach the age of 21 than during any previous time in our history. The constantly broadening population base will obviously bring an unprecedented sale volume potential to our industry. In addition, the increase in leisure time, growing with each decade, is a substantial factor tending to contribute to increased consumption of our product. Beer and ale have always been associated with relaxation and leisure time enjoyment. As beverages of moderation, they should continue to be consumed in increasing volume as the American public devotes more and more time to relaxation in hobbies, in sports participation and attendance, and in social and community life.

FRANK SCHMIDT

President, Fuhrmann & Schmidt Brewing Co., Shamokin, Pa.

Many breweries are going to continue to fail. Some will be absorbed by competitors for the purpose of putting them out of business; others will form a merger and continue under one name; but, the greatest casualties will be from the breweries which have failed to put into practice in all departments, the modern, high speed production methods used by the most successful breweries.

The Fuhrmann and Schmidt Brewing Company of Shamokin, Pennsylvania, has maintained a constant pace with the trend in the industry. Over the past few years, a million dollar expansion and modernization program was started and completed. With our brewery in the finest physical shape of any brewery in the country, a program was launched to improve our packages. Experts in the field of labeling and packaging designs were called in to analyze our packages and after more than a year of intensive study and research, a new label was created and a completely new design for all packages and cartons came into use, tying in complete identity of the F & S products.

While this change was being made on packages and labeling, a market research was conducted by specialists in the field and as a result of their findings, many changes in our methods of handling and marketing the F & S line have been made.

We, here at Fuhrmann and Schmidt, feel that with our facilities and the hard-punching merchandising and selling job that we are planning to do, that there will be a continuous place for us in this industry.

HENRY O. SONNEMAN

Managing Director, Meier's Wine Cellars, Inc., Silverton (Cincinnati 36), Ohio

The wine industry is about to conclude 22 years of their initial efforts to re-establish itself following the advent of prohibition. During these years it has made tremendous progress in adopting modern methods of production and up-to-the-minute merchandising ideas. As we review these years we realize that the great emphasis has always been on the percentage of alcohol in wines; and the American consumer has been left in a confused state and is not aware of the wonderful taste and beneficial qualities of enjoying wines with meals. To educate the American consumer is—and must be—the goal of the entire industry.

Henry O. Sonneman

We must admit that "Mr. and Mrs. Consumer" are becoming more "wine-conscious" and as they continue to taste and enjoy the various types of wines—especially wines of definite quality from the different geographical locations of the United States, they will develop definite preferences. As leisurely living becomes more and more popular, wines too will find their place. Already, table wines are becoming a great part of every family meal.

Our company feels that we are just beginning to scratch the surface of a very great potential, and that during the years to come our industry will have the leading part in adding to the happiness and enjoyment of American families.

JOHN L. TRIBUNO

President, Vermouth Industries of America, Inc., New York City

The domestic vermouth industry looks for a continuation in 1956 of the steady growth it has enjoyed every year since 1948 and should cross the 4,000,000-gallon mark for the first time in history. While final 1955 sales figures are not yet available, it is indicated that the total reached an all-time high for the seventh successive year and showed a gain of about 8% over 1954, the usual annual gain recently.

John L. Tribuno

This would indicate 1955 sales of American-made sweet and dry vermouths of about 3,800,000 gallons, compared with 3,546,000 in 1954. Applying the 8% annual gain to the 1955 figures would give the 4,000,000-plus total projected above.

Sales of imported vermouths were also higher in 1955, totalling about 2,000,000 gallons, against actual imports of 1,864,000 in 1954. We can look for a similar increase here this year. The growth of the domestic vermouth industry was greatly accelerated by the war which sharply reduced imports from France and Italy. Average domestic production for the five years, 1936-40 was only 265,000 gallons, compared with average imports of 1,265,000. Production here zoomed to an annual average of 2,133,000 gallons in the 1941-46 period, while imports dropped to 580,000 gallons a year. While imports rebounded after the war, they have never again caught up with domestic output.

There are several reasons for the tremendous increase in vermouth sales, both domestic and foreign, in the past 20 years, but it is impossible to pin-point the importance of each factor.

Certainly, the increased popularity of cocktails: the Martini, Vodka Martini and Manhattan have accounted for a large proportion of this increase. It is likely that the first two drinks have contributed more to the growth of the wine because our figures show a definite shift in the type of vermouth sold today as compared with pre-war and early war sales. Formerly sweet vermouth accounted for about 60% of all sales, while dry vermouth took up only 40%. Today these percentages are reversed.

Another factor that has been important in the growth of the vermouth industry has been the increasing popularity of vermouth drunk for its own sake alone. Many people now drink vermouth as an aperitif, straight, on the rocks, or as a mixture of sweet and dry. Vermouth and soda after meals also has its adherents.

A small portion of the increase may be attributed to the growing use of vermouth in cooking and in salad dressings.

All in all, the outlook for the Tribuno Vermouths produced by our firm and for the industry as a whole is most encouraging.

FRANZ W. SICHEL

President, Fromm and Sichel, Inc., New York City Sole Distributors of the Wines and Brandy of The Christian Brothers

The drinking habits of the American consumer, viewed over a span of 20 years, are not stagnant. They change in accordance with the consumer's likes and dislikes. Whereas changes in brands within the same type of alcoholic beverage are frequent and sometimes rapid, changes of type acceptance occur on a scale so slow that the average consumer, not interested in the industry's problems, will hardly notice them.

Franz W. Sichel

When, after Prohibition, wines and liquor were offered again for free sale, the American consumer had to find his way back to what he really liked. The years from 1933 to 1941, the outbreak of the Second World War, were years of reorientation. Whiskey and gin during those years continued to hold first and second place as they still do today. During the war years, liquors became available in short supply. Due to an increasing shortage of whiskey, other types of liquor were consumed in the United States to an extent which, without benefit of the war, would not have been accepted. Brandy was among them.

Only the postwar years gave us an indication whether the acceptance of brandy would continue. After the war, brandy consumption first fell back but started to pick up, and has during the last eight years progressed strongly and continuously, much stronger than, for instance, whiskey. Brandy consumption today is 2½ times what it used to be in 1948 and further consumption gains can be expected. Within the brandy field, we have seen an increase of both the American and imported brandies. If I can make the statement that the brandy of The Christian Brothers, which is sold through my firm, outsells the total of all French brandies imported to the U. S., then we must recognize that this is due primarily to the fact that the American type brandy has the consumer's acceptance, and not because imported brandies are bad. Some imported brandies are good, some indifferent, some do not meet the requirements of the American market. The American brandy is made to the

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Outlook for Liquor, Wine Beer and Related Industries

taste of the consumer and is today widely preferred over the imports.

Another development in the brandy field lies in the change of its seasonal use: Whereas it used to be a "cold-weather" drink, brandy today has wide acceptance throughout the year and with disregard for season or weather.

In the field of wines, too, we have seen similar developments of change over the years. Both domestic and imported wines have been growing very much, but the total of imported wines amounts to about only 5% of total wine consumption in the United States, as against more than 10% before Prohibition. Imported table wines have gained considerably more than the imported dessert wines, which have not been able to regain their strong prewar position. This is not due to price, because some imported dessert wines are offered at prices comparable to the American product, but simply due to the fact that Americans like the American wine types better. The upgrading of quality of the American product and the better understanding of the American wine industry of the consumer's likes is responsible for this development. Another noticeable change in the wine field is the growing acceptance of sweeter-tasting types of wines by the American public. The great increase of the consumption of Sweet Vermouth and other types of sweet-tasting wines is a clear proof of this statement.

These changes in the wine and brandy field are slow. They cannot occur with a sudden and spectacular increase like higher automobile sales, which can be quickly produced according to the market requirements. Wines and brandy of premium quality, being aged for many years, can only slowly follow the taste trends. But these trends are obvious and dictated by the consumer. The consumer will not be dictated to. We have seen this fact in other fields: When, last year, Paris dictated ladies' fashions which were not acceptable to the taste of the American women, the Americans simply did not accept the dictates of the powerful Parisian fashion center. The American market is large enough and mature enough to create its own "fashions," and this is true also of alcoholic beverages.

The future consumption trends are becoming visible on the horizon. In the total liquor consumption, of which whiskey is the main representative, we are nearing the saturation point. The wine and brandy field, however, is nowhere near its saturation level; their potential is almost limitless and cannot be foreseen. A further increase of wines and brandy in the years to come can be safely predicted. To which extent this increase will materialize, depends on the quality of these products in which the American industry has made such tremendous steps forward, and upon the future level of our economy.

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What Lies Ahead in Wall Street?

petition, whether fair or unfair. Let's use our brains and ingenuity to devise ways to beat it.

Another problem which affects us from time to time is the question of the relationship between corporate ownership and management. How far should we go in advising our customers on how to vote in proxy fights? What is the extent of our responsibility for the continuance of good management in those companies whose securities we have sold to the public? The whole question of what voice the stockholder has and should have in controlling the destiny of our modern big corporations is an unanswered one. It will take a lot of creative thought on your part to get the solution to all these problems.

Another problem which merits your attention is the question of the effect of rising costs on our net profits. As you well know, competitive bidding and competition from direct private placements have cut down underwriting spreads. Competition from non-member firms making markets in listed securities places an effective ceiling on Stock Exchange commissions. So you can't offset rising costs by raising the price you get for your services as some industries do.

Too many people in our business lose sight of the importance of keeping an eye on net profits. Partly this is because we are so backward in our cost accounting that it is only by intuition that we can tell what it is profitable to do and what it is not. If you can develop a good system of expense analysis, you can control costs. This may be by eliminating waste or by dropping altogether activities no longer profitable.

Securities Business Needs a Mass Market

Now let's stop talking about problems and look at some of the opportunities for making more money by giving our customers new and better kinds of service. Henry Ford once said that if you give people better service, you will make more money than you will know what to do with. He proved his statement. With all his peculiarities, he was one of the great business statesmen I mentioned before. He gave birth to two ideas which were revolutionary at the time. The first, which everyone has talked about, was mass production. The second, which has not been so generally recognized, was mass consumption. The five-dollar-a-day wage he announced to his hourly workers in 1914 made it possible for him to sell the output of his mass production. The two have gone hand in hand ever since and have made it possible for the United States, with 6% of the world's population, to produce 50% of the world's manufactured goods.

As Henry Ford was faced in 1914 with developing a mass market for his automobiles, we are faced today with the necessity of developing a mass market for securities. Of course, a lot has been done already, most of it indirectly through institutions like life insurance companies, savings banks, and pension funds. But it is not enough. Keith Funston, President of the New York Stock Exchange, has estimated that by 1965 $375 billion will be needed by U. S. corporations alone for the plants, products, tools, and jobs required to reach the economic levels projected for that year. $160 billion of this will have to be raised externally by the sale of securities. "Even if we perpetuate the unsound three-to-one debt equity ratio of the post-World War II period, new equity securities worth $40 billion will be required. This is more than twice the amount raised between 1946 and 1954." If we are able to improve our debt equity ratio to one to one, we will have to sell $80 billion in new equity securities between now and 1965. This is an average of about $7.3 billion a year.

How are we going to do this? It is a tremendous job of mass education. Henry Ford had to create the desire in people to buy his product and then figure out a way for them to get the money. Our people, I think, have, or will have, the money. It is up to us to educate them to the desirability of investing in equity securities. It is a task which will take a great deal of effort, imagination, and ingenuity on the part of all of us in the securities business. The economic literacy of the country must be improved through teaching in the schools and universities, and through advertising and publicity. Although the task may seem gigantic, we have already made a good start toward the goal of making everyone a capitalist.

Your own efforts in talking to all sorts of groups about our business have been most effective in "spreading the word."

As some of you may know, we formed a Joint Committee on Education in 1947. It is supported by the New York Stock Exchange, American Stock Exchange, the Investment Bankers Association, the Association of Stock Exchange Firms, the National Association of Securities Dealers, and the National Association of Investment Companies. At that time we felt that the most effective way to attack the question of educating people about our business was through the teachers of economics and finance at the universities. Over the years, we have had 64 of them here for three-week visits on fellowships. Dr. Sheppard arranges their schedules and opens the doors for them so that they can pursue their search for information in their own way. We now have a professor from Yale who wants to visit us for a year of research on various aspects of our business. Last summer our three-week Forum on Finance was attended by 28 people, mostly instructors or associate professors. This Forum differs from the Fellowship Program in that it is a series of lectures and visits taken by all together.

There are various efforts being made by the Stock Exchange and by individual firms to educate through advertising. Your own Association's visits to colleges to explain the opportunities in our business are a big help. They not only reach those who come with us, but many more who don't, will have learned something about what we do there.

If all these efforts are to have lasting success, however, we must do several things to insure that the product we sell lives up to the claims we make for it. There would be no point in everyone's becoming capitalists if, by so doing, they lost their shirts. The product we have to sell is good advice. It is not enough to give the investor all the facts. Even if he is a professional, too many facts may confuse him. What he needs most is sound judgment from well-trained and experienced securities men.

Problem of Recruiting Personnel

If we are to succeed, we must have many more and much better trained people in our business than we have had heretofore. Every firm in our business should concentrate on developing a sound recruiting, selection and training program. A few firms have done so, and for sound business reasons, too. They are the ones who will be the leaders in the business in the years ahead. But too many have not. In a way, I am very pleased, but in another way, disturbed, to note that about 25% of the 100 members of your Association attending these lectures are employed by my firm. If we are to do our job, you should be thousands, not hundreds.

How does a firm go about starting such a program? I won't bore you with details. It is something each of you must work out for himself. There is plenty of help available once you have made up your mind to get started.

We are, I believe, in the transition period to a new concept of life. You might say we are entering the "Age of the Human Being." Man has spent millions of years learning to conquer his environment. His success in doing this has accelerated since the discovery of the means to turn fire into mechanical energy. We have extended our physical power to undreamed of limits with the discovery of nuclear fission, fusion, and the development of the concept of automation. All of these discoveries of the possibilities of using our physical surroundings are forcing on us the necessity of learning to get along with one another individually and collectively. As we become free of the struggle for survival, we have more time for the spiritual and intellectual side of life. The question is what we will do with that time.

Applying the human approach to our own business, we have the opportunity, if we want to take it, of using all the new personnel techniques which have been developed to have associated with us better suited, better trained, and better directed people. This is bound to result in a higher degree of professional service to our customers than was ever thought of before. It must be accomplished, however, by an attitude of mind on the part of all of us that we are trying to be really helpful to our clients rather than just to make money out of them.

One of the greatest areas for improvement in our business is what we call the "sales end." Salesmen need not only to be trained securities men, but they also need to be taught how to sell. The old days of "Send him out to ring doorbells" are as obsolete as the horse and buggy. Nowadays to be successful in our business, you have to know how to read rapidly and to retain what you read. You know what a mass of information is thrown at you every day. You have to write and speak clearly and convincingly if you expect your ideas to be followed by your customers. You have to understand how people behave and you must develop the art of persuasion. It helps to be a good speaker so that you will be able to impress groups of people with your ability and knowledge. Lastly, you must, by your conduct and appearance, convince people that you are the kind of person they want to entrust with their business.

So much for the individual salesman. To be most effective, he must be supported by a competent team. This means top-flight research and buying departments, as well as sales management. There is a lot we can learn from other industries about sales management and sales promotion. Our aim should be to make our salesmen twice as productive in half the time.

A great opportunity is open to those of us engaged in investment banking to improve our relations with our corporate and government clients. Let us examine the ways we can be more useful to them. How can we make them better known to the investment public so that their securities will command a ready market at time of issue? What can we do to keep their financial officers abreast of new trends in the kinds of securities being issued? It might be worth while to exchange personnel with them for periods of training. How closely do we follow their fortunes so as to be available with sound financial advice whether it may result in business for us or not? These are the kinds of services we shall have to provide if we are to survive the competition with our friends in the banks and life insurance companies. Again, we will need more professionally trained people to do it.

Improved Techniques in Underwriting

We need to improve our techniques for going after new underwriting business. This is essentially a sales effort. Like any sales effort, it must be carefully planned, organized, and executed to be successful. It is particularly difficult because the field to be covered is so large. It is like wild-catting for oil. It is expensive and the percentage of dry holes is high.

The whole question of financing small business and providing capital for new ventures has been discussed widely in the last few years. There is a great deal of confused thinking about the role of the investment banker in these fields. Let's continue to examine them and see how we can make a contribution. To save your time, I refer you to a talk given by my brother at the Institute of Investment Banking last spring. I have copies here if you want to read it.

With the end of World War II, the United States replaced Great Britain as the leading banker nation of the world. How well equipped are we to play that role? Our record in this field in the years between the wars was no great tribute to our ability but may have given us some experience in what not to do. Here again trained manpower and a new approach are needed. All too often the solution to problems involving the development of other countries is "Let them have another $100 million." As a result of careless expenditures on uneconomic projects, many millions have been wasted. Many times the need is not for capital, but for know-how—technical, managerial, and financial. Would it not be better to work with people in other countries on a partnership basis, each supplying what he is best equipped to contribute? Here, too, there must be an attitude of "How can I help?" rather than "What can I get out of you?" People are tired of being exploited and are getting smarter, too.

Now, back to the title assigned —what lies ahead. Will it be the kind of world you want it to be? Yes, if you make it so—but only you can do that. What you do will make the Wall Street of the future because you are the Wall Street of tomorow. I wish I could be here to see how well you will do. Wall Street should be bigger and better just because you are doing more thinking and working than was ever done a generation ago. If that were not so, you wouldn't be here today.

I realize that I have covered a lot of territory in a rather superficial way. But we could talk for hours on any one of these subjects. I hope I have given you some thoughts that may be useful to you in developing the future of our business. I hope that what you do with your opportunities will make our business as useful, interesting, and exciting as I think it will be.

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FNMA'S Role in Mortgage Market

and in areas where mortgage funds are scarce or non-existent.

Secondary Market Operations Procedure

Who May Sell Mortgages to FNMA: Acceptable mortgages will be purchased by FNMA from lenders and investors, including banks, savings and loan associations, mortgage companies, and other organizations that have qualified as eligible sellers and have entered into a selling agreement with FNMA. Builders, Realtor organizations, and other segments of the housing industry that have not qualified as eligible sellers may nevertheless utilize the facility indirectly by working through FNMA-approved seller organizations.

Eligible Mortgages. FNMA's Secondary Market Operations are by law, confined, insofar as practicable, to mortgages which are of such quality, type, and class as to meet generally the purchase standards imposed by private institutional mortgage investors. FNMA's purchases are limited to mortgages which are readily salable with the anticipation that they will be sold to permanent investors at the earliest time possible. By continually turning over the portfolio of its Secondary Market Operations, FNMA creates a revolving fund for maximum benefits to the Association and to the stockholders. In keeping with this principle, FNMA purchases those mortgages that meet generally the standards imposed by the average private institutional mortgage investor. For example, mortgages covering very old houses, mortgages relating to houses that are poorly located, or to homes with inadequate living space or presenting credit problems, do not qualify for sale to FNMA. Within these limitations, the mortgages which are currently eligible for purchase include VA section 501, and FHA sections 203 (b), 203 (i) (including the old title I section 8), 207, 213 (individual and project management-type mortgages), and 222.

Special Acceptability Requirements

The Association's principal acceptability requirements provide that mortgages to be eligible for sale to FNMA must:

(1) Cover residential property and must have been insured by FHA or guaranteed by VA on or after Aug. 2, 1954.

(2) Not exceed or have exceeded $15,000 in original principal amount for each family residence or dwelling unit covered thereby.

(3) Have an unexpired term of not less than 10 years and an unpaid principal balance of not less than $5,000, except that if the mortgage provides for a service fee of one-half of one per cent to be paid by the mortgagor, the unpaid principal balance may be not less than $4,000.

(4) Be owned by seller on the day it is initially offered to FNMA for purchase and must then have been insured or guaranteed by FHA or VA. FNMA's Secondary Market Operations are restricted to already existing mortgages — no commitments are issued to purchase mortgages.

(5) Have been reduced by an amount equal to the closing costs and prepaid items unless the mortgagor either paid such charges incurred in closing the mortgage or financing the purchase of the property or made a cash down payment in an equivalent amount.

(6) Be marketable.

Purchasing Procedure

The purchasing procedure established by FNMA in its Secondary Market Operations is generally similar to that employed by institutional mortgage investors in the general secondary market. Negotiations leading to the purchase of a mortgage by FNMA are carried out in its Agency offices. Generally, FNMA relies upon the certifications and representations made by the seller in the specific contract entered into for the purchase of a mortgage. In order to permit examination of the mortgage instruments, determination of mortgage eligibility, inspection of the property (if necessary), etc., the following procedures are usually observed:

(1) Sellers offer eligible mortgages to FNMA at the current purchase price on a purchase contract, accompanied by a description of the mortgage, description of the property (including photographs), credit report, and payment record of the mortgagor.

(2) FNMA analyzes the offer and other information and, when necessary, inspects the property.

(3) After considering all pertinent factors, FNMA accepts the offer as tendered or as amended, or declines to purchase the mortgage.

(4) If the offer is accepted, the seller is allowed a period of 45 days in which to consummate the transaction by obtaining current title evidence and effecting delivery of the mortgage to FNMA.

Purchase Prices. The prices that FNMA will pay for mortgages purchased under its Secondary Market Operations are established at the market price for the particular class of mortgages involved, as determined by the Association. The prices vary in accordance with the remaining term of the mortgage, its interest rate, the location of the mortgaged property, and the mortgagor's equity therein.

Fees and Charges. Certain fees and charges are imposed in connection with the Secondary Market Operations with the objective that they will reasonably prevent excessive use of FNMA's facilities, and assure that the operations will be financially self-supporting. Accordingly, in connection with the purchase of a readily marketable mortgage, FNMA charges a Purchase and Marketing fee of one-half of one per cent of the unpaid principal balance. A fee of one per cent is charged in connection with the purchase of a mortgage of lesser marketability.

Detailed information concerning all of the new Secondary Market Operations and Special Assistance Functions, including illustrations of the contracts and forms used, is available in a Sellers Guide which you may obtain from the FNMA Agency office in your area.

Conclusion

Under its Secondary Market Operations FNMA should be in the market at all times to buy mortgages where and when mortgage funds are scarce and to sell when and where investments are needed. It is self-evident, I believe, that FNMA is particularly useful in a mortgage market such as is now being experienced. Almost eight hundred banks, mortgage companies and others have signified their intention to participate in the Secondary Market Operations by executing selling or servicing agreements with the Association. Since the inception of the new Secondary Market Operations on November 1, 1954, the steadily increasing interest and participation by mortgage lenders, builders, Realtors, and other organizations making up the housing industry, appear to be clear indications that FNMA is accomplishing the purposes for which it was established. Currently, about $5 million in mortgages are being offered to FNMA each week. Mortgage purchases, which in November and December, 1954, amounted to only one mortgage each, have steadily increased to 877 in September, 1955.

That FNMA's new Secondary Market Operations will continue to grow and thus provide an organization which the housing industry for so many years hoped could be developed seems to be assured. I recommend that you become acquainted with FNMA and the ways it may be useful to you.

Public Utility Securities

By OWEN ELY

DUKE POWER COMPANY

Duke Power Company is one of the most important southern utilities (it is second largest in the Southeast area) but because nearly two-thirds of the stock is held by the Duke Endowment Trust and the Doris Duke Trust, there has been less market interest in the stock than in many utility issues. The company has followed a very conservative policy, maintaining a high equity ratio (although this declined from 75% in 1948 to 53% in 1954), keeping kwh. rates at low levels, and paying moderate dividends. The annual report to stockholders is modest and unadorned.

Two recent events have perhaps stirred some interest in the stock, which is listed on the American Stock Exchange. Vice-President C. S. Reed delivered a rather unique address before the New York Society of Security Analysts on Nov. 16, and more recently stockholders approved a two-for-one split in the stock, which, however, awaits approval by Federal and State authorities. Mr. Reed's talk contained a good deal of original poetry and humor, to relieve the voluminous statistical data which he presented.

Duke Power supplies electricity in five-sixths of the Piedmont section of the Carolinas, including Charlotte, Greensboro and Winston-Salem in North Carolina and Greenville, Spartanburg and Anderson in South Carolina; the population served exceeds 3,000,000. It also provides transportation and water service in various communities. Electricity accounts for 95.3% of revenues, transportation 4.4%, and water the remainder. Residential sales provide 37% of electric revenue, commercial 14%, textile 29% and other industrial 11%. Residential kwh. rates are extremely low at 2.12 cents per kwh., and the annual usage of 3,765 is nearly 50% above the national average.

Some 50 years ago the company was entirely hydro-electric. At the 1954 year-end, generating capacity totaled 2,194,473 kw., of which only 501,402 kw. was hydro. A 150,000 kw. unit is scheduled for installation in the fall of 1955, to be followed by the 350,000 kw. proposed Allen Plant in 1957. In the 12 months ended Sept. 30 only about 12% of total output was generated by the hydro plants as compared with 35% in 1949. This decline was due not only to the construction of steam generating units (1,036,000 kw. has been installed since November, 1949), but also to a decline in hydro output to a little over half the level of 1949.

The company's growth has been well above average, with an increase of about 160% in revenues in the postwar period. It now has 1.1% of all electric customers in the country vs. 0.6% in 1934.

Because of the heavy concentration of textile business (which absorbs 46% of kwh. output and contributes nearly 30% of revenues) the company might be considered more vulnerable to the industrial cycle than other utilities. In the 1932 depression revenues dropped 16% and net income 66%. However, the textile business is now relatively less important than in the 1930's. It has become very well diversified, including spinning and weaving mills, hosiery mills, knitting mills and finishing plants. Textiles once meant cotton spindles and yarn, but now the industry includes practically all the synthetics as well as silk, wool, glass and asbestos. Most textile plants today operate at loads of 75-85%. The textile slumps of 1949 and 1954 had comparatively little effect on the growth of Duke Power's revenues and no discernible effect on share earnings.

Of course, there are other industries in the area—for example, it produces more furniture than the entire State of Michigan. "In the North" Mr. Reed remarked in his talk to the Analysts, "there are a lot of people who never heard of the Piedmont, yet the chances are good that each of them is directly in touch with one or more of its products. If not through the shirt on his back or the socks on his feet, how about the cigarette he is smoking or the chair on which he sits. Or we might mention the Talon zipper, well known to all, the tape for which is processed here."

The Piedmont area in the Carolinas is also one of the most prosperous segments of the South. As compared with a number of other areas it has a relatively high per capita income, $1,320. The area had virtually no population losses during the period 1940-50 although most areas in the South suffered from worker migration to northern cities. Growth of the area is partly due to the fact that the Carolinas have the highest birth rates in the country.

Duke's share earnings in 1945 were $1.68, but in 1946 with the lifting of excess profits taxes profits jumped to $2.72. These earnings were not exceeded until 1949 when $2.79 was reported. They again declined (to as low as $1.90 in 1951) but in the past four years have advanced sharply, reaching $3.42 in the 12 months ended Sept. 30, 1955.

Much of this gain was probably due to the use of large modern steam generating units. In 1954 only 10,648 Btu. were required to produce one net kwh., a very efficient use of fuel as compared with the U. S. average of about 12,200. This efficiency explains the company's ability to maintain very low residential and industrial rates despite the fact that it can no longer be considered a hydro property. It uses coal as fuel, with a small amount of natural gas.

The stock has been selling recently around 55½ on the American Stock Exchange, paying about $2.20 (assuming a 40c year-end extra as in 1954) to yield nearly 4%. Based on the recent earnings of $3.42 the price-earnings ratio is about 16.2.

Dewar & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Erwin M. Ernst has become associated with Dewar & Company, First National Building. He was formerly with R. E. Evans & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Forrest W. Baldwin is now with King Merritt & Co., Inc.

Western Maryland Ry. Offering Underwritten

Western Maryland Ry. Co. is issuing to holders of its first 7% cumulative preferred stock, second 4% non-cumulative preferred stock and common stock of record on Nov. 22, 1955 rights to subscribe at $41 per share for 128,597 shares of additional common stock at the rate of one share for each six shares, regardless of class, held on the record date. The subscription offer will expire at 3:30 P.M. (EST) on Dec. 7, 1955. The Baltimore & Ohio RR. Co. will subscribe for 55,696 shares of the additional stock to which it is entitled as owner of 334,177 shares of Western Maryland's outstanding stock. The offering of the remaining 72,901 shares is being underwritten by an investment group headed jointly by Morgan Stanley & Co. and Alex. Brown & Sons.

The offering marks the first underwritten common stock financing undertaken by a Class One railroad in many years.

Proceeds from the sale of the additional stock with other funds of the company will be applied to the payment of all dividend arrears on the first 7% cumulative preferred stock, amounting to $19,250,070.

Giving effect to the sale of the additional shares Western Maryland will have 661,465 shares of common stock outstanding. There are outstanding 177,419 shares of 7% preferred and 61,290 shares of 4% second preferred, each having a par value of $100. The carrier has a funded debt of $69,437,768.

Western Maryland, an important originator of bituminous coal traffic from mines in Maryland, West Virginia and Pennsylvania, provides, through its connections with other roads, the shortest route to the eastern seaboard from Pittsburgh and many large industrial centers in the midwest. It is also a short route to Philadelphia, New York and New England through its connections with the Reading Company. The company's main line extends west-ward from Baltimore through Hagerstown to Cumberland, Maryland.

For the nine months ended Sept. 30, 1955 Western Maryland reported total railway operating revenues of $34,474,316 and net income of $5,587,823.

Other members of the underwriting group are: The First Boston Corp.; Harriman Ripley & Co.; Inc.; Dick & Merle-Smith; Francis I. du Pont & Co.; W. E. Hutton & Co.; Carl M. Loeb, Rhoades & Co.; R. W. Pressprich & Co.; Baker, Watts & Co.; John C. Legg & Co.; Stein Bros. & Boyce; Robert Garrett & Sons; La Grange & Co.; and Mead, Miller & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

The New York Trust Company

The present New York Trust Company is the outgrowth of the consolidation of four banks. None of the mergers during its history was made to attain mere size; each component institution served to bring to New York Trust its specialized branches of the banking business and resulted in a well integrated bank.

The company started business in 1889 as New York Security & Trust Company, and in 1905 Continental Trust Company, chartered in 1890, was merged with it. In 1905 the title was changed to the present one. A merger with Liberty National Bank was effected in 1921. Liberty National, primarily a commercial institution, had in 1919 acquired Scandinavian Trust Company, which brought an excellently equipped foreign department to the ultimate consolidation. The original New York Trust Company had built up a substantial corporate and personal trust business. Finally, in 1949, Fulton Trust Company, dating from 1890, was absorbed, and its shareholders paid off at $250 a share. This bank had specialized in personal trust activities.

Starting in 1889 with deposits of approximately $2,300,000, New York Trust has seen this item grow to over $700,000,000. The bank has been fortunate in having, over its history, a group of highly influential members on its Trustees' board. It derives a substantial proportion of its income from "wholesaling" its credit, but every effort is made to cultivate smaller accounts. This has had the effect of keeping down overhead and enabling the bank to operate on a relatively small staff. It is regarded as one of the most compact of New York's large banks. There are five well located branches.

Statement of Condition — September 30, 1955

Assets		Liabilities		
Cash and Due from Banks	$187,099,000	Capital	$30,000,000	
U. S. Gov't Obligations	190,525,000	Surplus	40,000,000	
Stock of Fed. Res. Bank	2,100,000	Undiv. Profits	8,086,000	
Other Bonds and Securities	27,123,000			$78,086,000
Loans and Discounts	364,526,000	General Reserve		1,156,000
Customers' Liab. on Accept.	5,792,000	Dividend Payable		900,000
Int. Rec. and Other Assets	4,026,000	Acceptances		6,462,000
		Accrued Taxes & Other Liab.		7,534,000
		Deposits		687,053,000
	$781,192,000			$781,192,000

A breakdown of these assets into principal categories follows:

Cash	24.0%
U. S. Government Obligations	24.4
Other Securities	3.7
Loans and Discounts	46.7
Miscellaneous Assets	1.2

At recent year-end dates the government bond portfolio was distributed in the following maturity categories

	Maturities		
	Up to 5 Years	5 to 10 Years	Over 10 Years
1950	92%	8%a	----
1951	100	--	----
1952	99	1b	----
1953	91	9c	----
1954	73	27d	----

a Due within six years.
b Due in seven years.
c Due in six to eight years.
d Due in six to nine years.

The bank's sources of gross income were as follows in the same years:

	Loan Interest	Int. and Divs. On Securities	Fees, Commissions and Miscellaneous
1950	47%	31%	22%
1951	53	25	22
1952	58	22	20
1953	61	20	19
1954	55	25	20

The following tabulation gives the average rate of return on New York Trust's loans and discounts and on its governments:

	Average Rate of Return	
	On Loans	On Governments
1950	2.44%	1.42%
1951	2.69	1.54
1952	3.00	1.69
1953	3.19	1.90
1954	3.16	1.90

Although New York Trust's predominant source of income has been from loans, in the above period income from loans increased 17%, while that on governments dropped 19%. The increases in the return on loans and on governments were, respectively, 30% and 34%, in approximate figures.

Ten-Year Statistical Record — Per Share *

	Book Value	Operating Earnings	Invested Assets	Dividend	Price Range High	Price Range Low
1945	$49.92	$3.97	$591	$1.88	57⅛	49⅝
1946	52.38	3.70	454	2.00	58	45⅝
1947	53.67	3.27	459	2.00	51	40⅛
1948	54.92	3.25	400	2.00	45	40
1949	55.60	3.27	428	2.00	45¼	39½
1950	56.94	3.59	475	2.25	48¼	42½
1951	58.48	4.04	469	2.50	56¾	45¾
1952	60.21	4.35	490	2.50	59¼	51½
1953	61.96	4.50	474	2.75	58¼	50¼
1954	63.76	4.68	515	2.75	69¼	54

*Adjusted for 2-for-1 split in early 1955.

The gain to the stockholder in this period (consisting of the increase in his equity plus cash dividends) was $42.04, or at an annual rate of $4.20. This was 86% of the mean between the high and the low price at the start of the period.

At the present price of about 73¾, the present $3.00 gives a yield of about 4.07%. The stock is selling at approximately 15.8 times 1954 earnings (adjusted for the split-up). In that year 7.3% was earned on year-end book value, with no effect given to securities profits. The dividend pay-out was a moderate 64% of operating earnings.

The stock is held in good size blocks among many institutional investors, such as insurance companies and educational organizations.

Continued from page 15

A Progress Report on Canada

$2.5 billion, and this huge sum has been expended not only for exploration and development, but also for increasing refinery capacity and for transportation and marketing facilities. Canada today has a pipe line system extending from coast to coast.

Canadian Iron Ore

Another natural resource of great importance, probably as important as oil, is iron ore. Prior to World War II, Canada had been almost entirely dependent upon foreign imports for its iron ore requirements. However, two exceedingly important discoveries—one just prior to World War II at Steep Rock Lake in Western Ontario and the other on the Quebec-Labrador boundary at Knob Lake some 350 miles north of the St. Lawrence River, have provided Canada with sufficient iron ore reserves, not only for her own requirements, but also as a major exporter. Since 1939, iron ore production has increased from 123,000 tons per year to an estimated 8,000,000 tons. This represents an increase of 373% compared with a 37% growth in steel production which, in the same period, 1939-1955, has increased from 1,532,000 tons to over 3,200,000 tons. Mining operations at Steep Rock began late in 1944, and since that time, production has exceeded 13,000,000 tons of high grade direct shipping ore. Production in 1955 will exceed 2,000,000 tons, with annual production expected to attain 5,500,000 million tons by 1959. The Iron Ore Company of Canada, owned by five U. S. steel companies and Hollinger Gold Mines and its subsidiaries, which has developed the rich iron ore deposits in Labrador and Quebec, produced some 2,000,000 tons in 1954, its first year of operation, and production in a short time is expected to reach 10,000,000 tons annually, and probably considerably higher when the St. Lawrence Seaway is completed in 1959. Canadian iron ore mines will eventually produce between 20,-000,000 tons and 30,000,000 tons of high grade ore, with most of this production exported to steel companies in the U. S. A. The importance of the growth of domestic oil and iron industries in the balance of international payments cannot be over-emphasized.

Dealing with the base metal industry, Canada had substantial production prior to 1939, but development was accentuated during the war and since then, many new discoveries have been made. For example, production of aluminum has increased 131% during the last 10 years, asbestos 65%, copper and nickel 65%, zinc 58%, lead 24%, and gold 54%.

Although Canada does not produce aluminum or bauxite, the smelting and refining of aluminum is one of the country's most important metallurgical industries. Aluminium Limited, through its subsidiary, Aluminum Company of Canada, is fast becoming the largest and lowest-cost company producing this metal in the world because of low-cost hydro-electric power. Its present capacity of 554,000 tons annually will reach almost 900,000 tons by 1959.

The almost insatiable demand for nickel has lead to an intensive search for that strategic metal. International Nickel Company, the largest producer in the world has spent over $150 million extending its underground ore bodies in the Sudbury area. In the same vicinity, Falconbridge Nickel is now developing other important ore bodies and is expanding its operations very considerably.

Sherritt Gordon has developed a new nickel-copper mine at Lynn Lake, Manitoba, and is operating a new refinery at Fort Saskatchewan, Alberta. More than $50 million has been expended on this development which is going to be an outstanding operation, utilizing natural gas and an ammonia leaching process for the refining of nickel. Many new copper mines have been opened up in Canada since 1946. Probably the most important is the development by a subsidiary of Noranda in the Gaspe Peninsula which is just beginning production and will have a capacity of 6,500 tons a day and should provide an increase of 8% to Canada's copper output. Total cost of the Gaspe copper development is approximately $40 million.

The expansion of mining and refining at Consolidated Mining and Smelting's property at Trail, B. C., makes it the largest lead zinc operation in the world. Other important discoveries of rich ores containing various base metals have been made in the Manitouwadge area of Northern Ontario, in the Bathurst area of New Brunswick, and in the Yukon and Northwest Territories.

Paper & Pulp Industry in Canada

Moving to the pulp and paper industry, it may be interesting to know that more new capital has been invested in this category than in any other branch of manufacturing in Canada. For several years, the newsprint industry has operated at full capacity and demand is constantly increasing, despite new production developing, not only in Canada, but also in the United States. Canada still exports a very substantial part of its newsprint products—about 80%. Companies producing other types of paper are finding their market almost exclusively a domestic one because of the increasing demand for paper board containers and wrapping paper. Modern methods of conservation have placed the wood supply in Canada on a self-perpetuating basis. In the last 15 years, production of newsprint has increased from nearly 3,000,-000 tons per annum to over 6,000,000 tons in 1955.

There has recently been some criticism of newsprint price increases by Canadian and U. S. companies. It should, however, be remembered that although net profits are increasing, new companies have expanded greatly, and have invested large sums in worthy plant expansion and are entitled to a satisfactory return on their investments. As in other industries, labor and raw material costs continue to increase.

Since the end of the war, Canada has practically rebuilt her steel industry at a cost of some $800 million. Practically all types of steel, including pipe for the oil and gas industry, is now produced by domestic mills. The principal steel centres are at Hamilton, Ontario, where the Steel Company of Canada and Dominion Foundries and Steel are located. At Sydney, Nova Scotia, the Dominion Steel and Coal Company, and at Sault Ste. Marie where Algoma Steel conducts its operations. In addition, several foreign steel companies are contemplating mills in Canada and Atlas Steels producing alloy and stainless rounds out a fully integrated and profitable diversified output of steel products so necessary for the development of industrial Canada. The chemical industry has shown considerable expansion since the war, with expenditures running in excess of $600 million. This development has chiefly involved the utilization of low-cost hydro-electric power, petroleum and natural gas, and includes such companies as Dupont of Canada, Canadian Industries Limited, Dow of Canada, Shawinigan Water and Power and subsidiaries, and Canadian Chemical and Cellulose. Practically all the major oil refiners have become partners with these and others in developing a domestic petro-chemical industry.

General Motors, Ford and Chrysler are all manufacturers of cars and trucks in Canada. The output in 1955, as in the United States, is runing well ahead of 1954. Ford of Canada is the only Company with securities held by the public.

In the public utility field since 1946, about $8½ billion has been expended on new capital investment of all kinds. Of this amount, 52% was spent by private enterprise, and the balance by Federal, provincial and local governments. The development of new hydro-electric projects accounts for the large expenditure. Engineering reports on proposed new hydro-electric projects—one in Northern Labrador at Grand Falls, and the other in the Yukon—are in the course of preparation, and eventually may become the source of energy for new metallurgical industries.

The rapidly-increasing population of Canada and a higher living standard draw attention to those industries dependent upon a mass consumer market for profitable operation. We immediately think of food; Dominion Stores and Loblaws have done extremely well in developing supermarkets generally following the shopping center pattern now common in the

U. S. George Weston which controls Loblaws, has other wide interests in the food industry, both in Canada and abroad.

Specialized food companies worthy of mention are Canadian Canners, Canada & Dominion Sugar, and Canada Packers.

More people and more wealth naturally have enhanced the earnings of all the Canadian chartered banks; also trust companies, which in Canada, are divorced from the commercial banks.

The rate of growth of these financial institutions has been constant and in step with Canada's growth.

Canadians, like Americans, are demanding more of the better things of life, and consequently, a thriving finance company business is developing. Industrial Acceptance and Traders Finance have developed in a most impressive manner since the war. The use of credit for consumer goods in Canada is much more sparingly employed than in the U. S., and we expect the growth potential here has not been exhausted.

Telephone companies, public utilities, department stores and appliance manufacturers are bound to benefit from a larger and wealthier population.

In the brief period since the end of World War II, Canada has emerged in an economic sense, as one of the leaders among nations. The trend in population, utilization of natural resources, manufacturing, foreign trade, has continued in an upward direction for ten years, almost without interruption. Since the free world requires many of the materials which Canada produces and manufactures, it is reasonable to anticipate the growth will continue for many years.

Royal Commission on Canada's Economic Prospects

It is especially significant at this stage of our national development that a Royal Commission has been appointed to start a coast-to-coast assessment of Canada's economic prospects over the long-term. The Commission has been given wide powers to dig into every aspect of the economy with particular emphasis on the northern regions. Not only will the Commission seek to determine what Canada has in the way of energy sources and raw materials, including forest products and minerals, but also what the future demands, both domestic and foreign, are likely to be. It will also try to determine to what extent the Canadian economy will be tied to and integrated with the economy of the United States and how far the Canadian prosperity depends upon the level of prosperity in this country.

Until the Gordon Commission report is presented late next year, forecasts for the future will range all the way from outright enthusiasm to sober confidence, but I suggest one of the best summaries of Canada's future was contained in a speech by Mr. James Coyne, Governor of the Bank of Canada, at a meeting held in Montreal last May. Some of the conclusions of this speech are summarized as follows: (1) Even with an annual rate of increase somewhat lower than that of the last 10 years, it is not difficult to foresee a rise in population of 50% over the next 20 years. (2) A straight projection of future increases in productivity per man employed, at the rate of 2% per annum, would produce a gross national product by 1975 at 1955 prices of $55 billion, or more than double the amount indicated for 1955. (3) In any case, it is reasonable to expect that exports, though continuing to be a major influence in our economy, will decline in importance relative to the whole G. N. P. (4) On the other side of the trade picture, with increasing economic maturity we will be able to produce sufficiently more of the finished goods hitherto imported, so that imports rising by perhaps 50% will nevertheless grow less rapidly than total consumption of such goods. (5) One would certainly expect that the net flow of capital from abroad evident in the last three or four years will disappear with growing maturity, and with it the corresponding deficit in the current account of the balance of payments. And finally, one must expect that as time goes by, greater interest will be shown by Canadian individuals and institutions in acquiring a share in the ownership of businesses operating in Canada.

U. S. Investment in Canada

During the nine years ended Dec. 31, 1954, the total U. S. investment in Canada increased from approximately $5 billion to $9½ billion, or 91%. Of the total increase, approximately three-quarters represents a gain in direct investment, and about 25%, a gain in portfolio — bonds and stocks—and all other forms of investment. The largest inflow of capital for direct investment was $827 million in the petroleum industry, followed by $562 million for miscellaneous manufacturing, and $347 million for mining. A direct investment in Canada may be defined as a Canadian company whose stock is more than 50% owned abroad or as an unincorporated branch of a foreign concern. The total number of such Canadian companies and branches at the end of 1953 was 4,253, of which 3,235 were controlled from the U. S. A., 801 from the United Kingdom, and 217 from other foreign countries. At the present time, less than 2% of the concerns having direct investments in Canada have taken in Canadians as partners, but those which have, such as Ford, Standard or New Jersey, Goodyear, du Pont, Westinghouse, Celanese, Sherwin Williams and Imperial Chemical, to mention but a few, have found that it engenders sound public relations to have Canadian shareholders. Although foreign long-term capital invested in Canada increased over $5 billion in the nine years ended Dec. 31, 1954, only $2 billion represented an inflow of capital. The balance being reinvested earnings. This $2 billion represents only 6% of the total new capital investment in Canada, which was $36 billion during the period. In any country which is able to generate from its own resources more than 90% of its capital requirements, it is but a matter of time before its own nationals will seek and obtain a portion of the ownership and profits of the foreign corporations with wholly-owned concerns in Canada. Canadians have a justifiable interest and pride in the corporations which are developing our natural resources and manufacturing industries, and it is but human nature to desire that a portion of this ownership should be Canadian.

Portfolio stocks accounted for only 11% of the U. S. investment in Canada as at the end of 1954, with the total amounting to approximately $1 billion; however, the rate of increase today is far greater than in the early post-war years because of the growing interest by American investors and speculators in Canada's expanding economy. In my capacity as a Governor of the Toronto Stock Exchange, I can hardly resist this opportunity to give a few statistics on the largest Stock Exchange in Canada, with a share volume larger than either the New York Stock Exchange or the American Stock Exchange, and with total dollar values of shares traded being third on this Continent to the New York Stock Exchange, and only slightly behind the American Stock Exchange. To October 31st, this total trading has been $2,327,000,000, compared with $1,350,000,000 for the whole 1954.

The Toronto Stock Exchange

As an evidence of the increasing interest in Canadian equities, the share volume on the Toronto Stock Exchange in 1955 has exceeded all past records, and has averaged over 5,000,000 shares a day since the first of the year and, on several occasions, volume has exceeded 12,000,000 shares a day.

Over 1,000 companies are listed on the Toronto Stock Exchange. There are only slightly more than 100 member firms representing the most important Canadian investment bankers and brokers as well as a number of leading United States brokerage firms. The last sale of a seat on the Toronto Stock Exchange was at $90,500, compared to $87,000, the the latest price for a New York Stock Exchange seat.

The Toronto Stock Exchange averages are at virtually an all-time high, following the pattern of New York stock markets. And finally, many Canadian investment dealers have opened branches in New York and other U. S. cities in the past few years, while more and more U. S. brokerage firms are opening branches in Canada or are establishing connections with Canadian brokers. At least 90 Canadian stocks are listed on the New York and American Stock Exchange, and the number is steadily increasing. I suggest this is a good thing, as wide listing facilities afford broader marketability and hence broaden a company's ability to raise new capital so necessary for profitable expansion.

To conclude these remarks, it may be pointing up the obvious when I remind you that the Canadian economy in great measure is governed by and is the beneficiary of business conditions in this country, so that investors in Canadian enterprises can often have the choice of a second guess because our economic pattern follows the lead from the U. S. but at a somewhat later date.

I hope in some measure I have been able to demonstrate the dynamic changes which, in a few short years, have taken place across the border to the north and I trust that the confidence already displayed by sophisticated investors will be amply justified by events of the future.

Joins Smith, Moore

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — M. Ethel McBride is now with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — Alice H. Platt has joined the staff of King Merritt & Co., Inc., Woodruff Building.

McDonald Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert L. Hays has become connected with McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Now With Prescott Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Elizabeth W. Cole is now affiliated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

With Sweney Cartwright

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Stephen A. Sweney has joined the staff of Sweney Cartwright & Co., Huntington Bank Building, members of the Midwest Stock Exchange.

Continued from page 4

The State of Trade and Industry

rolled sheets, strip, plates and flats. Extra charges have been boosted by several large companies.

For the steel consumer, this will mean two price boosts in 1956. The industry is likely to adjust prices again after settling with steel labor, just as they have in the past, continues this trade authority.

The shortage has forced many steel users to cut back production. The list of companies affected include manufacturers of appliances, farm equipment, earthmoving equipment, railroad car builders and heavy tank fabricators. Job stamping shops also have been hard hit.

Even without a formal price boost, steel costs for many consumers have skyrocketed. This is brought about through the necessity of costly conversion deals, buying from brokers and obtaining emergency requirements from warehouses, "The Iron Age" reports.

Steel production this year will reach or exceed 116,000,000 ingot tons. But despite this, producers have been unable to cut back on their backlogs, with the result that heavy tonnage of dammed-up demand are going into 1956.

Current requirements and inventory-building, plus uncertainty over the steel labor outlook will build up the market to fever pitch during the first six months of the New Year, concludes this trade journal.

New business incorporations during October numbered 10,698, according to Dun & Bradstreet, Inc. This was a decline of 3% from September's total of 11,024, but represented a gain of 8.6% over the 9,852 concerns chartered during the like month of last year. It was the highest October total recorded since 1946.

There were 117,955 new companies organized during the first ten months of 1955, exceeding the aggregate for the entire year of 1954, and representing an increase of 23.6% above the 95,448 listed during the similar period of 1954.

In the automotive industry the 7,000,000th United States passenger car of 1955 was built last week amidst a 3.6% decline in production from the previous week's second-best level in history.

"Ward's Automotive Reports" counted 174,256 car completions the past week compared with 180,742 in the preceding week, swelling the 1955 count to 7,002,467. The year-ago period netted 4,702,798 passenger cars.

Thus, 1955 car production by early November topped the all-time 12-months record of 6,674,933 set in 1950 and stands as the best year in history.

Supply and production problems prompted temporarily lower volume a week ago, the statistical agency said, at Mercury and Plymouth, plus several General Motors Corp. divisions. However, virtually all car makers continue to operate near or above their 1955 and all-time highs.

Meantime, new car sales for Nov. 1-10 averaged an estimated 18,500 units daily for the lowest opening 10-day rate in 12 months. Nov. 1-10 sales were 170,000

However, according to "Ward's" the volume was principally held back by the Nov. 3-4 dealers introduction at Chevrolet, Buick and Oldsmobile plus production problems which delayed normal inventory buildup at other car makers.

Thus in excess of 500,000 new car sales are in prospect for entire November compared with only 405,000 in November last year, and 510,000 in October of 1955. A total of 600,000 sales are looked for in December.

Truck production last week stood at 27,752, slightly under the preceding week's figure, but continued close to the best level since the peak period of May-June this year when output reached 30,000 weekly.

At 919 in October, business failures were 12% more numerous than in September and 6% higher than a year ago. The number of casualties was at a postwar high for the month of October. More failures occurred than in any other October since 1940 when there were 1,111 business casualties.

Failures occurred at the rate of almost 45 for each 10,000 enterprises listed in the Dun & Bradstreet "Reference Book," according to Dun's Failure Index. The index projects monthly mortality to an annual rate and is adjusted for seasonal fluctuations. The October failure rate was exceeded only once in the postwar period, in November, 1954. The October rate compared with 42 a year ago, but it was considerably below the prewar index of 67 in 1940.

The liabilities of October failures edged up 5% to $34,777,000. While this volume was 20% higher than last year, it was not as large as in the October months of 1953 and 1952.

Accounting for 61% of the October casualties, businesses in their first five years of operation continued to predominate among the failures.

There was a month-to-month increase in failures in all industry and trade groups except wholesaling. Manufacturing and retailing had the highest tolls since June, the commercial services since January, while the mortality in construction was the most severe in a year and a half.

The contrasting decline in wholesale failures was concentrated among food dealers, whose toll dropped to half that in the previous month and the lowest level since 1952.

Steel Output Set at 99.0% of Capacity In Holiday Week

Steel plate is approaching famine levels, and platemakers already are closing books for the first quarter, "Steel" magazine, the metalworking weekly, currently states. The situation makes plate one of the leading candidates for spot price increases.

The famine is being brought about by the rush of orders for shipbuilding, military tank and freight car needs, the publication reports. These unpredicted orders are coming in simultaneously

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with those from steadier customers, such as machinery and construction. Plate, in turn, must compete with orders for other steel mill products, it adds.

The consensus of producers is that while the present plate situation may be painful to fabricators, it is probably temporary. Of the major platemakers contacted by "Steel," only one plans any addition to capacity. Any addition planned would have little effect before 1957.

Fabricators take comfort in predictions that the auto industry may drop its take of cold-rolled sheet substantially in the third quarter of 1956, making more plate available from strip mills. Demand also may push the market price high enough to warrant more strip mill plate output.

In great demand also is fabricated structural steel. Some fabricators are booked ahead eight and nine months, while deliveries are extended to the point where they're restricting new orders. Some are held to a four-day work week, this trade paper observes.

In estimating for second and third quarter delivery, structural fabricators are considering the possible higher costs of plain materials and a rise in other costs. As a result, fabricators' prices for next year are substantially higher than those in the first half of 1955 and escalator terms are more protective.

Sheet producers are looking ahead, too. They are encouraging customers to send in inquiries on bare needs for second quarter scheduling. Sheet mills are being offered far more tonnage than they can handle, and they must allot their out-turn.

New records are being set in steel production. More steel—10,502,000 net tons—was made for ingots and castings in October than in any previous month. This boosted production for the first 10 months to a new record, 96,286,118 tons, "Steel" notes.

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 wil be at an average of 99.0% of capacity for the week beginning Nov. 21, 1955, equivalent to 2,389,000 tons of ingot and steel for castings as compared with 99.2% of capacity and 2,394,000 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 100.0% and production 2,413,000 tons. A year ago the actual weekly production was placed at 1,915,000 tons or 80.3%. 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 Set An All-Time High Record Last Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 19, 1955, was estimated at 11,149,000,000 kwh., an all-time record high point for the industry, according to the Edison Electric Institute. The previous peak level was established in the week ended Aug. 6 last when 10,925,000,000 kwh. were produced.

This week's output advanced 271,000,000 kwh. above that of the previous week, when the actual output stood at 10,878,000,000 kwh.; it increased 1,832,000,000 kwh. or 19.7% above the comparable 1954 week and 2,733,000,000 kwh. over the like week in 1953.

Car Loadings Hold to Lower Trend

Loadings of revenue freight for the week ended Nov. 12, 1955, decreased 12,077 cars or 1.5% below the preceding week, according to the Association of American Railroads.

Loadings for the week ended Nov. 12, 1955, totaled 796,632 cars, an increase of 87,883 cars, or 12.4% above the corresponding 1954 week, and an increase of 69,574 cars, or 9.6% above the corresponding week in 1953.

U. S. Automotive Output Curtailed Last Week By Supply and Production Problems

Output in the automotive industry for the latest week ended Nov. 18, 1955, according to "Ward's Automotive Reports," declined 3.6% from the preceding week's record best level in history.

Last week the industry assembled an estimated 174,256 cars, compared with 180,742 (revised) in the previous week. The past week's production total of cars and trucks amounted to 202,008 units, or a decrease of 7,121 units below the preceding week's output, states "Ward's."

Last week's car output fell below that of the previous week by 6,486 cars, and truck output by 635 vehicles during the week. In the corresponding week last year 133,969 cars and 22,043 trucks were assembled.

Last week the agency reported there were 27,752 trucks made in the United States. This compared with 28,387 in the previous week and 22,043 a year ago.

Canadian output last week was placed at 6,153 cars and 851 trucks. In the previous week Dominion plants built 5,392 cars and 688 trucks, and for the comparable 1954 week, 3,408 cars and 729 trucks.

Business Failures Moved Slightly Upward Last Week

Commercial and industrial failures edged up to 214 in the week ended Nov. 17 from 207 in the preceding week, Dun & Bradstreet, Inc., reports. While failures exceeded the 208 in the comparable 1954 week, they were not as high as the 1953 toll of 223, and were 31% below the pre-war level of 308 in 1939.

Failures with liabilities of $5,000 or more increased to 179 from 161 last week, and 177 a year ago. Small failures with liabilities under $5,000 fell to 35 from 46 but remained above the 31 in the similar week of 1954. Twenty-one concerns failed with liabilities in excess of $100,000, rising from 9 in the previous week.

Wholesale Food Price Index Registers First Gain In Seven Weeks

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned upward last week following six successive weekly declines. The Nov. 15 index rose to $6.04, from $6.00 the previous week, which marked the lowest level in more than five years. The current number compares with $6.88 at this time a year ago, or a drop of 12.2%.

Higher in wholesale cost the past week were wheat, rye, oats, barley, hams, bellies, butter, cottonseed oil, eggs and potatoes. Lower in price were flour, corn, beef, sugar, coffee, beans, 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 Characterized By Mixed Movements the Past Week

The general commodity price level again showed little change although individual price movements during the week were mixed. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered 274.69 on Nov. 15, as against 274.32 a week previous and 279.15 on the like date last year.

Demand for grains fell off last week and prices generally turned downward following the uptrend of the preceding two weeks.

Corn went sharply lower as the week closed under the influence of the largest carlot receipts of the cash grain in seven years.

Another depressing factor was the Government's November corn crop estimate at 3,183,000,000 bushels.

This represented a gain of 65,000,000 bushels over the October forecast, and an increase of 7% above the 1954 crop of 2,965,000,000 bushels. Weakness in wheat reflected a general absence of demand, slow flour sales and continued lag in export business. Exports of wheat including flour dropped sharply during October and were estimated at 10,500,000 bushels as against 17,300,000 during September, and 20,600,000 bushels in October, 1954.

The coffee market was nervous and unsettled, reflecting political developments in Brazil, and prices closed moderately below a week ago.

Cocoa prices moved irregularly in a narrow range. There was some buying influenced by the uncertain Brazilian political situation but manufacturers and trade demand remained small. Warehouse stocks of cocoa rose slightly and totalled 236,594 bags, against 233,580 a week earlier and 88,639 a year ago. Lard was quite firm with Government buying of lard and pork a sustaining influence. Hog prices tumbled sharply at the close, reaching the lowest level since February, 1942. Market receipts at 12 Midwest terminals on Monday rose to 170,000 head, the largest for a single day in nearly 12 years.

Spot cotton prices developed a firmer trend following early weakness and scored moderate advances for the week. Firmness was attributed to continued active demand for cotton textiles, and the belief that the heavy movement of the staple into the Government loan might result in a tight "free" supply situation developing later in the season.

The November Official estimate placed the 1955 crop at 14,843,000 bales, as compared with the previous estimate of 13,928,000 bales.

Export business in cotton remained small. Sales reported in the 14 spot markets last week totalled 289,800 bales, compared with 326,400 the previous week and 376,200 a year ago. CCC loan entries in the week ended Nov. 4 were 436,600 bales against 388,800 in the previous week.

Trade Volume Stimulated Last Week By Colder Weather and Early Christmas Shopping

Tumbling temperatures helped to stir consumer interest in most parts of the nation in the period ended on Wednesday of last week. Christmas shopping was underway in many cities in one of the earliest gift buying seasons on record.

Total retail trade this month is at the rate of about $15,500,000,000, a new high for any November on record.

The total dollar volume of retail trade in the week was 4 to 8% above a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the corresponding 1954 levels by the following percentages: New England +1 to —3; East and Pacific Coast +3 to +7; Southwest +4 to +8; Northwest +5 to +9 and Midwest and South +6 to +10%.

The demand for most types of apparel grew larger during the week, and continued to surpass the high level of a year earlier. The buying of footwear and coats rose noticeably as wintry weather spread across the Midwest and Northwest.

As they prepared for the holiday festive fare, housewives increased their food purchases last week. Pork continued to be one of the most popular items since the recent reductions cut pork prices to the lowest levels in several years.

Spending for consumer durable goods held close to the high level of recent weeks and continued to top the year-ago mark.

Wholesale orders expanded slightly the past week, as buyers sought to replenish stocks of Winter merchandise. The total dollar volume moderately exceeded the level of the corresponding period last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 12, 1955, increased 9% above that of the like period of last year. In the preceding week, Nov. 5, 1955, an increase of 1% was reported. For the four weeks ended Nov. 12, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to Nov. 12, 1955, a gain of 7% was registered above that of 1954.

Retail sales volume in New York City last week declined sharply below the level of a year ago. Store executives estimated the decrease would run about 10% behind the comparable period of 1954 when John Wanamaker started its go-out-of-business sale.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 12, 1955, rose 7% above that of the like period of last year. In the preceding week Nov. 5, 1955, a decrease of 8% was recorded. For the four weeks ending Nov. 12, 1955, an increase of 2% occurred. For the period Jan. 1, 1955 to Nov. 12, 1955, the index recorded a rise of 2% from that of the corresponding period of 1954.

Blyth Group Offers Kimberly-Clark Stock

An underwriting group headed by Blyth & Co., Inc. on Nov. 22 placed on the market 400,000 shares of additional common stock ($5 par value) of Kimberly-Clark Corp., manufacturer of cellulose, wadding products, white papers and allied products. The stock is priced at $46.375 per share.

Proceeds from the sale will be added to the corporation's general funds and will be available for its expansion program. Initial projects, estimated to cost approximately $38,000,000, include additional book paper and sanitary product facilities, two foreign building programs for the manufacture of sanitary products in Great Britain and Mexico, and an additional investment of approximately $3,300,000 in common stock of Coosa River Newsprint Co.

Subject to business and economic conditions, plans are being formulated for the construction of other mills for the manufacture and conversion of cellulose wadding, and the installation of additional paper machines and additions and refinements to its pulp manufacturing and processing equipment. These products, to cost an estimated additional $37,000,000, will require further financing, the nature and extent of which has not been determined, except it is not the present intention to sell additional common stock.

On Sept. 30, 1955 Kimberly-Clark acquired the assets of International Cellucotton Products Co. On a pro-forma basis, net earnings for the fiscal year ended April 30, 1955 amounted to $20,289,541, equivalent to $2.79 per common share.

Giving effect to the current financing, capitalization of the corporation will consist of: $27,043,844 in funded debt; and 7,668,322 shares of $5 par value common stock.

Associated in the underwriting are: Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.; Wertheim & Co.; and Dean Witter & Co.

J. H. Schwieger V. P. of N. Y. Stock Exchange

Keith Funston, President of the New York Stock Exchange, has announced the appointment of John H. Schwieger as a Vice President of the Exchange. His duties will be to increase liaison between the Exchange and its members and member firms with the purpose of helping the membership get the most out of Exchange facilities and services in handling their business and of improving member and member firm relations.

Creation of the new office was recommended by a Special Review Committee on Rules and Procedures, headed by Homer A. Vilas, senior partner in the Stock Exchange firm of Cyrus J. Lawrence & Sons.

Mr. Schwieger, formerly an Assistant Vice President in the Department of Member Firms, joined the Exchange as a page in August 1930. He entered the Department of Member Firms in 1938 and has served as Assistant Manager in charge of Conduct and Finance and as Division Manager.

W. E. Hutton Adds

(Special to The Financial Chronicle)

COLUMBUS, OHIO — Leon M. Silverman is now with W. E. Hutton & Co., 50 East Broad Street.

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. 27	§99.0	*99.2	100.0	80.3
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 27	§2,389,000	*2,394,000	2,413,000	1,915,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 11	6,808,050	6,777,100	6,713,700	6,220,150
Crude runs to stills—daily average (bbls.)	Nov. 11	¶7,553,000	7,561,000	7,357,000	6,883,000
Gasoline output (bbls.)	Nov. 11	25,806,000	26,433,000	25,565,000	24,161,000
Kerosene output (bbls.)	Nov. 11	2,278,000	2,311,000	2,059,000	2,197,000
Distillate fuel oil output (bbls.)	Nov. 11	11,091,000	11,691,000	10,897,000	11,409,000
Residual fuel oil output (bbls.)	Nov. 11	7,825,000	8,076,000	7,639,000	7,850,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 11	152,084,000	152,004,000	150,480,000	147,896,000
Kerosene (bbls.) at	Nov. 11	35,762,000	36,444,000	37,228,000	36,775,000
Distillate fuel oil (bbls.) at	Nov. 11	150,606,000	151,988,000	148,849,000	136,159,000
Residual fuel oil (bbls.) at	Nov. 11	45,761,000	45,932,000	47,288,000	56,068,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 12	796,632	808,709	827,245	708,749
Revenue freight received from connections (no. of cars)	Nov. 12	681,992	693,360	684,252	616,733
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 17	$401,695,000	$267,920,000	$419,915,000	$301,779,000
Private construction	Nov. 17	307,848,000	162,168,000	257,600,000	182,534,000
Public construction	Nov. 17	93,847,000	105,752,000	162,315,000	119,245,000
State and municipal	Nov. 17	62,329,000	62,163,000	106,261,000	78,547,000
Federal	Nov. 17	31,518,000	43,589,000	56,054,000	40,698,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 12	9,810,000	*10,180,000	9,800,000	8,861,000
Pennsylvania anthracite (tons)	Nov. 12	565,000	455,000	500,000	624,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 12	142	128	128	130
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 19	11,149,000	10,878,000	10,644,000	9,317,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 17	214	207	239	208
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 15	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Nov. 15	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Nov. 15	$45.17	$44.83	$44.83	$33.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 16	43.025c	42.800c	42.875c	29.700c
Export refinery at	Nov. 16	43.625c	43.425c	43.325c	32.000c
Straits tin (New York) at	Nov. 16	98.375c	96.125c	96.000c	91.500c
Lead (New York) at	Nov. 16	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Nov. 16	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Nov. 16	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 22	94.93	95.33	95.83	99.41
Average corporate	Nov. 22	107.80	107.98	107.62	110.88
Aaa	Nov. 22	111.25	111.62	111.25	115.43
Aa	Nov. 22	109.60	109.97	109.60	112.56
A	Nov. 22	107.80	107.98	107.44	110.70
Baa	Nov. 22	102.63	102.80	102.63	105.00
Railroad Group	Nov. 22	106.21	106.56	106.04	109.06
Public Utilities Group	Nov. 22	107.98	108.16	107.98	111.25
Industrials Group	Nov. 22	109.06	109.24	108.88	112.19
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 22	2.88	2.85	2.81	2.54
Average corporate	Nov. 22	3.29	3.28	3.30	3.12
Aaa	Nov. 22	3.10	3.08	3.10	2.88
Aa	Nov. 22	3.19	3.17	3.19	3.03
A	Nov. 22	3.29	3.28	3.31	3.13
Baa	Nov. 22	3.59	3.58	3.59	3.45
Railroad Group	Nov. 22	3.38	3.36	3.39	3.22
Public Utilities Group	Nov. 22	3.28	3.27	3.28	3.10
Industrials Group	Nov. 22	3.22	3.21	3.23	3.05
MOODY'S COMMODITY INDEX	Nov. 22	398.4	400.2	401.4	411.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 12	249,427	437,655	272,234	247,513
Production (tons)	Nov. 12	295,930	297,935	291,411	258,396
Percentage of activity	Nov. 12	102	103	102	94
Unfilled orders (tons) at end of period	Nov. 12	680,461	725,673	653,346	433,268
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 18	107.06	107.12	106.82	106.48
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. 29	991,607	973,161	2,480,280	950,206
Dollar value	Oct. 29	$51,206,914	$50,879,324	$36,907,987	$44,380,898
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 29	784,328	741,158	1,673,878	964,419
Customers' short sales	Oct. 29	4,794	4,634	11,216	6,934
Customers' other sales	Oct. 29	779,535	736,524	1,662,662	957,485
Dollar value	Oct. 29	$38,548,591	$36,935,557	$93,758,556	$41,946,630
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 29	208,600	167,970	385,050	353,790
Short sales	Oct. 29	------	------	------	------
Other sales	Oct. 29	208,600	167,970	385,050	353,790
Round-lot purchases by dealers—					
Number of shares	Nov. 29	409,290	423,860	1,171,480	286,220
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. 29	407,330	373,800	700,930	413,370
Other sales	Oct. 29	9,217,160	8,772,270	21,984,950	10,460,430
Total sales	Oct. 29	9,624,490	9,146,070	22,685,880	10,873,800
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 29	1,181,490	1,143,480	3,603,300	1,181,360
Short sales	Oct. 29	209,440	193,280	334,600	207,320
Other sales	Oct. 29	986,770	1,059,100	3,281,180	990,600
Total sales	Oct. 29	1,196,210	1,252,380	3,615,780	1,197,920
Other transactions initiated on the floor—					
Total purchases	Oct. 29	248,900	229,470	466,580	343,010
Short sales	Oct. 29	20,300	18,240	51,000	31,400
Other sales	Oct. 29	256,440	222,020	534,480	323,690
Total sales	Oct. 29	276,740	240,260	585,480	355,090
Other transactions initiated off the floor—					
Total purchases	Oct. 29	442,334	501,050	974,578	484,020
Short sales	Oct. 29	54,650	44,870	107,330	53,970
Other sales	Oct. 29	435,947	417,730	1,183,944	424,355
Total sales	Oct. 29	490,597	462,600	1,291,274	478,325
Total round-lot transactions for account of members—					
Total purchases	Oct. 29	1,872,724	1,874,000	5,044,458	2,008,390
Short sales	Oct. 29	284,390	256,390	492,930	292,690
Other sales	Oct. 29	1,679,157	1,698,850	4,999,604	1,738,645
Total sales	Oct. 29	1,963,547	1,955,240	5,492,534	2,031,335
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 15	111.1	111.2	111.2	109.7
Farm products	Nov. 15	84.3	85.2	87.1	93.0
Processed foods	Nov. 15	98.6	99.0	99.8	103.8
Meats	Nov. 15	74.5	75.6	79.4	85.9
All commodities other than farm and foods	Nov. 15	119.1	119.1	118.6	114.5

*Revised figure. ¶Includes 822,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$3,903	$4,048	$3,503
Private construction	2,724	2,805	2,420
Residential building (nonfarm)	1,455	1,517	1,321
New dwelling units	1,315	1,370	1,195
Additions and alterations	109	116	102
Nonhousekeeping	31	31	24
Nonresidential building (nonfarm)	730	719	554
Industrial	220	211	170
Commercial	311	308	202
Office buildings and warehouses	105	101	89
Stores, restaurants and garages	206	207	113
Other nonresidential building	199	200	182
Religious	69	70	59
Educational	45	45	49
Social and recreational	22	22	22
Hospital and institutional	30	31	29
Miscellaneous	33	32	23
Farm construction	113	137	126
Public utilities	415	420	407
Railroad	32	34	38
Telephone and telegraph	60	65	56
Other public utilities	323	321	313
All other private	11	12	12
Public construction	1,179	1,243	1,083
Residential building	21	21	23
Nonresidential building	351	373	390
Industrial	42	42	105
Educational	212	223	193
Hospital and institutional	28	33	31
Other nonresidential building	69	75	61
Military facilities	134	131	101
Highways	475	510	389
Sewer and water	97	100	88
Miscellaneous public service enterprises	32	36	19
Conservation and development	54	56	61
All other public	15	16	12
CONSUMER PRICE INDEX — 1947-49=100— Month of September:			
All items	114.9	114.5	114.7
Food	111.6	111.2	112.4
Food at home	110.4	110.0	111.6
Cereals and bakery products	124.0	124.1	122.6
Meats, poultry and fish	103.5	102.9	106.7
Dairy products	106.5	105.7	105.8
Fruits and vegetables	110.2	111.3	110.5
Other foods at home	114.1	112.6	116.0
Housing	120.4	120.0	119.5
Rent	130.5	130.5	128.8
Gas and electricity	111.2	110.8	107.9
Solid fuels and fuel oil	125.2	123.8	122.4
Housefurnishings	103.6	103.2	106.0
Household operation	119.8	119.5	117.4
Apparel	104.6	103.4	104.3
Men's and boys'	105.8	105.5	106.4
Women's and girls'	99.5	97.4	99.0
Footwear	118.1	117.6	116.5
Other apparel	91.0	90.5	90.9
Transportation	125.3	125.4	126.4
Medical care	128.2	128.0	125.7
Personal care	116.6	115.8	113.5
Reading and recreation	106.7	106.3	106.5
Other goods and services	120.6	120.4	120.1
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of September:			
Cotton Seed—			
Received at mills (tons)	1,065,530	348,692	1,242,958
Crushed (tons)	494,196	[illegible]	[illegible]
Stocks (tons) Sept. 30	916,780	345,446	1,139,945
Crude Oil—			
Stocks (pounds) Sept. 30	87,689,000	58,955,000	70,954,000
Produced (pounds)	159,431,000	70,391,000	165,418,000
Shipped (pounds)	103,998,000	61,754,000	115,956,000
Refined Oil—			
Stocks (pounds) Sept. 30	273,143,000	287,292,000	825,377,000
Produced (pounds)	96,846,000	57,996,000	108,518,000
Consumption (pounds)	101,707,000	105,137,000	154,430,000
Cake and Meal—			
Stocks (tons) Sept. 30	150,240	169,703	204,976
Produced (tons)	233,349	103,409	260,531
Shipped (tons)	252,812	136,796	246,833
Hulls—			
Stocks (tons) Sept. 30	60,332	45,750	74,434
Produced (tons)	106,390	47,922	112,587
Shipped (tons)	91,808	43,826	119,170
Linters (running bales)—			
Stocks Sept. 30	92,600	77,223	159,410
Produced	154,257	66,834	176,604
Shipped	138,880	119,694	148,725
Hull Fiber (1,000-lb. bales)—			
Stocks Sept. 30	397	234	758
Produced	1,170	341	2,332
Shipped	1,007	420	2,245
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Sept. 30	2,796	1,786	3,752
Produced	1,831	383	2,277
Shipped	821	897	1,620
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Sept. 15:			
All farm products	235	233	246
Crops	229	228	247
Commercial vegetables, fresh	230	211	173
Cotton	285	277	292
Feed, grains and hay	174	178	210
Food grains	217	214	233
Fruit	210	213	248
Oil-bearing crops	225	246	276
Potatoes	129	141	181
Tobacco	427	437	444
Livestock and products	240	237	245
Dairy products	257	249	254
Meat animals	250	251	274
Poultry and eggs	202	191	162
Wool	226	240	297
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Oct. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	279,817,534	277,476,106	278,752,052
Guaranteed obligations not owned by the Treasury	48,069	47,725	33,615
Total gross public debt and guaranteed obligations	$279,865,604	$277,523,832	$278,785,667
Deduct—other outstanding public debt obligations not subject to debt limitation	477,740	478,855	531,100
Grand total outstanding	$279,387,864	$277,044,977	$278,254,566
Balance face amount of obligations, issuable under above authority	1,612,135	3,955,022	2,745,433

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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.

★ **Alpha Plastics Corp. (12/5)**
Nov. 18 (letter of notification) 300,000 shares of class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—$90,000 to redeem the preferred stock; $18,100 to be payable to stockholders for advances heretofore made to company; for payment of current obligations, etc.; and for working capital. **Office**—94-30 166th St., Jamaica, N. Y. **Underwriter**—J. E. DesRosiers, Inc., New York.

● **American Greetings Corp. (12/5-9)**
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 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.

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.

★ **Associated Acceptance Corp., Philadelphia, Pa.**
Nov. 16 (letter of notification) $250,000 of 6% renewable debentures. **Price**—At par (in denominations of $100 and $500). **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Atlanta Gas Light Co. (12/7)**
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**—To be received up to 11 a.m. (EST) on Dec. 7 at 90 Broad St., New York, N. Y.

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.

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.

● **Basin Natural Gas Corp. (11/28-12/2)**
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.

Big Chief Uranium Co., Pueblo, Colo.
Sept. 20 (letter of notification) 1,500,000 shares of nonassessable 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 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.

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 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.

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.

Canuba Manganese Mines, Ltd.
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.

★ **Cascade Natural Gas Corp. (12/9)**
Nov. 18 (filed $3,589,450 of 5½% interim notes, due Oct. 31, 1960, and 71,789 shares of common stock (par $1), to be offered in units of $50 of notes and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to repay bank loan and for new construction. **Underwriters**—White, Weld & Co., New York; First California Co., San Francisco, Calif., and Blanchett, Hinton & Jones, Inc., Seattle, Wash.

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. (11/29-12/1)**
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. **Office**—Burbank, Calif. **Underwriter**—Morgan & Co., Los Angeles, Calif. and S. D. Fuller & Co., New York.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of nonassessable 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.

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. (11/28)**
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.

★ **Cole Engineering Corp.**
Nov. 9 (letter of notification) 2,575 shares of common stock. **Price**—$10 per share. **Proceeds**—For new machinery, etc. **Underwriter**—Spencer, Zimmerman & Co., Inc., Columbus, Ga.

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.

★ **Coltex Uranium Co., Inc., Canon City, Colo.**
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining operations. **Underwriter**—None.

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.

★ **Commuters, Inc., New Canaan, Conn.**
Nov. 7 (letter of notification) 5,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—39 South Ave., New Canaan, Conn. **Underwriter**—None.

★ **Connecticut Light & Power Co. (12/8)**
Nov. 18 filed $20,000,000 of first and refunding mortgage 3¼% bonds, series N. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Putnam & Co., Hartford, Conn.; Chas W. Scranton & Co., New Haven, Conn., and Estabrook & Co., Boston, Mass.

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 up to 11 a.m. (EST) on Dec. 6.

★ **Consumer Acceptance Corp.**
Nov. 10 (letter of notification) $299,000 of 6% debentures, series A, due Oct. 1, 1973 (with stock purchase warrants attached). **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—For purpose of making loans and for other general corporate purposes. **Office**—904 Hospital St., Providence, R. I. **Underwriters**—Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y., and Draper, Sears & Co. and Chace, Whiteside, West & Winslow, Inc., both of Boston, Mass.

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.

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.
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.

★ **Cuba (Republic of)**
Nov. 21 filed $2,000,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

★ **Cumberland Gas Corp.**
Nov. 17 filed 50,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To Southeastern Public Service Co., the selling stockholder. **Underwriter**—Bioren & Co., Philadelphia, Pa.

● **Cuno Engineering Corp., Meriden, Conn. (11/30)**
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 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. (12/1)**
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.

★ **Dirats Photo-Plate Co., Inc., Westfield, Mass.**
Nov. 10 (letter of notification) 7,000 shares of common stock (par $10) and 4,000 shares of 6% non-cumulative preferred stock (par $25).

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. (12/5-9)**
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

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NEW ISSUE CALENDAR

November 25 (Friday)
Kayser (Julius) & Co. — Common
(No underwriting) $2,600,000

November 28 (Monday)
Basin Natural Gas Corp. — Common
(Columbia Securities Corp.) $300,000
Clad-Rex Steel Co. — Common
(Mountain States Securities Co. and Joseph McManus & Co.) $500,000
Eagle Newspaper Enterprises, Inc. — Pfd. & Com.
(James Anthony Securities Corp.) $757,500
International Metals Corp. — Common
(Gearhart & Otis, Inc.) $400,000
Monogram Uranium & Oil Co. — Common
(Carr & Co.) $1,000,000
Richmond Homes, Inc. — Common
(Cruttenden & Co.) $700,000
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
Century Engineers, Inc. — Common
(Morgan & Co. and S. D. Fuller & Co.) 74,000 shares
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
Porto Rico Telephone Co. — Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 100,000 shares
San Diego Gas & Electric Co. — Bonds
(Bids 9 a.m. PST) $18,000,000

November 30 (Wednesday)
Cuno Engineering Corp. — Preferred and Common
(Putnam & Co.) $1,650,000
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
Northern Pacific Ry. — Equip. Trust Ctfs.
(Bids noon EST) $1,800,000
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)
Baltimore & Ohio RR. — Equip. Trust Ctfs.
(Bids noon EST) $3,000,000
Diamond Portland Cement Co. — Common
(Merrill, Turben & Co.) 60,000 shares
Sans Souci Hotel, Inc. — Common
(Offering to stockholders—no underwriting) $1,097,529

December 5 (Monday)
Alpha Plastics Corp. — Class A
(J. E. Des Rosiers, Inc.) $300,000
American Greetings Corp. — Class A Common
(McDonald & Co.) 200,000 shares
Dixie Aluminum Corp. — Preferred and Common
(Scott, Horner & Mason, Inc.) $875,000
LeCuno Oil Corp. — Common
(Eastman, Dillon & Co. and First California Co., Inc.) $4,050,000
Pacific Employees Insurance Co. — Common
(Blyth & Co., Inc.) 94,700 shares
Reading Tube Corp. — Preferred
(Emanuel, Deetjen & Co.) $2,400,000
U. S. Automatic Machinery & Chemical Corp. — Class A Common
(Columbia Securities Corp.) $300,000

December 6 (Tuesday)
Chicago, Milwaukee, St. Paul & Pacific RR. — Equip. Trust Ctfs.
(Bids noon CST) $7,500,000
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 11 a.m. EST) $70,000,000
Kawecki Chemical Co. — Common
(Carl M. Loeb, Rhoades & Co.) 75,000 shares
Revlon Products Corp. — Common
(Reynolds & Co.) 373,900 shares
Virginia Electric & Power Co. — Preferred
(Bids 11 a.m. EST) $12,500,000
Yuba Consolidated Oil Fields — Common
(Blyth & Co., Inc.) 405,365 shares

December 7 (Wednesday)
Atlanta Gas Light Co. — Preferred
(Bids 11 a.m. EST) $3,000,000
Minute Maid Corp. — Common
(Paine, Webber, Jackson & Curtis and White, Weld & Co.) 400,000 shares
National Old Line Insurance Co. — Class A & B Common
(Equitable Securities Corp.) 50,000 shares of each
North Shore Gas Co. — Bonds
(Bids 11 a.m. EST) $2,500,000
Pennsylvania RR. — Equip. Trust Ctfs.
(Bids noon EST) $11,595,000

December 8 (Thursday)
Connecticut Light & Power Co. — Bonds
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $20,000,000
Missouri Pacific RR. — Equip. Trust Ctfs.
(Bids noon CST) $2,625,000
Varian Associates — Debentures
(Dean Witter & Co.) $2,000,000

December 9 (Friday)
Cascade Natural Gas Corp. — Notes & Common
(White, Weld & Co.; First California Co. and Blanchett, Hinton & Jones, Inc.) $3,589,450 notes and 71,789 shares of stock.

December 12 (Monday)
Maine Fidelity Life Insurance Co. — Common
(P. W. Brooks & Co., Inc.) $1,000,000
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
National Propane Corp. — Preferred & Common
(Carl M. Loeb, Rhoades & Co. and Union Securities Corp.)
Tracerlab, Inc. — Debentures
(Lee Higginson Corp.; Harriman Ripley & Co. Inc.; and Estabrook & Co.) $1,500,000

December 14 (Wednesday)
New Jersey Bell Telephone Co. — Debentures
(Bids 11 a.m. EST) $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
Seattle-First National Bank — Common
(Offering to stockholders—may be underwritten by Blyth & Co., Inc.) 100,000 shares

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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.

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.

★ **East Standard Mining Co.**
Nov. 14 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 403 Beacon Bldg., Salt Lake City, Utah. **Underwriter**—None.

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. 28 (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.
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. **Office**—Phoenix, Ariz. **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.

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.

● **Great Lakes Oil & Chemical Co.**
Sept. 29 (letter of notification) 171,429 shares of common stock (par $1) being 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.

★ **Guilford-Chester Water Co., Clinton, Conn.**
Nov. 10 (letter of notification) 8,507 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$29.50 per share. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Putnam & Co., Hartford, Conn.

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.

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 2,293,231 shares of class B stock, which are being 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; the offer to expire on Dec. 5. Stockholders will vote Dec. 6 on approving acquisition of assets of Federated. Statement effective Oct. 19.

● **Housatonic Public Service Co.**
Sept. 13 (letter of notification) 12,774 shares of common stock (par $15), being offered for subscription by common stockholders of record Nov. 7 on the basis of one new share for each 29 shares held; rights to expire on Dec. 12, 1955. **Price**—$21 per share. **Proceeds**—For construction expenditures. **Office**—33 Elizabeth St., Derby, Conn. **Underwriter**—None.

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.

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. (11/28-12/2)**
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.

★ **Juniper Oil & Mining Co., Denver, Colo.**
Nov. 17 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—1019 Mile High Center, Denver, Colo. **Underwriter**—None.

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.

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.

★ **Lance, Inc., Charlotte, N. C.**
Nov. 14 (letter of notification) 1,920 shares of class A capital stock (par $5) and 2,880 shares of class B non-voting capital stock (par $5) to be offered for subscription by employees. **Price**—$10 per share. **Proceeds**—For working capital. **Office** — 1300 South Boulevard, Charlotte, N. C. **Underwriter**—None.

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.

★ **Lead Trust Mines, Inc., Spokane, Wash.**
Oct. 24 (letter of notification) 500,000 shares of common stock. **Price**—At 10 cents per share. **Proceeds**—For mining operations. **Office**—508 Norfolk Bldg., Spokane, Wash. **Underwriter**—Mark H. Copley, 424 Kuhn Bldg., Spokane, Wash.

● **LeCuno Oil Corp., Jefferson, Texas (12/5)**
Aug. 29 filed 450,000 shares of capital stock (par 10 cents). **Price** — Around $9 per share. **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.

★ **Libby, McNeill & Libby, Chicago, Ill.**
Nov. 8 (letter of notification) 21,425 shares of common stock (par $7) to be offered to employees under Stock Purchase Plan. **Price**—At market on date of purchase. **Proceeds**—To reimburse company for purchase of shares. **Underwriter**—None.

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.

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 nonassessable 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.

● **Maine Fidelity Life Insurance Co. (12/12-16)**
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.

(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.

★ **Manning Mining Co., Sumter, S. C.**
Nov. 14 (letter of notification) 45,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Underwriter**—None.

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.

★ **Massachusetts Investors Growth Stock Fund, Incorporated**
Nov. 22 filed (by amendment) an additional 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

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 (12/7)**
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.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of nonassessable 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. (11/28)**
Aug. 31, filed 500,000 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.

★ **Montana Power Co., Butte, Mont.**
Nov. 16 (letter of notification) 7,250 shares of common stock (no par) to be offered for subscription by employees. **Price**—At cost to company. **Proceeds**—To reimburse company for purchase of shares. **Underwriter**—None.

★ **Mt. Vernon Mining & Development Co.**
Nov. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—422 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Hackett Investment Co., 701 Continental Bank Bldg., same city.

★ **National Employee's Time-Table Cover Co.**
Nov. 10 (letter of notification) an aggregate of $30,000 of personal notes of Howard J. Fortner, sole owner of company, to mature in two years (in amounts from $10 to $500). When $15,000 is subscribed, company will issue an aggregate value of $50,000 of capital stock, of which $30,000 will be used to pay notes and $20,000 issued to Mr. Fortner. **Proceeds**—For working capital. **Address**—Box 23512, Lugo Station, Los Angeles, Calif. **Underwriter**—None.

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. (12/7)**
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.

★ **National Propane Corp. (12/13)**
Nov. 18 filed 140,000 shares of convertible second preferred stock (par $25) and 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from private sale of $4,950,000 of 4¾% 15-year notes, to be used to pay for bottled gas business of Shell Oil Co. in the Middle West. **Office**—New Hyde Park, L. I., N. Y. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Union Securities Corp., both of New York.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of nonassessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

★ **Navajo Uranium & Thorium Corp.**
Nov. 10 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—223 Fremont St., Las Vegas, Nev. **Underwriter**—None.

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 Era Mining Co., Spearfish, S. D.**
Nov. 14 (letter of notification) 1,100,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 332, Spearfish, S. D. **Underwriter**—None.

★ **New Jersey Bell Telephone Co. (12/14)**
Nov. 18 filed $25,000,000 of 40-year debentures due Dec. 1, 1995. **Proceeds**—To repay advances from American Telephone & Telegraph Co., its parent, and for general corporate purposes. **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 up to 11 a.m. (EST) on Dec. 14 at Room 2315, 195 Broadway, New York, N. Y.

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.

★ **North Shore Gas Co., Salem, Mass.**
Nov. 10 (letter of notification) 1,289 shares of common stock (par $10) to be offered for subscription by minority stockholders at rate of one new share for each five shares held. **Price**—$14 per share. **Proceeds**—To repay advances from New England Electric System, the parent. **Underwriter**—None.

★ **Peoples Securities Corp., New York**
Nov. 17 filed 557,085 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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. Jack Frost of Dallas is Chairman of the Board and J. Cullen Looney of Edinburg, Texas, is President.

★ **Oak Mineral & Oil Corp., Farmington, N. M.**
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

● **Old Empire, Inc. (12/12-23)**
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, Texas**
Oct. 24 filed 100,000 shares of 55-cent 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. The subscription warrants will expire at 3:30 p.m. (CST) on the 14th day following the effective date of the registration statement. **Price**—To stockholders, $9.50 per share; to public $10 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 Employers Insurance Co. (12/5)**
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.

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.

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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.

★ **Pines Oil Co., Inc., Helena, Ga.**
Nov. 15 (letter of notification) 1,500 shares of common stock. **Price**—At par ($20 per share). **Proceeds**—For working capital, etc. **Underwriter**—None.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% noncumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

★ **Pittsburgh Coke & Chemical Co., Pittsburgh, Pa.**
Nov. 22 filed 160,000 shares of common stock (no par). **Price**—At current market at time of offering. **Proceeds**—For general corporate purposes. **Underwriter**—Hemphill, Noyes & Co., New York.

● **Porto Rico Telephone Co. (11/29)**
Nov. 7 filed 100,000 shares of common stock (par $20), to be offered for subscription by stockholders of record Nov. 28 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 preemptive 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.

★ **Prudential Loan Corp., Washington, D. C.**
Nov. 22 filed 111,000 shares of prior preferred stock and 55,500 shares of 10-cent par common stock to be offered in units of one share of preferred stock and one-half share of common stock. **Price** — $6.75 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

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**
Oct. 28 filed $100,000,000 of 25-year 3½% convertible subordinated debentures due Dec. 1, 1980 being 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. **Price**—$102.50 (flat) per $100 principal amount. **Proceeds**—For property additions and improvement; 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.

★ **Reading Tube Corp., New York (12/5-9)**
Nov. 16 filed 120,000 shares of $1.25 cumulative convertible preferred stock, 1955 series (par $20), of which 80,000 shares are to be offered publicly and 40,000 shares principally to a class of persons consisting of management and directors. **Price**—To be supplied by amendment. **Proceeds**—To redeem $1,485,665 of 6% debentures, repay a bank loan of $987,500, and for general corporate purposes. **Underwriter**—Emanual, Deetjen & Co., New York.

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.

★ **Reynolds Mining & Development Corp., Moab, Utah**
Nov. 22 filed 1,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Underwriter** — The Matthew Corp. of Washington, D. C.

● **Richmond Homes, Inc. (11/28)**
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**—$5 per share. **Proceeds**—To repay 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. **Office**—Richmond, Ind. **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.

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 9 a.m. (PST) 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 nonassessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

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.

★ **Science Press of New Jersey, Inc.**
Nov. 10 (letter of notification) 15,620 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For building, equipment, working capital, etc. **Office**—Spur Route 518, a mile west of the Borough of Hopewell, County of Mercer, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

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.

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.

★ **Strouse, Inc., Norristown, Pa.**
Nov. 10 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — Maine and Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

★ **Sturm (Ray L.), Inc., Bradford, Pa.**
Nov. 8 (letter of notification) 20,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To pay notes payable, premiums due insurance companies, etc. **Business**—An insurance agency. **Office**—21 Webster St., Bradford, Pa. **Underwriter**—William T. Bowler & Co., I. O. O. F. Bldg., Bradford, Pa.

★ **Sulphur Exploration Co., Houston, Texas**
Nov. 21 filed 600,000 shares of 6% convertible noncumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

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.

★ **Superior Uranium Co., Denver, Colo.**
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

Susan B. Uranium Corp., Carson City, Nev.
Aug. 11 (letter of notification) 300,000 shares of nonassessable 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 nonassessable 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.

★ **Technical Charts, Inc.**
Nov. 17 (letter of notification) 2,300 shares of class B stock (par $5). **Price** — $16 per share. **Proceeds** — For working capital. **Office**—189 Van Rensselaer St., Buffalo 10, N. Y. **Underwriter**—None.

Texas American Oil Corp.
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.

● **Toro Manufacturing Corp.**
Oct. 25 filed 42,099 shares of common stock (par $1) being offered for subscription by common stockholders on the basis of one new share for each four shares held as of Nov. 15; rights to expire on Nov. 30. **Price**—$22 per share. **Proceeds**—For working capital, etc. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

★ **Tracerlab, Inc., Boston, Mass. (12/13)**
Nov. 18 filed $1,500,000 of 5% convertible debentures, due Nov. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To repay bank debt of Keleket X-Ray Corp., a subsidiary; for advances to or for account of Tracerlab Development Corp. in connection with the construction by that company of a new building which is to be leased by Tracerlab, Inc.; and for working capital for use for

general corporate purposes. **Underwriters**—Lee Higginson Corp. and Harriman Ripley & Co. Inc., both of New York, and Estabrook & Co., Boston and New York.

★ Trans-American Development Corp.
Nov. 14 (letter of notification 45,000 shares of 8% cumulative preferred stock (par $1) and 45,000 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For working capital. **Office**—5225 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

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 nonassessable 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.

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.

● U. S. Automatic Machinery & Chemical Corp. (12/5-9)
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.

Universal Service Corp., Inc., Houston, Texas
July 8 filed 500,000 shares of common stock (par two mills). **Price**—$2.50 per share. **Proceeds**—For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter** — None. **Offering** — Postponed.

★ Uranium Exploration, Inc., Minot, N. D.
Nov. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining operations. **Underwriters**—None, but the following have been licensed to sell stock in the company: Fay C. DeWitt and Bryon C. Varberg, both of Minot, N. D.

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.

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.

★ Vanadium-Alloys Steel Co., Latrobe, Pa.
Nov. 7 (letter of notification) 4,141 shares of common stock (no par) to be offered to employees pursuant to an Employees' Stock Purchase Plan. **Price**—At average of $33.26 per share. **Proceeds** — For working capital. **Underwriter**—None.

★ Varian Associates, Palo Alto, Calif. (12/8)
Nov. 16 filed $2,000,000 of 15-year 5% convertible subordinated debentures due Dec. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—For purchase of land, buildings and equipment for engineering, marketing and manufacturing, and for working capital and other corporate purposes. **Underwriter** — Dean Witter & Co., San Francisco, Calif.

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.

★ Wagon Box Uranium Corp., Provo, Utah
Nov. 21 filed 2,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To explore and acquire claims, for purchase of equipment and for working capital and other corporate purposes. **Underwriter**—H. P. Investment Co., Provo, Utah.

Warrior Mining Co., Birmingham, Ala.
Sept. 29 (letter of notification) 6,000,000 shares of nonassessable 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.
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.

★ Willer Color Television System, Inc.
Nov. 7 (letter of notification) $120,000 of 5% convertible income debentures due 1966, 24,000 shares of common stock (par $1) and 120,000 common stock warrants (the latter exercisable at $1 per share) to be issued on the basis of $100 of debentures, 20 shares of stock and 100 warrants in exchange for each $100 face amount of receipts, notes or certificates of Bert M. Willer, deceased. **Underwriter**—None. **Office**—151 Odell Ave., Yonkers, N. Y.

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.

★ Yuba Consolidated Gold Fields (12/6)
Nov. 16 filed 405,365 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.

★ Baltimore & Ohio RR. (12/1)
Bids will be received by the company at 2 Wall Street, New York 5, N. Y., up to noon (EST) on Dec. 1 for the purchase from it of $3,000,000 equipment trust certificates, series GG, to be dated Jan. 1, 1956 and to mature in 15 equal annual instalments of $200,000 each from Jan. 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Cavitron Corp., Long Island City, N. Y.
Nov. 17 it was announced that this company is considering additional financing. **Underwriter**—Schuster & Co., Inc., New York. **Offering**—Expected sometime in December.

★ Chicago, Milwaukee, St. Paul & Pacific RR. (12/6)
Bids will be received by the company, at Room 744, Union Station Bldg., Chicago 6, Ill., up to noon (CST) on Dec. 6 for the purchase from it of $7,500,000 equipment trust certificates, series UU, to be dated Jan. 1, 1956, and to mature in 30 equal semi-annual instalments of $250,000 each from July 1, 1955 to Jan. 1, 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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.

★ Cumberland Corp., Lexington, Ky.
Nov. 19 it was announced public offering is expected shortly after Jan. 1 to consist of $900,000 of 5% sinking fund debentures and 90,000 shares of common stock to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—$1,100 per unit. **Proceeds**—To build plant to make charcoal brickettes and chemical byproducts, notably furfural. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; and Carl M. Loeb, Rhoades & Co., New York. **Registration** — Expected sometime in December.

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★ Danly Machine Specialties, Inc., Chicago, Ill.
Nov. 21 it was reported company plans to issue and sell 180,000 shares of its common stock. **Proceeds**—For general corporate purposes. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill. This will represent the first public offer of the company's stock.

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 Dec. 2 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.
Nov. 22 it was announced stockholders will vote Nov. 25 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.

★ Korvette (E. J.) Co.
Nov. 21 it was reported company is considering a public offer, following consolidation of nine stores into one parent corporation which is expected before the end of the year. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Offering**—Expected in January.

• Long Island Trust Co., Garden City, N. Y.
Nov. 22 stockholders of record Nov. 10 were given the right to subscribe for 10,000 additional shares of capital stock (par $10) 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. (12/8)
Bids are expected to be received by the company up to noon (CST) on Dec. 8 for the purchase from it of $2,625,000 equipment trust certificates due annually from Jan. 1, 1956 to 1971 inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Modern Homes Corp. (Mich.)
Nov. 21 it was reported company may offer publicly $1,000,000 of convertible debentures and some common stock. **Business** — Manufactures prefabricated homes. **Offices**—Dearborn, Mich., and Port Jervis, N. J. **Underwriter**—Probably Campbell, McCarty & Co., Inc., Detroit, Mich.

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.

★ New York, New Haven & Hartford RR.
Nov. 18 it was announced stockholders on Dec. 21 will vote on approving a plan of exchange providing for the issuance (a) of not exceeding $58,131,150 of new unsecured non-convertible 100-year 5% debentures, dated Jan. 1, 1956, in exchange for present $55,363,000 par value 5% convertible preferred stock, series A, on the basis of $105 of debentures for each $100 par value of preferred stock, plus $5.25 in cash ($5 of which will be paid as dividend on preferred for year 1955); and (b) of $72,638,265 of new 5% non-convertible general income mortgage bonds, series B, dated Jan. 1, 1956, in exchange for present $69,179,300 of 4½% convertible general income mortgage bonds, series A, due July 1, 2022, on the basis of $105 of new series B bonds for each $100 of series A bonds plus $5.25 in cash, which will include 1955 interest.

• Northern Pacific Ry. (11/30)
Bids will be received by the company in New York up to noon (EST) on Nov. 30 for the purchase from it of $1,800,000 equipment trust certificates dated Dec. 20, 1956 and to mature annually up to and including Dec. 20, 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathing system will cost approximately $150,000,000. **Underwriter**—Salomon Bros. & Hutzler, New York.

★ Outboard, Marine & Manufacturing Co.
Nov. 22, Joseph G. Rayniak, President, announced that the company plans to offer to its common stockholders the right to subscribe to 213,845 new common shares (par 83⅓ cents) in the ratio of one new share for each 10 held on a record date to be determined and announced later. Concurrently, 100,000 shares are to be offered to the public for the account of two selling stockholders. **Proceeds**—Together with funds from a long-term loan of $3,700,000 from an insurance company, to be used for expansion and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Expected in the near future.

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.

★ Pennsylvania RR. (12/7)
Bids will be received by the company, at Room 1811, Suburban Station Bldg., Philadelphia 4, Pa., up to noon (EST) on Dec. 7 for the purchase from it of $11,595,000 equipment trust certificates, series EE, to be dated Jan. 1, 1956, and to mature $773,000 annually from Jan. 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler;; Kidder, Peabody & Company.

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.

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.

Pure Oil Co.
April 9 stockholders approved the possible issuance of a convertible debenture issue. This would not exceed $50,000,000 and would be issued at the discretion of the directors any time within the next 12 months. **Underwriter**—Probably Smith, Barney & Co., New York.

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.

★ Seattle-First National Bank, Seattle, Wash. (1/18)
Nov. 22 it was announced bank plans to offer its stockholders of record Jan. 18, 1956, the right to subscribe on or before Feb. 24 for 100,000 additional shares of capital stock (par $20) on the basis of one new share for each eight shares held. **Price**—To be not less than $85 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Seattle, Wash.

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.

★ Texas Utilities Co.
Nov. 18, the directors authorized the sale of additional shares of common stock to raise approximately $15,000,000. **Proceeds**—For further investment in common stocks of subsidiaries and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. **Offering**—It is anticipated that the new stock will be marketed during the first quarter of 1956.

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.

• Westcoast Transmission Co., Ltd.
Nov. 21 it was reported company now plans to issue and sell publicly over $20,000,000 of securities, probably in units of debentures and stock. Bonds are expected to be placed privately. **Proceeds**—For new pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

• Western Maryland Ry.
Nov. 23 holders of first 7% cumulative preferred stock, second 4% non-cumulative preferred stock and common stock of record on Nov. 22, 1955, were given the right to subscribe on or before Dec. 7, 1955 for 128,597 shares of additional common stock at the rate of one share for each six shares, regardless of class, held. The Baltimore & Ohio RR. will subscribe for 55,696 shares of the additional stock to which it is entitled as owner of 334,177 shares of Western Maryland's outstanding stock. The offer of the remaining 72,091 shares is being underwritten. **Price**—$41 per share. **Proceeds**—To be applied toward the payment of all dividend arrears on the first 7% cumulative preferred stock, amounting to $19,250,070. **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.

★ Whirlpool-Seeger Corp.
Nov. 14 it was reported that a secondary offering of 150,000 shares of common stock is planned the week of Nov. 21. **Underwriters**—Blyth & Co., Inc. and Goldman, Sachs & Co., both of New York.

York County Gas Co., York, Pa.
June 29 it was announced company contemplates the issuance and sale later this year of a new series of its first mortgage bonds, in an aggregate amount not yet determined. **Proceeds**—To pay for new construction and probably to refund an issue of $560,000 4¾% first mortgage bonds due 1978. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). It is also possible that issue may be placed privately.

Mutual Funds

By ROBERT R. RICH

Fund Sales Strike New Record

Mutual fund sales for the first 10 months of 1955 substantially exceeded total sales for any entire year in the industry's history, according to the National Association of Investment Companies.

Reporting on its 125 open-end member companies, the Association revealed that share purchases by investors through Oct. 31, amounted to $1,008,569,000, compared with $862,817,000 for all of 1954, a record year.

New share sales in October, while below the record set in September of $126,970,000, were in line with the average monthly sales and amounted to $91,528,000.

Share redemptions dropped in October to $32,346,000 from $35,434,000 redeemed by investors in September. Total redemptions for the first 10 months of 1955 amounted to $382,395,000, a redemption ratio of 5.3% of Oct. 31 assets, compared with a 6.2% ratio for the same period last year when 10 months' redemptions totalled $332,861,000.

Popularity of regular purchase plans for mutual fund shares continued during October as investors opened 9,430 new accumulation accounts, bringing the total for the first 10 months of 1955 to 93,957.

Net assets of the Association's open-end member companies as of Oct. 31, amounted to $7,216,241,000, compared to $5,338,517,000 at the same time last year. Total assets were $7,257,355,000 at the end of September, 1955.

Cash, U. S. Government securities and short-term obligations held by the 125 mutual funds totalled $438,427,000 at the end of October, representing 6.1% of total net assets. This compared with cash holdings of $441,283,000 at the end of September, also 6.1% of assets.

Fund Steps Up Merger Moves

National Investors Corporation recently acquired the assets of four privately-owned companies, totaling about $2,500,000 in marketable securities largely of the same type of "growth" stocks as those already held by the investment company.

This made a grand total of $6,217,000 in new assets which have been purchased from other companies, since June of 1953, by three associated mutual funds which, in addition to National Investors, include Broad Street Investing Corporation and Whitehall Fund, Inc.

Assets of seven companies — two investment concerns and five privately-owned companies—have been combined with those of the three mutual funds to bring the more than six million figure, and this has resulted in advantages not only to the three funds, but also to a fourth associated company, Tri-Continental Corporation, the largest diversified closed-end investment company in the nation. These advantages, largely unique to this group of companies, were spelled out by Francis F. Randolph, Chairman of the Board and President of the four investment companies.

Assets taken over recently by National Investors were those of Philipp Brothers Industries, Inc., Filbro Overseas Corporation, Metals & Alloys Export Corporation and Phibro Chemicals, Inc. The similarity in investment policy of these companies, plus National Investors' investment record and low operating costs, played a major role in the decision of the four companies to combine their assets with those of the investment company.

Previously acquired were the assets of the Howe Plan Fund, a mutual fund, by Whitehall, and those of the Ferncliff Trading Corporation, a privately-owned company and The Connecticut Investment Management Corporation, a closed-end investment company, by Broad Street Investing.

The three mutual investment companies are currently negotiating another similar transaction and have three more in prospect, Mr. Randolph disclosed. The transactions represent an exchange of assets of the selling company at full market value for shares of the investment company of equivalent asset value. They furnish the selling company with an opportunity to diversify the investment holdings of its shareholders through the medium of a mutual investment fund without loss of asset values. Additionally, the selling company's shareholders acquire the benefit of the professional management of the mutual fund, and the flexibility and liquidity of owning mutual fund shares.

The acquisitions are also in the interest of the prior shareholders, Mr. Randolph emphasized, in the particular case of the three associated mutual funds—Broad Street Investing, National Investors and Whitehall Fund. This is due to the unusual arrangement that these funds enjoy, whereby they share with Tri-Continental Corporation in the salaries of the officers, who are the same for the four companies, and in the expenses of Union Service Corporation. Union Service furnishes investmens research and administrative services to the investment companies at cost.

With all of these services already being supplied at a cost that is among the lowest in the industry, every time that the broad base of assets over which the costs are spread can be further enlarged there is a saving in the amount of such costs that each investment company share must bear, and a consequent gain to the individual shareholder.

TV Production To Set Record

Production of television receiving sets in 1955 will set a new record high at 8,000,000 units to top the previous peak of 7,560,000 sets manufactured in 1950, it was estimated in the publication, "Keeping Up," published by Television-Electronics Fund.

"It is interesting to note," the publication said, "the reversal in the trend toward manufacturing of lower priced table model TV receivers as opposed to the console models."

The analysis said that in May 72.6% of the sets being produced were of the table model variety compared with 26.3% of the console type.

By August the trend was completely reversed, with console production in that month rising to 46.6% and table models declining to 52%.

"This reflects," the publication explained, "the tendency of the public to purchase higher priced sets in the last five months of 1955 as contrasted with the lower priced sets bought in the early part of the year."

Bullock Finds Construction Future Good

Despite the retarding effect of what may turn out to be temporary requirements for larger down-payments and shorter mortgage maturities in residential building, the outlook for building in 1956 is a bright one due mainly to the stimulant of business construction needs, according to "Perspective," a publication of the investment management department of Calvin Bullock, Ltd., which administers investment assets of more than $500,000,000.

In longer range, the prospects continue favorable, the publication says, citing as evidence estimates of a greater population by 1960, increased household formations, larger families and a continued migration to the suburbs and rural areas by both families and business.

New production techniques and a projected higher investment in producers' durables — machinery and other productive equipment—above the present level of approximately $25 billion annually point to a "high level of demand" for commercial and industrial construction, "Perspective" observes.

In public construction, "the continuing deficiency" of highways and schools, comprising more than half of such expenditures for the first nine months of 1955, is apparent, says the publication. An expanded highway program is required.

"The refusal of voters in the recent election to approve financing amendments may delay but probably not permanently stop this program, says "Perspective."

For about the last 15 years, new private construction has lagged behind the production of producers' durables in the formation of fixed capital. Only recently, the publication states, has private construction in terms of stable dollars "attained the level of 1926 while total output of the economy at constant values has increased nearly one and a half times since then."

Besides deferred demand, the publication lists the following causative factors for the upsurge in construction since World War II:

1. The rapid percentage gains in population and families;

2. An increase in manufacturing, commercial and governmental machinery and services and the structures required to house them;

3. The movement of popula-

Continued on page 58

Fund Examines Uranium Future

Uranium bears will hibernate if they make a factual study of the state of the industry and its markets, implies the report to stockholders of the Atomic Development Mutual Fund for the quarter ending on Sept. 30, 1955.

Board Chairman Merle Thorpe, Jr., and President Newton I. Steers, Jr., devote much of the report to an analysis of the uranium situation.

The fund officers point out that major Canadian companies operate under contracts with the Canadian Government guaranteeing a fixed price until April, 1962. At the same time, the United States Government has a practical obligation to buy at the present price structure all uranium ore mined in this country before that date.

"The price of uranium is unique in the extent to which it is protected from adverse market reaction," the report says. Contracts have been made to buy South African ore through 1967 in keeping with the present price structure—perhaps a straw in the wind as far as American and Canadian mines are concerned.

Taking the case of Algom Uranium Mines, Ltd., as typical among well-situated Canadian companies, the report says:

"Algom Uranium Mines, Ltd., has started construction of its mill in the Blind River area of Canada under the terms of a firm contract with the Canadian Government (as buying agent for the U. S. Government) to produce $206,000,000 worth of uranium concentrates. We believe that the total earnings after taxes on this stock during the contract period ending March 31, 1962 will amount to $15.80 per share, as compared with a current market price of $16.25. At the end of the period, Algom will have, we estimate, at least as much ore in the ground as will have been mined out, and will own, in addition, plants capable of processing 6,000 tons of ore per day, such plants being completely written off."

By 1962 major nuclear power plants in many parts of the world will supplement military demands for uranium. These will continue strong as we place a family of atomic weapons in our arsenal, Messrs. Thorpe and Steers predicted.

Apprehension over the future of uranium is connected with unwarranted optimism over the possibility of achieving a controlled fusion reaction. Pointing out that it took uranium reactors 13 years to develop to their present state, the report says, "It is to be emphasized that there is no assurance that controlled fusion will ever be proved practicable, but it appears certain that it will require a very long development period for commercial realization even after feasibility is demonstrated.

"From the point of view of such uranium companies as the fund is invested in, the irrelevance of fusion stems from the fact that nearly all of the fund's representation in the uranium field is protected by contracts which would be unaffected, even making the unwarranted assumption that fusion is achieved tomorrow, and commercial application the day following," the report states.

The fund ended the quarter with total net assets of $44,048,160 and net assets of $13.57 per share. Corresponding figures for the quarter ending on Sept. 30, 1954 were $6,862,236 and $11.55.

Continued from page 57

Construction Future Is Good, Says Bullock

tion and industry from urban to suburban and rural locations;

4. The emergence of the new type of plant structure to suit the needs of changed methods of production;

5. The greater personal prosperity and the change in people's living habits.

Referring to the stiffer current requirements in the financing of residential building, the publication observes that "the housing authorities, like the monetary authorities, have attempted to top off a boom which was being excessively financed by credit. Once the restraints appear about to accomplish their purpose they will be relaxed."

Citing estimates of the Departments of Labor and Commerce which forecast an increase of $2 billion for total construction needs in 1956—private construction up 3% and public construction up 10% — "Perspective" looks with favor upon the building industries' investment characteristics, "assuming that mortgage funds are adequate."

"It would appear," "Perspective" concludes, "that the industry continues to have investment merit if such investments are restricted to companies with a fairly wide geographical diversification of raw materials and plant and companies which have demonstrated ability to obtain good profit margins in the event of more competitive conditions."

Texas Distributor Merges With Texas Research

Texas Fund Research and Management Associates and Texas Fund's principal underwriter, Bradschamp and Company, have grouped all the capital stock of those two companies in Bradschamp and Company and have voted to change the name of the new company to Texas Fund Management Company, effective Nov. 18.

The new organization will serve as investment adviser to the Texas Fund, an open-end investment fund which has had a excellent growth since its formation in 1949.

Serving as members of the board of directors of Texas Fund Management Company are: F. G. Coates, partner, Baker, Botts, Andrews and Shepherd; J. W. Link, Jr., Executive Vice-President, American General Investment Company; Stanley C. Morian, President, Dixie Chemical Company; Lawrence S. Reed, President, Texas Gulf Producing Company; Theodore E. Swigart, petroleum consultant; also, William J. Sloan, President, Texas Fund Management Company and Mary Lu Epperson, Secretary and Treasurer, Texas Fund Management Company.

The directors named Jack Coles Vice-President of the newly-named firm.

Directors of the new company stated there would be no change in the underlying policy which has guided investment policy of the Fund since its inception.

At the annual shareholders' meeting of Texas Fund, Monday, Nov. 14, in the Fund offices in the Texas National Bank Building, the Texas Fund stockholders aproved of the investment advisory contract with Texas Fund Management Company.

Also voted on favorably at the annual meeting was a resolution to authorize five million additional Texas Fund shares. It was pointed out that the issuance and sale of additional shares will not affect the price of the Texas Fund shares since money obtained from the sale of shares will be re-invested in the Texas Fund portfolio.

Personal Progress

At a meeting following the annual meeting of shareholders, the directors of Canada General Fund (1954) Limited, elected Maj-Gen. A. Bruce Matthews a Vice-President of the fund.

Gen. Matthews, who is President of the Excelsior Life Insurance Company and a director of the Toronto-Dominion Bank, Dome Mines, Ltd., Dominion Stores, Ltd. and other corporations, continues as a director of Canada General Fund, the largest Canadian investment company owned predominantly by United States investors, with net assets of more than $63,000,000.

Our Reporter's Report

The latest markup in central bank rediscount rates naturally sent aglittering recently expressed hopes that the Federal Reserve Board would ease up a bit on the pressure it has been applying in the money market.

For several weeks, and especially since the expressions from high quarters in Washington and banking circles here, there had been a glimmering of hope that the investment markets generally had seen the last of the efforts to curb the rising flow of credit.

But the latest boost in central bank rates lifting the charge to the highest in over 20 years, and coming as a complete surprise to the rank and file, put such expectations back on the shelf.

The Board's action came, however, at a time when the corporate new issue market, and likewise the secondary market was in good shape to withstand its effects. True it left a couple of substantial-sized new issues more or less "hung-up" in underwriter and dealer hands. But there has not been any disposition, as yet, to cut loose and run on those offerings, at least not up to this point.

But, as Macy's never tells Gimbels, apparently neither does the Federal Reserve tell the Treasury what it has in mind. At any rate the former is not concerned by the problems of the latter.

For the Treasury is due to announce shortly its plans for refinancing $12 billion of outstanding securities. The bank rate boost naturally, while not likely to prove embarrassing is, none-the-less hardly welcomed in the circumstances.

Consolidated Edison Co. of N. Y., which has gone into registration with the Securities and Exchange Commission to cover proposed sale of $70 million of new 30-year, first and refunding bonds, has cleared the last hurdle with approval of the Public Service Commission of an invitation for bids on the issue.

Bankers bidding for the bonds, when the date is set (probably Dec. 6), will fix the interest rate and may set a price of not less than par nor more than 102¾. The bonds will be redeemable at the offering price plus 3%, the premium to work progressively lower to the maturity date.

The company has borrowed about $70 million from banks under a revolving fund set up earlier and proceeds of this issue will be used to reimburse the company's treasury and to liquidate the foregoing short-term debt.

For the next weeks or so the entire investment situation appears likely to be keyed to the Treasury's impending plans. For a spell now, the Treasury as usual has been getting ideas on the market outlook from institutional people such as insurance companies, trust companies and its commercial banking connections.

Feeling in market circles is that, if the Treasury operation is completed without recourse to long-term financing, the corporate market may be expected to pick up. But should it decide on a long bond, the market would be upset, at least temporarily.

The theory is that a long-term Treasury issue would tend to cause potential buyers in the corporate market to switch to the government loan, figuring they could pick up their needs in the market at a later date.

Could Be Test

All eyes will be on San Diego Gas Co.'s offering of $18 million of new mortgage bonds, due up for bids next Tuesday as a possible test of the new situation. The issue is rated Double A and because of its size competition could be keen.

Should the Treasury detail its plans over the week-end or some time Monday, it is pointed out, underwriters would be able to adjust their sights accordingly on the Coast utility's issue.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Edward B. Murphy has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly with Investors Planning Corporation of New England.

With Renyx Field Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Stanley A. Allan is now with Renyx, Field & Co.

DIVIDEND NOTICES

BAYUK CIGARS INC.

A quarterly dividend of twenty-five cents (25¢) per share on the Common Stock of this Corporation was declared payable December 15, 1955 to shareholders of record November 30, 1955. Checks will be mailed.

CHARLES L. NACE
Treasurer

Philadelphia, Pa.
November 18, 1955

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of sixty cents (60c) per share and a year-end dividend of one dollar and twenty cents ($1.20) per share on the capital stock (without par value) of the Corporation, payable December 15, 1955 to stockholders of record November 25, 195[illegible]

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
November [illegible], 1955

Burroughs

224th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable January 20, 1956, to shareholders of record at the close of business December 16, 1955.

SHELDON F. HALL,
Vice-President and Secretary

Detroit, Mich.
November 21, 1955

CHEMICALS
FIBERS
PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable January 1, 1956, to holders of record at the close of business December 2, 1955.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1956, to holders of record at the close of business December 2, 1955.

COMMON STOCK

12½ cents per share payable December 22, 1955, to holders of record at the close of business December 2, 1955.

R. O. GILBERT
Secretary

November 22, 1955.

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., November 21, 1955

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 25, 1956, to stockholders of record at the close of business on January 10, 1956; also $3.00 a share on the Common Stock as the year-end dividend for 1955, payable December 14, 1955, to stockholders of record at the close of business on November 29, 1955.

P. S. DU PONT, 3rd, *Secretary*

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a cash dividend of sixty-five cents (65¢) per share on the Common Stock, payable January 3, 1956, to stockholders of record at the close of business December 9, 1955.

B. M. BETSCH,
Secretary and Treasurer

November 17, 1955.

DIAMOND ALKALI CHEMICALS

3% Dividend on Common Stock

Dividend Number 16 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on Nov. 17, 1955, declared a 3% stock dividend payable Dec. 19, 1955, to holders of Common Stock of record Nov. 28, 1955; a dividend of $1.10 per share for the quarter ending Dec. 15, 1955, payable Dec. 15, 1955, to holders of 4.40% Cumulative Preferred Stock of record Nov. 28, 1955, and a regular quarterly dividend of 37½ cents per share, payable Dec. 5, 1955, to holders of Common Stock of record Nov. 28, 1955.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, Nov. 18, 1955

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

DIXIE CUP COMPANY

The Board of Directors of Dixie Cup Company, makers of paper drinking cups and food containers, has declared the following dividends:

5% Convertible Preferred Stock, Series A—Dividend No. 9 (quarterly)—62½c per share—payable January 10, 1956 to stockholders of record December 9, 1955.

Common stock—Dividend No. 92 (quarterly)—45c per share—payable December 20, 1955 to stockholders of record December 9, 1955.

H. R. WECKERLEY, Secretary

Dated: November 21, 1955.

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

November 18, 1955

A cash distribution of Four Dollars ($4.00) a share has been declared today by Kennecott Copper Corporation, payable on December 16, 1955, to stockholders of record at the close of business on November 30, 1955.

PAUL B. JESSUP, *Secretary*

NATIONAL STEEL *Corporation*

NATIONAL STEEL

104th Consecutive Dividend

The Board of Directors at a meeting on November 15, 1955, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable December 10, 1955, to stockholders of record November 25, 1955.

PAUL E. SHROADS
Senior Vice President & Treasurer

Pullman Incorporated

89th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on December 14, 1955, to stockholders of record November 30, 1955. An extra dividend of one dollar ($1.00) per share will be paid on January 6, 1956, to stockholders of record December 15, 1955.

CHAMP CARRY
President

PULLMAN-STANDARD CAR MANUFACTURING CO. — Built by Pullman Standard
M. W. KELLOGG
TRAILMOBILE

DIVIDEND NOTICES

SOUTHERN PACIFIC LINES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 152

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock, of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on December 19, 1955, to stockholders of record at the close of business November 28, 1955.

E. J. GOODWIN, Treasurer.

New York, N. Y., November 17, 1955.

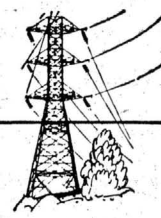
TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 32 cents per share on the Common Stock of the Company, payable January 3, 1956 to stockholders of record at the close of business December 1, 1955.

D. W. JACK
Secretary

November 18, 1955



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 186
60 cents per share.

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 35
27 cents per share.

The above dividends are payable December 31, 1955, to stockholders of record December 5. *Checks will be mailed from the Company's office in Los Angeles, December 31.*

P. C. HALE, *Treasurer*

November 18, 1955

Edison

DIVIDEND NOTICES

CONSOL

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY** at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on December 13, 1955, to shareholders of record at the close of business on December 2, 1955. Checks will be mailed.

JOHN CORCORAN,
Vice-President & Secretary

November 21, 1955.

YALE & TOWNE

DECLARES 271st DIVIDEND
75¢ PER SHARE

On Nov. 22, 1955, dividend No. 271 of seventy-five cents (75¢) per share was declared by the Board of Directors out of past earnings, payable on Jan. 3, 1956, to stockholders of record at the close of business Dec. 9, 1955.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Cash dividends paid in every year since 1899

TENNESSEE CORPORATION

TENNESSEE CORPORATION

November 15, 1955

CASH DIVIDEND

A dividend of forty-five (45¢) cents per share was declared payable December 21, 1955, to stockholders of record at the close of business November 30, 1955.

EXTRA CASH DIVIDEND

An extra dividend of twenty-two and one-half (22½¢) cents per share was declared payable January 11, 1956, to stockholders of record at the close of business November 30, 1955.

STOCK DIVIDEND

In addition, a 3% stock dividend was declared payable January 11, 1956, to stockholders of record at the close of business November 30, 1955.

The above cash dividends will not be paid on the shares issued pursuant to the stock dividend.

JOHN G. GREENBURGH
Treasurer.

61 Broadway
New York 6, N. Y.

RICHFIELD

dividend notice

The Board of Directors, at a meeting held November 15, 1955, declared a regular quarterly dividend of seventy-five cents per share for the fourth quarter of the calendar year 1955 and a special dividend of fifty cents per share on stock of this Corporation, both payable December 15, 1955, to stockholders of record at the close of business November 25, 1955.

Cleve B. Bonner, *Secretary*

RICHFIELD
Oil Corporation

Executive Offices: 555 South Flower Street, Los Angeles 17, California

TENNESSEE GAS TRANSMISSION COMPANY

HOUSTON, TEXAS

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS

DIVIDEND NO. 33

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable January 3, 1956 to stockholders of record on December 9, 1955.

J. E. IVINS, Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — In moving into the 2½% rate bracket the cost of bank borrowing at the Federal Reserve, the Reserve System has said in effect that for the time being the economy is still roaring ahead at a pace which needs restraint.

It has said no more, particularly as to the future. The immediate development which is believed to have triggered the higher discount rate is the appearance of a Christmas demand for funds which must have exceeded the System's estimate of what was reasonably a seasonal demand with allowance for the steady growth of the economy.

Christmas fund demand normally brings to an end the long seasonal rise in demand for bank credit which usually gets under way in mid-summer. The Reserve probably as yet has no firm appraisal of prospects for the economy's rate of expansion in the new year. When it does get a reading on that probable rate of growth, it will adjust its flexible credit policy accordingly.

If, with the passing of several weeks of the new year, it appears that the economy is pushing ahead at such a feverish rate as to threaten boom and bust, it may be expected that the inclination of the Reserve, as throughout this year and as in 1953, will be to put some added breaks on the rate of expansion.

The Eisenhower Administration, which is in the sort of figurative position of being the married partner in monetary policy, will face a possibly difficult problem in 1956 if the outlook appears to be inflationary. In collaborating with reasonable restraint, it will have to take the most vocal criticisms of the inflationary-minded Congressional leftists who will be back shouting from their soap boxes. It will also have to take the risk of monetary management, always inherent, that they might just be guessing wrongly and thus inadvertently help precipitate a downward trend which might be glaringly noticeable come next November.

There is one new thing possible in the picture. Something like a year ago, in a colloquy between Senator Ralph Flanders (R., Vt.) and himself before a Joint Economic Committee forum, Chairman Bill Martin of the Federal Reserve agreed with the Senator that Reserve changes in policy should be made with greater frequency, and should be attended with less "cataclysmic" implications. Heretofore, the Reserve has placed more emphasis upon relative stability of the rate structure over possible week-to-week adjustments.

Hence, if the new year brings some abatement of inflationary pressures, even if the same is temporary, one might look for quicker adjustments in discount rates to meet shorter run trends.

Presidential Prospects Change

Old hands point out that there is nothing so certain as change in the prospects for Presidential nominees, this being more than eight months away from the national political conventions.

At the moment there is a sort of "feeling coming through the pores" that Adlai Stevenson is a sure shot to get the Democratic nomination. There are a number of reasons for so thinking, at the moment. One of these is that the Southern Governors kicked in the teeth the incipient move of some of the southerners to organize their crowd against Stevenson. Lyndon Johnson, the Senate Democratic leader, was the mainspring of this move, which some saw as perhaps incidental to the promotion of his own candidacy.

Aside from the fact that the best of candidates can stumble and fall just when everything seems to be all tied up in the prettiest pink ribbon, there are other intangibles, to wit:

Where will organized labor throw its hefty weight? All the signs are that the southerners are not joined together this year but that labor is overwhelmingly unified behind the Democratic party. If any one man gets out in front, organized labor cannot "buy a piece" of this candidate, but must perforce tag along. This is not a rosy prospect for a militant labor organization which has plenty of money, will own a great many delegates, and wants to dictate not only important parts of a Democratic program, but possibly even name the Vice-Presidential nominee.

In other words will labor allow the nomination to go to a front man by default, or will it play a little pre-convention game of balance of power the better to be able to make the decisive pitch for the right man at the right time?

Who will Harry Truman finally support? For all that Mr. Truman messed around in, and possibly helped to mess up, Mr. Stevenson's 1952 campaign, political observers rate Harry as still having a considerable drag. Such men with influence don't like to just "me too" the man who is getting away from them.

Another intangible is the TV. Radio people say that there are about five times as many TV sets now as in the 1952 campaign. This puts a premium on the gent who can give a good theatrical performance and charm the unthinking elements in the country. Estes Kefauver may be disliked by the bosses, but he is rated as doing a good TV show, is handsome, and is especially pleasing to the ladies.

Keep Ike Has Other Purposes

There are a certain number of hard-headed Republican politicos who are acutely aware of the basic handicaps of having Mr. Eisenhower run again after his illness, and yet are seriously advocating the same. The chief inherent handicap is that ANY candidate's health is usually responsible for possibly a strategic percentage of loss of votes, even if the opponent doesn't directly mention his rival's health in his sales pitch.

There are a few hard-headed Republicans who, despite the handicaps of Mr. Eisenhower's candidacy, contemplate with utter horror the opening up of the fight between the conservative and "liberal" wings of the party, and thus would rather, if unhappily, take a chance on the status quo.

Buys Time

However, some very practical and politically important objectives are served by the apparently concerted effort to keep alive the possibility that Mr. Eisenhower just might run.

(1) So long as there is a possibility that Mr. Eisenhower might run in 1956, the entire Eisenhower entourage holds its tenure. The minute the "king abdicates," the "king's retainers" become for all practical purposes unemployed. They may stay on the payroll and go through the motions of serving until January, 1957, but the minute the President renounces ambitions for 1956 they are on the way out and practically speaking will lose the power to make decisions.

The retainers of any President of any party invariably hate to dispense with the importance of their services to government. Even after Stevenson was nominated in 1952, the White House staff was messing around trying with all its might to call the tune.

(2) It buys time to try to promote a "liberal" candidate more to the liking of the White House staff "politbureau." One by one their forlorn hopefuls, Harold Stassen and brother Milton Eisenhower, have turned croppers. The current drive is to try to get the President, in case he doesn't run, to try to convince Chief Justice Warren that he is the only man who can save the world's peace, the prosperity of the United States, great "liberal" principles, and not just incidentally, to offer them hope of retaining their front positions.

A paradox of this aspect of "buying time" is that it helps V.-P. Nixon and the "liberals" know it. For Nixon is the official front man next to Mr. Eisenhower, and the longer he stays in front the harder it is on the would be competitors for the GOP nomination to get in their work.

(3) It buys time to try, even if it looks like a gigantic task to bring about a peaceful transference of the Republican mantle.

(This is **NOT** a prediction Mr. Eisenhower will decide against running again. Most observers are satisfied that no one beside Mr. Eisenhower knows this, and he quite likely has not yet made up his mind.)

Tax Study Appraised

In the daily press the preponderant stories in the Joint Economic Committee's compendium of opinions about what should be done on taxes was on the "liberal" side. The compendium nevertheless was rated by those who studied it as fairly balanced. That is to say, the opinions of those who see high "progressive" taxes as a deterrent to the economy was given about as much space as the opinions of the long-haired academicians who still see the poor ground down and the 91% surtax just a dodge to let the filthy rich keep too much of their money.

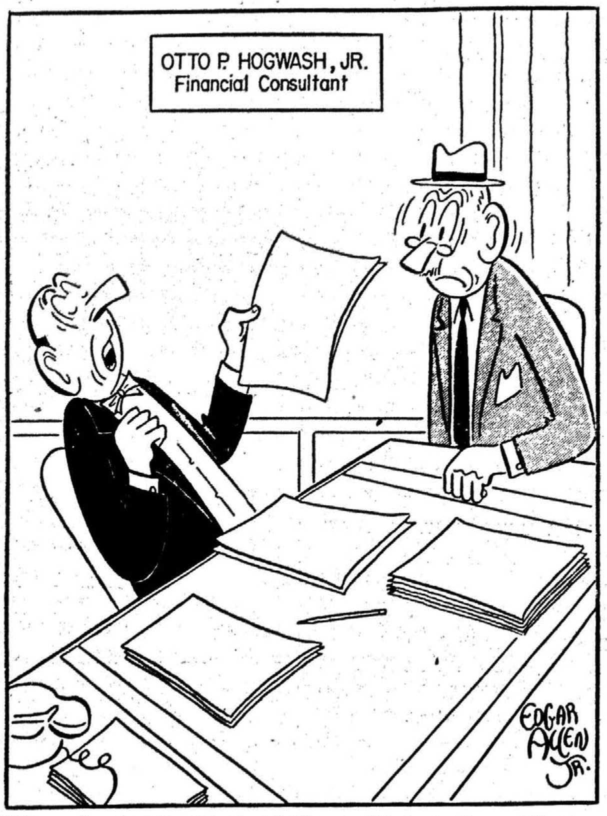
It is natural that the daily newsboys, so heavily Guilded with their newspaper left-wing labor ideas, should pick out the "liberal" views to disseminate.

The Joint Economic Committee collected opinions of all shades, preparatory to its hearings early in December on what is the best kind of tax system to keep the economy going full tilt.

Although many people spent many hours writing these analyses, nothing tangible will come of them, for the Joint Economic Committee is not going to make tax policy in 1956 or any other year.

[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



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Business Man's Bookshelf

Federal Aid to Education—Boon or Bane?—Roger A. Freeman—American Enterprise Association, Inc., 1012 Fourteenth St., N. W., Washington 5, D. C. (paper) $1.00.

Look Into the Future—Analysis of economic prospects for coming decade—Leon H. Keyserling—Henry Montor Associates, Inc., 32 East 57th Street, New York 22, N. Y.

Personal Estate Planning in a Changing World—Revised Edition—Rene A. Wormser—Simon and Schuster, 630 Fifth Avenue, New York 20, N. Y. (cloth) $3.95.

Proposals for Changes in the United Nations—Francis O. Wilcox and Carl M. Marcy — The Brookings Institution, Washington 6, D. C. (cloth) $5.00.

Tungsten: The Story of an Indispensable Metal—Mildred Gwin Andrews—The Tungsten Institute, 1757 K Street, N. W., Washington, D. C. (paper).

TVA and Its Critics—Gordon R. Clapp — League for Industrial Democracy, 112 East 19th St., New York 3, N. Y. (paper) 15c.

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