ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 182 Number 5488 New York 7, N. Y., Thursday, December 8, 1955 Price 40 Cents a Copy

EDITORIAL

As We See It

To be or not to be "nonpartisan" in respect of our foreign policies and programs during the coming political campaigns—that seems to be, if not "the question" then at least one of the questions which politicians in both parties are having much to say about these days. One would suppose that the fate of the world, or a large part of it, hung on the decisions made in this matter. The mores and the folkways of the day appear to require that the nation shall be "united" when it comes to dealing with foreign countries, and every politician feels it necessary to insist that he and his party ardently desires to abide by this rule of conduct—although, of course, the other side may well be indifferent to it.

Leaders of the Republican party are now daily pleading for "nonpartisan" treatment of all matters that have to do with foreign relations—as did the Democratic party spokesmen in 1952—and are having a number of rather nonpartisanlike statements and accusations of the Republican party in 1952 thrown at them. In point of fact, the spell binders have been making a good deal of President Eisenhower's "achievements" in Korea and are without doubt planning to make still more of them next year. Communism and the record of each of the party with reference thereto is another "issue" which many in the Republican party do not wish to remain on a "nonpartisan" basis.

It seems to us that "nonpartisanship," whether with reference to foreign policy or to anything else, is mostly mythical or unreal in one sense but almost omnipresent in another sense. The fact is that political orators rarely if ever let an

Continued on page 20

National Economic Picture

By ROBERT R. DOCKSON*
Professor and Head, Department of Marketing
University of Southern California, Los Angeles

In his description of the national economic picture, Professor Dockson discusses: (1) what has occurred within past year to cause income and employment to reach peak levels; (2) the factors responsible for the current business picture and are they strong enough to allow for continued growth, and (3) outlook for high level of business activity over the next decade. Holds private sector of our economy was responsible for major upturn in business activity, but the big question now is whether the expansion is about to end. Says much depends on consumer spending, but concludes there will be a long upward trend in business over next decade.

An economist has different analytical tools he employs when examining what is happening to an economy and what is apt to happen. His task is very similar to the task of the medical doctor who is called in to diagnose the symptoms of an ailing person. There are times when it is possible to identify the malady, and there are other times when the doctor concludes the person's illness is largely in the mind, and with proper mental adjustments and the application of normal hygienic principals a healthy, useful life can be enjoyed. My diagnosis of today's economy is somewhat akin to the latter situation. We are extremely healthy and yet there are those amongst us who feel certain we're going to collapse with a "heart attack" like the one experienced in 1937-38 or even the 1929-33 disaster rather than anything like our waivers of 1948-49 and 1953-54. The fact is there are many who want to tie the entire American economy to the heart beat

Robert R. Dockson

Continued on page 35

*An address by Prof. Dockson Before the Mortgage Bankers Association of America, Los Angeles, Cal.

Complexities in the Stock Market Outlook

By N. LEONARD JARVIS*
Partner, Hayden, Stone & Co.
Members, New York Stock Exchange

Mr. Jarvis, after noting the complexities of the stock market, which indicate it is composed of a number of markets, describes the action of separate sections of the market since September, 1953. Calls attention to factors influencing the current stock market and its future outlook, and concludes: (1) damage done by President's illness has been restored; (2) the economic outlook appears most promising; (3) there will be no relaxation of defense measures; (4) large funds are still available for investment despite credit restrictions; (5) there will be active tax selling this year, and (6) the advance in stock prices cannot continue at current rate in coming year

The stock market is both a contrary and a complex affair. It is contrary in the sense that it is generally the best purchase when everybody wants to leave it alone, and the worst purchase when everybody feels like getting aboard. These statements apply to the general psychology of broad upward movements, or bull markets, and broad downward movements, or bear markets. As if the psychological inhibitions were not enough as applied to the large up and down movements, there is also another characteristic of the market which has become very pronounced since 1946, that of selectivity, to the extent heretofore unknown.

Anyone who has followed, even moderately closely, the activities of the stock market from 1946 up-to-date has been aware that the various averages, Dow Jones, New York "Times," Standard and Poor's, and others, are perhaps less representative of the

N. Leonard Jarvis

Continued on page 32

*An address by Mr. Jarvis before the Seminar on Banking & Finance, the School of Commerce, New York University, New York City, Dec. 3, 1955.

IBA CONVENTION ISSUE NEXT WEEK—The "Chronicle" of Dec. 15 will include text of the addresses, along with Committee Reports, delivered at the recent Annual Convention of the Investment Bankers Association of American, plus an extensive pictorial coverage of this important yearly event.

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.)

ISKANDER HOURWICH

Partner, Hourwich & Co., New York

Florida Telephone Corporation

The Independent Telephone Industry, as distinguished from the Bell system, continues increasingly to receive the attention of investors looking for new and more promising fields.

Iskander Hourwich

Investment in the equities of the independents combines uniquely a high degree of security of principal and income and at the same time the prospects of impressive capital gains. As an example, Continental Telephone (formerly Telephone Bond and Share) recommended by the writer in these columns a little over two years ago at about 15 is currently selling at about 30, having sold as high within recent months as 33 and having issued valuable rights to its stockholders twice within the period.

The reason for this excellent market behavior is not difficult to understand. The industry is basic and essential to our economy. Suburban living—and America is moving to the suburbs—is as dependent on the telephone as it is on the motor car. At the same time the cost of the service is so low that it is virtually within the reach of every one. And everyone literally wants more and better and quicker service to more and more distant places. A telephone call often will accomplish the same results as a railroad or other journey at a fraction of the cost. The telephone under these circumstances is a magic carpet for young and old, in business, family and social relationships.

America has fifty million telephones serving 165 million people. One in five of these is operated by a company independent of the Bell system. There are 5,300 of these independents and they serve twice the area that is served by Bell. The great growth of the industry in the future is certainly with the independents. The independents are all interconnected either through their own long distance lines or through the toll facilities of the Bell system.

The relationship between Bell and the independents is today a cordial one and is governed by a historic agreement in the industry, arrived at over 50 years ago, which encourages the expansion of the independents.

The allocation of revenues as among the independents and Bell is subject to regulation by the Federal Communications Commission which in general has favored the independents.

The Florida Telephone Corporation is one of the smaller units of the industry, said to be thirty-eighth in point of size in the nation. It serves a well integrated area in the heart of Florida with a great growth potential; some of this has already been realized. Florida as a whole, needless to say, is one of three fastest growing sections of the country.

The general offices of the Florida Telephone Corporation are located at Ocala in the center of the state. The company serves eight counties without competition (In point of size it is about one-fourth that of Peninsula Telephone Company and there are a number of other independents operating in Florida. The growth of the area and the company is above the average for the country and for the industry.)

Within a hundred mile radius of Ocala is a population already believed to exceed 1,600,000 persons though the population immediately served by the company is perhaps 75,000. There are a large number of lakes in central Florida and living conditions are such that new settlers are being continuously attracted to the area.

The citrus industry, cattle raising and processing and vegetable processing — are important economic mainstays. Nationally known corporations such as Minute Maid, Libby, McNeill & Libby, Swift & Company, American Can Co. and others have important operating subsidiaries in central Florida. Though the area is largely rural and farming in character, an increasing number of small manufacturing plants producing a variety of products are locating there.

The growth of the company has been exceptional. In the decade since the end of the war, the number of telephones has increased from 7,642 to 25,462. The number of long distance toll calls (a particularly profitable part of the business) has increased from 837,436 to 2,483,533. Despite this tremendous growth, the company at the end of 1954 had more unfilled orders for service than it had at the end of World War II. The invested capital in the same period increased from $1,433,676 to $7,387,558.

New financing in 1954 amounted to $1,849,750. The senior debt of the company is held by such well known and conservative institutions as Massachusetts Mutual Life Insurance Co., The Metropolitan Life Insurance Co. of New York and the Mutual Life Insurance Co. of New York. The preferred stock of the company is held by The Travelers Insurance Co. of Hartford, Conn., among others.

The company has projected a growth that will increase its stations to 45,000 by 1958 with a total capital investment of about $17,000,000. In general, the objective seems to be a doubling of facilities within the next five years.

This growth has been financed through private placement of senior debt and preferred shares, retained earnings, depreciation account and the sale of additional common stock to its shareholders. Eight separate offerings to shareholders have been made since 1945. The last issue was offered April 8, 1955, at $13 per share in the ratio of one new share for each three held. The success of this offering is attested by the current market of 18 bid - 18¾ asked. The shares in recent months have been quoted at the 18½ - 19 level.

Shareholders, under the articles of incorporation have pre-emptive rights to the issuance of additional shares. As the company has projected large expenditures for expansion and conversion of the remaining manual exchanges to dial operation, it is reasonably certain that this policy of offering additional shares to shareholders will continue at regular intervals in the future.

At the end of 1954, 59.1% of the telephones in service were dial. Conversion of the balance within five years is the objective and should result of course in better and more profitable operations. For one thing, increase in rate schedules is conditioned on the quality of the service rendered and mechanization greatly reduces costs of maintenance and operation.

This Week's Forum Participants and Their Selections

Florida Telephone Corporation — Iskander Hourwich, Partner, Hourwich & Co., New York City. (Page 2)

Merritt-Chapman & Scott Corp. (common stock; 4½% Conv. Debs.)—Kendall H. Lutes, Research Dept., A. C. Allyn & Co., Chicago, Ill. (Page 2)

The regulatory climate in Florida is favorable to the utilities. The Florida Railroad and Public Utilities Commission has repeatedly declared in its rate decisions that it sets rates at a level calculated not only to be fair to the consumer but also to attract the capital necessary for the expansion programs undertaken by the companies under its supervision. The rate of return on net plant in service of the Florida Telephone Corporation has averaged about 6%, being somewhat under this figure at the moment. The rate of return on invested capital, reflecting the sale of additional shares this spring, is somewhat under 5%, so that as far at rate making is concerned, the company is in excellent position.

The common stock earned $1.07 per share for the year ended Dec. 31, 1954, on the maximum number of shares outstanding at that time. It paid $0.80 in dividends during 1954 and issued rights which ranged in price while in existence between $0.50 and $1.00 per share. For the 12 month period ended Sept. 30, 1955, the stock earned $0.98 on the average number of shares outstanding during the period, reflecting of course, the substantial dilution in equity resulting from the sale of shares during the spring. Such declines always occur until the new money can become effectively utilized. The normal earning power of the shares, even giving effect to future sales of additional stock, should average between $1.05 and $1.20 per share as the mechanization program becomes more fully effective.

At the current market price of 18 - 18¾, the dividend of $0.80 gives a return of 4.26% and this return can be expected to be augmented by whatever value the rights, in the event that they are issued, might command. The writer believes the stock, which has a limited market, is an interesting investment for growth. It is traded in the Over-the-Counter Market.

KENDALL H. LUTES

Research Department
A. C. Allyn & Co., Chicago, Ill.
Members New York Stock Exchange, Midwest Stock Exchange and American Stock Exchange

Merritt-Chapman & Scott Corporation (Common Stock; 4½% Conv. Debs.)

I regard the common shares of Merritt-Chapman & Scott Corporation as having substantial growth appeal and at current market levels they offer an exceptional yield of better than 8%.

Kendall H. Lutes

The 4½% Convertible Debentures due 1975 offer a similar attraction for the investor with the added feature of a senior position and reasonable income. Merritt-Chapman & Scott Corpora-

Continued on page 46

Evasion!

U. S. Court of Appeals reverses NASD's disciplinary action taken against oil royalty dealer. Holds, in the instant circumstances, a 50% mark-up did not violate NASD rules of fair practice. Despite decision, NASD persists its "5% philosophy" is applicable to future sales. Fallacy of this interpretation demonstrated.

The decision in R. V. Klein Company (Docket No. 23463) handed down by the United States Court of Appeals for the Second Circuit is destined to have an all-important effect on certain phases of pricing policy by administrative agencies in the securities field.

On the heels of this decision came the proclamation of the Board of Governors of the National Association of Securities Dealers that oil royalty mark-ups are subject to the "5% policy" of the Association. In a resolution recently adopted by them, they said in part:

"It is the opinion of the Board of Governors that transactions in such securities are equally subject to the Policy previously announced as are any other securities handled in the Over-the-Counter Market."

Explaining the foregoing, the December issue of "NASD News" contains the following:

"The necessity for this interpretation grew out of a decision of the U. S. Court of Appeals for the Second Circuit in which the Court upset an NASD expulsion (upheld by the SEC) because it found that the Association had not previously warned the member in connection with an examination that 50% mark-ups on oil royalties violated the Rules of Fair Practice."

That, indeed, was one of the Court's findings, but so limited a description does not begin to do justice to the case or its import.

The case centered around a broker and dealer in securities who was a member of the NASD.

The District Business Conduct Committee of NASD filed charges against him alleging sales of oil royalties to two customers at prices which it was claimed violated Sections 1 and 4 of Article III of its Rules of Fair practice.

Each sale was made at a 50% mark-up percentage.

The Trial Committee found the dealer guilty of the violation and recommended he be censured and be assessed the cost of the proceeding. The full District Business Conduct Committee adopted the recommendations of its trial subcommittee and imposed the penalty of censure and assessed costs.

Of its own motion the NASD Board of Governors took the matter under review, and increased the penalty from censure to expulsion from membership in the Association.

The dealer appealed to the SEC which affirmed the Board's decision to expel him.

The appeal then went to the courts, and it is the decision there made and what is being done to pricing policy in the alleged light of it, that we are considering.

The United States Court of Appeals reversed all along the line the penalty imposed upon the dealer and ordered his re-instatement.

In support of, and as a basis for its decision it pointed out, *inter alia:*

(1) The two customers involved were experienced in buying and selling securities. Neither complained of the transactions. They were not called as witnesses. In reply to letters from the Secretary of the District Committee, both wrote letters expressing entire satisfaction with their dealings.

(2) The NASD "5% policy" was based upon a survey which did not include instances of sales of oil royalties, nor had the Association ever circulated among its members any rule or interpretation as to permissible mark-ups

Continued on page 31

INDEX

Articles and News

Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, December 8, 1955

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

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

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

Subscription Rates

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

Other Publications

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

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

The Pipes of Pan-Canada

By IRA U. COBLEIGH

Enterprise Economist

A swift resume of the present plans to serve, with Canadian born natural gas, East Canada, and the Pacific Northwest.

The recent unfolding of definitive gas pipeline blueprints in Canada, has been a many and/or-ed thing with a diverse international assortment of lawyers, politicos, producers, transmission companies, and bankers, all variously throwing in either a plan, an option or a monkey wrench. Long left in the lurch have been the producers of bulging gas reserves in West Canada and the gas consumers (present and potential) in Canada, and in our Pacific Northwest—the only U. S. area not yet served with this efficient and volatile fuel.

Ira U. Cobleigh

At first the problem had seemed simple. Since the opening of the Leduc field in Alberta in 1947, oil and gas was bubbling up in ever increasing quantity. Local markets were soon swiftly saturated and oil, which had moved by truck or tank car, was the first to require piping. Hence the building and most successful operation of Interprovincial Pipe Line and latterly Trans Mountain Pipe Line, with which companies and equities you are doubtless already familiar. Original subscribers to Interprovincial convertible 4s of 1970 had a wonderful time, seeing their bonds zoom in 18 months from par to past 300. More important, the vital oil transport needs of West Canada were being effectively served. But not so with the natural gas, which West Canada is today producing at the rate of 135 billion C.F. annually, with present reserves of some 18 trillion C.F. That's a lot of gas, it's increasing daily and common sense has long dictated that ways should be found to get it to market—particularly when the market is not only waiting, but clamoring.

Well with quite a few blunders, mostly of a political nature, and even more delays, it now looks as though the pipes of Canada will start to puff gas within the next two years. The news and press releases on this subject have, in the past month, been most encouraging.

Let's talk about the all Canadian phase first. On Nov. 21, 1955 it was announced from Ottawa, that the Dominion Government, in association with the Province of Ontario, would build a 30-inch pipeline across Northern Ontario, and lease it to Trans Canada Pipe Lines Ltd., for not more than 25 years. This section, a bridge line from the Manitoba-Ontario border to Kapuskasing, will cover 675 miles and its building, though officially approved, depends on quite a few things. First, it is to cost $118,000,000, and Ontario wants in only (1) if its share of the tab will not exceed $35,000,000, and (2) if the whole line (running west to the Alberta fields) is assured of completion. Ontario prudently does not assent to bringing nothing, from nowhere to somewhere, and doing it for 675 miles.

Which is where the second, larger, and private enterprise section of the project comes in.

With considerable jockeying about, there is now in lively existence, Trans-Canada Pipe Lines Ltd., sponsored by three quite resourceful groups: Canadian Delhi Oil (identified with Clint Murchison of Texas), Western Pipe Lines, Ltd. (representing a group of Canadian financiers) and Tennessee Gas Transmission, seeking to import gas into the U. S. (particularly to serve the Minnesota market) at Emerson, Manitoba. Upon the success of Tennessee's application (before the Federal Power Commission in Washington, D. C., on Dec. 18) to thus import gas, depends, considerably, the early progress of Trans-Canada Pipe Lines Ltd.

With this approval, then the whole picture comes to life. The projected pipeline (34 inch) will run from Princess, Alberta to the Ontario border, and from Kapuskasing, Ontario to Toronto and Montreal—altogether some 1,565 miles. Only one obstacle remains in the way—a little matter of raising $250 million to finance the enterprise. Informed investment men believe that this can be done (assuming, of course, the approval of export to the U. S.). Here are their plans in a quite tentative sort of way: (1) sell $165 million of first mortgage bonds to institutions; (2) sell $47 million of subordinated debentures (possibly 5½%) with each $1,000 bond carrying warrants for the purchase of 20 shares of common at $3.72; (3) deliver approximately $12 million in common for outlays already made by sponsors; and (4) sell $33 million in additional common to the public. In respect to the public offering items, Canadians are to be given first cut at the subscriptions.

This, in essence, is the plan for an all Canadian line, with provisions for purchase by Trans-Canada Pipe Lines, Ltd. of the government/province built section within 25 years; and further provisions for delivery of American gas to certain sections of East Canada till the entire line is completed, presumably by the end of 1957.

Now let's switch to the Westbound line. This is all ready for the digging, with the hitches now all ironed out. It will be a big deal for Peace River, giving producers there, at last, the big markets in West Canada and Northwest U. S. they've been waiting for. Westcoast Transmission Co. Ltd. has now been permitted, by Federal Power Commission, to supply and deliver to the international boundary about 200 million C.F. daily beginning Nov. 1, 1957 for export use in Oregon, Washington and Idaho.

To build the line bringing this gas to the U. S., Westcoast Transmission Co. Ltd. financing totaling $153½ million is in prospect. It will be broken down into (1) $83 million of first mortgage bonds, (2) $29.5 million in bank loans, (3) $20.5 million in subordinated debentures bracketed with 615,000 shares of common to be offered as a unit—$1,000 debenture carrying 30 shares of stock for $1,150, and (4) sale of 3,200,000 common shares principally to largest present shareholders in Westcoast, namely Pacific Petroleums Ltd. and Sunray Oil. Eastman, Dillon & Co. will be the principal underwriter.

This project will transport gas from Alberta and British Columbia all the way down from Pouce Coupe, B. C. through Dawson Creek, Prince George, Quesnel, Williams Lake, Kamloops and Merritt, B. C. to Sumas, Washington (the foregoing itinerary for the benefit of map hounds).

Just bringing the line to Sumas is only half the total deal, however. At that point, Pacific Northwest Pipeline Corp. will pick up the volatile stuff, and propel it along the U. S. West Coast in a new, 955 mile, pipeline which, by connection will also tie into the extensive gas Southern fields of the San Juan Basin in New Mexico and Colorado. This joint (no pun intended) facility will ultimately deliver (1959) over 300 million C.F. a day from Peace River into the U. S.; and round out a virtually complete Pan-Canada gas pipe system running from Montreal to the Pacific.

All this of course not only is highly practical, but a golden boon for most of Canada, and for our Pacific Northwest. It presents, too, exciting new opportunities for investors—both North and South of the border. The record of pipeline equities has been golden for shareholders. Just review, for a moment, the market gains, increased dividends, split ups in such leaders as Tennessee Gas, Transcontinental, El Paso Natural Gas, and Northern Natural Gas in the U. S.; and the sensational rise of Interprovincial Pipeline in Canada, and you set the stage for avid enthusiasm for the new securities outlined in the earlier paragraphs. The major difficulty apparently will arise not from any investor apathy, but from the difficulty in getting full allotments on subscriptions. Everywhere natural gas has been piped in, this low cost high efficiency fuel has ushered in a new era of prosperity in the area served. Moreover, here's one field of finance where promotional securities, issued on blueprints and expectations have been sensationally rewarding.

So here's a salute to the pipes of Pan-Canada, and the dozens of distributing companies, all along the way, that are bound to benefit handsomely.

The State of Trade and Industry

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

A moderate reduction occurred in total industrial output for the nation as a whole in the period ended on Wednesday of last week, but production remained comfortably above the level of the corresponding week, a year ago. Copper was in reduced supply as users continued to rapidly build up their inventories.

Manufacturers' new business turned down contra-seasonally in October and sales rose less than seasonally, the United States Department of Commerce currently reports.

Both manufacturers' inventories and unfilled orders edged up during the month, adding that manufacturers received $28,100,000,000 less than September's new business but still topped October of last year by $4,500,000,000.

The Department said this seasonally adjusted 3% drop in new business between September and October was concentrated entirely among durable goods producers. New orders received by non-durable goods industries changed little from the previous month.

Manufacturers' sales, it noted, amounted to $27,900,000,000 during October. This was a $300,000,000 increase over September's volume and $4,300,000,000 more than October of last year.

The Department, however, figures the normal seasonal rise between September and October to be $700,000,000. So, its seasonally adjusted index tumbled $400,000,000 from the previous month's level to $26,700,000,000 for October.

Manufacturing inventories rose $500,000,000 during October to a book value of $44,800,000,000 at the end of the month, the Department reported. This was $1,900,000,000 higher than a year earlier.

This increase reflected higher replacement costs as well as an increase in volume, the report stated. It said about two-thirds of the rise occurred in durable goods industries while increases in book values among non-durable goods producers " were generally small."

Backlogs of unfilled orders also edged up a bit during October. The report said at the end of the month manufacturers' unfilled orders totaled $53,300,000,000—$300,000,000 higher than at the end of September and $5,900,000,000 higher than a year earlier.

It was reported that claims for the state unemployment insurance rose by 43,800 the past week, bringing the total up to 230,000. Seasonal employment declines were noted in construction, lumbering, food processing and the apparel industries. States reporting the greatest number of new claims included Washington, Oregon and California.

The steel scrap market is running wild and prices this week broke through defenses set up by the mills and skyrocketed to all-time record highs. Prices in some areas hit $50 and more on the top melting grade for the first time in history, states "The Iron Age," national metalworking weekly.

"The Iron Age" scrap composite jumped $2.50 per ton to $49.50, compared with the previous high of $46.15 in 1951. Sky-high prices for scrap going into conversion plus unprecedented demand for steel were largely responsible for the break-through, declares this trade weekly.

Meanwhile all bets are off on steel prices. It's only a matter of time before steel consumers get the bad news on price boosts that will affect all major products. Base prices and extras are going up. The worst will be over in 90 days, but it will be quite a while before the worst is over from a steel supply standpoint. Consumers who have not the means or the ingenuity to get steel from other-than-usual sources, including conversion, will be in a bad way. More production cutbacks due to steel shortages are on the way, this trade journal adds.

Mills themselves hardly know which way to turn. Freight car backlog alone will reach 150,000 by year's end and mill production is sold out for the first six months of 1956.

The steel companies need more money to finance expansion.

Continued on page 36

Observations . . .

By A. WILFRED MAY

YOU AND YOUR COMPANY*

Familiarization with company affairs is today rendered vastly more important than heretofore by the vast increase of the investor population, via the popular media of the mutual fund and the instalment stock buying device. As a result, there have come on the scene millions of stockholders to whom balance sheets and income statements are as Greek; and who have only the vaguest concept of their status in relation to their management.

A. Wilfred May

In his scrutiny of his company's financial results, as well as for the key to his attitude and conduct as a stockholder, is the basic principle also to be embraced that the stockholder, no matter how small, should conduct himself as he would as part-owner of a privately-held business.

The Annual Report

The primary source of information about operations *per se*, and in comparison with competing companies, is the annual report. Cognizance of his company's statistical results in the financial operating area is important both for the market valuation of his stock, and for the arrival at judgments about the quality of the management.

Beyond the earnings data, today's report can be invaluable in informing the stockholder what his company is doing to improve its product, how it is meeting competition, its labor relations, the impact of government regulation and other policies, and a host of other matters likely affecting his investment now and in the future.

We assume that the wealth of data provided by the securities statutes and the SEC are incomprehensible, and often unavailable, to the average public shareholder. So we are faced with some tendencies to overelaborate the document, and to concentrate on the public relations phases. Ornateness and extravagance with this medium may be going too far. A recent survey showed that a good proportion of these documents costs around a dollar apiece, irrespective of charges for postage and management time. Make-up appeal, including lavish color, and illustration may be overdone. But it must be realized that glamor, dramatization, simplification, and spoon-feeding of the data to the stockholder, are prompted by his chronic indifference. Hence, the key to improvement in reporting lies in arousing the shareholder to the fulfillment of his responsibilities, as business owner.

What to Look For

Both the fully-detailed as well as the short-form versions of the data should be carefully read and scrutinized; with attention paid to changes, indicating progress and growth, over a goodly intervening period, say ten years. Some companies go much further back; Bethlehem Steel for 50 years.

Take a look at the dollar sales volume, coupling the absolute figure with the past annual trend, and watching out for increase that may be due to price inflation rather than unit increase. In this item particularly should comparison with other companies be made.

For companies making a variety of different products, furnishing a breakdown of sales covering these products is advisable. Sometimes jointly with the sales figures, often with the *pie* illustration techniques, there is specified the distribution of the average dollar of income allotted to salaries, wages and other employe benefits, materials and services, taxes, depreciation; and finally the net income divided between cash dividends and the undistributed portion retained in the business.

Importance of Depreciation

A few words about the important item of depreciation. Whereas it is impossible to measure the actual deterioration of a plant during a single 12-month period; accepted accounting practice determines the depreciation charge by spreading the cost of

Continued on page 16

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

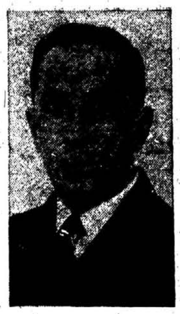
Outlook for Stock Prices

By NICHOLAS MOLODOVSKY*

White, Weld & Co., Members, New York Stock Exchange

After reviewing various factors affecting the stock market, Dr. Molodovsky concludes that stocks will be in a declining trend in early 1956. Expects such reaction to be reversed later in the year, with a substantial rise of spending in 1957. Calls for a constructive but cautious investment policy.

There is no lack of opinion concerning the outlook for the stock market. Therefore, there would be no particular point in thrusting upon the reader another personal interpretation of well known and widely discussed facts. Instead, an effort will be made in this paper to bring out some additional elements of information, which are susceptible of measurement and could broaden the base of a considered judgment.



Nicholas Molodovsky

In order to save space and to avoid a laborious presentation of statistical techniques and computations, reference is made to a series of articles published by the author in "The Analysts Journal" between May, 1953 and August, 1955. These studies outline the theoretical thinking on which the present material is based and submit the principles evolved to a searching historical verification going back to 1871.

I

Value

The simplest method of estimating or projecting stock values is through the capitalization of corporate earning power. This method is also most in keeping with economic theory and the decisions of the courts in cases of valuation of commercial property. And it can be shown statistically that capitalized corporate earning power has been, in fact, for the entire period of available historical data—i. e. for almost a century — the operational value of investors and the orbit of the fluctuations of stocks.

Stock prices, shown on Figure 1 in the form of quarterly ranges since 1937, are depicted by an average of 50 quality equities. This index contains not only industrials, but also utilities and rails. In this respect, it is representative of the general market. And the number of stocks belonging to each branch of economic activity entering the composition of the index was related to its proportionate share of the dollar value of all listed common stocks. An average consisting of "blue chips" was selected because investors' attention and financial commentary have been of late centered in them.

*Opinions expressed in this article are the author's own, and are not necessarily those of White, Weld & Co.

The line of earning power on Figure 1 is a 12-year moving average of 12-months' earnings. The latter are represented on the chart by the curve of current earnings. The earnings figures, as well as all the other stock data of Figure 1, are, of course, those of our 50-stock average.

To compute value, i. e., capital worth, a constant capitalizer was applied, for each year, to the level of earning power. This multiplier was computed by correlating the actual price-earnings ratios with each year's deviations of current earnings from earning power. For the period shown on Figure 1, the multiplier amounts to 14.8. The resulting line, showing the level of value, has been drawn, on Figure 1, through the quarterly ranges of the 50-stock index. It is designated as the Price Orbit.

It is clear that, under the method used, the level of value depends on the respective sizes of two factors: those of the constant capitalizer and of earning power.

The capitalizer of 14.8 represents a multiplier that is by no means low. For the turbulent economic and stock market years, exending from 1914 through 1937, it was 12.4. And during the long period of greater economic stability from 1880 until the outbreak of the First World War, it stood at 15.5.

As to the level of earning power, it may be observed on Figure I that, based on a 12-year moving average of current earnings, it now amounts to a little under \$6 per share of our index. Current earnings have significantly exceeded this level in only a few quarters of booming business in 1950-1951, and again quite recently. The figure of \$6 a share does not, offhand, appear to be unduly low for representing average normal earning power of our stock average.

Figure 1 reveals that, in terms of our index, after remaining, since 1947, consistently undervalued, stock prices are once again in a position of distinct overvaluation. At the high of September, 1955, the over - valuation amounted to 28%, as against 34% at the high of May, 1946, and 24% at the high of March, 1937.

II

Price-Earnings Ratios

The concept of basic or normal earning power leads to that of the hypothetical or normal price-earnings ratio. To have any functional or operational significance, the price - earnings ratio must serve as a capitalization multiplier. And since current earnings are unstable and are subject to frequent and sometimes drastic changes, they are unsuitable as a base for capital values.

Using the 12-year moving average as a measure of earning power, and applying the multiplier of 14.8 to reciprocals of each successive quarterly deviation of current earnings from earning power, we obtain the curve of a normal price-earnings ratio, as shown on Figure 1. The movements of actual price-earnings ratios are also shown on the chart. Their positions on the chart, as related to those of the normal price-earnings ratios, show the extent of over-or-under-valuation of stock prices.

In a different way, these two lines tell the same story as do the plottings of the Price Orbit, or value, and of stock prices themselves. To this extent, the two curves of price-earnings ratios are repetitious. They are useful, nevertheless, because they show the actual levels of the ratios and their relation to the levels at which they should stand as capitalization multipliers.

Thus, it is apparent from Figure I that it was normal for price-earnings ratios to be relatively high in 1945 and to be quite low in 1948 and 1950. The actual price-earnings ratios were true to the normal trend. It was only in overstepping it that they created conditions out of line with value.

Figure 1 also shows that while current price - earnings ratios stand at a historically relatively low level, they are, in reality, too high with respect to their normal position as capitalization multipliers.

Another reason for studying price-earnings ratios is that they

Continued on page 28

Meeting the New Phase Of the Cold War

By SHERMAN ADAMS*

Assistant to the President of the United States

Presidential Assistant, after commenting on the President's recovery from illness and the increasing burdens on the Chief Executive, discusses the new phase of the Cold War which has developed since the Geneva Conference. Denies the failure of the Conference involved us in some new and unexpected crisis and, as a defense against communistic propaganda, we should seek to strengthen and preserve the increasing benefits of the new capitalism. Points out ownership of capital is rapidly moving into the hands of more and more Americans. Sees a conflict between military demands and demand for tax reduction.

What I have to say about the President deals largely with his recovery. This, I presume, is what you expect me to talk about. The President has a very large heart. Fortunately, this is a figurative statement, and not a pathological one. As everyone knows, he passed through a few years of great anxiety. Your doctors will tell you that you cannot have a substantial thought that does not have a physical reaction. Although our President was, on the statement of his doctors, in as good physical condition as any man of his age whom they ever saw, he did suffer an injury. That injury was caused by the stress of anxious years. In the doctors' view the most anxious years were those when his actions affected the security of his country, and the lives of American boys.

Sherman Adams

This explains a lot of things. In it you find the principal reason why the President has considered peace the great goal of his efforts since he was elected. Fundamentally, it is the reason why peace will continue to be the goal to which his full efforts will continue to be dedicated. And he will continue to devote himself to this goal as long as he continues to be President, and thereafter, I am sure, as long as his strength remains.

If you found yourself curious about the real condition of the President at the onset of his illness, you might like to know that the most curious person was the President himself. The first time I saw him after he was ill, he said, "If the doctors here didn't tell me differently, I would think this heart attack belonged to some other guy."

In any event, it is a fact that his recovery so far is thorough and complete. You can look forward to this particular case falling into that uninspired category of figures called "average life expectancy," which means the President will probably live to an older age than you and I, that is, if you are a young man like myself.

Now the Advertising Council well knows what I think of it. For some time now I have been on the public record on this issue. To the best of my recollection, you were the most active post-election zealots of any organization in the nation. Your emissaries, Mr. West and Mr. Repplier, were early Commodore visitors, and the lecture I got about the good deeds of the Advertising Council stood me in good stead. What I have since learned is that what they told me was the truth. The Council, of course, is an indispensable mechanism. It not only has a head, but it has a heart, an attribute of the body of considerable significance these days.

The Council is truly an organization devoted to the public interest, and here the public interest is more than a couple of fuzzy words. For you it means the use of your extraordinary talents and facilities for public enlightenment—to fulfill the need for common understanding of national urgencies of substantial importance to the peace, security, and well being of our country.

The programs you have adopted are those whose success imposes a large measure of responsibility on the part of the Government. Therefore, they are a part of the business of the Federal Administration, in short, the President's business. That you have effectively assumed the task of public information aspects of the giving of blood, for instance, the prevention of forest fires, the educational needs of our children, and the distribution of the public debt through U. S. Savings Bonds, all this has lightened the President's burden.

*An address by Mr. Adams at the Dinner of the Advertising Council in honor of Clarence Francis, Special Consultant to the President, New York City, Dec. 1, 1955.

Lightening the President's Load

That brings up another subject. There has been a good deal said lately about lightening the President's load. I read recently that it was absurd that the President had to sign his name an average of 200 times a day. This is an inaccurate approximation. There are a considerable number of other misconceptions about the characteristics of his work.

A variety of ways have been devised by the Congress and the Constitution literally to require the President personally to make the major decisions. This is as it should be. No wise or responsible counsellor would divest the Office of the demands upon it which determine the principal policy. Notwithstanding, over the years there have been added duties of signature, of directive, of decision which are in the nature of duties otherwise delegated, and which properly can and should be discharged by others. It is in this field that thorough attention is now being given toward the disposing of irrelevancies.

This by no means wholly meets the needs of the more perfect management of the Office. The physical competence of a man to carry the Presidential burden is not determined by the number of times a day he must sign his name. Rather it lies more in the competence and judgment of his appointees, his Cabinet, his Staff, and the agency chiefs to carry out their responsibilities and to discharge their trusts. The magnitude of his burden the President in great measure determines himself when he makes his appointments. The ability of a head of a vitally important Federal agency to do the work set out for him without continually needing to lean upon the Chief Executive often measures his stature and his usefulness as a public servant. Sometimes, from what I read, it seems that the importance of a man in the Administration is metered by how many times a day he sees the President. Often the opposite can be the case.

The management of the Presidential Office is probably the most difficult task of its kind there is. Success in its initial organization is half the battle. It is how the Presidential appointees conduct themselves that decides the dimensions of the burden of the Office of President. There is sufficient time without overburden for the necessary decisions, directives, yes, and signatures. There is no need to divest the Office of its vital function and the extraordinary powers reposing in it. That is where they belong.

Now I come to my assigned topic. I approach it with some misgivings.

Offset to Communist Propaganda

This Summer I went to Berlin. There Ambassador Conant took me to see the great library John McCloy, formerly High Commissioner, dreamed of, and which he never saw until a few weeks ago. Here, hardly a stone's throw from the Brandenburg Gate separating free West Berlin from Communist East Berlin, close to the shambles of the Reichstag and the bombed out bunker of Hitler and Goering—a scant half mile or so from Stalinstrasse of East Berlin—stands a free library. There it is—modern, beautiful, free. Books, by the thousands, a cultural citadel for anybody who can read in whatever language, adult or child, whether his origins are East or West. If you reside in the East sector and are apprehended reading a capitalistic newspaper your conviction carries 25 years under close Communist military supervision. Yet the librarian told me that he estimated over 25,000 eager hungry readers had taken the subway this year from East to West Berlin to seek knowledge otherwise forbidden to them.

If you live in West Germany during these days, you are being persuaded by every conceivable means that the Soviet possesses the only remedy to a divided Germany. You are being taught that the West cannot provide it. Look at Geneva, they say, you can see for yourself.

Yet you do not want it that way. You still are distrustful of what will become of your liberty and your property. You believe in Eisenhower's sincerity of purpose, and you hope that somehow he can come back again. You feel that he will avoid the war whose weapons this time, if unloosened, means the destruction of a country like Germany. You want the West to prevail. But will it, you ask?

In a different climate, if you are an Egyptian and grow cotton, for instance, you would not be too particular whether your government sold it for you in exchange for arms from Czechoslovakia. The Americans didn't want your cotton, and cotton is your bread. Wherever you are, are you so sure now that the West offers you the best choice? There are more opportunities now being offered, loans for a steel mill if you are in India, various trade and other inducements if you are in Syria, Afghanistan or Ceylon.

We are aware of all this propaganda and negotiation, of course. We are sensitive to the influences at work which underlie all of it. And we are doing our best, in company with our allies, to promote the unification of Germany and help develop political and economic stability and self-reliance among all nations who desire freedom and self-government.

A New Phase of the Cold War

Let us be sure, we Americans, that we understand all this for what it really is. Here we have a new phase of the Communist offensive. Let us be sure that we ourselves are clear about the difference between the blandishments offered in each new Soviet proffer, and what we hold out for the hope and the goal of the free world. We enter, it is true, a new phase of the cold war but the conflict is not changed. It is as ominous, as sinister, as deceptive as it has ever been. How do we meet it?

As an aftermath of Geneva somehow the notion took hold that we are involved in some new and unexpected crisis. Not so. If there has been a central purpose in the conduct of every phase of our foreign affairs, it has been the carrying out relentlessly of clearly stated objectives. Ours is a schedule of attainable strength, air squadrons, long range missiles, strategically located bases, evolving new atomic weapons, warning and communication lines on land and on the sea. These objectives, unchanged, were as explicit before Geneva as after it. We are not on a crash program basis.

Nor should we be blind to materialistic competition. The conflict of economic systems further reflect uncompromising ideological philosophies. In character was the recent reduction in the slight gains the harassed Soviet consumer was promised by the Malenkov Government. It is not to the betterment of the consumers that their might and political ambition are committed. The largest peacetime military budget in Soviet history brings only increasing privation to the individual Soviet and to the satellite citizen.

While we condemn the system we seek to thwart we should be mindful of the increasing benefits of the new capitalism we seek to strengthen and preserve. We have actually achieved those things Communism empty-handedly promises. We are literally a nation of middle class, few of us very rich, few of us very poor, most of us somewhere in the middle of the economic road. The growth of the middle income population has been enormous. The abundance of our land, the leisure to enjoy it, and the opportunity to grow intellectually and culturally are being shared by more and more Americans. It is ironic that this which was Marx's dream should have come about through an evolution of the very system he so deeply reviled.

More and More Americans Are Capitalists

Ownership of the capital is rapidly moving into the hands of more and more Americans. The other day the Chairman of the President's Council of Economic Advisers gave me an interesting statistic. Consumer plant and equipment in the possession of our people, in homes, automobiles and durable household goods, exceeds by one-third the value of all industrial plant and equipment in the nation. Almost everybody has a savings account, or life insurance, or belongs to a pension plan. More and more earnings of the individual are being invested in industry. Employees are now becoming stockholders. The funds of labor unions, in many cases, are being invested in the securi-

Continued on page 37

Leicester—Vermont
BOND OFFERING

John Burnett, Superintendent of Schools, Pittsford, Vermont, will receive sealed bids until 3:00 P.M. (E.S.T.) on December 20th, next, for the purchase of $65,000 general obligation school construction bonds, dated Jan. 2nd, 1956. $3,500.00 due Jan. 2nd, 1957/66 inclusive; $3,000.00 due Jan. 2nd, 1967/76 inclusive. Principal and interest payable at the First Brandon National Bank, Brandon, Vermont. Legality approved by Charles H. Brown, Brandon, Vt.

Why Municipal Bonds Are Desirable Bank Investments

By GEORGE B. WENDT*

Vice-President, The First National Bank of Chicago

Mr. Wendt classifies municipal bonds in three categories, namely: (1) General Obligation Bonds; (2) Housing Authority Bonds, and (3) Revenue Bonds. Describes briefly the nature of each. Gives data regarding distribution of ownership of State and municipal indebtedness, and reviews advantages of municipal bonds as investments for bank portfolios.

Preliminary to this discussion of "Municipal Bonds," it might be well to clarify the subject by defining it for a better understanding of the term. Therefore, "Municipal Bonds," or "Municipals," as it will be employed in these remarks, includes that group of public securities issued by our States, Counties, Municipalities and other political subdivisions.

Generally speaking, "Municipal Bonds" can be classified into three principal categories:

(a) General obligation bonds
(b) Housing authority bonds
(c) Revenue bonds

The demands for public improvements such as highways, schools, housing, sanitation, and many other essential needs are some of the foremost purposes for which those bonds are issued. The large initial expenditures required for them necessitates capitalization of the costs by the issuance of bonds payable over a period of years. A two-fold objective is accomplished by that procedure, namely, immediate realization of the funds to contruct the projects, as well as maintaining the tax rate at a non-burdensome level.

Among the types of municipals the one most apt to be encountered is the general obligation bond. It is secured by the full-faith and credit of the issuing political subdivision, payable from ad valoreum taxes which may be levied, without limitation as to rate or amount, against all of the taxable real property (or both real and personal property). An ad valorem tax is a tax based upon the value of property. In other words, those bonds are direct obligations of the issuing municipality payable from general taxes. It is the type of municipal bond most in demand, not only because of its quality, but also because of the fact that it is a first lien against the property taxed.

Another form of general obligation bond quite common today is identical to the type just mentioned, except that it is payable from ad valorem taxes which are limited in the amount that may be levied for its repayment. While it, too, is a full-faith and credit obligation, the amount of taxes that can be levied to service the debt charges is restricted. The tax limitation prescribed by law is an over-all limitation, i.e., the limit applies to operations as well as to debt charges. For example, in the State of Illinois, the State Constitution provides that all county bonds issued shall be full-faith and credit instruments, payable from ad valorem taxes which may be levied not to exceed 75c on the $100 of assessed valuation. Furthermore, out of the maximum rate that can be levied must materialize the funds for both corporate or operating purposes and principal and interest charges on any outstanding bonded indebtedness. Consequently, it is important in considering limited tax general obligation bonds to ascertain that the taxes required to pay them are not only ample but also within the legal limit.

A third class of general obligation municipal bond is also payable from general taxes (either with or without limitation) and carries the specific pledge of other revenues as additional security. By way of illustration, our own Cook County has heretofore issued several millions of bonds for Superhighway purposes. While they are direct general obligations of the County, payable from limited taxes, they are additionally secured by the specific pledge of motor fuel funds allocated to the County by the State of Illinois. As motor fuel receipts have been more than sufficient to service the debt charge requirements on those bonds, the County, therefore, abates the general property taxes levied to pay them. In the trade, that particular class of municipal bond is referred to as a "double-barrelled" security.

Political subdivisions in other states have also resorted to the issuance of obligations of the "double-barrelled" variety. The other funds that may be pledged aren't always necessarily derived from gasoline tax receipts but may be allocated from revenues obtained from water, transportation, electric, gas plant, and other operations.

The newest category of municipal securities making its appearance is known as the "Housing Authority" bond.

The local housing authorities created by statutes in the various states are empowered to issue their own bonds. Those authorities have no taxing powers as their income is only derived from the housing projects. Under authority of the Public Housing Act of 1937, as amended, the Federal agency (Public Housing Administration) enters into a contract with the local housing authority to provide the monies, together with any available funds of the Local Authority, to meet annual principal and interest payments. These contracts are pledged as security for the bonds, and further provide that the Federal contributions must be made despite any breach of contract on the part of the local housing authority.

Because of the solemn pledge of the faith of the United States to the payment of the annual contributions to the local housing authority by the Public Housing Administration, the Housing Authority bonds have come to be regarded among the highest grade municipals. Just under $2,000,000,000 of them have been sold since the initial block was offered in July, 1951. From the proceeds of those bond issues, it is estimated that 500,000 low-rent housing units will have been built by the end of this year.

The substantial growth of our national economy, coupled with the stringent restrictions governing the creation of municipal indebtedness, has brought into prominence another class of public financing commonly designated as "Revenue Bonds." The Revenue bond is not a new method of financing public works. Only in recent years has it reached the prominence and importance now attached to that particular class of municipal credit.

Revenue bonds are secured solely by the income or revenues derived from the operation of a specific facility for which they are issued. Almost everyone today is familiar with various toll road projects, toll bridges, transit facilities, waterworks and other public ventures which that type of bond has financed.

Two important aspects should be kept in mind: first, such bonds cannot in any manner be regarded in the same light as general obligations, and, likewise there are no taxing powers pledged as security for them. However, if the project is soundly conceived for an essential purpose, revenues should be adequate to cover both debt service and operations.

Under the present provisions of the Banking Act, national banks are prohibited from dealing in them, although certain revenue bonds may be purchased for portfolio, in limited amounts, when approved by the Banking Authorities. Such approvals usually aren't forthcoming unless the project has a history of earnings that is considered satisfactory by the supervisory authorities.

No doubt, you gentlemen are aware that Senator Bricker of Ohio, at the last session of Congress, introduced an amendment to the Banking Act to permit commercial banks to participate in Revenue bond underwriting and trading. Passage of that amendment will bring substantial benefits to the states and their political subdivisions by lowering interest rates on those bonds and creating a broader market for them. As the amendment is expected to come up for considera-

Continued on page 27

*A talk by Mr. Wendt at the Conference of Bank Correspondents of the First National Bank of Chicago, Chicago, Ill., Nov. 29, 1955.

Dealer-Broker Investment Recommendations & Literature

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

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

Atomic 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.

"Compass"—New publication to provide informal articles to guide investors—including in current issue data on **Guided Missiles**—Calvin Bullock, Limited, 1 Wall Street, New York 5, New York.

Currently Attractive Stocks—List of seven securities—Goodbody & Co., 115 Broadway, New York 5, N. Y.

Depressed Common Stocks—Bulletin—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Equities For Investment—List of suggestion securities—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

Foreign Investment in the Japanese Market — Tabulation in the current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

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.**

Monthly Investment Letter—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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

Petroleum Situation—Review—Chase Manhattan Bank, Petroleum Department, Pine Street corner of Nassau, New York 15, New York.

Positive Investment Policy For 1956—Brochure—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

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

Stocks For Christmas—Suggested groupings—in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Available in the current issue of "Market Pointers" are "Tax Tips—20 suggestions to save you money"; an analysis of **Milling Companies, Cigarette Manufacturers,** a list of candidates for tax losses; and switch suggestions.

* * *

Air Control Products, Inc.—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

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

American Machine & Foundry Company — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin containing two sample portfolios and a list of stocks for a year end recovery.

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

Broadway Hale Stores, Inc. — Analysis — Dean Witter & Co., 632 South Spring Street, Los Angeles 14, Calif.

Bymart-Tintair, Inc.—Report—General Investing Corporation, 80 Wall Street, New York 5, N. Y.

Charles Bruning Company, Inc. — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y.

Celotex Corporation — Analysis — Ernst & Company, 120 Broadway, New York 5, N. Y.

Central Foundry — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a memorandum on **Marshall Field & Co.**

Copper Range Company — Review — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Pabco Products, Inc.**

Cornbelt Insurance Company — Analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Drexel Furniture Co. — Memorandum — R. S. Dickson & Co., Wilder Building, Charlotte 1, N. C.

Franco Wyoming Oil Company — Analysis — Gruss & Co., 30 Broad Street, New York 4, N. Y.

General Time Corp. — Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Hazeltine Corp.**

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

Holiday Coffee Company—Analysis—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Northern Pacific Railway—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available are memoranda on **Square D Co.** and **Western Union Telegraph Co.**

Pennroad Corporation — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Phaostron Instrument and Electronic Company — Circular — First California Company, 647 South Spring Street, Los Angeles 14, Calif.

N. V. Philips Gloeilampenfabrieken — Analytical brochure — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Portsmouth Steel Corporation—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Cleveland Cliffs.**

Public Service Company of New Hampshire — Analyical brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Massachusetts Indemnity Insurance Co.**

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

Seaboard & Western Airlines, Inc.—Review—$2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Sun Ray Mid Continent Oil Co.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

Techbuilt Homes, Inc.—Bulletin—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Tri Continental Warrants—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Western Pacific Railroad Company — Brochure—Hooker & Fay, 221 Montgomery Street, San Francisco 4, Calif.

$50,000,000 N. Y. State Thruway Bonds Offered

Consolidated underwriting group co-managed by First National City Bank and Lehman Bros. price new issue to yield from 2.60% to 2.75%.

A consolidated underwriting group co-managed by The First National City Bank of New York and Lehman Brothers was awarded on Dec. 7 an issue of $50,000,000 New York State Thruway Authority bonds, due Jan. 1, and July 1, 1985 to 1995, inclusive.

The group submitted a bid of 100.1016 for a combination of 2¾s and 2.70s, representing a net interest cost of 2.737%.

The bonds are being reoffered at prices scaled to yield from 2.60% to 2.75%, according to maturity.

Interest on the bonds is exempt, under present laws, from all Federal and New York State income taxes. The bonds are legal investments for savings banks and trust funds in New York State. In the opinion of the Attorney General of the State of New York, these bonds will constitute valid and legally binding obligations of the State of New York and the full faith and credit of the State will be pledged for the payment of principal and interest.

Other members of the underwriting syndicate include—Bankers Trust Company; J. P. Morgan & Co. Incorporated; Guaranty Trust Company of New York; Harriman Ripley & Co. Incorporated; Smith, Barney & Co.; Halsey, Stuart & Co. Inc.; Lazard Freres & Co.; Phelps, Fenn & Co.; First National Bank of Chicago; Goldman, Sachs & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane.

The First National Bank of Portland, Ore.; Continental Illinois National Bank and Trust Company of Chicago; Eastman, Dillon & Co.; Paine, Webber, Jackson & Curtis; Wood, Struthers & Co.; F. S. Smithers & Co.; Dominick & Dominick; Roosevelt & Cross Incorporated; Dean Witter & Co.; Lee Higginson Corporation; Laidlaw & Co.; Robert Winthrop & Co.; Hayden, Stone & Co.; Clark, Dodge & Co.; Bacon, Stevenson & Co.;

The Boatmen's National Bank of St. Louis; J. C. Bradford & Co.; Braun, Bosworth & Co. Incorporated; Alex. Brown & Sons; City National Bank & Trust Co., Kansas City, Mo.; Coffin & Burr Incorporated; F. W. Craigie & Co.; Dick & Merle-Smith; Ira Haupt & Co.; Hirsch & Co.; A. M. Kidder & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; G. H. Walker & Co.; R. S. Dickson & Company Incorporated; American Securities Corporation; Branch Banking & Trust Co.; Eldredge & Co. Incorporated; E. F. Hutton & Company; Mercantile-Safe Deposit and Trust Company; John Nuveen & Co. (Incorporated); Tucker, Anthony & Co.;

Bramhall, Fallion & Co., Inc.; The Ohio Company; Allen & Company; Baker, Watts & Co.; Heller, Bruce & Co.; Rand & Co.; The Robinson - Humphrey Company, Inc.; Schaffer, Necker & Co.; Van Alstyne, Noel & Co.; Eldridge E. Quinlan, Inc.; and Winslow, Douglas & McEvoy.

Perin Heads Dept. At First Boston Corp.

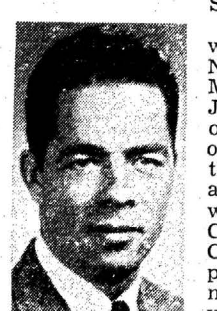
The First Boston Corporation, 100 Broadway, New York City, announces that George L. Perin, Vice-President, has been designated as head of a new Investment Research Department which will coordinate and conduct research and analysis activities.


George L. Perin

Mr. Perin has been with the corporation or its predecessors since graduation from the Harvard Business School in 1929. He has been a Vice-President since 1952 in charge of public utility research.

R. A. Markey Joins F. H. Crerie Co.

Richard A. Markey has become associated with F. H. Crerie & Co. Inc., 19 Rector Street, New York City as Syndicate and Petroleum Specialist.


R. A. Markey

Mr. Markey was formerly National Sales Manager for John S. Herold, Inc., Geologists. Prior thereto he was associated with Union Carbide and Carbon Corporation for a number of years.

F. H. Crerie and Co. Inc. has a direct wire to Crerie & Co. in Houston, Texas.

Connecticut Turnpike's $100 Million Bond Offering Postponed

Governor Ribicoff of Connecticut and State Treasurer Ottaviano announced Dec. 7 that due to the very unfavorable condition of the tax-exempt bond market at the present time, the sale of $100,000,000 Connecticut Turnpike bonds, scheduled for Dec. 13 has been postponed indefinitely. This decision was concurred in by Lehman Brothers who are financial advisors to the state in this connection.

Rockwell-Gould Co. Midwest Exch. Member

ELMIRA, N. Y. — Rockwell-Gould Co., Inc., Robinson Building, announces that they have been elected to membership in the Midwest Stock Exchange.

The firm maintains district representatives in Ithaca, Corning, Penn Yan, Waverly, Binghamton, Oneonta, and Hancock.

Tape Reading Today

By G. M. LOEB*
Partner, E. F. Hutton & Company
Members of the New York Stock Exchange

Stock market analyst discusses the nature and scope of tape reading, and states that the tape reader, in addition to knowing everything that can be known about actual stock transactions, must also take into account anticipated and realized news. Holds value of tape reading is good, if used along with other factors to help reach an accurate investment conclusion. Acknowledges investment management is not an exact science, and, therefore, tape reading to the security investor can be both a dinner bell and an alarm bell. Warns against making a fetish of tape or chart reading to the exclusion of other basic factors.

There are approximately 3,885 New York Stock Exchange stock tickers in operation today. Two thousand, three hundred and seventy-five of these are the paper tape type that tape readers let slip through their fingers. One thousand, five hundred and ten are the movie screen type that many people can watch simultaneously.


G. M. Loeb

However, the true tape reading audience in my opinion is far greater than the comparatively few who can actually continuously watch the tape.

To my mind, tape reading means price forecasting based on interpretation of transactions. Today, I specifically mean forecasting the trend of stocks from understanding the significance of the past in affecting the future.

The broker on the floor of the New York Stock Exchange, be he a commission broker, a specialist or a floor trader, has the first knowledge of a stock transaction as it occurs on the floor at the post at which he is standing. However, for the position of the market as a whole he must watch the ticker tape shown on the translux screens which print transactions at a varying time lag, which depends on the activity of the market at the time.

The person off the floor of the New York Stock Exchange who is able to watch a ticker may even be nearer to the market, tapewise, than the floor man because in addition to the ticker he may have access to "flashes" from the order room of his broker which, although they are usually a bit behind the actual floor price, still come from many points on the floor instead of just the single spot occupied by the floor member. Most people think of this class as the basic type of "tape reader."

Who Is a Tape Reader?

However, from my point of view, anyone who places major dependence on stock transactions in making up his mind whether and what to buy or sell is a "tape reader." I look upon the term as a sort of "nickname" rather than as a precise description. In my opinion, a tape reader might better be termed a "transactions analyst" if the title were not hopelessly cumbersome.

Thus a security buyer who has stock prices placed on his desk once each hour and acts on the information he derives from them, is a "tape reader." I remember such occurrences in my lifetime. Once I was in a hospital in New Orleans. Every hour the local broker gave me the latest prices. I told him what to buy and sell. It more than paid the hospital bill, and it was just as much "tape reading" as if I had a ticker under my eye.

Possibly the largest body of tape readers using my definition are those that look at the daily stock table of volume, opening, high, low and last in their daily newspaper.

There are also those that look only at weekly stock tables.

And there is another great contingent that looks at "charts."

They are all "transactions analysts" to a degree.

I say to a degree because there are probably very few pure tape readers. My definition of a pure tape reader is one that only—**only**—depends on stock transactions for his decisions. The moment he introduces a second factor into his judgment he is no longer a "pure tape reader." If he attempts to find out if the buying or selling is "good" or "bad," as it is called by stock brokers, he is straying from the fold. Tape reading and technical analysis are not the same. The former is a portion of the latter. Technical analysis considers many more factors than pure tape reading.

It must be obvious that consideration of earnings, dividends, balance sheets are far afield from true tape reading.

The true tape reader needs everything that can be known about actual transactions plus anticipated and realized news.

He needs to know about expected news and news as it occurs only from the point of view of judging his transactions. Thus, if a stock is active and strong on no news, it means one thing to him and if it is active and strong on an announced dividend increase, it means another. The true tape reader uses news only to consider its relation to tape action and never—**never**—for itself. If a person buys a stock because of good news he is not a tape reader any more than if he considered other basic statistical security factors. However, if he buys a stock because of its action—**action**—on some news then he can truly be considered to be acting on the tape.

Now I hope I have not inadvertently used language which is unfamiliar to anyone here. If so, I'd like to stop and explain before I go on to other aspects of the subject.

The Tape Reader and the Chart Reader

The relationship between floor prices, tape prices, stock tables and charts is that they are all used in the same way by those that analyze transactions. The tape reader carries in his mind what the chart reader writes down to remember. Both are motivated by the same forces.

I felt I had to emphasize this relationship even though I am going to keep as near to the actual tape as I possibly can today.

What is the value of tape reading? I think its value is very good if it is used along with other factors to help reach an accurate investment conclusion, or to trigger an investment investigation.

I said "investment" deliberately and not "trading" or "speculative." The analysis of transactions should not be confined to what is commonly known as a "trader" or "speculator." The final determination of an investment is the difference between the price at which it is bought and the price at which it is sold. To ignore the importance of past and current price and volume action as a factor in determining future value is either ignorance or prejudice. The value of the tape in bringing potential investments to one's attention is also very great.

I am departing here from "pure tape reading" as defined previously because as a practical matter there is very little of this actually practiced and even less is profitably practiced. However, the investor who knows whether the stock he intends buying or the stock he is holding acts "badly" or acts "well" according to tape reading standards possesses a most valuable aid to success in his security transactions. I for one would not buy nor hope to hold any security that acts "badly" unless I satisfied myself as to "why" and felt that the depressing cause was temporary. Note, I qualified my statement when I said "hope to hold" and I did this because as a practical matter we all find it relatively more difficult to close a transaction than to initiate one. Partly this is a matter of personal psychology and partly a matter of tax dating and other such considerations.

The investor who watches tape factors to get ideas for new investments to be investigated in broader ways is sure to latch on to some very profitable ideas.

The meaning of a "new high" or sudden activity of strength may be very fundamental and well worth checking. I have made many exhaustive studies of individual securities just through such a thing as "seeing something start on the tape." Sometimes they have led to important long pull profitable positions. Sometimes they have led to blanks.

A Dinner Bell and an Alarm Bell

Tape reading therefore to the well rounded security investor can be both a dinner bell and an alarm bell.

It is no real digression to say that investment management is not an exact science. The published reports of institutional investors prove that. How many are "out" of the market before a fall? Believe me, they would like to be. How many buy into individual situations that turn sour before they can do anything about it? I do not know whether in this uncertain life, medical, military or political science is any more or less correct in its views. If an investment account shows up badly the owner knows it. If a patient dies, no one can tell the proportionate parts played by nature and the physician. However, I am sure that if it were generally accepted that tape reading was a basic factor in investment analysis, I think our institutional records would improve.

As it is, tape reading is a bit beyond the pale. It is something you don't do at all in some circles, or at least do it in private. That is very unfair, but it is true.

Tape reading in my opinion is a very essential factor to consider for all investors of every type.

Now what about the "pure" tape reader who considers nothing else in reaching his conclusions? I feel that very, very few can succeed if they make a fetish of tape or chart reading to the exclusion of other basic factors. I have seen it done. I would not advise most people to try.

Aside from the very few people mentally equipped to succeed, actual, constant observation of the tape requires time. Conclusions are more likely to be short term than long term, hence tax factors are currently unfavorable. The great demand for increased investment research from the customers of New York Stock Exchange member brokers and the emphasis placed on six months capital gains by today's tax laws are factors that tend to increase buying and selling commissions to the higher levels required to care for a statistically-minded, six months clientele. The expensive amount of time required by the many first time investors also has put pressure on increasing commissions. The day of the sophisticated tape reader who was in and out of the market constantly may come again but that is certainly not the condition now. Spreads between bids and offers on the floor are undoubtedly wider than they might be, due to the same influences. The amount of capital that can be profitably employed by watching the tape exclusively is also rather limited with today's narrower markets.

Hence, pure tape reading is somewhat rare along with real vanilla beans, freshly squeezed orange juice and other pleasant commonplaces of yesterday.

How do you go about learning enough of tape reading to really improve your investment performance?

It is easy to mention books which cover several hundred pages on the subject of tape or chart reading exclusively. I have scanned most of them—studied none of them.

You can read my own book on how to make profits in the stock market—"The Battle for Investment Survival." I learned how to make the profits first. Then, in 1935, I wrote the basic chapters. Others have been added from year to year right up to this year—1955. Ten thousand copies have been sold in the first six months of this year. It has at least a half dozen chapters on various useful aspects of tape reading, and I think it is a good book for you not only because I wrote it but because I think it puts tape reading in its proper place—important—but not all important.

You won't find much more in the book than you will find in my talk today about "double tops," "head and shoulders," "triangles" and "rectangles," to mention a few, because I believe in very few of these ideas.

I have not "researched" or done any studying or refreshing skull practice for this talk. My reason is I do not believe in such methods. I buy and sell stocks every day. It seems logical to me that the most useful tape reading ideas will automatically float to the top and occur to me. If I have to dig them out or jot them down and catalog them, they can not be so vital. If I forget an important point today maybe it isn't important at all.

The Keyword Is to "Compare"

Using this system or lack of it, the keyword that first comes to

Continued on page 22

*Outline of a talk by Mr. Loeb made at the Bernard M. Baruch School of Business of the City College of New York, New York City, Nov. 17, 1955.

"What's Ahead for The Stock Market?"

Differing views on market outlook presented at forum by Messrs. Bernhard, Janeway, and May.

Herewith is a summary of the presentations at a forum, "What's Ahead for the Stock Market?", including possible implications of President Eisenhower's illness, held at the Harmonie Club of New York City on November 19:

Stock Market Out of Line With Values

By ARNOLD BERNHARD
Editor and Research Director of The Value Line Survey

The stock market is breaking its own rules of value. The leading industrial stocks that comprise the Dow-Jones Average have sold at a 9.9 times price - earnings ratio and on a 5% yield, on average, in the past ten years. Now they are at 14 times earnings and yield 4%. Stock yields have fluctuated between 2.5 times and 1.2 times the AAA bond yield. They were as low as 1.2 times AAA bond yields only in the Summer of 1929, the Spring of 1937, the Summer of 1946 and now.


Arnold Bernhard

Ironically, the background arguments that are offered to rationalize this overvaluation are the very ones that were used to rationalize the undervaluation prevailing in 1946, 1947 and 1948. Then it was said that because of inflation, stock earnings were overstated. The thesis then was advanced that because of inflation the cost of reproducing worn-out equipment was greater than could be provided by the depreciation charges allowed by the Internal Revenue Bureau. Furthermore, it was argued then that because business was so good it was bound to get worse sooner or later. Thus, in 1947, when stocks sold for 7 times earnings to yield about 7%, the undervaluation was ignored. Today, high price-earnings ratios and abnormally low yields are rationalized under the very same circumstances of inflation and excellent business.

Good business and inflation are conditions of a strong stock market. But they are not always the cause of strong stock markets. The rules of valuation also apply. The rules of value have been broken at times in the past—in 1929, in 1937, at the peak in 1946 and now. These things have happened, but the duration of these abnormal valuation patterns has never been long.

Although no one knows the future, there are rules of value which provide safe conduct to investors. According to these rules, stocks today are abnormally high; and this is said without ignoring the circumstance of very good business and a further threatened price inflation.

Stocks like International Nickel, Norfolk & Western, Air Reduction and American Telephone, have moved sidewise or downward during a period of 15 years of price inflation in the United States (1937 to 1952). This also was a period of wide growth of population and of national income.

Steel, Not Confidence, Driving Bull Market Up

By ELIOT JANEWAY
Economist and Publisher of Janeway's Memos

The bull market has been forecasting the coming inflation. Consequently, there's no need to worry whether the Eisenhower bull market is over.


Eliot Janeway

The bull market has not been an Eisenhower bull market. It has not risen as an expression of political confidence on the part of businessmen and investors. Nor will it fall if businessmen and investors should lose their confidence during 1956.

Contrary to common sense though it may seem, this bull market is thriving on periodic loss of investor confidence. The sold-out bulls, who braintrust and panic themselves into selling stampedes on "news," chase the market just as hard after each new reassertion of bull market strength.

Confidence in Eisenhower has been a passing coincidence in the early stages of our New Era bull market. And the less confidence businessmen and investors have in the New Era, paradoxically and perversely, the harder they will have to chase the New Era bull market upward.

The New Era bull market is not a theory, but a condition. And it is a worldwide condition, not merely limited to the U. S. The world boom has been many decades obsoleting the business cycle. No revolution so long in the making can end quickly. The boom abroad began before the boom here. It has all along been pacing the boom here and 1956 inflation will clearly show that the boom abroad will continue to pace the boom here.

Exemplified by the steel industry, politics have long since obsoleted the saying that as Maine goes so goes the nation. But business more than ever knows that as steel goes, so everything else must go. Where steel leads, stock prices will follow—no matter how many times a month investor confidence panics. The steel industry is heading into an unprecedented worldwide shortage in all products from the warehouse to the ore in the ground. A desperately acute inflationary steel shortage has already started.

If Wall Street speculated about politics less and studied industry more, it would know that steel industry budgeting for expansion is on the verge of forcing a minimum of $10 billion into quick investment in basic facilities. The steel mills will raise this money exactly as utilities raise their money: they will pay new dividends in return for new money.

The combination of steel mill earning power, plus steel mill need for new capital will put 1955's steel stocks on a 7% plus yield basis. This is a fiduciary stock market and fiduciaries must buy yields. This is why the fiduciary stock market is becoming a steel market, and it is why steel stock prices will continue to follow steel dividends up. A rising steel market will be a rising market.

Crowd Psychology the Determinant

By A. WILFRED MAY
The Commercial and Financial Chronicle

The most important determinant of the stock market's coming price level will be the psychological state of the investing community.


A. Wilfred May

Correct prediction of external economic and business factors warrants no assurance of conforming market behavior. We have enjoyed an expanding economy, great industrial activity, large profits, and inflationary forces, since the end of World War II; simultaneously with stock prices often unresponsive in stagnation or even in actual decline.

The rate at which the market will capitalize earnings, which is the price determinant, is a question for the crowd psychiatrist—not the economist or business forecaster.

L. R. Goward Rejoins Stone & Webster Secs.

CHICAGO, Ill. — Lincoln R. Goward has joined the Chicago office of Stone & Webster Securities Corporation, 33 South Clark Street, as a registered representative.

Mr. Goward began his investment career with Stone & Webster in New York in 1924, upon graduation from the University of Virginia, and remained with the firm until 1944. He rejoins Stone & Webster from Blunt Ellis & Simmons.

Arthur Wiesenberger To Admit Leo Reif

On Jan. 1 Leo Reif will become a partner in Arthur Wiesenberger & Co., 61 Broadway, New York City, members of the New York Stock Exchange.

Hardy & Co. Sponsors Two Lectures

Hardy & Co., New York investment firm, will sponsor two lectures on bull markets; taxation for investors; and personal planning and investment management.

The lectures, part of a nine-session course on general investment topics, will be held Monday evening (Dec. 12, 8 p.m.) in the Hotel Delmonico, 502 Park Avenue, and Thursday afternoon (Dec. 15, 4 pm.) in Schwartz's Restaurant, 54 Broad Street. The talks are open to the public.

Firm Name Now John A. McFadyen Co.

TORONTO, Canada — John T. Frame has retired from the firm of Frame, McFadyen & Co., Limited, 25 King Street West, and the business will now be carried on under the name of John A. McFadyen & Co., Limited. The firm is a member of the Toronto Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

A set-to between Abraham Lincoln and the Supreme Court is now being cited in connection with the Supreme Court's decision against segregation in the schools and the South's apparent rebellion against it. The Lincoln-Supreme Court issue revolved around an Indianan who had been arrested by the military. The Supreme Court granted him a writ of habeas corpus which, in effect, directed the military to turn him over to the civil courts. Lincoln, according to the learned authorities, told the Supreme Court, in effect: You have issued your order, now let's see you enforce it.


Carlisle Bargeron

Apparently that is the attitude of most Southern States. They are busy working out ways and means to circumvent the Court's decision. Mississippi and Georgia have already passed legislation whereby the schools will be operated on a private basis with public funds. The two houses of the Virginia Legislature—Virginia is one of the most advanced Southern states—have just voted to set up the same sort of vehicle subject to a referendum of the voters.

Now, the President's Conference on Education with more than a thousand delegates met in Washington coincident with the special meeting of the Virginia legislators. It was widely represented by the "liberals" who want the Federal Government to go wholeheartedly into the support of Education, and generally pictured in the newspapers as a stacked group which would come up with recommendations in line with the Administration's desire to keep out of this field.

All during its sessions the Conference was represented as suppressing free speech and free discussion. But surprisingly enough, whether there was suppression of free speech and discussion or not, it came up with a strong recommendation for Federal aid to the schools. This action followed, significantly, on the heels of the appearance of Marion B. Folsom, the Secretary of the Health, Education and Welfare Administration. He signalized a change of heart on the part of the Administration which has been against Federal aid and said the Administration was now in favor of Federal aid, not just loans to the States but grants.

There are some monkey shines somewhere. There isn't likely to be any Federal aid voted for the schools by Congress unless the Southern rebellion is straightened out. Most certainly there will be a demand that States not complying with the Supreme Court decision not be given any Federal aid and most certainly no legislation with any such restriction is likely to get favorable action.

So what has brought about the surprising turn-around on the part of the Administration? Either it is thought in Administration circles that to be now for Federal aid will not cost the Federal Government anything because the legislation cannot pass, or the Administration would like to have the aid legislation with a view to bringing the Southern States into line.

That it could bring them into line if it has money to dole out to the States for education seems more than probable. Roosevelt the Great made the South forget a lot of its prejudices with the State aid he had at his command. The way in which he brought about repeal of prohibition in Southern States is a case in point. Roosevelt didn't do much of it himself but it was his Administration and he should get the credit.

What happened was that Jim Farley, Roosevelt's chief political lieutenant at the time, browbeat the Southern legislatures into falling into line with the threat they either did this or they would get no Federal relief funds.

I am not at all sure that Eisenhower, with a lot of money now to dole out for schools, could not make the Southern statesmen calm down notwithstanding the strong feeling which the desegregation decision aroused. But what is not yet clear to me is how, under the circumstances, he expects to get the money.

In the meantime, though, he would seem to have removed as an issue against him, the contention that he is heartless about the schools. He is now, through his Secretary of Health, Education, and Welfare, an advocate of Federal aid to education. This could be an awful opening of a Pandora's Box but the Administration seems to be well sitting on the lid. Methinks there has been some mighty clever politics within the Administration on this. Certainly it was surprising when the Administration spokesman appeared before the more than 1,000 delegates to the education conference and bespoke Federal aid and it was surprising when the so-called hand-picked conference recommended it.

Stanley Merritt Rejoins Albert Frank

Stanley F. Merritt has rejoined Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, as Vice-President, according to Howard W. Calkins, Chairman of the Board.

I. M. Simon & Co. To Admit Sokol

ST. LOUIS, Mo.—I. M. Simon & Co., 315 North Fourth Street, members of the New York and Midwest Stock Exchanges, on Jan. 2 will admit William W. Sokol to partnership.

Ball, Burge & Kraus To Admit Four

CLEVELAND, Ohio—Henry F. Otto, William B. Anderson, Bruce B. Ranney and Henry Weissenbach, will be admitted to partnership in Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges, on Jan. 1.

Two With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Mark L. Insko and Robert I. Baron are now affiliated with Daniel D. Weston & Co., 140 South Beverly Drive.

Interest Rates and Credit Policy

By RICHARD YOUNGDAHL*
Vice-President, Aubrey G. Lanston & Co., Inc., N. Y. City

Mr. Youngdahl reviews the forces that affect interest rates, such as the shifts in credit demand and supply, and the shifts in the structure of interest rates for the different categories of loans. Stresses importance of yields on government securities as affecting interest rates for various kinds of loans, and discusses Federal Reserve policy and the rediscount rate changes in determining level of interest rates.

My intention is to isolate a few of the major relationships which are important in determining both the level and the structure of interest rates. I have selected for discussion some forces which I believe will be most useful in reaching a point of view with respect to the past and the future course of interest rates. I shall not try to develop my own present point of view for you.


C. Richard Youngdahl

Interest rates are the prices paid for loanable funds. In an economy such as ours, interest rates are in the long run established by the interplay of supply and demand forces in the credit market. Changes in rates, like changes in the prices of commodities, reflect changes in supply and demand.

In stating that interest rates are established by the forces of supply and demand, particularly before a group such as this, I know I run the risk of being considered a bit naive. To some of you it may seem too obvious a point. Others may consider the generalization far too simple to be useful.

There are, of course, certain posted interest rates that we all know have not changed in the last 25 years, irrespective of what has happened to credit demand or supply. If we focus attention on these rates, the role of changes in the supply and demand for credit is not easily seen. But these inflexible rates typically pertain to credit sectors where service is the basic product being sold, not credit. In aggregate amount, moreover, such credits are dwarfed by the volume being extended under circumstances where demand and supply forces have real freedom to play on interest rates.

All of us also know that a few individual large lenders, by refusing to follow an interest trend, can sometimes bring about a reversal—at least for a time. An individual lender, if he is an important one, can hold back funds if the yield in the market is not acceptable. This results in a temporary contraction in supply, and, if the market is thin on the supply side, yields will be affected. But since the lender probably cannot hold funds uninvested for long, his action does not affect the total of funds available for lending over a somewhat longer period of time, nor can it permanently affect the course of interest rates. The same kind of action is also open to borrowers, of course. But here, too, the effects can only be temporary, assuming the borrower actually intends to borrow. Tug-of-war tactics between seller and buyer go on in almost all markets, not just in the market for credit. Frequently individual sellers or buyers do better because of it. But over the longer run, the basic market forces have their way.

Federal Reserve authorities, if they are so disposed, can certainly force almost any general level of interest rates they choose to establish. This was amply demonstrated in the war and postwar period. They did this almost entirely by affecting the supply of funds — by creating whatever loanable funds were required to keep interest rates from going up. When rates fell too low they absorbed loanable funds. But when the Federal Reserve elected to establish and maintain particular interest rate levels, it had to forego its role as a balance wheel against the business cycle. In actuality it worked to support inflation and to reinforce deflation. In recognition of this, interest rate pegging practices have long since been abandoned by the Federal Reserve.

Federal Reserve actions do, nevertheless, powerfully affect interest rates today even though the System is not now directing its efforts toward establishing any particular rate level. By endeavoring to tailor the supply of Reserve Bank credit to what is appropriate to the prevailing economic situation, the Federal Reserve System strongly affects the aggregate supply of credit. At any point in time, the Federal Reserve tends to be the most important single force operating on interest rates. But it is only one force, and its influence is primarily on credit supply. Credit demands can be influenced only to a very moderate extent by the instruments now available to Federal Reserve authorities.

Shifts in Credit Demand and Supply

For an adequate explanation of interest rate changes we must inspect both credit demand and credit supply factors. It is not, however, as useful as it might seem to look to the credit statistics to demonstrate this point. It is always difficult to show how any price was arrived at by showing the statistical balance of supply and demand during a particular period. I think, however, that a summary of the statistics on borrowing and lending activities in 1953 and 1954 will prove of some interest.

Increase in Major Types of Debt And Equity Financing
(Billions of $)

	1953	1954
Major Borowings:		
Federal	4.6	0.9
State and local	4.6	5.2
Corporate bond & stock issues	5.4	6.1
Bank loans to business	—0.1	—0.7
Consumer credit	3.7	0.6
Mortgages	9.8	12.0
Other bank loans	1.3	2.5
	29.3	26.6
Selected institutional lenders:		
Commercial bks. & Fed. Res. Banks	5.2	9.6
Mutual savings bks.	1.8	2.0
Savings & loan associations	3.8	4.3
Life ins. companies	4.5	4.6
	15.3	20.5

The year 1953 was a big one for credit demands, particularly in the first six to eight months. For the year as a whole the Federal Government borrowed nearly $5 billion, and state and local governments the same amount, corporate bonds and stock issues were over $5 billion, consumer credit rose nearly $4 billion, and mortgages outstanding increased about $10 billion. These and other credit demands far outdistanced the supply of new credit available from our major institutional lenders. The rest of the funds, therefore, had to come from non-financial corporations, individuals, pension funds, foreigners, and other miscellaneous investors in our credit markets. To attract enough loanable funds, interest rates had to rise to high levels, particularly during the first half of the year.

In the year 1954, we see quite a marked shift in both demand and supply. Two major borrowers drastically curtailed their demands on the credit market. The Federal Government borrowed less than $1 billion from the public, a decline of almost $4 billion from the previous year's level. Consumer credit scarcely rose at all, reflecting a $3 billion contraction. Increases in mortgage borrowing and in corporate financing in the capital market were larger in 1954 than in 1955, but these increases fell far short of offsetting the contractions in other credit demands.

At the same time, the supply of credit available from the major institutional investors rose sharply in 1954. The most important increase was, of course, at commercial banks. All institutions, however, shared somewhat in the growth in loanable funds.

The result of the easing off in demand for credit, together with the marked increase in credit availability, was a very sharp decline in interest rates. Short-term Government yields dropped to around 1%, and even went much lower for a period. Long-term yields showed correspondingly sharp declines. In part, at least, as a result of these interest rate shifts, other lenders — particularly business corporations —cut back their lending and investing, since the lower market rates made it less advantageous to keep funds as fully invested as they had been in 1953.

Comparable figures on borrowing and lending are not available for the first 10 months of 1955, but those figures we do have indicate that this year is another record one on the demand side. On the other hand, the supply of funds from major lending institutions has been more limited than in 1954, due in part of a reduction in the flow of savings into time deposits and share accounts, but largely to an increasing restraint on the availability of bank reserves. We all know that the result this year has been a corresponding lift in the interest-rate structure, which has again drawn new funds to the credit market, particularly from business corporations and individuals.

As you can see it is quite possible, if you have the data, to explain past changes in the level of interest rates by analyzing shifts in demand and supply. It might also be possible to develop statistically a worthwhile point of view with respect to current and future interest trends if the facts could be developed. We all go through, consciously and unconsciously, an analysis like this when we try to form a judgment as to the future of interest rates from whatever fragments of information we have about demand and supply shifts. But the facts can never really be adequate to construct this type of analysis on a predictive basis. For guessing about the future we must try to isolate key forces and concentrate on those.

Relationships Among Interest Rates

Before we begin a search for key factors determining the level of interest rates, there are some features about interest rates that merit brief exploration. In considering the factors affecting the level of interest rates it is often convenient to speak of credit as though it were homogeneous, and to treat interest rates as a single rate. This, of course, is far too simple a concept to be very useful in studying the financial world in which we live. We know there are many kinds of credit and that the interest rates on them always vary widely. It is also true that the same kinds of credit command different rates in various sections of the country, although geographically differences are in fact probably less marked than is commonly believed.

The interest rate is actually a structure of rates—a pattern, or spectrum of rates, if you will. A look at this structure at any point in time will show differences in interest rates by quality, by tax status, by maturity, and so on. There is no need for me to labor this point for this group.

Some interest rates move up or down immediately in response to shifts in the relationship of overall credit demand and supply. Treasury bill rates are perhaps the best illustration. Other rates respond fairly promptly but with varying degrees of lag, frequently due to special factors unique to that credit form. I think here of municipal securities where interest rate or yield movements may resist basic change for a time, because of special factors in the tax-exempt markets. This happened in 1953 and 1954, when yields on municipal securities rose more sharply than other rates and then failed to drop proportionately with other rates, due to the fact that the volume of such financing went beyond the funds available from those in a position to profit most from the tax-exemption feature of these issues.

Some interest rates move very sluggishly. Consumer credit rates are in this group, although we have recently seen more flexibility in these than most of us have come to expect.

The point is that while we cannot consider the pattern of rates as a rigid structure that rises and falls uniformly, nevertheless, some interest rate relationships hold reasonably well.

Importance of Yields on Government Securities

The key guideposts in the interest rate structure are the yields

Continued on page 24

*A talk by Mr. Youngdahl at the Conference of Bank Correspondents, First National Bank of Chicago, Chicago, Ill., Nov. 28, 1955.

The Banks and Government Bonds

By LEROY F. WINTERHALTER*
Vice-President, First National Bank, Chicago

After reviewing credit policies of recent years, mid-western banker discusses the factors which should determine a bank's Government bond portfolio. Lists a number of questions of fundamental importance in the management of a Government bond account, and stresses the value of selecting and restricting maturities to reduce the risk factor. Sees a confused picture in what the future may hold with respect to Government bond prices, but advises a cautious attitude by bankers in arranging bond maturity schedules to provide opportunities to take advantage of interest rate changes.

As time marches on, sweeping changes in our economic environment, in Treasury and Federal Reserve fiscal policies, and in the interest rate structure are constantly reflected in the nature and scope of these problems. There was a time when the government bond holdings of a bank were of only minor concern because of their relatively small ratio to other earning assets of the bank. In recent years, however, through the formation and growth of the tremendous public debt, they have grown in importance until they are now a major source of earnings both in the investment account and in the secondary reserve account. Liquidity — the ability to convert assets into cash at a moment's notice—is of critical importance to a banker during these periods of wide deposit fluctuations, and a secondary reserve consisting of short-term Governments, readily salable, will furnish partial protection against unexpected and substantial fluctuations in deposits which so often occur.

L. F. Winterhalter

It is true, of course, that circumstances resulting from developments in the economy during the past year have caused banks to liquidate practically all of their short-term holdings. As a result they have been forced to approach the discount window in ever-increasing numbers in order to obtain funds to satisfy legitimate credit needs without the necessity of selling intermediate issues at a loss.

Credit Policy During Recent Years

To obtain a true picture of the situation, I think we should review in detail the history of credit policy during recent years. This should enable us to formulate a constructive background on which to base decisions as to what may be expected in fiscal policy developments, and what effect periodic changes in fiscal policy may have on Government bond quotations.

Since the so-called "Treasury-Federal Reserve Accord" was reached in March, 1951, fiscal policy has been directed towards the establishment of a sound and healthy economy wherein our cherished rights of free competitive enterprise would be amply protected. To achieve this end, it was necessary to encourage and foster strong business activity, high employment, a rising standard of living, and a reasonable stability of the purchasing power of the dollar. The flexibility of fiscal policy has been graphically illustrated during the period from 1952 to the present time. Strong inflationary pressures developed during the latter part of 1952 and early 1953, due to strong demand for both consumer and commercial credit, speculative inventory accumulation and general optimism regarding the business situation. Interest rates firmed substantially, the rediscount rate was raised early in 1953, and as a result of this and other restrictive policies, the bond market declined sharply during the period. The Federal Reserve then reversed its restrictive policy and in May, 1953, adopted a policy described as one of "active ease." This period of easy money continued until the year-end, and when the Open Market Committee met in early December, 1954, it was evident that inflationary forces were again becoming predominant and a new policy of "neutrality" was adopted. This policy rapidly became one of "active restraint" as inflationary pressures built up, and interest rates have been firming practically all during the year 1955.

This flexibility of fiscal policy since 1951 has contributed substantially to the formation of an economy which Dr. Arthur F. Burns, Chairman of the Council of Economic Advisers, aptly described as follows: "In an economy like ours, poised on a high plateau, neither the threat of inflation nor of recession can ever be very distant." In the third quarter of this year, total output of goods and services reached the astounding rate of $392 billion annually, and it is difficult for me to visualize a down-turn in business of sufficient magnitude to indicate any significant change in the interest rate structure. On the other hand, the use of the word "plateau" by Dr. Burns would seem to signify that the rate of expansion is slackening and the trend leveling out. It does seem that the attitude of our fiscal authorities has heretofore been one of watchful waiting to see what the eventual results would be of the restrictive measures already in operation. Occasionally, and to a limited extent, the Federal Reserve has been supplying moderate amounts of reserves through the purchase of Treasury Bills, and by re-purchase agreements with Government bond dealers. This action, however, in my opinion, is designed only to furnish reserves for the normal expansion of credit during this period and, at the moment at least, should not be construed as a change in Federal Reserve policy.

With these thoughts in mind, the supervisor of a Government bond account can keep himself informed regarding the policies of our fiscal authorities, and he can govern himself accordingly regarding the maturity schedules he may want to maintain. The constant aim of fiscal policy is, of course, to keep the economy, so far as possible, on an even keel, and the effects of the policies adopted on the interest rate structure and bond prices can be anticipated with a reasonable degree of accuracy.

Factors Determining a Government Bond Portfolio

There are, however, many other factors which must be taken into consideration in the handling of an investment program. Basically, the presence of so many imponderables relating to local conditions familiar only to the banker residing within the community makes it a difficult task to provide a workable policy that will fit the needs of all banks. For our purpose, it would seem logical to examine the broad principles which have general application, and in doing so, keep in mind the fact that there is substantial variance among communities in economic background, in the types of predominant business activities located therein, in the local history of deposit fluctuations, and in numerous other local conditions peculiar to different sections of the country.

Without intent to establish a "cut and dried" maturity schedule, but purely as a matter of information, the United States Treasury Bulletin of October, 1955 indicates that commercial banks as of July 31, 1955, had approximately 15% of their Government bond holdings due or callable within one year; 44% in one-to-five years; 37% in five-to-ten years; and 4% in over-ten years. As of June 30, 1954, these percentages were respectively: 32%, up-to-one year; 26%, one-to-five years; 33%, five-to-ten years; and 9% in over-ten years. You will note that the major changes are in the up-to-one year and one-to-five year brackets, and I would say that to a large extent this reflects the results of Treasury refunding operations, inasmuch as a large number of banks have automatically extended maturities by merely accepting new issues as they were offered. Many did this to augment earnings in order to offset, insofar as possible, the constant upward pressure on bank operating expenses, which seem to grow at a much faster rate than the 3% or 4% expansion factor which is generally regarded as normal for our economy. Another reason for the shrinkage in the one-year bracket, as I have mentioned before, is the tight money situation which has existed practically all year, and which has forced many banks to liquidate substantial amounts of short-term Government holdings.

Questions in Management of a Government Bond Account

With these average maturity figures as a background, the answers to the following questions may be regarded as being of fundamental importance in the management of a Government bond account:

(1) What percentage of the deposit liability consists of savings deposits?

(2) Is there a concentration of deposits in a few large accounts, or are they scattered through a large number of relatively small accounts?

(3) If there is a concentration in large accounts, are they accounts of local well known firms where the history of fluctuations can be readily ascertained, or are they of large companies doing a nationwide business where substantial fluctuations might, and often do, occur frequently without previous notice?

(4) What ratio of cash reserve is maintained, and are records kept of the history of fluctuations to provide a reasonable basis upon which to chart the cash needs during the period of a year's time?

(5) How are loans divided as to commercial, agricultural, industrial, real estate, consumer credit?

(6) What is the ratio of loan volume to total deposits?

Savings deposits are normally considered more stable than demand deposits, and a bank with large savings totals, in theory at least, would seem justified in weighting its Government bond account in relatively longer maturities than would otherwise be the case. Demand deposits are, of course, more volatile, although fluctuations can be expected to be rather moderate in situations where the major deposit total consists of a large number of accounts with relatively small individual balances. On the other hand, where a concentration exists in large deposits of national concerns, there is always the possibility that major withdrawals might occur, and a bank must be prepared to have sufficient short-term securities or other liquid assets available for protection in such cases.

Cash needs vary constantly from month to month in the majority of banks, and close attention to the history of available reserves as against reserve requirements, variations in float, and the business needs of a given community will usually enable the alert banker to chart his requirements with moderate success. Maturity schedules designed to provide funds at the anticipated intervals is the obvious answer to the problem. I believe that this method of handling cash reserves would, in most cases, apply only to the larger institutions where the variations are substantial over a period of time. It has been my experience that the average small banker ordinarily maintains a sufficient cash reserve for current needs and does not keep as fully invested as his big-city brother.

Risks in the Bond Account

A somewhat different phase of operations has to do with the maintenance of a proper relationship between the market risk involved in the Government bond account and the essentially different type of risk inherent in the loan portfolio. Various types of loans — commercial, industrial, agricultural, consumer credit, etc. —all pose different aspects as to length of maturity, whether secured or unsecured, as to background and credit standing of borrowers, and other uncertainties incidental to credit extension. In general, and this is a good rule of thumb to follow, it can be said that as the risk increases in the expansion of the loan portfolio, it should be decreased to a corresponding degree in the long end of the bond list. This will necessarily cause variations in maturity bracket percentages, and it is my belief that, regardless of loan risk, the average bank is reluctant under most circumstances to extend maturities beyond the ten-year range in other than nominal amounts. Most bond men prefer to restrict their maturities up to eight, nine or ten years, depending on conditions, and rely on the loan portfolio to furnish the balance of earnings needed in the bank's operations.

This also makes sense to me from another angle. Maturity schedules, designed to furnish maximum earnings consistent with liquidity requirements and loan portfolio risks, can also afford needed protection against changing interest rate trends. A uniformly staggered maturity schedule, whether it be for a cycle of eight, nine, or ten years, supplies an abundance of funds available for investment each year. Assuming that a bank maintains a graduated maturity schedule, a premium loss in the long end of the list can often be nullified, at least partially, by the opportunities provided by the balanced schedule, to reinvest maturing issues each year at relatively more attractive rates. The question as to whether a schedule should be restricted to eight, nine, or ten years, or some other cycle, is something, of course, which depends on the many imponderables I mentioned previously—having to do with local conditions, etc. I do believe that the maximum length should be confined to ten years except in unusual cases, such as where a bank in a small community with nominal loan demand is forced into longer maturities to provide the necessary income. Even then, I would keep fully posted at all times and grasp the first opportunity presented by changing conditions in the loan picture to lessen the risk in the long end of the bond list by shortening maturities whenever possible.

There are various other methods of utilizing the Government bond account to contribute to the welfare of the bank. Among these are the following:

(1) Excess reserves should not be immobilized in bank balances or in the Federal Reserve, but should be kept fully invested at all times.

(2) When loan demand exceeds available funds, it is sometimes more profitable to borrow temporarily at the Federal Reserve, especially if otherwise it would be necessary to sell securities yielding more than the discount rate, which is presently 2½%.

(3) Frequent use of the Tax and Loan account is often desirable to supplement earnings, particularly in connection with offerings of new Government issues.

(4) Tax considerations occupy a prominent place in the management of a Government bond portfolio.

I am sure that most of you know the tax consequences of sales and exchanges of bonds or other indebtedness securities. To those who do not, let me point out that a net loss for the year on sales and exchanges of these securities may be deducted in full from other income. On the other hand, a net gain for the year on such sales or exchanges would be taxed at the capital gains rate of 25%, if the securities sold had been held longer than six months. In other words, if your bank has other taxable income in excess of $25,000, a net loss for the year would reduce your taxes by 52% to the extent that taxable income was not reduced below the $25,000; whereas a net capital gain for the year would be taxed at 25%. Obviously, it is to your advantage to plan your operations to take losses in one year and gains in another year.

Up to the latter part of 1954, the bond market, as you know, was quite buoyant and strong, and as a result, bond sales during that period usually were made at a profit. Consequently, many banks ended the year 1954 with their bond costs at a very high level; in some cases, very close to the high for the year. When the bond market declined substantially this spring and early summer, the majority of banks found Government bond prices substantially below their costs. The net result was that numerous banks adjusted their portfolios by taking losses in issues on their books at a high price, and reinvesting the proceeds in other issues not substantially identical to those sold. I use this terminology because a loss would be disallowed on a wash sale; that is, if the same securities, or substantially identical securities, were to be purchased within a 30-day period before, or a 30-day period after the sale. In addition to the improvement in the composition of their investment portfolios through these so-called, but misnamed, "tax swaps," these banks were often able to improve their yield by selling premium bonds and buying new bonds at par or less, or by buying a bond with a higher coupon than the one sold. While losses taken this year reduce taxes by 52% if you have a net loss on other bond transactions, they also reduce net profits of the bank after taxes by the remaining 48%. Thus, reported earnings in a loss year will suffer unless you have bond reserves

Continued on page 46

*An address by Mr. Winterhalter at the Conference of Bank Correspondents of the First National Bank of Chicago, Chicago, Ill., Nov. 29, 1955.

Current Problems of Economic Policy

By GROVER W. ENSLEY*
Staff Director, Joint Committee on the Economic Report United States Congress

Congressional economist, in expressing view the economy will not expand in 1956 at the same rate as in current year, says, however, "a $400 billion national economy is already in sight." Selects as problems facing the national economy: (1) Federal fiscal problems; (2) monetary and credit problems; (3) problems of agriculture, and (4) problems of low-income families and chronically depressed areas. Holds these problems are not insurmountable.

Economic growth is the current theme of association meetings, of most financial statements, of nearly all economic reports, and certainly of every political platform! Fortunately, most of today's economic problems emerge from, or are spotlighted by, buoyant prosperity at home and abroad and the optimistic economic outlook for the years immediately ahead. This is welcome contrast to the distressing problems posed by recession or worsening international conditions.

Grover W. Ensley

Although a $400 billion national economy is clearly in sight, few expect the economy to expand real output 7% during the next year as it has during the past year. Today unemployment and unused industrial capacity are near an irreducible minimum as compared with a year ago. Likewise, the participation rate of the population in the labor force is relatively high. The challenge for the coming year, therefore, is for economic activity to adjust to a sustainable rate of long-term growth, roughly one-half that of the past year, a rate consistent with rising productivity and the normal growth in the labor force. In the first instance, private and public programs must provide the restraint needed to prevent the current prosperity from developing into inflationary boom with the possibility of a subsequent bust. The Federal Government must pursue consistent fiscal and monetary policies. In the second place, the Federal Government, in cooperation with others, must develop programs which will permit and encourage improvement in the segments of the economy which have failed to keep pace with the general advance.

I have selected for discussion today four major problem areas which are closely related to the stability and growth objectives of the Employment Act of 1946. They are, first, Federal fiscal problems; second, monetary and credit problems; third, problems of agriculture; and fourth, problems of low-income families and chronically depressed areas.

Federal Fiscal Problems

A balanced Federal budget for the current fiscal year ending June 30, 1956 now seems probable. The "Review of the 1956 Budget," issued last August by the Executive Office of the President, estimated Federal expenditures at $63.8 billion, receipts at $62.1 billion, and the administrative deficit at $1.7 billion. Expenditures may be higher than this estimate both because of the difficulty of holding defense outlays to the goal of $34 billion, and because prices of goods and services the government buys are rising.

On the other hand, the August estimate of receipts, although $2.1 billion higher than estimated by the President last January, is still low. It looks now as though Federal revenue this fiscal year could be sufficiently higher than estimated by the Treasury last August to wipe out the then estimated administrative budget deficit, and to result in a moderate cash surplus.

Prospects for budget surpluses in the fiscal years immediately ahead are also good, even though it seems unlikely that total Federal expenditures can be reduced from current levels. Present spending for defense is close to the maintenance level, but nondefense spending will rise moderately on the basis of present programs.

At present tax rates, Federal receipts will rise if the economy continues to expand. Longer-run projections at high levels of production and employment suggest that the rise in Federal tax receipts should be appreciably greater than expenditure changes on the basis of present programs. Favorable economic conditions should result, therefore, in a budget surplus in fiscal 1957 and the years immediately ahead.

This prospect poses important questions of fiscal policy. Should a prospective budget surplus be regarded as the occasion for deliberate changes in Federal tax or expenditure programs? What priority should be given to reducing taxes as compared with reducing the national debt, or with expanding Federal financial support for education, health, highways, and similar programs?

Economists pretty much agree today on Federal budgetary goals. Only a few still insist on trying to balance the budget every year. Most are guided by general economic conditions and the position of the combined budgets of business, consumers, and all governments. Put another way, the objective now is to balance the nation's economic budget at high levels of employment and production and at stable prices.

If fiscal policy for the coming year is to be based on the need for price stability and sustainable high levels of employment and production, commitments to reduce Federal receipts should be deferred until the economic outlook for the coming year is clearer, even though we may now reasonably forecast balance or even surplus in the Federal budget because of the momentum of the current prosperity. The emergence of a surplus in the coming year should not lead necessarily to the conclusion that it automatically justifies tax reduction.

Application of the surplus to reducing the $279 billion Federal debt might hold a higher priority from the standpoint of maintaining economic stability. In the face of a booming economy, a tax cut next year would be inflationary. Of course, the economic outlook may change as the months pass. In this event, the Congress should move quickly to provide revenue adjustments appropriate to the needs of the economy.

We would do well to study the recent experience of Great Britain. Last April, just before a general election, the British Government prematurely cut income taxes across the board, and took many persons off the tax rolls. The ensuing inflation has now resulted in significant increases in sales taxes to absorb excess purchasing power.

At the same time, we should recognize that applying a budget surplus to immediate tax reduction may further postpone Federal expenditures designed to meet the needs of our rapidly growing population and our expanding economy. In their preoccupation and concern over maintaining aggregate national demand for full employment and for defense, economists have given too little attention in recent years to government programs needed to enable the economy to increase its long-term rate of growth. Expenditures for education, health, highways and the like have been low in recent years relative to the growth of the nation's population, production, and income.

The lack of a real school program to match our economic, military security, and cultural needs, for example, has been characterized a national disgrace. We need to expand educational opportunities for everyone; and more particularly for children in rural and other areas where opportunities now are below the national average. The recent Joint Economic Committee hearings on automation were convincing that we need more scientists, mathematicians, and skilled people to conceive, operate, maintain and improve our modern technology. We need more and better education in the humanities and the social sciences to make us better citizens in a free world, and to prepare us to make more satisfactory use of the increased leisure time made possible by technological advance. Many must be reeducated to modern and new ways of working and living. High hopes are held that the White House Conference on Education, meeting this week, will come forth with a positive educational program for the Congress and the nation.

Caution with respect to reducing total Federal receipts, of course, does not preclude giving serious consideration to changes in the Federal tax structure including, perhaps, shifts in the distribution of the tax load. The tax structure contains discriminations and inequities which call for correction. The possibility that changes may be needed to insure balanced growth in the economy should also be a matter of continuing concern. One week from today the Subcommittee on Tax Policy of the Joint Economic Committee, under the Chairmanship of Representative Mills, will begin extensive hearings on the relation of Federal taxes and tax policy to economic growth and stability. We believe this will be the most thorough study of the economics of our tax system and tax policy ever undertaken. From this inquiry there should emerge fresh insights into the major directions which tax policy should follow to meet the nation's growth requirements.

It should be emphasized that possibilities for Federal tax rate reductions during the next decade are good. International conditions and economic trends, of course, hold the key. If the world political situation does not worsen, and if we continue economic growth and maintain a stable price level, we would anticipate reduction in taxes of "perhaps 15 to 20% below the hypothetical yield that could be expected from present Federal tax rates at levels of output and incomes estimated for 1965."[1]

Monetary and Credit Problems

Let us turn now to current monetary and credit problems. Monetary policy in recent years has regained much of its former prestige. Flexibly used, it can help dampen excessive demand for goods and services in booms, and it can encourage economic expansion during periods of recession. Since the fall of 1954, with the economy experiencing one of history's most rapid advances from a recession, the Federal Reserve System has moved in the direction of restraint. It has taken a series of steps, including raising the discount rate from 1½% last spring to 2½% 10 days ago. Open market operations have been conducted with the same objective of exercising restraint. The down payment provisions and other terms of the FHA-VA programs were tightened in July.

The policy of general credit restraint is being continued unabated. While the overall stabilizing effects are desirable, important economic problems result none the less. Residential construction is feeling the pinch, and even though financing terms are relaxed, housing starts will fall unless a relatively large volume of credit is made available. Interest costs are rising, which directly intensifies the agricultural cost-price squeeze. We would hope that these credit restraints would merely postpone expenditures to a later time when they could be made without pushing up prices. But part of the effect of restraint on expenditures may be felt later. The lags which occur may result in reduced spending by state and local governments, by private business for plant and equipment and inventories, and by potential home owners not only now, when perhaps justified, but later when they may be needed to sustain economic growth. Present indications of plans for high and rising levels of expenditures for plant and equipment and non-residential construction in 1956 suggest that these groups have not felt undue restraint as yet from monetary policy, even though the effect may become apparent later in 1956.

There is perhaps a tendency today to place too much confidence on monetary policy alone as an effective stabilizer, forgetting that it is not a perfect or complete tool in itself but only one of several. While it has slowed, it certainly has not stopped the rise in industrial prices during recent months. A ground swell of consumer and business expansion can be only tempered by monetary policy. If monetary restraint tries to carry too big a load, it can interfere with a sustainable rate

Continued on page 20

*An address by Dr. Ensley before the 33rd Annual Agricultural Outlook Conference, Washington, D. C., Nov. 28, 1955. The views expressed are those of Dr. Ensley and do not necessarily represent the views of the Joint Economic Committee or individual members of that Committee.

1 For projections, see *Potential Economic Growth of the United States During the Next Decade*, Materials prepared for the Joint Committee on the Economic Report by the Committee staff, Committee Print, October 1954.

Mutual Funds

By ROBERT R. RICH

Ask SEC Annuity Control

Sales of mutual fund shares set new records in the first 10 months of 1955, reaching $1,008,569,000, or more than the total for the full year 1954, "another indication that investment companies have grown to represent a very imporant segment of the financial scene," Walter L. Morgan, President of Wellington Fund, stated here. Mr. Morgan said that assets of all investment companies now exceed $8.5 billion.

Mr. Morgan, speaking as chairman of the investment companies committee of the Investment Bankers Association of America, told the 44th annual convention of the Association that one of the most significant problems affecting the securities business is variable annuities.

"Stripped of technicalities, we believe variable annuities are, for all practical purposes, a security and in fact an investment account. If approved, they would be offered to the investing public by thousands of insurance salesmen without regard to Federal or State securities regulations."

He said the solution to this problem, as recommended by the Board of Governors of the National Association of Securities Dealers, is Securities and Exchange Commission regulation of the variable annuities type of contract.

In discussing variable annuities, Mr. Morgan called attention to the report of the Variable Annuities Committee of the National Association of State Securities Administrators which maintains that variable annuities fall within the broad definition of securities under various state laws and should be required to register. "States require licensing of securities salesmen, and since variable annuities fall within their definition of 'security,' salesmen of variable annuities should be licensed as security salesmen," he stated.

I. D. S. Stock Fund at Peak

Total net assets of Investors Stock Fund, Inc., mutual investment fund affiliate of Investors Diversified Services, Inc., rose from $87,063,059 to $133,357,772, an increase of $46,294,713 during the fiscal year ended Oct. 31, 1955, the fund's annual report shows.

Growth of the Fund through sales of new shares during the year reached record proportions.

Net sales amounted to $28,972,798, an increase of 62% over net sales for the previous year.

About 38% of the sales for the year under report represented additional investments in the Fund by its shareholders, exclusive of reinvestment of dividends.

The number of shareholders at the fiscal year-end was 37,000, an increase of 8,500 over the previous comparable period. The number of shares outstanding was 5,486,717, an increase of 1,193,294 for the fiscal year.

Net asset value of shares has more than doubled in the 10 years since Investors Stock Fund was organized, Harold K. Bradford, President of the Fund, pointed out. The original net asset value on Feb. 28, 1945, was $10 per share. On Oct. 31, 1955, the net asset value per share was $24.31, an increase of $4.03 per share over the net asset value of $20.28 per share at the preceding fiscal year-end.

Putnam Begins Monthly Plan For Income

Putnam Fund Distributors, Inc. is the latest mutual fund sponsor to offer a "cash withdrawal plan." Theirs is called "The Putnam Fund—Monthly Check Plan" and may be briefly described as follows:

—An investor, through his investment dealer, may open an account by depositing shares and/or cash having a current offering-price value of $10,000 or more.

—He may then request in return a monthly (or quarterly) check of any specified amount (multiple of $10) to be sent to himself or any person he names.

—Each account will be administered by the Second Bank-State Street Trust Company for a monthly (or quarterly) service feet of 50 cents.

—Each account will remain completely flexible; it can be terminated at owner's option, it may be added to at any time, lump sums (cash or shares) may be withdrawn upon notice, monthly check amounts may be revised.

Manhattan Bond Fund Shows Gain

Manhattan Bond Fund, Inc., in its annual report to shareholders covering the Fund's 17th year of operations, reported that net assets of $25,723,146 at the Oct. 31, 1955 fiscal year end reflected an increase of $513,213 over the total of assets at the close of the 1954 fiscal year.

The Fund declared that the increase in net assets for the period represented an advance in asset value per share from $8.12 to $8.30.

Shareholders were advised that these increases were achieved against a background of interesting developments in the bond market, which witnessed a moderate decline in market values of U. S. Government bonds and of othter topgrade bonds. The Fund's progress was attributed to the fact that the majority of its bond holdings were more responsive to business conditions and earnings.

Illustrating the greater stability of capital value ordinarily to be expected from bonds as compared with common stocks, the Fund said that the news of President Eisenhower's illness was followed within two weeks by a drop of about 10% in common stock prices as measured by most stock indexes. During the same two weeks, the Fund's asset value per share, adjusted for the October dividend, declined only 3 cents, or about 1/3 of 1%.

During the 1955 fiscal year, the Fund paid its 66th to 69th consecutive quarterly dividends from investment income. Each was in the amount of 9 cents per share, making the total for the year 36 cents.

Net profits from the sale of securities of $402,900 were realized during the fiscal year, and from these profits the Fund declared on Oct. 31, 1955, a capital gain distribution of 13 cents per share. This was paid in full shares at net asset value as of the close of business Nov. 5, 1955, with shareholders having the option of requesting cash in lieu of shares.

Axe-Houghton Fund A total net assets were $46,252,155 or $6.02 a share at the end of the fiscal year last Wednesday, Nov. 30, representing an increase of 14% over the previous year and 43.6% over Nov. 30, 1953, according to preliminary figures released by the fund management.

The fiscal year-end totals were $40,573,546 or $5.50 a share in 1954 and $32,203,456 or $4.66 a share in 1953.

In the year just ended 15.65 cents a share in dividends from income and 29.85 cents a share in

Continued on page 15

Personal Progress

Mrs. Ruth H. Axe, President of Axe Securities Corporation, 730 Fifth Avenue, New York, and Axe Science & Electronics Corporation, has been elected a director of the International Cobalt & Silver Mining Company, Ltd., of Toronto. A second American, Boris Gresov, of G. H. Walker & Co., 1 Wall Street, New York, was also included in a new board of directors named by the Canadian mining company.

Joseph H. Humphrey has been appointed Director of Research for Calvin Bullock, Ltd., effective Nov. 1, 1955. Mr. Humphrey has been Deputy Director of Research and Portfolio Administrator for several years.

A graduate of Washington University (St. Louis) and the Harvard Business School, Mr. Humphrey has also taken courses at Columbia University.

Continued from page 14

Mutual Funds

distributions from net profits were paid to shareholders. The figures are adjusted to reflect a two-for-one stock split on Sept. 16, 1955. The fund now has nearly 16,000 shareholders.

Fox-Martin Cites Need for Shareholders

Only about 10% of the families in this country are sharing in the fruits of the thriving American economy through ownership of securities in American companies, Mr. Milton Fox-Martin, an executive of the conservatively-managed Wellington Fund of Philadelphia stated last night.

"This lamentable situation must be corrected if American industry is to continue to prosper," Mr. Fox-Martin told a dinner meeting of the Exchange Club of Beach Haven.

The Wellington Fund executive pointed out that recent surveys indicated that only about 7,000,000 people are stockholders in American industry. "This figure must be raised five-fold if the capital requirements of our expanding industrial economy are to be forthcoming from private funds," he stated.

Mr. Fox-Martin was introduced at the dinner by Charles A. Taggart, President of the Philadelphia investment firm of Charles A. Taggart & Co., Inc., and a member of the Exchange Club.

Wellington Fund's motion picture entitled "Your Share in America," was shown following the dinner. The film shows how small and large investors alike can put their money to work—not in just a few—but in hundreds of securities of leading companies in different industries. A question-and-answer period followed Mr. Fox-Martin's address and the film showing.

Diversified Fund Sets Dividend

Diversified Investment Fund, Inc. in a shareholder message accompanying distribution recently of the fund's fourth quarterly 1955 income dividend, announced that the current 11 cents per share distribution brings 1955 payments to 40 cents per share as against 38 cents in the previous year.

The aggregate 40 cents per share distribution for the current year compares also with 36 cents paid by the fund in each of the years 1953 and 1952.

Of the 92 securities held by this balanced fund on Oct. 30, 1955, 37 were senior securities consisting of 14 bonds and 23 preferred stocks, while the remaining 55 issue represented common stock holdings.

Group Securities' dividends and capital gains distributions totalling $6,157,752.81 are being paid to more than 35,000 shareholders.

The total figure is made up of $5,163,327.23 in year-end distributions from capital gains and $994,425.48 in dividends from investment income.

The capital gains distributions were large enough to be declared in shares at asset value, with cash optional, on 13 of Group's 21 funds. Seventy-two percent of the amount involved was reinvested in this manner in accordance with management's recommendation — "an extremely satisfactory result," according to Herbert R. Anderson, President of Group.

He also pointed out that "The substantial realized gains represented by these distributions reflect profits taken in shifting from those issues which have proven especially profitable in a rising market to others presently offering better values."

George Putnam Fund of Boston has declared fourth-quarter cash distributions of more than $5,000,000, the largest in the 18-year history of the fund, according to George Putnam, Chairman.

Consisting of 10 cents per share from investment income and 45 cents per share from realized capital gains, this distribution is payable Dec. 23, 1955 to shareholders of record Nov. 28, 1955.

Wellington Fund declared its 104th consecutive quarterly dividend and in doing so set record dividend distributions for this 26-year-old $470,000,000 conservatively-managed mutual fund.

The board of directors of the fund declared a quarterly dividend of 27 cents a share from net investment income and a special year-end distribution of 88 cents a share from net realized securities profits. Both dividends are payable Dec. 28, 1955, to shareholders of record Dec. 2, 1955.

The 104th consecutive quarterly dividend declared today will involve the disbursement of two record amounts—$15,900,000 from net realized securities profits and $4,900,000 from net investment income of the fund.

Fund Forecasts Top Year Ahead

Favorable business trends continued during November with employment and take-home pay reaching new all-time high levels, A. Moyer Kulp, Vice-President and Executor Director of the Investment Committee of the $475,000,000 Wellington Fund stated in a study of business conditions.

Mr. Kulp reported further evidence of inflationary pressures during the period evidenced by price rises in steel plates, newsprint, cellophane and regional increases in petroleum products.

Discussing business prospects for the coming year, Mr. Kulp pointed out that there are indications that capital expenditures for plant and equipment during 1956 will reach a record level. According to the McGraw-Hill survey, business plans for capital expenditures are placed around $33.3 billion, or about 13% above 1955. Iron and steel industry expenditures are expected to be about 72% higher, automotive about 68% and chemical about 34% higher, the Wellington Fund executive stated.

Public Utility Securities

By OWEN ELY

Cincinnati Gas & Electric Company

Cincinnati Gas & Electric is one of the oldest utilities in the country: it was incorporated in 1837 and began operating as a small gas supplier in 1843, entering the electric business in 1894. Dividends have been paid in each year since 1853.

The company and its subsidiaries serve the city of Cincinnati and adjacent areas in Ohio and Kentucky; electricity is served to a population of over 1,100,000, while gas is retailed to over 850,000. Electricity constitutes 64% of revenues and gas 36%.

The city of Cincinnati accounts for only about half of the population served; other important cities include Norwood and Middletown in Ohio and Covington and Newport in Kentucky. The company also serves at retail 101 other communities, and 223 unincorporated towns and suburban and rural areas, in 14 Ohio and Kentucky counties. Since the area is for the most part highly industrialized, it is surprising to note that industrial revenues account for only 29% of the total as compared with residential and rural 35%, commercial 25%, and miscellaneous 11%. In the gas division industrial business is 18%, domestic 62%, commercial 16% and miscellaneous 4%.

Industry in the area is widely diversified and includes the production of soap, iron and steel, transportation equipment, machine tools, airplane engines, chemicals, plastics, food products, paper, petroleum products, electrical machinery, automobile components and many other commodities.

The company generates electricity in three modern steam stations with a combined capacity of nearly 900,000 kw; it is interconnected with a number of neighboring utilities and indirectly with the TVA system. This power pool increases generating economy and reliability of service. Through installation of a different type of furnace at the new Beckjord Station it is now possible to burn a lower quality coal. It is estimated that BTU per kwh will be 11,600 in the calendar year 1955, compared with 12,097 in 1954. Economics effected by the operation of the new station permitted the generation of 5.6% more electricity in 1954 at 4.4% less cost for coal than in the previous year.

Natural gas is purchased from the Columbia Gas System but facilities are maintained for producing manufactured gas from oil and propane to meet peak demand. Gas has gained wide acceptance for heating, with over 65% of the dwelling units gas heated. Some 118,000 gas-fired central heating plants have been added since the end of World War II. While the cost of natural gas to the company has increased during the last five years, and this increase has been reflected in higher gas rates to customers, the cost of gas for residential heating is still below that of any other fuel. Greater use of gas is being made in industry, including during the last two years substantial volumes of interruptible off-peak business under special contracts.

The company and its subsidiaries are fortunate in having escalator provisions in gas rate schedules which protect some 80% of sales against changes in cost of gas purchased and about 68% against changes in cost of labor and taxes. Similar provisions contained in electric rate ordinances afford protection against changes in cost of labor and taxes to about 40% of consolidated electric revenues. Fuel adjustment clauses are applicable to 88% of electric sales.

The management of Cincinnati G. & E. has played an important role in promoting the industrial growth of the service area by a national advertising campaign. In the five-year period 1948-52, while the initial campaign was in progress, 129 new industries moved into the area with an expenditure of over $400 million for new plant and equipment. The campaign was then temporarily discontinued because of a possible shortage of labor and housing, but was recently renewed.

The first new advertisement appeared as a double spread ad in the Oct. 17 issue of "Time," calling attention to the advantages of the area, as well as to 12 nationally known products which are manufactured there. The program will be continued in 1956 with frequent insertions in "The Wall Street Journal" and the New York "Times." Other steps in the program include the mailing of samples or symbols of products manufactured in the area to a selected list of prospects, followed by calls on prospects by the personnel of the Industrial Development Division.

Cincinnati G. & E. has enjoyed good growth, the electric peak load having more than doubled during the postwar period; by 1960 it is expected to be about 36% over the recent level. Peak day gas sendout has almost quadrupled since 1945 and is expected to show a further gain of 31% by 1960. Plant expenditures are estimated at $25 million for next year and $38 million in 1957. The company expects to raise about $10 million new money in 1956 (probably through serial notes) and $20-$25 million in 1957, probably through sale of mortgage bonds. The serial notes will be retired with cash generated by tax deferrals resulting from accelerated amortization, it is estimated.

Capital structure at the end of 1954 was 48% mortgage debt, 3% serial bank notes, 12% preferred stock and 37% common stock equity. Share earnings for 1955 are estimated by the management at $1.80 and for next year at about $1.88. The stock has been selling recently around 28½ and pays $1.20 to yield about 4.2%. Based on estimated earnings of $1.80 this year the price-earnings ratio is 15.8%.

THE MARKET . . . AND YOU

By WALLACE STREETE

The old, familiar story all year was that it was the rails that were the drag on the buoyant industrials because of their refusal to get going. But the new note again this week was that the industrials had switched places and were the brake on the market because of their refusal to penetrate decisively the September high.

* * *

Once last month the industrials approached to within a hair of their old peak in the average, but turned back without breaking through the level. In this week's more determined test, the average worked more than a point through the 487 level but retreated before the closing gong.

The Technical Expectations

It all served to bring the technicians back into the limelight although they presented a front that was far from being unanimous. The various indicators were sufficiently vague so that those looking for a topping-out of the rise could find evidence to support it. Others, however, had their pick of mitigating factors that made it, at worst, only the preliminary feinting in a real test.

* * *

The automatic trim made by dividend payments accounted for all but a few pennies of the eventual loss on the day that the intra-day reading was lifted to a peak never before seen, a reading above the 490 mark which goes into the records where the hourly postings do not.

* * *

The fact that the average had returned to its historic peak after a rather wild two months of seesawing failed to bring out any pronounced pickup in offerings, as a resistance level of this nature might be expected to do. Even within the components of the 30-stock index, the readings weren't too clear with something of a fair division being maintained between plus and minus signs. New highs are holding a comfortable lead over the new lows, and rails, which posted their quarter-century top a couple of weeks ago have been maintaining slow but definite headway on the upside after consolidating their position.

Bethlehem Steel had its day in fame from a Sunday night tip that made it at least a one-day wonder with a fat jump to a new high, although little in the way of specific news is around and the next dividend meeting isn't due for nearly two months.

* * *

For specific situations, the year-end dividend meetings were still the most potent factor, with Revere Copper, Union Bag, North American Aviation and J. C. Penney somewhat prominent on chagrin, while Endicott Johnson joined the long lineup of those that found cause for cheer in a payment increase.

Record Dividends

Dividends generally more than lived up to expectations so far. For the Big Board issues, the November score was the best in many years with no less than 151 increased payments and 483 extra payments. For the same month last year the increases came to 62 and extras to 363. The December story is still needed to round out the complete picture. Last year in this month 72 payments were raised and 422 extras voted, leaving a good bit of room for making this one of the most satisfying dividend seasons of all time. Last month only two listed companies omitted payments and four reduced the amount, which is a low-water mark for many years.

The increased payments are guaranteed to boost the industrial average's yield well back above the 4% mark and the excellent earnings reports are sure to make the price-times-earnings level a moderate one, even below that of 1946, when the 1942-46 bull swing topped out. As a result, confidence that the market is not at any danger point was high.

A Better-Grade Bargain

Among the market students there was some definite culling out of the better-grade secondary issues including some of the rail equipment shares, the pharmaceuticals that have been working on newer preparations, and even some of the long-depressed issues in the textile field. The dividend increase served to spotlight Endicott Johnson which, as was duly noted, is one of the few better-grade issues available at less than its working capital figure. The old story of issues "worth more dead than alive" has been very quiet since 1953 but in this issue the six-point narrow band in which it has held all year didn't even equal the net working capital at the peak. The best price so far this year was around $34 against working capital of nearly $39.

* * *

Some attention was being given the oil well supply issues where, again, on at least a statistical basis, the current prices are above-average. National Supply, for instance, sells at around seven times earnings, well below the 11-13-times-earnings "average" elsewhere, and its yield of above 5% is comfortably above the general market as well as the blue chip norms. Halliburton Oil Well Cementing has also been eyed a bit more generally by the market commentators. It, too, has suffered from the highly competitive conditions in the industry with their pinch on profits, but is expected to boost net comfortably over last year's figure.

Aircrafts Ascend Again

Aircrafts, well-deflated far in advance of the general market upset of September-October, have worked up a new and somewhat more far-reaching popularity, particularly for those sharing in the switch of domestic airlines to jet planes. Douglas, which was slashed down to the 60s after posting a peak above 90, was not only all the way back the ladder but even managed an appearance on the list of new highs this week. Boeing has fared almost as well and while not seriously threatening its 1955 top, nevertheless has rebounded to the 70s after posting a low for the year below 55.

* * *

A similar case of long-depressed issues managing new highs for something of a change was American Tobacco, and even the oils are managing currently to place a candidate or two in this select group with fair regularity, notably Richfield Oil, Houston — a split candidate — and Tide Water.

* * *

Cement issues continued to reflect the belief that sooner or later an ambitious nationwide highway construction program will be necessary and they were represented frequently in the new highs column, General Portland, Lehigh Portland and Lone Star managing to do the tricks simultaneously.

United Dye, no newcomer to the ranks of erratic actions, suffered some sinking spells despite making the merger rolls and the fact that the company has mustered another preferred dividend. The company has formulated a new recapitalization plan, it was announced, but it was indicated that it will be an exchange proposition. The details were not spelled out so the easiness in the stock had little specific behind it.

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

Continued from page 5

Observations . . .

plant facilities over the estimated total production during their useful lives.

In recent years, particularly swelled by special provisions permitted by law, amounts set aside for depreciation and amortization have become increasingly important; as evidenced in the following table:

	Corporate Profits after Taxes	Provision for Depreciation and Amortization	Dividend Payments
	(in billions)		
1946	$13.4	$4.2	$5.8
1951	18.7	9.0	9.1
1955 (estim.)	19.5	14.0	10.5

Accelerated amortization in excess of normal depreciation reaches very high amounts, about $55 million, or about 90 cents per share, after taxes, in the case of Union Carbide this year. A principal effect of the high rates of depreciation and amortization is, while depressing current earnings, to represent a source of internally generated cash for coming needs, and to gain plant for increased future profits.

For the lay investor, uncertain concerning the realistic impact of depreciation and amortization charges, it behooves him to turn to the security analyst for expert interpretation of this factor.

Where a holding company is involved, be sure to look at the consolidated statement, with intra-company transactions eliminated.

In the case of companies expanding through merger or change in capitalization, concentrate your attention on the final earnings-per-share item, bearing in mind that the net trickle-down constitutes the simple hard-boiled investment test.

Looking at the Balance Sheet

The balance sheet, after leaving the income items, contains many important facets. Vital to the investor are the current assets (including cash, marketable securities accounts receivable, and inventories), as contrasted with the fixed assets. Fixed assets, as evidenced by the price performance record over the years, usually mean very little investor-wise. On the other hand, while there can be no assumption of liquidation, a high "net quick liquidating value"—the amount of current assets (often with a large cash-and-equivalent) less all liabilities including long-term debt and preferred capitalization—does offer advantages. It enhances long-term safety. It implies larger dividend pay-out, other factors being equal. It harbors a potential of some unseen benefit (a Wolfson may always come along to fasten on a discount situation). And last but not least, is the investor's psychological reassurance from an impregnable balance sheet, whether or not the equity capitalization sells at a discount (that is, whether "the company is worth more dead than alive.")

There are a number of miscellaneous additional items which, where possible, should be weighed by the shareholder as:

Unfilled orders.

Current and contemplated expenditure on new plant.

Proportion of export business, with exchange restrictions.

It is sometimes asked, still, whether company reports are truthful; whether (particularly in bull markets) earnings are "hidden," or perhaps over-stated. The proper definite answer is a resounding "yes" as to truth — with management's ordinary honest inclinations buttressed by a multitude of safeguards imposed by SEC and Stock Exchange reporting and general disclosure regulations in the case of registered companies.

The Intangibles

Besides the quantitative statistical data, the company report contains all-important intangibles, calling for subjective reaction—for playing-by-ear. In the case of "growth" companies: the historical record of growth is of course plainly set forth; but what are the assurances or prospects that it will carry over into the future? And are profit margins likely to keep pace with growth?

Corporate Personality

The reader of the report gets an answer to such questions, as well as revelation of the company's *personality*—an impression that is given wholly intangibly. This goes far to establish the categorization of the prevalent Blue Chip-ism; and, of greater practical investor profit (avoiding Chip overvaluation), discovery of the *pale* Blue Chips, that is, the Blue Chips of tomorrow's market.

(Other factors in the management-stockholder relation will be included in future instalments.)

Economy to Attain New High Peak in 1956

Economists of the Prudential Insurance Company estimate $410 billion output of goods and services, a rise of $15 billion over 1955. Predict upsurge in consumer buying and a heavy volume of capital expenditures that will put the nation on a new economic plateau, but with consumer prices "inclining upward."

According to a detailed economic forecast released by Carrol M. Shanks, President of the Prudential Insurance Co., the nation's


Carrol M. Shanks Gordon W. McKinley

economy will establish another new high in 1956 with the value of all goods and services produced reaching an unprecedented rate of $410 billion.

This represents an increase of $15 billion over the estimated current record rate of spending by the public, private business and Federal and local governments.

An upsurge in consumer buying, a heavy volume of capital expenditures for industry and a rise in outlays for highways, schools and other state and municipal facilities will be largely responsible for the nation climbing to the new economic plateau.

The forecast, prepared by Dr. Gordon W. McKinley and his staff of Prudential economists, says that "although anti-inflationary efforts have thus far been successful, there are indications of increased price pressure in the months ahead." They conclude that consumer prices are likely to "inch upward."

They advised Mr. Shanks that one of the most convincing indications of an upsurge in the economy is "the confidence in the future exhibited by businessmen.

"More and more businessmen are coming to realize that in our competitive economy a business concern cannot stand still. . . . There is also a growing realization that capital investment must be planned for the long pull, with little weight given to intermediate cyclical fluctuations in business activity.

"These new attitudes constitute one of the most important changes in our economy in recent years."

In comparing the major segments of 1956's economy with those of 1955's, the report forecasts:

(1) A rise of over $13 billion in personal income.

(2) An increase of $11 billion in consumer spending.

(3) A rise of $3 billion in business capital expenditures and a continuation of the current rate of business inventory spending.

(4) A probable decrease of $1 billion in spending by the Federal Government, which will be more than offset by an increase of $2 billion at state and other local government levels.

(5) Total spending on residential construction will remain at current high levels, even though new housing starts may decline from 1,300,000 in 1955 to approximately 1,150,000 in 1956.

"The labor force will grow, though by a smaller amount than during the past year," the report forecasts. "Average hourly rates will rise and the working week will probably remain as long as it is at present. Unemployment may be pushed down even below its present extremely low level.

"On the basis of these factors, we estimate that the labor and salary component of personal income will rise by about 5½%. Although the other components of personal income — rent, interest, and profits — will not rise as rapidly, total personal income will nevertheless still be up by about 4½% in 1956—an increase of over $13 billion."

Not all of this increase in personal income will be reflected in consumer spending, says the report. Part of it will be used to pay off previously incurred debts and the public will probably save more of their income in 1956 than they did in 1955.

The Prudential economists don't overlook the probability of a reduction in personal income tax rates in 1956 and point out that "this might add about $2 billion to spendable income."

Considering the higher personal income, a slower rise in consumer debt, the increased savings and the income tax cut, they estimate that the public will up its spending by $11 billion in 1956, "providing strong support to overall prosperity."

40th Anniversary For Hemphill, Noyes

Hemphill, Noyes & Co., 15 Broad Street, New York City, one of the country's leading investment banking and brokerage firms, this week celebrates its 40th anniversary in the securities business. One of the few firms of comparable age and size whose founders are still active in the business, Hemphill, Noyes today operates 24 offices coast-to-coast. Two of the original partners, Clifford Hemphill and Jansen Noyes, who founded the business under the name of Hemphill, White & Chamberlin in 1915, are still active in the management. Other present general partners include Leo M. Blancke, Charles L. Morse, Jr., Claude F. Leaman, Jansen Noyes, Jr., Walter E. Robb, Jr., William G. Maloney, Lawrence M. Stevens, Blancke Noyes, Walker W. Stevenson, Jr., Robert R. Spence, Francis D. Frost, Jr., and Dudley H. Bradlee II. Limited partners are Stanton Griffis, John S. Williams, Harold C. Strong and Clayton F. Banks, Jr.

Memberships are held on the principal stock exchanges, New York Produce Exchange as well as the Investment Bankers Association of America, National Association of Securities Dealers and the National Security Traders Association.

Los Angeles Bond Club Election & Dinner

LOS ANGELES, Calif. — Immediately following a meeting at which officers for the coming year will be elected, The Bond Club of Los Angeles will hold its Christmas Party on Thursday evening, Dec. 8, at the Stock Exchange Club of Los Angeles.

Program Chairman Wm. D. Witherspoon, of Witherspoon & Co., Inc., announced that this traditional party of The Bond Club of Los Angeles will be featured by entertainment and a festive dinner in keeping with the holiday season.

Joins B. C. Morton

(Special to The Financial Chronicle)

BOSTON, Mass. — Abraham I. Jacobson has joined the staff of B. C. Morton & Co., 131 State St.

Causes of Inflation

By ROGER W. BABSON

Mr. Babson, after pointing out the chief causes of monetary inflation, calls attention to today's new factor, namely, the psychological cause arising from a war-scare that has led to heavy defense expenditures. Says saving has become a lost art and luxuries are now being bought on easy credit policy to promote full employment. Holds this means more inflation.

There are many reasons for inflation. Most important has been the fact that inflation comes when the supply of money exceeds the supply of goods.

Roger W. Babson

The above can occur either by (1) an increase in government or private credit which results in higher prices and higher wages, or (2) an increase in the circulation of money, which can have the same effect as more money; this latter comes as a result of boom times such as are now being enjoyed by New York and other large cities.

Contrarywise, if unemployment increases and advertising appropriations decrease, retail trade will decline and inventories accumulate. Then the supply of goods will increase, credit and money will tighten, wages will decline, and we will have deflation. It's the old story: "We cannot have our pie and eat it too." We can choose between full employment with higher wages and higher prices, or unemployment with lower wages and lower prices.

Today's New Factor

Since World War II, another very important cause of inflation has become operative. This may be called a psychological cause; but it is really due to the talk about "Atomic Bombs," "Hydrogen Bombs," and "Guided Missiles."

To scare us into demanding greater expenditures for defense and a willingness to be taxed therefor, we are fed with this probable fact — namely: If World War III should now come, the 20 largest U. S. cities with 30,000,000 innocent U. S. people would be wiped out.

Saving Becoming a Lost Art

Constant talk of this sort in the press and over the radio is destroying the American habit of thrift, substituting therefor a spending craze. Before we heard of Atomic Bombs, people would get a mortgage for only about 60% of the cost of a house. Their ambition then was to pay up this mortgage and have the house "free and clear." Furthermore, most mortgages were written for a term not exceeding five years.

Now, as a bribe to voters, the government offers or guarantees credit so that a new house can be mortgaged for 95% to 100% of the cost, with from 20 to 30 years to pay the mortgage. In view of the talk that "World War III is inevitable — although it probably will not come for five years" — people are reasoning as follows.

"World War III will wipe out both me and my house—then I'll never have to pay the mortgage. Or else the inflation coming with or after World War III will cause the value of our dollar to go down to 10 cents. In that case, if the house and I continue to exist, I can pay this mortgage with these 10-cent dollars!" The same reasoning applies to enjoying automobiles, TV sets, washing machines, and even luxuries **now on borrowed money**, rather than waiting until World War III when one would have neither these things nor the money, and would perhaps get killed to boot.

"Eat, Drink, and Be Merry Now"

Although the above is very contrary to the way we older people were once taught, yet it is the way young people are now reasoning. I hate to admit it, but it may be logical reasoning under the terrible threat of World War III. This threat our boys are today being fed by their superior officers while in army-training. Surely this is the basic reason for the prosperity which I find today in New York and the other 20 cities which we are told are liable to be destroyed.

In addition to the above economic reasoning, there is an important political influence — one which both Republican and Democratic leaders recognize. This is that in order to "stay in" or "get in" office they must have, or promise, full employment and prosperity NOW. In order **to give** this to the voters, the **government** must supply more **credit, favor** higher wages, and make **it easier** for the voters to **buy—without** money—houses, automobiles, **and** anything else they want. **This means more inflation.** Since **the** great number of voters are **industrial** wageworkers who are **being** fed the scare threat that **World** War III will come within **five** years, do you blame **them for** their shortsighted income **reasoning?**

Janney, Dulles & Co. To Be Formed

PHILADELPHIA, Pa.—Janney, Dulles & Co., Inc., members of the New York and Philadelphia-Baltimore Stock Exchanges, will be formed as of Dec. 30 with offices at 1529 Walnut Street. Officers will be Heatly C. Dulles, member of the New York Stock Exchange, Chairman of the Board; Bertram M. Wilde, President; Theodore C. Sheaffer, Philip L. Lee, Harry Grant, and John H. Blye, Jr., Senior Vice-Presidents; Willard S. Boothby and Stephen G. Duncan, Vice-Presidents; E. G. Bird and Richard W. Heward, Assistant Secretaries; and George C. Phillips, Assistant Treasurer.

Messrs. Dulles, Sheaffer, Lee and Blye are partners in Wurts, Dulles & Co., which will be dissolved. Messrs. Wilde, Grant, Boothby, Duncan, Phillips and Heward are officers of Janney & Co.

N.Y. Security Dealers 30th Annual Dinner

The New York Security Dealers Association will hold their 30th annual dinner at the Biltmore Hotel on March 9, 1956.

With Merrill Lynch

(Special to The Financial Chronicle)

OMAHA, Neb.—George F. Braig has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Patterson Building.

Forms B. D'Armand Co.

B. D'Armand is engaging in a securities business from offices at 471 Park Avenue, New York City under the name of B. D'Armand Co.

John Sullivan Opens

BROOKLYN, N. Y. — John B. Sullivan is conducting a securities business from offices at 1125 Lorimer Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointments of Russell H. Johnson as Vice-President and Lloyd W. Pederson as Assistant Secretary of the **United States Trust Company of New York** were announced on Dec. 1 by Benjamin Strong, President. Mr. Johnson, who has been an Assistant Vice-President since 1951, joined the trust company in 1928. He will supervise the Operations Department of the company. Mr. Pederson, Senior Analyst in the field of oil, natural gas and non-ferrous metal investments, joined the trust company in 1941.

Russell H. Johnson

* * *

An extra dividend of $2 per share and the regular dividend of $3.50 per share payable Jan. 3, 1956 to stockholders of record Dec. 15, 1955, were declared a week ago at the regular meeting of the Board of Trustees of the **United States Trust Company of New York.** In a letter to stockholders, Benjamin Strong, President, stated that a special meeting of stockholders has been called for Jan. 5 to vote on an amendment to the charter of the company whereby the par value of the stock will be reduced from $100 to $20 per share. The outstanding stock will be increased from 100,000 shares to 500,000 shares thus effecting a 5-for-1 split of the present stock. Mr. Strong also announced that the Trustees intend to declare an initial quarterly dividend on the new $20 par value stock of 80 cents per share payable April 2, 1956.

* * *

William S. Miller and B. Walton Romefelt have been appointed Vice-Presidents of the **Chase Manhattan Bank, of New York,** J. Stewart Baker, President, announced on Dec. 1. Mr. Miller is assigned to special investments and Mr. Romefelt is a member of the official staff serving the bank's customers in the New England states. Mr. Miller joined the bank's credit department in 1929, and three years later was assigned to the public utilities department. He was appointed to the official staff in 1941 and promoted to Second Vice-President in 1948. Mr. Romefelt also joined the bank in 1929. He served in the brokers' loan and customers' securities departments and was appointed an Assistant Cashier in 1930 and Second Vice-President in 1933. Other new official appointments announced were: To Assistant Vice-President: Anthony I. Eyring and John A. Hooper, in the National District Organization, and Edward W. Heim, William H. Lentz, James W. Watts and Alfred R. Wentworth in the International Department. To Assistant Treasurer: Frank G. Brennan, Daniel A. O'Connor and Samuel Pinkowitz, International Department; Howard L. Brown, Thomas J. Concannon, Jr., W. Peter Ramberg and Thomas E. Rivers, Jr., National District Organization, and John C. Senholzi, Bond Department. To Investment Officer: George J. Bitz, Edward A. Klug and Robert B. Whitbeck, Trust Department. Dr. Paul F. Genachte was appointed Acting Director of the bank's Atomic Energy Division.

* * *

Establishment of a **Queens Advisory Board** by **Chemical Corn Exchange Bank of New York** was announced on Dec. 1 by N. Baxter Jackson, Chairman. "With branch offices throughout Greater New York," Mr. Jackson said, "Chemical Corn Exchange Bank is basically interested in the economic development of each segment of the area. We expect Queens to continue its impressive growth, and the formation of an Advisory Board for our network of offices in that Borough has been prompted by our desire to contribute to that growth by providing the best possible banking service." Philip L. Becker, President of American Chicle Co., has been named Chairman of the Queens Advisory Board. Other members are John H. Clough, President, Fairchild Camera & Instrument Corp.; Thomas Goodfellow, Vice-President and General Manager, Long Island R.R.; Jarvis S. Hicks, Jr., Vice-President, Long Island City Savings Bank; Hanford Main, Ralph C. Persons, and Henry Z. Steinway. Chemical Corn Exchange Bank has branch offices located throughout Long Island City, etc., and the bank has nine other advisory boards serving its offices in other regions of Greater New York.

* * *

The First National City Bank of New York announced on Dec. 7 that Frank T. Mitchell, Vice-President, has been named also Deputy Manager of the bank's **Overseas Division.** Mr. Mitchell has been in charge of the South American District at Head Office and will be succeeded in that assignment by Robert M. Franke who was appointed Vice-President at the regular meeting of the directors on Dec. 6. Mr. Franke was formerly an Assistant Vice-President. The Board also appointed as Vice-Presidents three men, currently resident abroad in charge of the bank's branches in various overseas areas. They are Robert J. Breyfogle, London; John B. Arnold, Argentina; and William H. Beattie, Brazil. Clarence V. Horan, Jr., Manager of the Chelsea Office in New York City, was appointed an Assistant Vice-President, and will be assigned to the 46th Street and Park Avenue Office.

Directors of the **City Bank Farmers Trust Company** appointed four officers in the Corporate Trust Division. They are Valfred J. Gardner, Assistant Trust Officer, and John C. Claflin, William M. Crane and William T. Hayes, Assistant Secretaries.

* * *

Irving Trust Company of New York announces the election on Dec. 1 of Thomas C. Fogarty to its Board of Directors. Mr. Fogarty is President-Elect and a Director of Continental Can Co. and a director of a number of associated companies. For several years Mr. Fogarty was Continental's Vice-President in charge of sales. He became Executive Vice-President in 1950 and on Nov. 22 of this year was elected President of the company effective Jan. 1, 1956.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company, of New York,** announced after the Dec. 5 meeting of the directors that the Board had approved a 2-for-1 split of the shares of the company's capital stock and recommended the change for action by the stockholders at the annual meeting on Jan. 18. The directors declared the regular quarterly dividend of 80 cents per share on the trust company stock payable Jan. 15, to stockholders of record Dec. 12. The total dividend paid during 1955 was $3.20. Mr. Flanigan stated that it is management's intention to recommend to the directors at the next dividend meeting in March, that the annual dividend on the split shares be $1.75 per share, or the equivalent of $3.50 on the old shares. This would represent an increase of 30 cents per share over the annual dividend of $3.20 paid on the stock during the calendar year 1955. The split of the bank's capital stock, Mr. Flanigan explained, would be accomplished by changing the 2,519,500 presently authorized and isued shares of $20 par value to 5,039,000 shares of $10 par value. This proposed change, he said, is considered to be advantageous to the stockholders and the company since it should result in a wider distribution and greater marketability of the stock. Mr. Flanigan also announced that the directors on Dec. 5 approved an employees' profit sharing plan, which will be submitted to the stockholders at the annual meeting and must be approved by the Treasury Department. The program will cover all full-time employees.

* * *

Peter J. Wolf, Manager of the School Savings Department, was installed on Dec. 5 as the 58th member of the Twenty-Five Year Club of **The Lincoln Savings Bank of Brooklyn, N. Y.** at a luncheon in his honor. John W. Hooper, President of The Lincoln, congratulated Mr. Wolf in the presence of officers and trustees on hand for the occasion. August H. Wenzel, President of The Lincoln's Twenty-Five Year Club, presented the new member with a watch. Besides various other activities, Mr. Wolf is the former Secretary of the School Savings Forum of the State of New York.

* * *

Frank Mullen, First Vice-President of **The Greater New York Savings Bank of Brooklyn, N. Y.,** was elected President of the bank at a meeting of the trustees on Oct. 13, succeeding the late Bernard F. Hogan, whose death was referred to in these columns Oct. 6, page 1409.

Mr. Mullen joined the bank on Nov. 30, 1914, as a Secretary-Stenographer to Charles J. Obermayer, the first President of the bank. During the ensuing period, he worked through the ranks to become Assistant Secretary in 1932. He subsequently held the positions of Assistant Comptroller and later Vice-President-Comptroller. In November, 1951, he was elected a member of the Board of Trustees and was promoted to the position of First Vice-President in December, 1951. Among his memberships and affiliations are the Investment Officers Association of The Savings Banks of the State of New York, Brooklyn Chamber of Commerce, etc.

* * *

Relocation of the Stewart Avenue Branch of the **Long Island Trust Company of Garden City, L. I., N. Y.,** has been approved by the New York State Banking Department. The office, which was opened in November, 1954, will occupy a building at Stewart Avenue and Clinton Road, Garden City. Fred Hainfeld, Jr., President of Long Island Trust Company, also stated that the name of the branch would be changed to the "East Garden City Office" to avoid any possible confusion with the location of the bank's Main Office or the new Stewart Manor office which is scheduled to open about Jan. 10.

* * *

A stock dividend of $55,000 has resulted in increasing the capital of the **Lincoln National Bank of Buffalo, N. Y.,** from $220,000 to $275,000 as of Nov. 29.

* * *

New stock, to the amount of $50,000 has brought about an increase in the capital of the **First National Bank of South River, N. J.** raising the capital from $500,000 to $550,000 effective Nov. 21.

* * *

The election of H. Hugh McConnell to the Board of Managers of **The Montclair Savings Bank of Montclair, N. J.,** was announced on Dec. 1, by T. Philip Reitinger, President of the bank. Mr. McConnell is Second Vice-President of the Meropolitan Life Insurance Company. He is also a member of the University Council Committee, Yale Engineering School, and National Vice-Chairman of the Yale Engineering Fund. Mr. McConnell is a former Vice-President of the Montclair Academy Foundation.

* * *

The U. S. Comptroller of the Currency reports that effective Nov. 22 the **First National Bank of West Newton, Pa.,** with common capital stock of $100,000 was placed in voluntary liquidation, having been absorbed by the **Peoples Union Bank of McKeesport, Pa.**

* * *

The First National Bank & Trust Company of La Porte, Ind. enlarged its capital as of Nov. 22, from $300,000 to $600,000 as a result of a $300,000 stock dividend.

* * *

Jackson W. Smart, partner in the accounting firm of Touche, Niven, Bailey & Smart, has been elected a member of the board of directors of the **Uptown National Bank of Chicago, Ill.,** to fill a vacancy created by the recent death of Ernest C. Dose.

* * *

A capital of $1,500,000 was reported as of Nov. 9 by the **Illinois National Bank & Trust Co. of Rockford, Ill.,** the amount having been increased from $1,000,000 by a stock dividend of $500,000.

* * *

The Second National Bank & Trust Co. of Saginaw, Mich. increased its capital as of Nov. 16 from $3,000,000 to $3,600,000, the additional $600,000 having been realized by a stock dividend of that amount.

* * *

C. Arthur Hemminger was elected Vice-President and Public Relations Director of **First National Bank in St. Louis, Mo.** at a meeting of the Board of Directors on Nov. 29, according to William A. McDonnell, the bank's President. Mr. Hemminger, who joined the bank in June, 1952, as Director of Advertising and Public Relations, was graduated from the University of Illinois School of Journalism in 1930. Before joining the staff of First National Bank in St. Louis, he was Public Relations Director of **American National Bank and Trust Company of Chicago;** Public Relations Director of the New York State Bankers Association in New York City, etc. Mr. Hemminger is a member of the faculty of the New York State Bankers School of Public Relations at Syracuse University; and a National Director of the Financial Public Relations Association.

* * *

The Third National Bank of Nashville, Tenn., which in October increased its capital from $3,000,000 to $3,500,000, has, as of Nov. 4, further enlarged it to $4,000,000 by the sale of $500,000 of new stock. The earlier addition to the capital was referred to in these columns Oct. 27, page 1768.

* * *

The issuance of a charter on Nov. 16 for the **City National Bank of Clearwater, at Clearwater, Florida,** was made known in the U. S. Treasury Department's Bulletin of Nov. 21. The capital is announced as $300,000, and the surplus as $200,000. In the primary organization the President is indicated as Addison A. Wakeford, and E. A. Branson as Cashier.

* * *

First Western Bank & Trust Company of San Francisco, Calif. has filed an application with the California State Banking Department for permission to open another Southern California office, it was announced on Nov. 29 by T. P. Coats, Chairman of the Bank's Board of Directors. First Western has opened seven offices in Southern California in the last few months and now has applications on file, or work already in progress, on three additional offices,—two in Los Angeles, with one of these scheduled to be the bank's Southern California main office to be located in the Los Angeles financial district. The latest application is for a First Western office in Foothill Center, located north of Covina between Azusa and Glendora.

* * *

The sale of $1,044,000 of new stock by the **Bank of California, N. A. of San Francisco,** it is noted by the Treasury Department, increased the bank's capital, effective Oct. 11 from $10,440,000 to $11,484,000. Details of the plans of the bank incident to the issuance of new stock appeared in our issue of Sept. 22, page 1182.

* * *

As of Nov. 21, the **Old National Bank of Spokane, Wash.** enlarged its capital to the extent of $1,000,000 by the sale of new stock to that amount, bringing the capital up to $3,750,000 from $2,750,000. An earlier increase in the capital, from $2,500,000 to $2,750,000 by a stock dividend of $250,000 was noted in our issue of Nov. 17, page 2097.

* * *

The Canadian Bank of Commerce, head office **Toronto,** announced on Nov. 30 the election of Sir Roy H. Dobson and J. Geoffrey Notman to the bank's Board of Directors. Sir Roy is Chairman of A. V. Roe Canada Ltd. and Canadian Car & Foundry Ltd.; Managing Director of A. C. Roe & Company Ltd. and a director of Hawker Siddeley Group Ltd., both of London, England. Mr. Notman is President and General Manager of Canadair Ltd.; Senior Vice-President and a director of General Dynamics Corp.; a director of Canadian Arsenals Ltd., Montreal Locomotive Works Ltd. and Canadian Marconi Ltd.; and Chairman of Canadian Copco Ltd. and S. F. Products Canada Ltd.

Two With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Patrick J. McCool and Brice W. Schuller are now affiliated with Bingham, Walter & Hurry, Inc., 70 South Euclid Avenue.

With Walter J. Hood

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — Richard F. Murphy has become connected with Walter J. Hood Company, 415 Congress Street.

Joins Frank Knowlton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Merrill E. Onstad, Sr., has become affiliated with Frank Knowlton & Co., Bank of America Building.

Atwill Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Haskins L. Chilton is now connected with Atwill and Company, Inc., 605 Lincoln Road.

Goods Shortages in Great Britain

By PAUL EINZIG

Dr. Einzig points out that an indication of inflationary conditions in Britain is the return of shortages in certain essential raw materials. Says the volume of purchasing power has expanded more than the volume of goods, notwithstanding the credit squeeze and other disinflationary measures. Sees U. S. credit restraint efforts more successful than those of the British

LONDON, Eng.—One of the indications of the inflationary conditions that exist in Britain is the return of shortages of goods. There is, of course, no question of a degree of shortages comparable to that of the war years and the early postwar years, or even to that of the Korean boom. Nevertheless, some essential raw materials are decidedly in short supply, and bottlenecks have made once more their appearance; in particular there is a shortage of steel and supplies of some non-ferrous metals have also declined considerably. In the retail trade, too, consumers are told every now and then that the stocks of various goods have run out and there is delay in replacement. It is true, the shop windows and shelves are still crammed as ever with goods, but customers are very often unable to get just what they want.

Paul Einzig

It would be an exaggeration to say that the state of affairs in which too much money was chasing too few goods has now returned. The volume of goods that is available is now incomparably larger than it was during the early postwar years. But the volume of purchasing power has expanded even more than the volume of goods. The correct formula would be therefore, "too much money chasing not quite so much goods."

This state of affairs has grown worse during the last few months, notwithstanding all credit squeeze and other disinflationary measures. So long as supply is in many respects inferior to demand, it will be difficult to halt the rise in prices. The government has embarked on a campaign of exhortation to persuade manufacturers to lower their prices, or at any rate to abstain from raising them further. In view of the existing supply-demand relationship, however, it is difficult to imagine that such peaceful persuasion could produce any noteworthy effect. Unless the government succeeds in achieving a reduction of consumer demand by means of curtailing consumer purchasing power, manufacturers and merchants are likely to act in accordance with the law of supply and demand in fixing their prices.

The fact that the prices of some goods were raised recently in spite of the fact that their producers showed considerably increased profits in causing much resentment in official circles. The government feels that it will be difficult to induce the Trade Unions to moderate their wages claims so long as employers are not prepared to cooperate with the government in the effort to halt the rising trend in the cost of living.

The view is held in London that the United States authorities have been much more successful in recent year than the British authorities in their policies of regulating business conditions with the aid of monetary devices. The promptness with which American business conditions responded on one or two recent occasions to relatively moderate disinflationary measures is the object of envy in British official circles. The difference is understandable. With a reserve of several million unemployed to draw upon, the American economy is much more flexible than the British economy. Nor is the balance of power between employers and employees nearly as one-sided in the United States as in Britain. In the circumstances an increase of the Federal Reserve rediscount rates by ¼% is liable to be much more effective than an increase of the British bank rate by 1½%.

Another lesson taught by recent British experience is that the reliance placed in the proverbial willingness of British banking community to comply with the requirements of official policies was not fully justified. When some years ago the Secretary of the United States Treasury, Mr. Snyder, gave evidence before a Congressional Committee, he grew positively lyrical in his praise of the discipline and loyalty of the British banks in their relations with the monetary authorities. Today he would tell a different tale, in view of the fact that for many months during 1955 the British banking system has frustrated the official credit squeeze by selling out its holding of government securities in order to be able to maintain and even increase the volume of credit, in defiance of the official policy.

The British monetary authorities are still reluctant to reinforce the credit squeeze by means of an even higher bank rate. They now base their hopes of a more effective operation of the credit squeeze in the new year on the seasonal scarcity of money due to the payment of large amounts of direct taxes during the first two months of the year. It is expected that the flow of funds to the Treasury will mop up considerable amounts of liquid resources, thereby compelling the banks to curtail credit.

It remains to be seen, however, whether this credit shortage will be allowed to proceed to a point where it begins to hurt. Already there is a growing pressure against it. A leading industrialist, Lord Chandos, who was, until recently, a prominent Member of the government of Sir Winston Churchill, delivered a strong attack against the credit squeeze. Protests by businessmen are likely to be reinforced powerfully by protests on the part of Trade Unions the moment the squeeze reaches a sufficiently advanced stage to cause a slight reduction in employment. It remains to be seen whether Mr. Butler would be strong enough to resist the dual pressure.

If the government really wanted to bring about the required degree of credit squeeze it could, of course, do so by direct intervention in the money market to reduce the volume of bank cash, thereby compelling the banks to curtail their credits in order to maintain their cash ratio at its traditional minimum of 8%. Instead, the government prefers to await a natural decline in the volume of cash through seasonal tax payments. During the early part of 1956 all that the monetary authorities would have to do would be to refrain from replacing the cash that will find its way to the government as a result of these tax payments. Whether the degree of scarcity that will develop will be sufficient remains to be seen. But the same degree of scarcity could have been brought about long ago by means of active intervention instead of awaiting passively the development of scarcity after the turn of the year. The British policy of credit squeeze is open to criticism not only on the part of those who feel that it has gone too far but also on the part of those who feel that it has been "too late and too little."

Maxwell Ohlman Joins Edwards & Hanly

HEMPSTEAD, N. Y.—Bert Edwards, partner in Edwards & Hanly, members of the New York and American Stock Exchanges, has announced that Maxwell Ohlman has joined the firm's staff.

Mr. Ohlman, former editor-in-chief of "Investment Appraisals" and "Investment Planning," has a broad experience in all phases of investment management. He formerly was with Walston & Co., headed the portfolio analysis division at Thompson & McKinnon and served as economist for Fahnestock & Co.

Mr. Ohlman also manager the investment research department for W. E. Burnet & Co. and was special situations analyst for Arthur Wiesenberger & Co.

He collaborated on several special reports which were prepared at the request of the Board of Governments of the New York Stock Exchange and submitted to the Federal Reserve Board and Securities & Exchange Commission.

Francis Crist Partner In Kay, Richards Co.

PITTSBURGH, Pa.—On Jan. 1 Francis E. Crist will be admitted to partnership in Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. Mr. Crist is Manager of the firm's bond department.

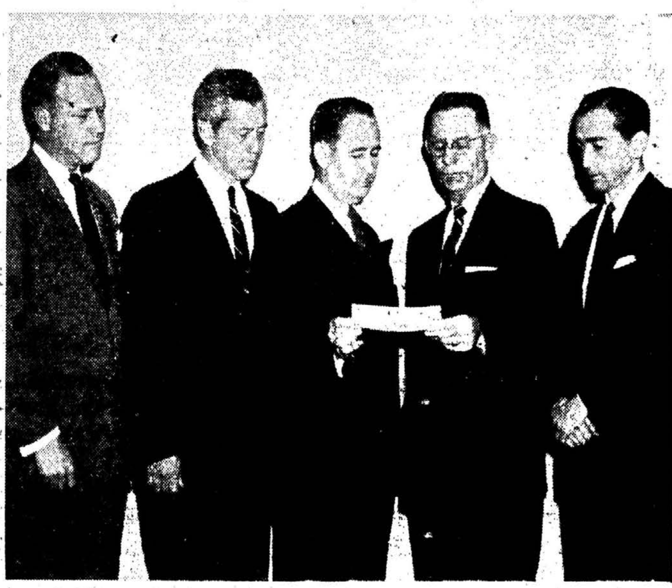
Eastern Secs. Co Formed

RED BANK, N. J.—Jack S. Skakandy is engaging in a securities business from offices at 157 Broad Street under the name of Eastern Securities Co.

Form Credit & Commodity

Credit & Commodity Corporation has been formed with offices at 250 West 57th Street, New York City, to engage in a securities business.

Present Payment for Florida Bonds



William G. Carrington, Jr., Manager of the Municipal Bond Department of Ira Haupt & Co., Dec. 1 presented a check for $10,415,526.16 to Thomas D. Bailey, State Superintendent of the State of Florida. The check represents payment on behalf of Ira Haupt & Co. and Glore, Forgan & Co. and associates for $10,412,000 State Board of Education of the State School Series "A" and "B" Bonds purchased on Nov. 1, 1955. Left to right: Hunter S. Marston, Partner, Glore, Forgan & Co.; Governor LeRoy Collins of Florida; Corrington, Bailey, and Donald Breen, Manager of the Municipal Bond Department of Glore, Forgan & Co.

N.Y.S.E. Issues Seniority List

Membership in the New York Stock Exchange is no guarantee of longevity—but five men who are now members bought their seats in the last century.

In view of the fact that a member must be at least 21 at the time of admission, these gentlemen rank pretty well up in the age scale.

Another 26 veteran brokers bought their seats between 1900 and 1910 inclusive—and still are members, according to a seniority directory which Keith Funston, President of the Exchange, issued today.

The Stock Exchange's oldest member is Leonard D. White of Philadelphia who bought his seat on March 28, 1889. This information is not in the directory but he paid "a nominal consideration," according to Exchange records. A seat today is quoted at $62,000 bid and $87,000 asked.

Other ranking old-timers include Howard Gould who became a member in 1898; his brother Frank Jay Gould who bought a membership the following year; Eugene A. Sichel, 1899; and Benson B. Sloan, 1899.

Seven memberships are owned by the estates of former members. John Kerr Branch, for instance, bought a membership in 1896. He died in 1930 but his estate still owns it—and has paid annual dues of $750 each year since 1930.

Leonard White, the Exchange's oldest member, is in his 88th year. Howard Gould is 83 and his brother, Frank Jay, is 77. Eugene A. Sichel is 89 and Benson B. Sloan, 88.

The directory lists 1,359 members plus seven memberships owned by estates. A total of nine memberships have been retired in the past few years.

The new directory does not give the ages of members but the last time a count was made—on Jan. 1, 1954—six members were between 21 and 24 years old, 32 between 25 and 29 years and 95 ranged from 30 to 39 years. Average age of all members is about 53.

Continued from first page

As We See It

opportunity pass to score a point against an opponent regardless of where the opportunity arises or what the matter concerns. In this sense the coming political campaigns will certainly not be nonpartisan as regards foreign policy. To suppose otherwise would be to ignore history and human nature particularly as it is in evidence through the being of politicians. Peace in Korea will be a matter or boasting by the one party; the failure in Geneva will furnish ammunition for the orators of the other. And so it will be up and down the line, and we for one do not tremble at the prospect.

Really Partisan?

But much more serious and much more regrettable in our estimate is the fact that practically all the problems of the day are "partisan" only in a superficial—we had almost said a Pickwickian—sense. That is to say the two parties sponsor and defend very much the same things even if they assign different names and different slogans to their programs. The Democratic party under the tutelage of the New Deal and the Fair Deal set up in this country the most expensive, the most extravagant social security system this world has ever seen, possibly the most extravagant this world has ever dreamed of. The Republican party proceeds to broaden and enlarge it until its liabilities almost reach the unimaginable. The New Deal and the Fair Deal foisted a "soak-the-rich" tax system upon the country in an extreme not before known in this country at least; the Republican party coming into control undertook to work over our tax system, but they leave this basic principle in tact.

Out of the "reforms" of the 'Thirties came an elaborate, costly, useless and senseless system for putting the securities business of the country in shackles. The "opposition" reaches a position where it could do something about it—it had screamed to high heaven about it at an earlier date—but it has done exactly nothing even to moderate and sanitize the system. It inherited a so-called full employment law and full employment philosophy grafted on to full devotion to the managed economy notion. It has done nothing but swear allegiance to it ever since.

For almost a generation the party of Franklin Roosevelt had in a gentlemanly sort of way been buying the farmers' votes in election after election with taxpayers' funds. The cost of the system by the time the present Administration came to office was staggering. The cost of the system has been somewhat reduced, but is still enormous, and Republican politicians in preparation for next year's voting are now talking vaguely and wildly about schemes which certainly could not lead to the supposition that the Republican party was one whit more eager to call a spade a spade as respects agriculture or one whit more inclined to real statesmanship in the matter. Basically, the difference between the two parties comes dangerously near being that between tweedledee and tweedledum. In a superficial sense the issue is politically as partisan as such men as former President Truman can make it, but in any basic sense it is anything but partisan.

In this larger, broader and deeper sense any issue could be partisan only if there were definite differences in the philosophies or programs of the two contending parties. But where is that difference? There are much greater differences within both the Democratic and the Republican party than there is between the two parties. And this seems to us to be true of foreign policies and programs, as well as of the sundry domestic issues of the day. What the political orators shout about are superficial phases of things which are believed to have vote getting or vote repelling qualities.

But what is most regrettable in all this is the lack of carefully defined international programs or policies which are calmly, explicitly stated and mean something—a line of thought or action about which men can and would legitimately differ and about which there might be calm and realistic debate. It is not as if there were no opportunity for such a line of action or that all wisdom lies in the heads of one or the other of the political parties. What has happened is that the New Deal, following the Wilson doctrine, has developed a world leadership complex, which seems at times at least to aspire to a sort of *Pax Americana* throughout the world. Although there are individuals in the party which hardly subscribed to such a notion, it is a fact that by and large the Republican party is now a supporter and prophet of some such doctrine.

Real Problems

The world is in an historically new situation as respects international relations. Time and space, if they have not been annihilated, have at least been drastically reduced in their impact upon the relation of one nation to the others around the globe. Some of the older powers which for so long kept the world more or less at peace by means of a balance of power no longer play the same role. The balance of power technique seems to be less effective than in the past, and, moreover, any balance is difficult to acquire and to maintain in present conditions. In all this we, now a mature nation, have a large stake. Of that there can be no doubt—and failure to maintain peace could be an almost final disaster.

But whether all this warrants the role we are now trying to play in the way that we are playing it is a matter about which there are at least two opinions. But doubts are heard only from impotent minorities. Both parties are hopelessly committed to this line of action—and in this sense the question is nonpartisan by nature no matter how much screaming there is among the political orators.

Continued from page 13

Current Problems of Economic Policy

of growth or the achievement of other national objectives.

Thus, monetary authorities have the delicate task of maintaining just the right balance and of detecting quickly signs that restraint is becoming excessive. They must be prepared to reverse policy before the economy's growth is checked and unemployment created. Monetary policy should be used jointly and consistently with other government programs. It would seem inconsistent, for example, to pursue a restrictive general credit policy with rising interest rates and at the same time legislate general tax cuts on the grounds that the economy needed stimulation.

Problems of Agriculture

It may be presumptuous for me at this particular forum to touch on the current farm question. Yet how can it be ignored within the context of the subject assigned me? Current trends in American agriculture undoubtedly rank as the number one domestic economic problem.

Most industries since World War II have been relieved of the problems of excess capacity that plagued them during the late 1920's and throughout the 1930's. Agriculture, however, still faces the problem of excess capacity and mounting surpluses. Production volume this year is nearly 50% above prewar. Advancing productivity has given us this output on approximately the same number of acres, with about 20% fewer farm units and with some 30% fewer farm workers. Even if markets are expanded and other outlets utilized, further adjustments of farm operations appear needed to enable farmers to participate fully in the benefits resulting from rising national income.

Agriculture has received a declining share of national income during recent years, both absolutely and relatively. Average net income per capita of the farm population from agriculture declined about 6% from 1952—when the parity ratio stood at 100—to 1954. If income from all sources is included, the decline has been about 4%. With aggregate realized net farm income declining 10% this year, the per capita situation, of course, has worsened considerably further. Other segments of the economy have registered real gains on whatever basis you wish to calculate them during this same period. Indications are that this adverse trend in the farm sector which started under previous programs will continue if left to present programs until the day the huge surpluses are somehow disposed of and the nation's population and demand grow to match our productive capacity.

Probably the most disturbing current fact which reflects the problems of agriculture is the disparity of price movements — the prices of things the farmer and all of us have to buy, on the one hand, and the prices of products the farmer has to sell on the other. Had farm prices not been declining in recent months, we would be experiencing an alarming rise in general price indices. Wholesale prices of other than farm products and foods have advanced 3% in the past four months while, in the same index, the price of farm products declined 7.2%, and processed foods declined 4.7%. We can claim general price stability only because of falling farm prices.

The Joint Economic Committee has urged for several years that every effort be made to find outlets at home and abroad for farm surpluses. Some important steps have been taken, but more are needed. In some instances, such as cotton, we are losing our traditional markets. We need to find better means of competing on a fair basis with other countries whose production for export is growing. But shortsighted attempts to unload our surpluses could have adverse effects, not only on world markets, but on ourselves. If a food disposal program could be tied to an investment program in underdeveloped areas, important objectives could be furthered. While it is difficult to devise programs of use which do not interfere with present markets, we know there are vast unfilled needs for food and fiber in this country and abroad.

The need for outlets abroad for our farm products has brought renewed interest in foreign trade. The Foreign Economic Policy Subcommittee of the Joint Economic Committee has just completed hearings on this subject. Perhaps the most pressing and the most troublesome of this country's immediate foreign trade problems concern East-West relations. If we could use trade with the Communist bloc to break down the Iron Curtain and to undermine the drive of the Kremlin for political domination over other countries, we would have much to gain from such trade, politically as well as economically. But, if trade merely relieves the Kremlin of trying to meet civilian shortages and military stockpile requirements of food and fiber, so that it can devote increased energies to armaments and imperialism, then the free world must continue to control trade with the Iron Curtain countries. Unfortunately for domestic exporting industries, broad political considerations must govern United States actions in dealing with this problem.

Understanding the current farm problem might be aided by dividing it into two somewhat arbitrary segments. First, the problems of full-time commercial agriculture composed of well-equipped farms of sufficient size to produce a satisfactory family income if reasonable prices prevail. This group constitutes about 35% of farm operators who produce about 85% of farm products marketed.

The problems of commercial agriculture are largely those of the market place, and they stem from the difficulties of making production adjustments, of expanding consumption, and of stabilizing prices and income. From an economic standpoint there is much to be said for the use of a program of direct payment to farmers which would limit the amount of payment to a single individual. But there is also something to be said for a price support system for some commodities. One of the elements in maintaining economic growth is a fairly stable price level. Therefore, we should do something to reduce the gyrations in farm prices which come out of relatively small changes in corp production. We need a workable program for taking excesses off the market when yields are large, and increasing marketing from stock when crops are short.

The second segment of agriculture consists of the other approximately 65% of farm families. In addition to the problems of commercial agriculture already mentioned, these farmers presently have insufficient land, equipment, and, in many cases, training to produce a satisfactory living unless their incomes are augmented from non-farm sources. Too often these other sources are not available. The Department of Agriculture has recently estimated that in 1950 there were over one million farms and a rural farm population of over five million in areas characterized as possessing serious low-income problems.[2]

Low incomes obviously mean very low levels of living for these farm people. But they also have an important bearing upon the performance of the rest of our national economy and upon our goals for preservation and strengthening of the free world. For to the extent that these low incomes result from underemployment, they represent to the rest of the nation a loss of otherwise available markets for goods and services that it has the capacity to produce. The loss of these markets, in turn, means for the rest of the nation a lower level of employment and income, a lower level of living, less inducement for new investment and consequently a lower rate of economic growth than it would otherwise have. The magnitude of these losses, like the magnitude of underemployment in American agriculture, cannot be precisely estimated. However, if the nation's farm families now having money incomes of less than $2,000 per year could increase

2 *Development of Agriculture's Human Resources: A Report on Problems of Low-income Farmers,* U. S. Department of Agriculture. April 1955.

For additional information see *Underemployment of Rural Families,* Materials prepared for the Joint Committee on the Economic Report by the Committee Staff, Committee Print, February 1951.

their incomes to $2,000, without adversely affecting the incomes of other people, this would give them in the aggregate about $3 billion more per year to spend than they now have. This addition to their spending power would undoubtedly increase employment and incomes available to the rest of the nation's people by fully as large an amount.

During recent years the Joint Economic Committee, under the leadership of Senator Sparkman and Senator Flanders, has intensively studied the problems of the low-income farm family. The President, the Department of Agriculture, and other Federal departments have recently made recommendations. Important bills providing comprehensive programs with Federal assistance for this important group are pending in the Congress. It is generally agreed that a balanced program should encourage industrial development within the area, stimulate out-migration to relieve population pressures, and technical assistance and credit to help farmers reorganize and enlarge their farming operations.[3]

Problems of Low-Income Families And Chronically Distressed Areas

In addition to the problems of rural low income are the problems of urban families and areas which —even in times of bountiful prosperity — experience excessive chronic unemployment, low income, and economic distress. The Census Bureau has estimated that the number of families with incomes under $2,000—measured in constant 1948 prices — did not change between 1948 and 1954. There were about 9.5 million such families.[4] Some in this group have a satisfactory income and level of living. Many others will continue to need assistance. But large numbers can be more productive, self-supporting, independent citizens if given an opportunity. Maintaining general prosperity is the first essential step. Beyond that, experts agree that in the long run expanded and broad education and health programs offer the best hope for increasing the productivity of this group.

A related problem is that of distressed areas where general economic activity is on a low plateau or actually declining. In September of this year, there were 26 major labor market areas showing "substantial labor surplus." There were 94 minor areas so classified. These persist in the midst of the record-breaking prosperity. The Department of Labor estimates there are over 500,000 persons unemployed in these areas alone, or about one-fourth of the nation's total unemployment.

A clear need exists for action on a comprehensive distressed-area program. A program should be designed to deal with the problems of all distressed areas, whether they originate from competition of imports, from automation, from shifts in population, from changes in market tastes and demands, or from other causes. This comprehensive program should provide for technical assistance to individuals and groups or community organizations, for Federal credit in limited amounts where needed, for education and training and retraining of workers, and for assistance in the relocation of workers willing to move to areas of greater employment opportunity. Senator Douglas has a comprehensive distressed area bill pending in the Congress. The White House recently promised to submit a proposal in January.

Conclusion

In conclusion, let me say that the problems which I have discussed today are not insurmountable. We have the wealth, the human and material resources, the skill, and the free institutions to solve them. It is important that we make the adjustments necessary to enable the entire economy to expand at rates consistent with the increase in the labor force and in productivity. This is the challenge to public and private policy-makers in the coming year.

3 See Hearings before the Subcommittee on Low-Income Families of the Joint Committee on the Economic Report, November 1955 (available in December 1955).

4 See *Characteristics of the Low-Income Population and Related Federal Programs*, Selected Materials Assembled by the Staff of the Subcommittee on Low-Income Families, Joint Committee on the Economic Report, Committee Print, October 1955.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Eugene C. Weinstein is now affiliated with Reynolds & Co., 425 Montgomery Street.

With Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Eugene H. Dibble III has joined the staff of Straus, Blosser & McDowell, 39 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Dibble was previously with Hornblower & Weeks.

Tucker, Anthony Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gilbert L. Steward, Jr. has joined the staff of Tucker, Anthony & Co., 74 State Street.

Joseph Grandwetter Opens

Joseph Grandwetter is conducting a securities business from offices at 235 Mount Hope Place, Bronx, New York.

Possible Checks on Business Investment Boom

December "Monthly Bank Letter" of the First National City Bank of New York points out businessmen may find they are not able to spend on new construction as much as they like, as there are limits to the materials and skilled manpower required. Holds there is now a "bumping against the ceiling" and further gains in over-all production must be gradual and harder to achieve.

The December issue of the "Monthly Bank Letter," monthly publication of the First National City Bank of New York, contains some pertinent and interesting comments on the current boom in business investment. Concerning this topic the "Monthly Bank Letter" states:

"Among the specific reports of the month, the most significant place belongs to the results of the annual McGraw-Hill survey of business plans for capital investment, which was conducted in October, after the President's heart attack. According to this survey, expenditures for new plant and equipment in 1956 will be 13% greater than in 1955, or a total of $33.4 billion. Manufacturers are scheduling a 30% increase, and three-quarters of the firms surveyed already plan to maintain or expand this advanced rate of spending during 1957 as well. Producers of iron and steel, automobiles, cement, and nonferrous metals plan to step up outlays by more than 50% in 1956.

"These ambitious plans speak for themselves. Obviously the companies spending these huge sums anticipate an economic climate in which they can put new facilities profitably to work. They want to expand capacity and modernize plant and equipment in order to be ready for growing markets, keep in step with competition, and hold down costs. New products, new production and distribution techniques, and new plant locations all enter into their plans. The high level of of capital expenditures scheduled for 1957 indicates that many of these outlays are part of long-range programs and therefore are less likely to be cutback appreciably in case of short-term business fluctuations.

"Experience in past surveys has shown that management is more likely to revise upward preliminary plans for capital spending than to cut them back. In 1956, however, businessmen may find that they are not able to spend as much as they would like. What they can do will depend in large part upon the ability of the capital goods industries to obtain the necessary materials and skilled manpower. Expansion programs do not break bottlenecks overnight. Meanwhile one shortage tends to breed another. The shortage of freight cars, for instance, has led railroads to place large equipment orders. As already noted, equipment manufacturers would like to step up their output, but have not been able to do so because they cannot obtain the necessary steel. In turn, the steel industry is planning extensive additions to capacity. However, it takes steel to build steel mills, and over the short run the squeeze on certain types of steel will be intensified by the industry's own expansion program.

"But whether these expansion goals are fully realized or not, the demand for plant and equipment will be a powerful sustaining force in 1956. It is worth remembering that not only is the aggregate demand for capital goods large in itself, but production of these new facilities also gives rise to employment and purchasing power without making available, over the short run, a commensurate quantity of consumer goods. The rising volume of industrial, commercial, and public utility construction scheduled for next year is counted upon in both Government and private forecasts to more than offset a moderate dip in residential building. Over-all, durable goods production many be maintained by producers' equipment purchases, even if automobile production should decline."

"Bumping Against the Ceiling"

"Although some important industies are not pushing against the ceiling as much as those cited earlier, it is clear that further gains in over-all production must be gradual and harder to achieve. Under such circumstances unrestrained increases in demand, made possible by credit expansion, would lead not to a commensurate increase in production and consumption but to a more rapid advance in prices, with the danger of an accelerated wage-price spiral, excessive debt accumulation, and eventual business reaction — in short, the boom-bust cycle. This danger is the justification for the policy of monetary restraint which the Federal Reserve Banks are following. At the same time it argues for continued prudence and caution on the part of business leaders, particularly in inventory policy. Money policy and business prudence have contributed immensely toward keeping the situation steady up to this time. With the strain on productive facilities becoming more rather than less pronounced, the need to keep the foot on the brake increases accordingly.

"Here and there are indications of relaxing pressure, reflecting either a lessened availability of credit or saturation of particular markets, or perhaps both. Homebuilding is showing a mild slackening. In October, the number of private dwellings started was at an annual rate, seasonally adjusted, of 1,242,000, compared with an average of 1,373,000 in the first half of 1955. This moderate decline, together with forecasts of a further drop to come, is calling forth criticism of Federal Reserve policy. However, costs of residential building in the past 12 months have risen 4%, which is evidence of tightness in the supply of materials and labor. The question is whether it is better to supply all the credit that every builder may want, cause further inflation of housing costs and prices, and carry on the boom until it is halted by rising vacancies and shrinking demand; or whether, on the other hand, activity should be held within the bounds of productive capacity, price pressures minimized, and the construction spread over a longer period. There can be little doubt as to which course would contribute most to economic stability and best serve the general welfare.

"Uncertainties in the outlook relate not only to housing but to automobile demand and the agricultural situation. Looking further ahead, whether one thinks the economy is tilting toward inflation or toward recession depends largely upon expectations as to what the automobile industry can do in 1956. The monetary authorities, however, cannot safely do too much guessing. They must be guided by the evidence available to them and be prepared to change their course only when new evidence comes in. It may be noted that the action of the Federal Reserve Banks in raising the discount rate is in one sense a business forecast. Obviously they did not fear a downturn in the near future, when they acted to tighten money in the interest of business stability."

Mader to Be Partner In B. C. Christopher

Edward Mader

KANSAS CITY, Mo. — Edward Mader, on Dec. 15, will be admitted to partnership in B. C. Christoper & Co., Board of Trade Building, members of the New York Stock Exchange. Mr. Mader has been with the firm for some time as Manager of the investment department.

Paine, Webber to Admit Four New Partners

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange, on Jan. 1 will admit to partnership James W. Davant, of Minneapolis, Henri deLaChapelle, of Los Angeles, Albert P. Everts, Jr., of Boston, and Thomas O. Peirce, of Beverly Hills.

R. W. Pressprich Co. To Admit Vandernoll

R. W. Pressprich & Co., 48 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Joseph F. Vandernott to partnership. Mr. Vandernott is associated with the firm's municipal trading department.

Morley to Be Partner In A. M. Kidder Co.

JACKSONVILLE, Fla. — John J. Morley on Jan. 1 will become a partner in A. M. Kidder & Co., members of the New York Stock Exchange. Mr. Morley is resident manager of the firm's Jacksonville office, 122 West Forsyth St.

Laurence Marks Co. To Admit Two

Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Richard M. Marshall and Manice de Forest Lockwood, 3rd, to partnership.

Joins Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Richard K. Eubanks has become associated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Joins Irving Weis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry J. Diacou has become connected with Irving Weis & Co., 141 West Jackson Boulevard. Mr. Diacou was previously with Shearson, Hammill & Co. and Rodman & Linn.

Continued from page 9

Tape Reading Today

my mind when I think of analyzing security transactions is "**compare.**" No action of any stock, no chart, no high or low, nothing of this sort is of any value whatsoever unless compared with the action in other directions. Everything in tape reading is relative. Relative to other stocks and groups, and relative in point of time. The second keyword refers to time and is "**when.**" It makes all the difference in the world "**when**" something happens.

Speaking first of individual movements, you should compare the stock in question with the market as a whole and the group to which it belongs. This is essentially easy to do. We spend a great part of our lives comparing in order to arrive at decisions. Do the same in the stock market. Compare, and for buying purposes, give first consideration to the best. You can compare stock movements over a period of years. Which issues advanced the most? Which made tops higher in 1946 than in 1937 and are higher now than in either year? You can also compare support or bottom levels. And naturally recent levels. Which stocks are higher now than when the market made its top before the illness of President Eisenhower?

Such observations are only the starting point. Next, I believe in departing from pure tape reading and inquiring into why. What are the chances of persistence of the trend in being?

There is no rule about anything in the stock market save perhaps one. That rule is that the key to market tops and bottoms or the key to market advances or declines will never work more than once. The lock, so to speak, is always changed. Therefore, a little horse sense is far more useful than a lot of theory.

However, in a broad general way the averages work in favor of those that assume the trend in being will continue until proven changed. This applies both for the company in question, industrially speaking, and price trend of a stock, tape-wise.

"Never argue with the tape" is one saying worth thinking about.

In order for the trend in being to change direction there has to be a change in the influences that caused the trend in the first place. Those that can detect this change before it occurs and becomes generally evident are gifted with powers of analysis and foresight of the very highest order. For most of us detecting the change after it has occurred but before it has proceeded too far is still a very profitable and to many an attainable goal. I think on the average it is better for most of us to be late and sure than to be early and doubtful. Many, who thought that various levels on the way down after 1929 to 1932 were buying or turning points, lost the most. The late buyer who came in after 1933 and up quite a bit from the bottom, did quite all right.

Pyramiding and Averaging

I believe in pyramiding, not averaging. That means I believe in following up one's successes and minimizing one's failures. Or as the saying goes, "cut short your losses and let your profits take care of themselves."

I believe stock prices mean something and when I see a portfolio of diversified shares I automaticaly want to sell the bad actors and buy more of the good. However, as I am not a pure tape reader, I use this tape indication as a reason to try and determine why some of these stocks are weak and some are strong. I do NOT necessarily think those that are low are cheap and those that are high are dear. They might be. In fact, they MUST be ultimately because the "top" is high and the "bottom" is low. But absolute tops and bottoms occur infrequently, hence at most in-between times when one considers the market, the reasoning I indicated is more apt to be correct.

Next to comparison comes timing. When something happens is all-important. The FIRST new highs for the year after a weak spell usually mean a lot. After scores of shares have been making new highs, the addition of new ones is meaningless.

Volume of trading is also an important factor. It is difficult to define in positive terms. If you are driving a car you can get to your destination more quickly at 50 mph. than at 10 mph. But you may wreck the car at 100 mph. In a similar way increasing volume on an advance up to a point is bullish and decreasing volume on a reversal is bearish, but in both cases only up to a point. There are a great many varying circumstances. Experience is the best teacher. Observe the variation in volume, and in time you will learn what it indicates.

As I mentioned previously, patterns of trading behavior are endless. You will have to study a book if you wish to have a knowledge of them and it will be up to you to decide to either partly use or discard that knowledge. There are very few patterns that are actually useful. You will find that they occur logically and that you will note them even if you have never heard their name or had them called to your attention.

I will say on thinking it over that perhaps after all there is one valid reason for meticulous study of popular tape and chart notions. It resembles the need for news mentioned before. A good tape reader knows the theory of how the masses tend to interpret any particular action at any critical moment. The reflection of this on the tape — whether it makes a normal anticipated impact on a stock or a greater or less than estimated impact is important. At least it is important where a very elemental and widely spread tape sequence is involved. An abnormal follow-through in such cases gives a good tape reader a useful clue to add to his other conclusions.

Recording and remembering what you see on the tape is the greatest difference between tape reading, chart reading and simply keeping a numerical record of prices and volume.

Proper Tape Reading—A Most Complete Picture of the Market

So far we have not stained our fingers with ticker tape ink but I must say that for a competent person with a retentive memory it does supply the most complete picture of the market. In the first place, it is "live." Charts for example are "canned" or "on film" in comparison. It's a real case of "See It Now." A moving tape picture of the market also gives several other types of information not readily available elsewhere. You see aprpoximate transaction volume as it occurs. I say "approximate" because there are items such as "floor stopped stock" that are not printed and of course a percentage of odd lot transactions are hedged and thus are not printed. You see approximate sequence. That is, sales in the general order in which they occurred. This is very valuable because it is essential in making some of the comparisons mentioned before. If the motors advance you know by watching the tape which particular motor started first and which was the most active. You can see how sustained a movement might be, or the change in activity on a reversal. You can see if some issue seems in supply under cover of strength elsewhere. That is comparison again. And of course you can see how active the market really is by how fast the tape moves or how much of it falls behind actual transactions.

Oh, direct tape reading is wonderful if you have the time and know how. It certainly can be rewarding. But it has its drawbacks as described previously. Few of us have the time and as a selected occupation, taxes are against it. Direct tape reading has a tendency to focus your attention on the very short term. A critic might say it tends to have you fail to see the forest for the trees—but the truth is that the trees it may show you can be rewarding enough if time and taxes, commissions and floor spreads were not so much stacked against you.

The average investor has to depend more on charts or tabulations for his analysis of transactions and I favor the tabulations over the charts. For most people charts have a peculiar way of appearing simple and it is very clostly to find out that they are far from it. Just plain records of what you wish to remember in the way of unusual activity or dullness or important high or low points supplies most people with all they require.

I think this is about all that occurs to me as valuable within the time limits at my disposal today. I will be very glad to attempt to answer any kind of questions related to our topic in what remains of our hour.

In conclusion, remember, investment analysis and advance or inside information are useless unless weighed on a current market price basis and considered against the general market trend and in relation to expected persistence of that trend. I mention this because most of the analysts I have met do not seem to know it. That is why they earn as little as they do. More attention to transaction analysis would increase the accuracy of their investment conclusions. The margin clerk looks at market prices not at book values, price earnings ratios or income yields. Be sure that you pay some attention to them as well.

F. A. M. Easton With Newborg 50 Years

F. A. Morgan Easton on Dec. 2 celebrated the 50th anniversary of his association with the Stock Exchange firm of Newborg & Company, 25 Broad Street, New York City.

Highlights of the celebration were tickets for a trip to Honolulu for Mr. Easton and his wife Helen —a surprise gift from the firm— and the personal and official congratulations of Keith Funston, President of the New York Stock Exchange.

Mr. Easton's only comment—for publication—was:

"I will remain with Newborg & Company until things get better."

Mr. Easton was born in New York City on March 25, 1886. He attended public school at 77th Street and Amsterdam Avenue, Townsend Harris High School and the City College of New York.

He started his career in Wall Street with A. A. Housman & Company as a runner at $10 a week. Another employee of the firm at that time was Bernard Baruch.

The following year he moved over to King Hodenpyl & Co., possibly influenced by the fact the firm was willing to pay $10.50 for a runner. In 1905 on Dec. 2, Mr. Easton moved again, this time to Newborg & Company, again enjoying a 50-cent a week increase in his pay as a runner. Newborg & Co. had been in existence just five years when Mr. Easton joined them.

Mr. Easton became managing partner of Newborg & Co. in 1937, and has continued in that position ever since. As managing partner of a member firm of the New York Stock Exchange he is charged with numerous responsibilities which the general public rarely hears about. The efficient discharge of those responsibilities, though, is essential to providing maximum service to the investing public.

Mr. Easton, for instance, handles his firm's relations with the Stock Exchange and with the Securities and Exchange Commission. He supervises recruitment and development of personnel, keeps in constant review the best use of mechanized office equipment, acts as agent for his firm in their dealings with other firms —along with numerous other duties which are involved in the day-to-day operation of a modern brokerage office.

Mr. Easton has acquired a rather unique reputation among banks and other brokers — he is reputed to have the most illegible signature in Wall Street. Mr. Easton signs all stock certificates being transferred out of the firm's name and his signature, by virtue of total illegibility, is well known throughout the financial district.

He is an Erie commuter and lives in Ridgewood, New Jersey. He is a vice-president of the Upper Ridgewood Community Church, a member of the Leonia Board of Health, and active in Boy Scout activities. He has two children and five grandchildren— none of whom works in the financial community.

One of his hobbies—a strange one for a commuter—is driving; he drives thousands of miles a year all over the country. Quite recently he has taken up the study of color photography.

Joins Oppenheimer Staff

(Special to The Financial Chronicle)

KEY WEST, Fla. — Steven I. Koncius has become affiliated with Oppenheimer & Co., 613½ Duval Street.

Joins Vercoe Staff

(Special to The Financial Chronicle)

COLUMBUS, Ohio—George A. Meinhart has become associated with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange. Mr. Meinhart was previously with Roy E. Hawk & Company.

William R. Staats Partner

LOS ANGELES, Calif.—William R. Staats & Company, 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges, on Jan. 1 will admit Jose M. Soriano to limited partnership.

Continued from page 11

Interest Rates and Credit Policy

on short-term and long-term Government securities. This has been especially true since the Federal debt became such a dominant factor in the total debt, public and private. In the short-term area of the credit market, the most sensitive rate is on Treasury bills. Rates on comparable private paper, such as commercial paper and bankers acceptances, typically move in keeping with changes in Treasury bill yields, and, to a lesser degree, the whole short-term yield structure hangs on that key rate.

In the longer maturity sectors of the market, moreover, yields on Treasury securities also take the leadership in rate moves. While spreads between long-term Government and corporate and municipal securities of various grades are hardly constant, a move in long Treasury yields rarely goes far without being reflected in the entire spectrum of bond and mortgage yields. This has been particularly true since early 1951, when Treasury yields were set free to reflect the pressures of market forces.

The focal role of Government yields in the establishment of the interest rate pattern is due primarily to the fact that the basic liquidity position of our major types of institutional lenders — banks and others—is concentrated in Government issues. When pressures of credit demand step up, most types of lending institutions look to their portfolio of Treasury securities as a supplementary pool of loanable funds. This almost insures that Treasury yields will be the first to feel selling pressures, as the need for money to lend begins to outrun repayments on old loans and the accumulation of new savings. When commercial banks are in need of reserves, they sell short- or intermediate-term Governments. When savings banks and insurance companies find that mortgage and other capital demands are running ahead of the funds they have for lending and investing, they will first look to sales of their Governments—typically long- and intermediate-term — to supply the balancing factor.

Government security yields, therefore, are more than the cornerstone of each of the maturity sectors of the credit and capital market. They are also the most highly sensitive yields to shifts in the credit climate. Their movements tend to be the first response to a change in the balance of credit demand and supply. And being the basing-point rates, Government yields rarely change materially without foreshadowing a fairly prompt adjustment in the others. This relationship, and the timing of the changes, can readily be seen by examining any chart showing the movements of yields on short-term and long-term Governments, and the yields on other paper in the money and capital markets.

Short-Term Government Yields Reflect Bank Reserve Positions

It is possible to show, however, that the basic market rates are those on short-term Governments, particularly the bill rate. Shifts in short Government yields (as distinguished from purely temporary week-to-week fluctuations) are the best guide to future changes in long-term yields, including yields on long-term Governments, on corporate and municipal securities, and in the mortgage market. Again the explanation can be found in the function being performed by the short Government market as a source of liquidity for our financial institutions. This liquidity role is particularly significant for commercial banks, which comprise the only really elastic sector of the credit market. It is the banking system that creates or extinguishes credit in accordance with the over-all needs of the economy under the influence of policies of the Federal Reserve. The short Government market is thus at the core of the liquidity pile, being the major liquid resource of the banks, and banks are in the most exposed position to fluctuations in credit demands, and to the easing or restraining actions of the credit authorities.

Changes in credit demand and supply factors for 1953 and 1954 illustrate this point well. The only major shift on the supply side was in the commercial banking system. The volume of bank lending and investing in 1954 was nearly double what it was in 1953. This factor, coupled with some slackening in demand for short-term credit, was largely behind the sharp decline in yields in 1954.

In 1955, we have been in another period of credit restraint, and the trend of interest rates has reversed again. This restraint on credit has been achieved in large measure by limiting the capacity of the commercial banks to expand their total loans and investments.

The Federal Reserve has been keeping banks short of reserves, particularly in recent months, and, in the aggregate, bank credit has grown very little this year. Large increases in loans have been offset by large reductions in bank portfolios of U. S. Government securities. The Governments sold by banks have found buyers in corporations and others, but only at higher more attractive yields.

Federal Reserve Policy, the Discount Rate, and the Level of Interest Rates

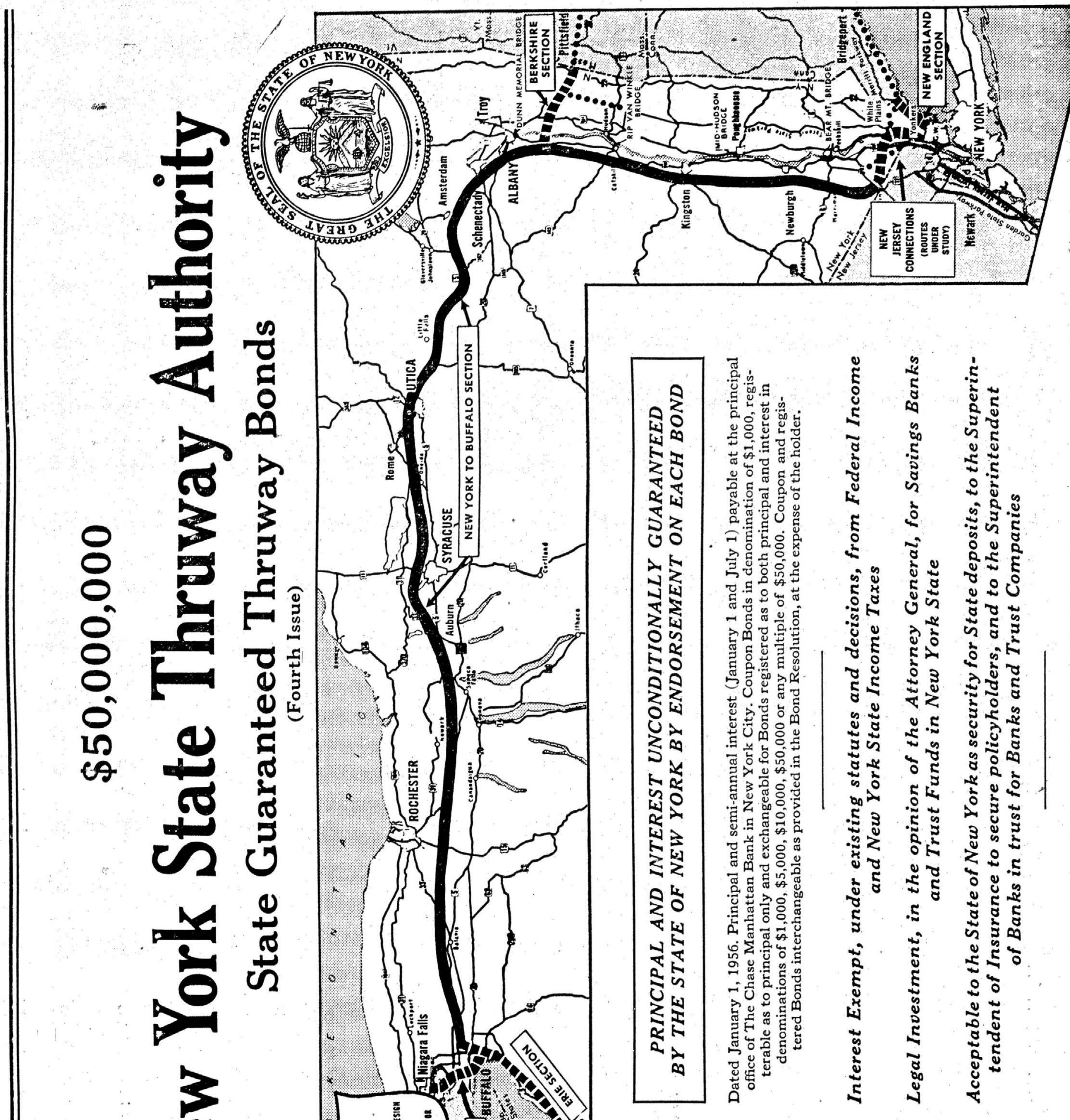
We have seen that commercial banks play a key role in the shifting volume of credit supply, that the shifts in supply typically are accomplished by adjustments up or down in bank holdings of Governments, and that the effects of these adjustments on the yields of short and intermediate-term Governments are transmitted out to all sectors of the credit market.

To uncover the prime forces at work, however, we must go one step back to examine the actions of the Federal Reserve.

In a period of rising prosperity, the Federal Reserve attempts to contain excessive unsustainable exhuberance on the part of nearly everyone by holding down the reserve funds available to support increases in bank credit and deposit money. In a period of receding activity, the Federal Reserve endeavors to cushion the contraction by stimulating bank credit and monetary expansion through creating an abundant volume of bank reserves.

If we study the basic business picture, the Federal Reserve policy actions taken to adapt to that picture, and the administration of the three major instruments of Federal Reserve policy — open market operations, the discount rate, and changes in reserve requirements—we can explain most basic interest rate trends.

Open market operations are used by the Federal Reserve to



expand or reduce the volume of unborrowed reserves. In a period of credit restraint, such as we are now experiencing, reserves are supplied only sparingly through open market operations. This places many banks in a position where from time to time they are forced into borrowing at the Federal Reserve, at least until they can adjust their reserve positions either by selling Governments or by other means. A building up of such pressure on banks makes the discount rate an increasingly important rate, since banks will be encouraged to make prompt adjustments by selling Governments as long as they can do so at yields under or equal to the discount rate. When Treasury security and other money market yields are forced above the discount rate by such selling, then the discount rate becomes the cheaper source of funds. When this is the case, the tendency is to use the discount window with less reluctance and to hope that something will develop that will make the sale of Government and other liquid paper unnecessary.

The discount rate is thus a pivotal rate, with short-term market yields tending on the low side or on the high side of that rate, depending on the extent of the pressure or ease in bank reserve positions. This relationship is well illustrated by a review of various periods since the Treasury-Federal Reserve accord.

In the period from mid-1951 to mid-1952, for example, Federal Reserve policy was aimed essentially at neutrality. Over the period, member bank borrowings tended to average less than $400 million, and few, if any, individual banks remained long in debt to the System. With this general level of borrowing, the Treasury bill rate remained below the discount rate of 1¾%. The yields on three-five year Treasury securities hovered around 2%, and the yield on long-term government bonds (the 2½% optional bonds) fluctuated around 2¾%. Corporates and municipals also moved in a fairly narrow range.

From mid-1952 to mid-1953, pressures of credit demand began to accelerate, and a surge in economic activity developed in the fall and winter of that period. The Federal Reserve was not willing to provide, through open market operations, the volume of bank reserves that banks wanted in order to support their lending activities. Individual member banks were obliged, therefore, to borrow with increasing frequency at their Federal Reserve bank and this caused them subsequently to intensify their efforts to adjust their asset positions in order to repay. This development itself was reflected in a rise in interest rates. Rates on three-month Treasury bills, which had been below the discount rate, rose above it after mid-1952. Intermediate and long-term rates also went up steadily over the period. However, early in 1953 the Reserve Banks increased their discount rates. Although the market had partly anticipated this move in its prior rise, the rate structure shifted upward still further in response to the higher discount rate. Subsequently, rates rose to postwar peaks as pressures on bank reserve positions were maintained over the winter and spring, and as efforts by banks to repay indebtedness at the Reserve Banks continued.

Credit easing actions from mid-1953 to mid-1954 brought about a marked reduction in the need for member banks to borrow at the Federal Reserve. This was reflected in a persistent tendency for short-term market rates to drop under the Federal Reserve discount rate. In fact, at the period of greatest ease, short-term market rates finally lost contact with the discount rate, despite successive reductions in that rate to 1¾% and 1½%. By mid-1954, the Treasury bill rate was down well below 1%, commercial paper rates were 1⅜%, and the Treasury's one-year borrowing coupon was only 1⅛%. Treasury 2½% optional bonds were back at par or higher, and corporate and municipal bond yields were similarly affected. The prime loan rate of our large commercial banks finally gave ground under the pressure of ease, and mortgages once more commanded premiums in the market.

From mid-1954 to the present, the member banks reserve picture has changed sharply again. Currently, bank borrowings are ranging around 800 million to over one billion, and the discount rate has been raised three times to the present level of 2¼%. Again, we find the yields on short-term Treasury issues are ranging higher in relation to the discount rate. The yield on three-month Treasury bills now tends to press against the discount rate, although to some extent the relationship of this rate to the discount rate is more tenuous than it was in 1953. This is because banks are practically denuded of bills, so that in the present tight market the supply side of this relationship is not as responsive as it used to be. The Treasury one-year borrowing rate is clearly above the discount rate, with the question being really whether it is 2⅜% or 2½%. Other yields, as we all know, are correspondingly higher.

As the System currently is being operated, Federal Reserve discount and open market actions exert a powerful impact on the entire spectrum of interest rates. The effects reach out to all rates, but not by direct intervention in any particular sector of the credit market. This effect is achieved rather by supplying or absorbing bank reserves (actually through transactions in Treasury bills, where the direct impact is at a minimum), and by changing the discount rate at which banks can borrow at the Reserve Banks when funds are not otherwise made available.

The extent that banks need to make recourse to borrowing and the cost of that borrowing appear to be the key determinants of the price of credit for everyone else. Past changes in the interest rate level can be roughly explained in terms of these forces. Guesses as to future changes in interest rates must be premised heavily on judgments as to Federal Reserve open market and discount policies. These judgments, of course, must in turn rest on an evaluation of business developments and prospects, since that is the basis for Federal Reserve actions.

Reynolds to Admit Two New Partners

Reynolds & Co., 120 Broadway, New York City, members of the New York and Midwest Stock Exchanges, will admit on Jan. 1 Donald F. Cook and Kenneth F. Mountcastle, Jr., to partnership. Mr. Mountcastle will acquire a membership in the New York Stock Exchange.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Vincent Treanor has become associated with Bache & Co., 21 Congress Street. Mr. Treanor was formerly with Mann & Gould.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

There are rather wide disparities among banks in different sections of the country with regard to: first, the proportion of their gross income that must be set aside to provide interest on interest-bearing deposits; and, secondly, the ratio of interest-bearing deposits to total deposits. In some sections of the country the large commercial banks take on some of the functions of savings banks, and interest payments draw substantially on gross income.

Far West

Bank No.	% of Gross Income Required to Pay Interest on Interest-Bearing Deposits	Dec. 31, 1954 Ratio of Interest-Bearing Deposits to Total Deposits
1	14.3%	24.6%
2	8.6	31.8
3	23.0	49.3
4	20.5	42.4
5	17.8	32.7
6	20.1	48.9
7	6.4	23.2
Averages	15.8%	36.1%

Mid-West

Bank No.	% of Gross Income Required to Pay Interest on Interest-Bearing Deposits	Dec. 31, 1954 Ratio of Interest-Bearing Deposits to Total Deposits
1	7.7%	24.2%
2	4.5	10.1
3	4.9	9.7
4	10.8	30.1
5	4.2	7.0
6	5.8	16.8
7	7.0	15.3
8	7.0	11.5
9	13.3	46.5
Averages	7.2%	20.3%

Northeast

Bank No.	% of Gross Income Required to Pay Interest on Interest-Bearing Deposits	Dec. 31, 1954 Ratio of Interest-Bearing Deposits to Total Deposits
1	6.6%	10.1%
2	2.8	11.3
3	3.7	15.4
4	3.6	6.7
5	3.4	8.9
6	2.8	6.0
7	2.0	6.8
8	3.0	6.5
9	2.8	3.0
10	5.8	11.7
11	5.2	10.6
12	2.4	4.8
Averages	3.7%	8.5%

The banks utilized for the comparison were, in the three geographical sections, all among the largest in the area. They were chosen at random. The data for the three geographical areas are largely confirmed by the operating ratios material published for 1954 by the 12 Federal Reserve Banks:

District—	% of Interest Pay'ts to Gross Current Income	% of Time Deposits to Total Deposits
1	2.1%	6.9%
2	5.3	11.9
3	3.9	15.7
4	8.3	22.9
5	6.9	16.4
6	7.1	15.8
7	8.9	25.5
8	7.1	15.6
9	7.2	18.7
10	5.4	8.9
11	7.3	13.7
12	13.7	35.1
Averages	6.9%	17.3%

Here again, the data used were that of the larger banks in each district. As the Reserve banks do not break down the deposit item into time deposits and interest-bearing deposits, time deposit figures are used. For most large institutions non-interest-bearing time deposits are a comparatively small portion of total time deposits; the bulk of time deposits bears interest.

It will be noted that the Federal Reserve Bank material closely bears out the figures of the individual banks in the three geographical areas, the Northeast constituting Reserve districts 1, 2 and 3; 4, 7, 8, 9, and 10 for the Mid-West; and 12 for the Far West.

The Northeast appears to be at some advantage in that the proportion of gross income required to service interest-bearing deposits is considerably less than in the other two areas; and with a smaller ratio of interest-Bearing to total deposits it may be said that their deposit volume costs them less than in the other areas.

Robert S. Byfield

Robert S. Byfield, member of the New York Stock Exchange, passed away Dec. 1 of a heart ailment at the age of 58. Mr. Byfield began his career in the investment business with Ames, Emerich & Co., Inc., later establishing his own firm. Until 1947 he was a partner in Lewisohn & Co.

Robert S. Byfield

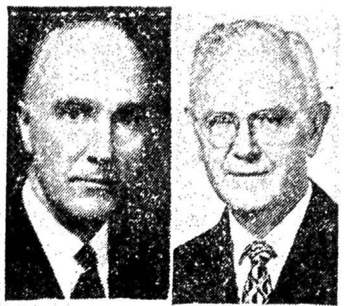
Bruns, Nordeman Add Two

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Janet B. Behrens and Murray Spies are now with Bruns, Nordeman & Co. of New York.

Leib and Shurtleff Vice-Chairmen of Blyth

Blyth & Co., Inc., 14 Wall Street, New York City, announces that the board of directors has elected two Vice-Chairmen, George Leib of New York and Roy L. Shurtleff of San Francisco.



George Leib   Roy L. Shurtleff

Charles R. Blyth, who made the announcement, will remain as President and Chief Executive Officer.

Charles E. Mitchell, who joined Blyth & Co., Inc., in 1935, will continue as Chairman.

The two new Vice-Chairmen, along with Charles R. Blyth, are three of the original founders of the business in San Francisco in 1914.

George Leib moved from San Francisco to New York in 1933 and is in overall charge of operations east of the Rocky Mountains.

Roy Shurtleff continues to make his headquarters in San Francisco and is in charge of the operations on the Pacific Coast.

From a modest beginning in San Francisco in 1914, Blyth & Co., Inc., had a rapid national expansion. By 1920, the firm has expanded up and down the Pacific Coast. Immediately after World War I, the firm began to open its eastern offices and today has 23 offices located in strategic cities across the country.

Blyth & Co., Inc., is unique in the investment banking business in that it has two home offices—one in San Francisco, and one in New York. The direction of the firm rests in the hands of an executive committee, the members of which are divided about equally between those two cities.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

A group headed by Halsey, Stuart & Co. Inc. yesterday (Dec. 7) offered $7,500,000 of Chicago, Milwaukee, St. Paul and Pacific 3⅜% equipment trust certificates, series UU, maturing semi-annually July 1, 1956 to Jan. 1, 1971, inclusive.

The certificates are offered at prices to yield from 3% to 3.45%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new equipment estimated to cost not less than $9,375,000: 6 diesel electric passenger locomotives; 26 diesel electric road switching locomotives, and 100 all steel, covered hopper cars.

Other members of the offering group include—R. W. Pressprich & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; Wm. E. Pollock & Co. Inc.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

Mid Continent Secs.

ST. LOUIS, Mo.—Mid Continent Securities Corporation is engaging in a securities business from offices at 3520 Hampton Avenue. Officers are Thomas F. X. Gibbons, President; Patrick R. Gibbons and Hugh W. Dowling, Vice-President; William M. Gallen, Jr., Secretary; and J. O. Gibbons, Treasurer.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market continues to be as tight as ever, because the monetary authorities are still keeping the pressure on it. The rise this week in commercial paper rates marked the 12th increase during the year. The refunding operation of the Treasury did bring with it a very modest amount of help from the powers that be, but this did not, and evidently it was not intended, to relieve the strong credit-limiting policies which are being carried out. The inflationary tendencies appear to be as forceful as they have been and, until there is some evidence of a slowing down of this trend, there is not likely to be any lifting of the tightness in the money market.

Year-end adjustments of positions for tax purposes are very prominent and it is indicated that this kind of transaction will continue to supply the major part of the volume and activity in the Government market for the balance of the year. The size of these switches is not the all-important factor, but rather the large number of them which are being made.

Refunding Offer Being Digested

The refunding operation of the Treasury is still being digested by the Government market because some of the new issues have yet to find the permanent homes which they will eventually. It is evident that not a few switches are being made between the 2⅝s and the 2⅞s and vice-versa, since there are those that have been making changes in their positions of these two new obligations because too few or too many were obtained in the refunding.

It is reported that there were instances in which the 2⅝% was not the favored issue in the exchange which was made, but because of new conditions which developed, attributed to the tight money conditions, it was necessary to make switches into the one-year certificate. On the other hand, there have been cases where the 2⅞% has been bought at the expense of the 2⅝% obligation.

Market Reaction Not Too Good

The reception which was given to the refunding issues was considered to be not too good. It seems as though the 2⅝s and 2⅞s would have been received in a somewhat different manner if the money market had not been so tight, and if the powers that be had given a bit more help to the refunding operation of the Treasury. The size of the attrition, about $900,000,000, which came about in this exchange for the maturing obligations attests to the tight conditions which are prevailing in the money markets. Accordingly, the Treasury's new money offering of $1.5 billion of 99-day tax anticipation bills was larger by $500 million than had been expected. This offering should be very well received.

Lack of Value to "Rights" on Refunding Offer

The option deal which was given to the holders of the December 15 maturities apparently was satisfactory as far as the rates were concerned, but there was no value to the "Rights" because funds were not ample enough to create an important demand for the new securities. Just the same, the one year 2⅝% obligation did meet the needs of those that had to have a short-term liquid issue and there were many investors that were well satisfied with this security. As for the 2⅞% note, it was well liked by those that could take a somewhat longer maturity. It is reported that certain dealers in Government obligations were attracted to this issue and there was no hesitation on their part to suggest the exchange into the 2⅞s where it met the requirements of investors. It was being pointed out that if interest rates should ease in the not too distant future, the 2⅞% coupon rate would be a valuable one to have.

The intermediate-term Government obligations have been under a moderate amount of pressure because of the refunding operation, plus the tendency which is still evident to move out of these obligations into the longer maturities. Nonetheless, there has been and indications are that there will continue to be, not a few investors that are building up modest positions in selected issues of the middle maturities through swops from short-term obligations.

Long Bonds Seen Desirable

The longest Treasury bonds are the center of an increasing amount of switching, because it is evident that these exchanges will have to be consummated by the end of this month. The 2½% bonds due September and December, 1967/72 appear to be going into what is termed strong hands, even though the tax swops which are being made have brought a certain amount of selling into these issues. Support for the most distant Government obligations continues to be found in the market, because the belief still persists that now is a good time to pick up these securities.

Arnold, Phila. Mgr. For Harriman Ripley

PHILADELPHIA, Pa.—The investment banking firm of Harriman Ripley & Co. Incorporated has announced the appointment of Eugene Arnold as Manager of its Philadelphia office, 1529 Walnut Street. Mr. Arnold succeeds the late Edward Boyd Jr. who had been active in the investment banking business in Philadelphia for over 50 years.

A member of the Harriman Ripley staff since the company was organized 21 years ago, Mr. Arnold previously held the post of Manager of the Municipal Department in the Philadelphia office.

Other appointments in Harriman Ripley's Philadelphia branch include A. William Battin as Manager of the Municipal Department, and Clifford M. Jones as Cashier.

E. F. Hutton Partner

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit T. Kenneth Ellis to limited partnership.

Robt. Timpson Admits

On Jan. 1 Robert Timpson & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit George E. Paine to partnership.

Continued from page 7

Why Municipal Bonds Are Desirable Bank Investments

tion when Congress reconvenes next spring, commercial bankers are very much interested in the outcome of that legislation.

State and Municipal indebtedness outstanding Dec. 31, 1954, was estimated at $38,800,000,000, consisting of $29,300,000,000 general obligation bonds, and $9,500,000,000 "Revenue Bonds."

On June 30, 1954, ownership of that debt was distributed among the following types of holders:

Individuals		$14,800,000,000
All commercial banks		12,000,000,000
Public funds (consists of trust, sinking and investment funds of state and local governments)		4,500,000,000
Insurance companies		3,700,000,000
Miscellaneous (000's omitted):		
Mutual savings banks	$500,000	
Corporations	800,000	
U. S. Government accounts	300,000	
Savings and loan associations		
Corporate pension funds, nonprofit associations, etc.	700,000	
		2,300,000,000
		$37,300,000,000

According to authoritative sources, the holdings of municipal bonds by banks varied from as little as ⅓ of 1% to as much as 12% of their total assets.

Let us now review the advantages of municipal bonds as investments for bank portfolios. A prime requisite in the analysis of any investment security is its past record. Referring to a survey made by the Municipal Finance Officers' Association, they reported before Congress in the latter part of October, 1935 (the peak of municipal defaults), that less than 2% of all political subdivisions in the country had been in default. At that time, it was estimated that there were 175,369 separate taxing subdivisions in the nation. Subsequently, the majority of those defaults were paid in full. Contrast that to the more than 250,000 private corporations that have failed with nonrecoverable financial loss since 1929, and it points out sharply the safety record of municipal bonds.

With our municipalities ranging in size from the smallest hamlet to the vigorous cities and states, the bank portfolio officer has practically an unlimted selection of credits to choose from, offering extensive diversification both geographically and economically. Should the investment policy prohibit purchasing bonds of so-called one-industry communities (e.g., Detroit, Gary and Longview, Washington), there are many other cities, towns, and political subdivisions from which to select credits wherein a balanced economy prevails.

An eminent reason why municipals are considered attractive for bank investment is the exemption of the interest from existing Federal income taxes. If the corporate income tax rate remains as high as it is today (52%), municipal bonds will continue to be favored for that reason, if for no other.

Another important feature of municipals is the wide choice of maturities usually available and adaptable to any investment program. The majority of general obligation bonds floated by municipalities are issued in serial maturity form. They may mature from 1 to 20 years, or 1 to 25 years, as is the situation among our Middle West credits. Currently, banks purchasing them confine their commitments to the 1- to 10-year maturities, although some institutions will go beyond that range.

Customarily, municipal bonds are offered on a yield basis, expressed in percent rather than at a dollar price, as it indicates the average annual rate or return that will be earned on the obligation if held to maturity.

Even though the marketability of any commodity is normally a function of supply and demand, the relative facility with which municipal bonds can be negotiated has long been recognized. Although not comparable to U. S. Government obligations, in having such close spreads, the marketability of municipal bonds is excellent. Their distribution among strong financial groups is responsible for the secondary market being more widespread today than ever before. Differences in quality of a credit, coupon rate, and maturities are some of the underlying factors determining marketability, but any of the "General Market" municipal obligations will usually be salable without difficulty.

The supply of municipals has been increasing since World War II, due not only to the pent-up demand by municipalities for many capital improvements that were delayed by that conflict, but also to meet the exigencies of their expanding population as well.

New municipal securities, including revenue bonds, issued during the past 10 years, have averaged approximately five billion dollars annually. This year has been no exception. During the first ten months of 1955, some $4,884 million were marketed. It is interesting to observe that despite the substantial amount of flotations, they were readily absorbed by the investing fraternity.

While on the subject of marketability, it should be noted that municipals are traded in the "over-the-counter" market. To many that phrase "over-the-counter" sounds vague and mysterious. But by far the largest amounts of all bonds, both public and corporate, are traded in the "over-the-counter" market, including U. S. Government obligations. The fact that a bond is not listed on any exchange in no way lessens or detracts from its marketability, nor the ability to obtain a quotation on it.

The trend of the municipal bond market, during 1955, has largely followed the path taken by government and corporate bonds. The restrictive policy adopted by the Federal Reserve and the general firming of money rates was predominately responsible for the downward turn in bond prices until the month of September. Since then, municipal bond prices have been on the upswing. (See accompanying table.)

In retrospect, the low point of the municipal market occurred about Aug. 20 of this year when the average offering yields of "AA" rated municipals due in five and ten years, were at 1.95% and 2.23% respectively. Presently, the yields for the same brackets of maturities show 1.76% and 1.95%, which is a dollar appreciation of approximately a half point and two and a half points for a 2% bond.

It has been said that the fluctuations of tax-exempt bonds are usually less than other types of bonds during abnormal market periods. The record appears to sustain that theory when it is compared to 91-day U. S. Treasury Bill weekly averages which have ranged from a high point of 1.049% at the beginning of the year to a low of 2.44% just a week ago. They are now quoted at about the latter yield basis. During the same period, one year or less "AAA" municipals greatest fluctuation was approximately .50% against 1.40% for the Treasury Bills.

A further possible indication of the market trend was established a few weeks ago, when almost 300 municipalities and states submitted proposals to the voters for their approval, totaling approximately one and one-half billion dollars of bonds. Surprisingly enough, the voters reversed a precedent of some years standing by defeating about a billion dollars worth of them. Accordingly, the municipal market responded by continuing its upward trend with new issues commanding much higher prices than was evidenced only a few weeks previous. This, perhaps, is one of the most conclusive examples of the operation of the law of supply and demand.

While less than two weeks ago a more optimistic view of the municipal market, for the balance of the year, was prevalent, the situation today suggests a more cautious tone due to the visible supply of new issues being slightly above average. However, none of the new financing will approach the size of the huge issues marketed during preceding months.

Although several potentially large issues are reported to be under consideration, they are mostly confined to "revenue" bond projects, and according to informed sources, are not expected to develop until next year.

An ample supply of bonds, a record of prompt payment, exemption from existing Federal income taxes, a broad diversification of credits, and a wide choice of maturities emphasize that municipal bonds of good to high quality offer attractive opportunities for bank investment.

Yield and Graphic Comparison of Various U. S. Treasury, Municipal, and Equipment Securities, Reflecting Effect of Federal Taxes (52% Bracket) on Yield

	Jan. 1, 1955	*Aug. 15/29, 1955	Nov. 1, 1955
1-year "AA" Municipals	0.90	1.50	1.45
1-year "A" Municipals	1.00	1.70	1.60
U. S. Treasury Bills (91 days)	1.08(0.52)	1.85(0.89)	2.05(0.98)
2½% 3-15-1958/56 U. S. Treasury	1.23(0.59)	2.38(1.14)	2.41(1.16)
1-year Equipment Trust Certificates	1.75(0.84)	2.75(1.32)	3.00(1.44)
5-year "AA" Municipals	1.30	1.90	1.75
5-year "A" Municipals	1.45	2.20	2.00
2⅛% 11-15-1960 U. S. Treasury	2.21(1.06)	2.74(1.32)	2.55(1.22)
5-year Equipment Trust Certificates	2.55(1.22)	3.05(1.46)	3.20(1.54)
10-year "AA" Municipals	1.65	2.20	2.00
10-year "A" Municipals	1.90	2.65	2.30
2½% 6-15-1967/62 U. S. Treasury	2.52(1.21)	2.83(1.38)	2.74(1.32)
10-year Equip't Trust Certificates	2.90(1.39)	3.15(1.51)	3.30(1.58)

*Considered to be low point in Municipal Market Jan. 1-Nov. 1, 1955. Figures in ( ) reflect yield after Federal taxes.

J. Allen Harlan Opens

DAYTON, Ohio—J. Allen Harlan is conducting a securities business from offices at 80 Meadow Lane.

Form Selective Secs.

Selective Securities has been formed with offices at 116 Broad Street, New York City, to engage in a securities business. Sidney Miller is a principal of the firm.

Herbert Rapp Opens

Herbert Rapp is engaging in a securities business from offices at 11 East 44th Street, New York City.

Tsolainos to Admit

Theodore Tsolainos & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Doris V. Tousey to partnership.

Brown Kiernan Partner

Brown, Kiernan & Co., 60 Wall Street, New York City, members of the American Stock Exchange, have admitted Aloysius J. Connolly to partnership in the firm.

Associated Inv. Secs.

ROSELAND, N. J.—Associated Investment Securities Company has been formed with offices on Fernwood Avenue to engage in a securities business. Alexander G. Evans is a principal of the firm.

Continued from page 5

Outlook for Stock Prices

shed some additional light on the movements of stock prices.

Normally, price-earnings ratios and current earnings move in opposite directions. This is so because the ratios compensate for the deviations of current earnings from earning power. Instead, despite the fact that current earnings resumed their rise in the middle of 1954, the ratios, which should have been declining, continued to advance through the third quarter of 1955. In so doing, they magnified the already steep progress of current earnings, bringing about a sharp forward thrust of stock prices.

A careful examination of Figure 1 will demonstrate that a concurrent movement in the same direction of all three factors, i.e., of stock prices, current earnings and price-earnings ratios is an unusual occurrence. Whenever it takes place, it rarely lasts longer than a single quarter. The only time when such a development could be witnessed on an annual basis, during the period covered by Figure 1, was in 1942. It was particularly pronounced in the second quarter of that year, which saw the end of a long decline and marked the beginning of a major rise of stock prices.

In terms of annual data, when price-earnings ratios moved in the same direction with simultaneously rising or declining current earnings and stock prices, and thereby amplified the rate of the advance or the rate of the fall of stocks, they indicated the existence of a phase of overspeculation and signalled that stocks were approaching a change of trend. Since the beginning of available historical data, i.e., since 1871, only a few such cases can be recorded. The most clear-cut among them were the years 1907 and 1942, when price-earnings ratios were declining, and the years 1901 and 1929 when they advanced.

III

Differential Action of Prices and Activity of Transactions

So far we have considered stock prices with relation to economic norms: those of normal value and normal price-earnings ratios. However, as is well known, fluctuations of stock prices often stray away from such norms.

The numbers of shares traded on the stock market probably offer the most direct means for observing changes in the dynamic forces shaping the price trends. And they express them in simple physical terms which are less subject to risk of misinterpretation than some other and more complex measures.

The price index appearing at top of Figure 2 is a combined index of high grade and secondary stocks. It contains 100 representative equities. Fifty among them are identical with those composing the price index shown on Figure 1. Each of the remaining 50 stocks is a close counterpart of one of the 50 "blue chips," but is lower both in price and quality. In order to give them the same proportionate weight, despite the big differences in their respective price levels, the two 50-stock averages were joined together by a geometric mean.

This combined index emphasizes the extraordinary rise in stock prices which took place in 1954, especially in the last two months of that year. If one reads the 1954 action of this index in conjunction with the movements of the other four lines on Figure 2, one gets a clear impression of the presence of two distinct characteristics.

The second line on the chart is a monthly Ratio of Prices of the two averages of 50 secondary and 50 quality stocks. The averages of monthly closing prices of secondary stocks stand in the numerator of the Ratio. Although this Price Ratio never reached, in the more recent years, levels comparable with 1937 and 1946, it did register, nevertheless, a marked rise in the second half of 1954 and through the beginning of 1955.

The lower portion of Figure 2 pictures the respective monthly trading in our 50 quality and 50 secondary stocks as percentages of the total volume on the N.Y.S.E. It confirms the observations noted above and adds a few other aspects.

The relative activity of our quality stocks has been consistently declining since 1947-1949. Early this year, it touched its lowest point in almost two decades. On the contrary, the relative volume of secondary stocks has shown greater stability. Apparently, and despite the rising influence of institutional investors, the general public still plays a preponderant role in the stock market.

The decline in the relative volume of trading in our 50 high grade stocks illustrates also the increasing selectivity of investors. Our index contains the stocks of most of the largest and strongest corporations. But it does not exhaust the list of companies of similar or only slightly lower stature. The behavior of our index undoubtedly reflects the shifts of investor preference. In a period almost unchangeably characterized by change, new technologies constantly bring to the forefront industries and enterprises whose stocks used to have only a small following. As investment interest increasingly centers on them, their volume of trading grows at the expense of the more traditional media.

Changes in underlying economic conditions also find an expression in the relative volume of shares traded. As Figure 2 shows, there occured between the middle of 1942 and that of 1943, a sharp drop in the relative activity of "blue chips." It was compensated by a rapid rise in the relative volume of secondary stocks. This was due to the emergence of a more favorable outlook for marginal enterprises in a war economy.

The monthly Ratio of Volumes which is the third line on Figure 2—has the same construction as the Price Ratio. The number of shares traded each month in the 50 stocks comprising the index of secondary equities appears in the numerator, while the denominator contains the monthly volumes of the index of 50 high grade stocks. The Ratio of Volumes tells the same story as the Price Ratio, and does so in a more dynamic form. The earlier months of 1954 were dominated, both as to relative price and relative volume action, by quality stocks. Trading in secondary stocks came to the fore in the second half of 1954. This speculative phase ended early in 1955. Compared to some previous similar manifestations of speculative activity, it was relatively mild. This was probably the result of the siphoning off into institutional channels of a growing portion of the funds of the small investors. Nevertheless, it was characteristic and the steep decline of the Ratio of Volumes through 1955 is not unlike similar developments in the past, which were often precursory of declines in stock prices.

IV

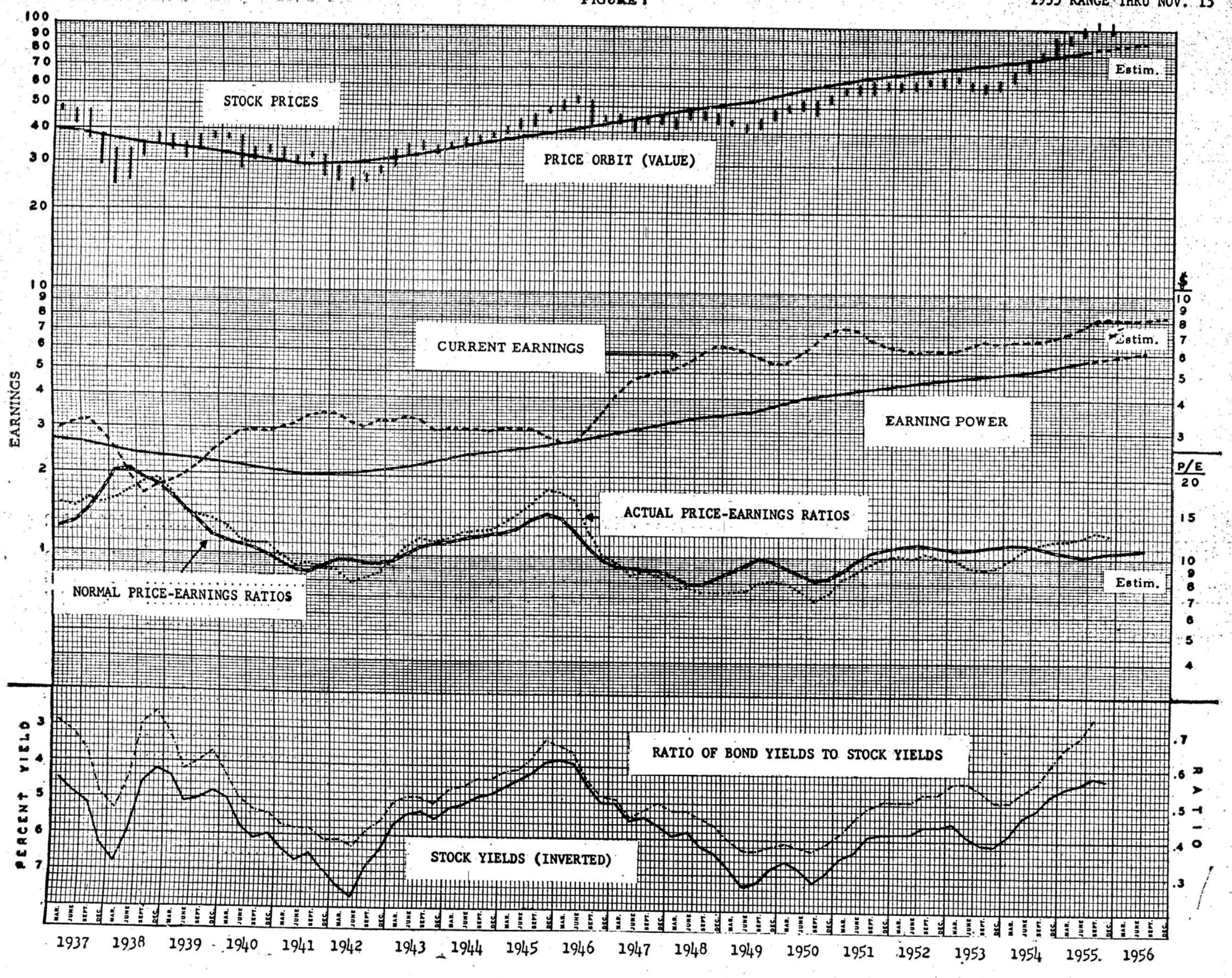
Statistical Limits of Fluctuations of Stock Prices

Statistical norms and relations of prices and volumes furnish some clues as to the position of stock prices with respect to value, price-earnings ratios and the underlying structure of the prevailing trends. Yet while a trend is in progress, they cannot project the probable limits within which it may exercise its momentum. Figures 3 and 4 indicate such limits, respectively computed on an annual and on a quarterly basis.

Each chart is the result of three multiple correlations based on mean, high and low prices. The respective formulae and other relevant statistics data are noted

FIGURE 1

1955 RANGE THRU NOV. 15



on the charts. The bands above the computed high prices and below the computed low prices each encompass three standard errors. They draw the statistical limits which stock prices are unlikely to transgress.

Both charts are based on correlations since 1937, even though the quarterly chart, in order to magnify it, is reproduced only since 1949. They are each computed by correlating current price with the price of the preceding annual or quarterly period and the current period's annual dividend rates. In addition, the quarterly chart also uses annualized quarterly earnings. Both charts are expressed in terms of our index of high grade stocks.

As was to be expected, and as the correlation formulae show, the influence of dividends and current earnings is small. It would have been even smaller if it had not been for the interactions among the factors used. The influence of the price of the preceding year or quarter, i.e., of the trend momentum itself, looms as the dominating factor of trend building. On this basis, the formulae show the existence of a high order of relationship, especially for the quarterly computations.

The resulting bands of possible fluctuations are quite wide. It would be wishful thinking to expect statistics to provide pinpoint guidance. Even at that, on an annual basis, as illustrated by Figure 3, both in 1954 and 1955, stock prices exceeded the alloted limits. For quarterly ranges, shown on Figure 4, this was the case only in the last quarter of 1954, and then only slightly. This was the only occurrence of either an upside or downside quarterly penetration since 1937. It demonstrates once more the exceptional power of that move, as does also the annual chart.

In order to project both the annual and the quarterly ranges of Figures 3 and 4 into 1956, estimates of earnings and dividends had to be made. At the time of this writing, there is no sufficiently convincing evidence for forecasting either markedly higher or lower earnings. Accordingly, they have been assumed to remain unchanged. It will be noted that the same assumption was made on the projections into 1956 on Figure 1. As far as dividends are concerned, their 1956 level was estimated to exceed the 1955 annual rate by 5%. They were projected higher because many recent dividend increases have not yet found an expression in annual rates and on account of their still prevailing more favorable tax treatment.

Figure 4, i.e. the quarterly chart, presents the situation in greater detail. It suggests a reversal of the upward trend. For the first time since the beginning of the rise in the last quarter of 1953, the quarterly range of stock prices cut through the line of computed mean prices and penetrated into the lower band.

If one assumes that a reversal actually took place, then, in the light of past experience since 1937, i.e., going back beyond the scope of the published segment of the chart, one would expect an extension of the decline, sometime within the next few quarters, to the vicinity of the edge of the lower band. Such was the case in 1937, 1940 and 1946. In 1953, the downside penetration was more shallow, but the decline began from a position of undervaluation, as is shown on Figure 1.

In case such a decline should materialize during the first quarter of 1956, its probable low could be projected at about 87 in terms of our index. This would represent a decline of about 18% from its present level and of almost 20% from its September high. The decline could conceivably continue beyond that point. But it cannot be statistically projected as yet by means of the formula used for the construction of Figure 4. Its most essential ingredient for projecting the statistical limits of the fluctuations of stock prices in the second quarter of 1956 is the price range of the first quarter, which is still shrouded in the future's impenetrable veil.

If we turn our attention to the annual projections of Figure 3, it will be observed that the entire range of possible statistical limits of stock prices in 1956, in terms of our average, is encompassed between approximately 74 and 111, as against an actual 1955 range to date of 89 and 108.

However, even if one assumes that a reversal is taking place, the decline would be likely to be contained within one standard error from the computed low rather than penetrate the full width of the lower band which is based on a triple deviation. Such has been the experience since 1937. This would raise the lower limit of the projected range from approximately 74 to approximately 82. This projected 1956 low of a possible decline is 23% below the current level of about 106.

If a decline does actually occur, the rebound from its low would then be likely to find a ceiling in the computed high of about 98 and it could stop at a lower level. But it could hardly be expected to penetrate, in 1956, into the upper band of Figure 3.

V

Analysis vs. Analogy

In rounding out this survey, the temptation is strong to write a bearish ticket.

In the light of a historically reasonable basis of valuation, stock prices are overvalued. Price-earnings ratios are too high. Moreover, they indicate that overspeculation was present in high grade stocks. Price and volume relations confirm that a speculative climax in secondary stocks was reached early this year. And the position of the current quarterly range of quality stocks within the bounds of their fluctuations suggests that the momentum of the rise is losing steam.

Many other indicators stand in positions often coinciding with important stock market tops. Among them can be mentioned that odd-lot traders are enthusiastic buyers and that stock yields, as well as their ratio to yields on highest grade corporate bonds, are very low. They are shown, in an inverted position, on Figure 1. And bond prices themselves have been in a long declining trend which is often precursory of a turn in stock prices. All this is taking place against a backdrop of tightening credit conditions, which are already in the fourth round of rediscount rate increases since last April. Persistent rises in money rates are a notorious stock depressant. And the very fact that the boom continues to pile up unprecedented records is a frequent companion of stock prices that are tapping out.

The concurrence of these various indications is impressive. Yet the danger is always present of relying too much on reasoning by analogy.

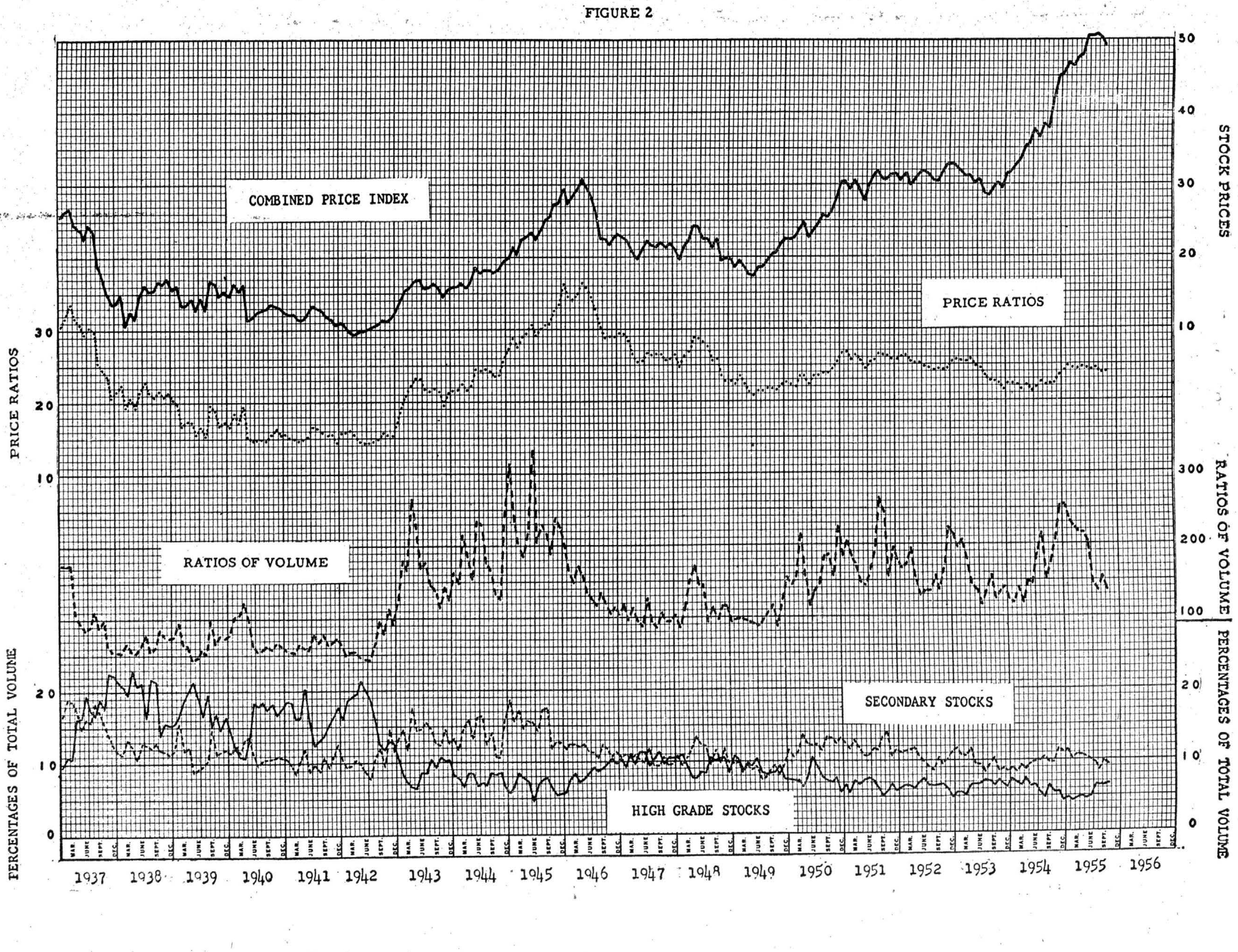
The distinctive characteristic of the period in which we live is the extraordinary strength and stability of corporate earnings. This was not so either in 1946, when earnings were in a declining trend, nor in 1937, when they had to their credit only a relatively brief recovery from a depression that was unprecedentedly destructive of corporate earning power. Even in 1929, the earnings picture did not have the same elements of strength as seem to be present now. At their 1929 peak, earnings were far below their previous wartime high and has suffered a deep five-year decline between 1916 and 1921. The period which is most comparable to our own is that between the turn of the century and the beginning of World War I, when earning power was building up strongly and remained at a high level for many years, as an aftermath of what amounted to an industrial revolution of which there are not a few earmarks now as well. During that period, stocks remained in a position of theoretical overvaluation with investors capitalizing current earnings on the same basis as they capitalized average earnings power of the past.

In the first section of this study, a 12-year moving average was used for measuring earning power. Its capitalization seems to have adequately reflected value during the period of Figure I. However, the use of a mechanical device should not preclude the exercise of judgment. It is conceivable that we may be entering into a period with different characteristics; that a structural change is taking place in the level of normal earning power of American corporations.

Not only does the current thinking concerning underlying trends extending into the nineteen sixties lend support to such a view, but there exist elements of inherent resilience in the figures of reported earnings. High taxes, which will remain high even after a possible reduction, provide a cushion. Expenditures for maintenance and repairs are at a generous level. Ample depreciation

Continued on page 30

FIGURE 2



Continued from page 29

Outlook for Stock Prices

allowances and rapid amortization give validity to the promise of larger future earnings.

The conviction may gain ground among investors that the present level of current earnings, under existing and realistically envisaged future conditions, is more representative of normal earning power than an average of past earnings, even though such an average does reflect a markedly rising trend. By applying a capitalization multiplier of 14.8 to the present level of current earnings of $8.30 per share of our index, the resulting value would be lifted to about 123, as against the 1955 high of 108 of our index. The over-valuation would then vanish as a bad dream.

This in itself would not necessarily prevent a decline of stock prices. Bear markets have sometimes developed out of positions of undervaluation. In order to lift stocks to the higher level of value, there should follow an active advance of actual price-earnings ratios. It is possible that the 1954-1955 rise of the ratios already marks the beginning of such a development. Should it continue unabated, a further extension of the rise of stock prices should be witnessed in the coming year despite the accumulation of signs and portents of an important top.

Perhaps, however, before the faith in the solidity of the new plateau of earning power becomes entrenched in the investors' minds with sufficient firmness, they would need another test of resistance of current earnings, such as was witnessed in 1953.

That such an opportunity could be offered to them seems to be well within the scope of the present situation. National production of goods and services is at an all-time peak. It is in such an environment that maladjustments frequently are born. The action of certain indicators suggests the possibility that business activity may turn downward in 1956. As a rule, the turning point in stock prices precedes that in business. If stocks should go down to an extent greater than their recent 10% drop, their decline could also contribute to a general economic contraction.

For a while, a decline in stock prices would find a reflection in lower price-earnings ratios. But if current earnings should also go down, this would create an offsetting tendency for ratios to rise through the usual play of the compensating mechanism. It would operate as a brake on any fall of both the ratios and prices.

Other potential supports to price-earnings ratios could well manifest themselves. It now looks as if the Federal budget can be balanced in both the present and the next fiscal years. Historically, periods of budgetary equilibrium, and especially of surpluses, have been accompanied by high price-earnings ratios. Sound money contributes to the quality of earnings. The same phenomenon may be observed—and for the same reason—in the relation of the ratios to commodity prices. At the moment, the reappearance of shortages in certain sectors of the economy stimulates the prices of some raw materials. But if business should contract and commodity prices should weaken, price-earnings ratios would tend to advance. The disappearance of inventory profits adds to the significance of reported earnings.

Still, the staunchest bastion of the ratios' strength would be that of a reappraisal by investors of corporate earning power. Thus, the immediate future of stock prices hinges on whether the market will capitalize, without doubt or fear, current earnings on the some basis as if they already represented earning power itself. As mentioned before, if this took place, the countervailing force of such a development could cancel out all the other unfavorable factors. It would lift price-earnings ratios, in terms of our stock average to approximately 15 times current earnings, in order to bring stock prices in line with the new level of value. As the ratio now stands at 12.5, this would result in an advance of almost 20% in price-earnings ratios on an overall basis.

An active reappraisal of corporate earning power would seem to be a logical expectation. The question, however, is whether it is already now in the cards or has to be achieved through a slower and more gradual process. The latter seems more likely.

Nobody knows the future. Yet the pattern which best weaves together the elements of information within our reach would call for stock prices to be in a declining trend in the earlier part of next year, followed by a reversal of the downtrend in the course of the same year and a resumption of the rise extending well beyond 1956. The probable limits of such a decline and subsequent rebound, as far as 1956 is concerned, were discussed in the preceding section of this report. They cannot constitute a forecast, but they provide a reasonable basis for projection. Needless to say, the projections would have to be altered, if it became necessary to revise substantially the estimates of earnings and dividends on which they are based.

From the point of view of practical investment policy, my analysis calls for an attitude both cautious and constructive. The projected decline and rebound were expressed in terms of a stock average. Individual stocks

FIGURE 3

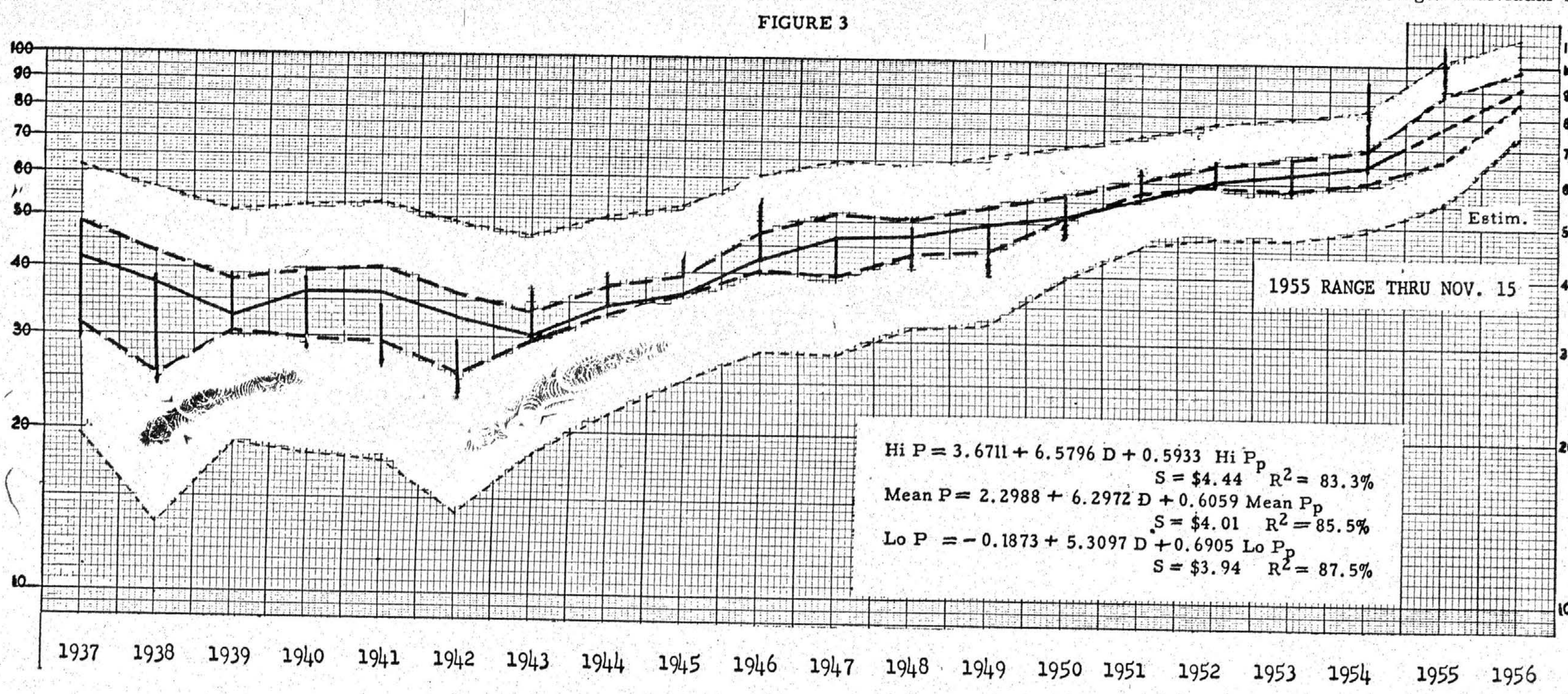
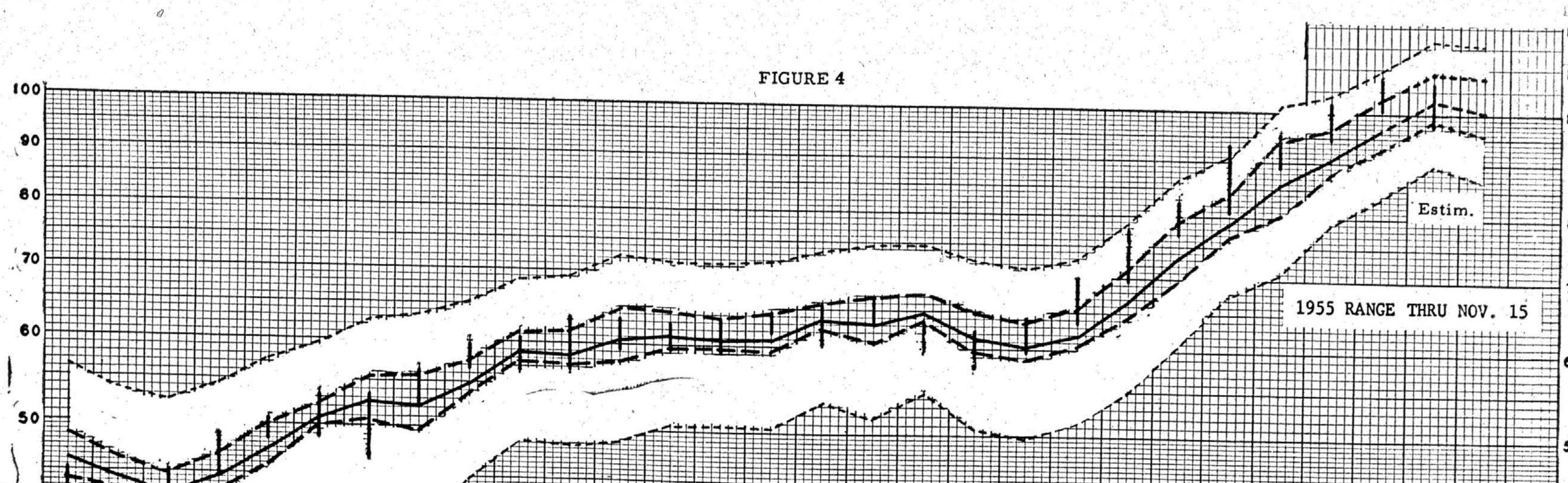


FIGURE 4



will participate in varying measures in an average action. And some of them will move against the general trend. Above all, if a basic reappraisal of general corporate earning power is in the making, it will be the cumulative result of reappraisal of the earning power of individual corporations. And the referendum of investors will be conducted at daily town meetings in the market place. The cumulative action of individual capitalization multipliers, expressed not in terms of changing current earnings, but as related to estimates of representative earning power, should provide the best key for opening the vista of the outlook for stock prices.

Finally, if an intervening decline should break the momentum of the upward trend, some additional guidance could be derived from studies of demand and supply relations in the stock market. When an overpowering trend is in progress, a deterioration of demand may have little significance. Like Phoenix, it can resurrect out of ashes before much damage, if any, has been done to the price trend. But when the momentum is lost, studies of demand and supply become useful. They can indicate oversold conditions and temporary tops. They can be helpful for investment timing.

From Curb to Street Or 40 Yrs. for Hunter

Wellington Hunter

Wellington "Duke" Hunter, Wellington Hunter Associates, Jersey City, N. J., is celebrating 40 years in the investment business. He began his career in 1915 with the old New York Curb Exchange when it was still an outside market.

Phila. Inv. Women Meet

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its second educational meeting of the 1955-56 series on Thursday, Dec. 8, 1955 at 5:15 p.m., in the board room of the Fidelity-Philadelphia Trust Company. The speaker will be Mr. Leigh B. Hebb, Research Association, Bureau of Municipal Research, Pennsylvania Economy League. Mr. Hebb's topic will be "Philadelphia's Economic Revival and the 1956 Budget."

Steiner, Rouse Branch

Steiner, Rouse & Company announce the opening of a new branch office in the lobby of the Chanin Building, New York City, under the management of Leon J. Weil and Edward N. Weintraub. Also associated in the new office will be George H. Reeves, Jr., in the bond department and Walter W. Thompson in the statistical department.

Chicago Analysts to Hear

CHICAGO, Ill.—At the luncheon meeting of the Investment Analysts Society of Chicago to be held Dec. 1 at 12:15 p.m. in the Adams Room of the Midland Hotel, Joseph S. Wright, Vice-President of Zenith Radio Corporation will speak on "Pay-as-You-See" television and Zenith.

Continued from page 3

Evasion!

in the sale of oil royalties. As to oil royalties, Circuit Court Judge Frank, who rendered the opinion, said, *"Concededly, they differ from stocks and bonds, since the former do not have established market prices."*

(3) The very District Business Conduct Committee which decided against the dealer had previously examined his accounts with other customers which had the exact percentage mark-up as the transactions at issue, without intimating there was any impropriety in these spreads. Finding that the failure to give warning then constituted an interpretation of the Rules on which the dealer reasonably relied, Judge Frank made this trenchant statement:

> **"If a dealer must act in a just and equitable manner in dealing with customers, the NASD and the Commission must also act justly and in an equitable manner in dealing with him."**

(4) Two dealers in oil royalties, called as expert witnesses, testified that a 50% mark-up is customary in oil royalty sales.

The facts in the case were not in dispute, which, being so, makes it amazing that the Court and the Securities and Exchange Commission should have come to such diametrically opposed conclusions.

Even more striking is this because the uncontradicted testimony was that the SEC had on several occasions prior to the sales in question, itself examined the dealer's books and records, which showed as to oil royalty sales, the same uniform 50% mark-up with all other customers. No warning was given by the Commission nor was any disciplinary action taken by reason of such mark-ups. Clearly the dealer had as much right to rely on this as an interpretation, as upon similar action by the NASD. The Court's logic is equally applicable to both.

The SEC disposition, which was reversed by the Court, was the more unpardonable because it is manned by a permanent staff of reputed experts who are supposed to possess special qualifications in the securities field.

However, to those who know the long history of the Commission's gunning for the oil royalty dealer, its determination came as no surprise even though it had a partisan savor rather than that of justice.

We come now to the action of the NASD Board of Governors. For the members of this Board we hold a high regard. Many of them have an impeccable reputation and are among the tops in the investment banking field. As men of character they are above reproach. It must be remembered, however, that the services rendered by them, and by the committees to the NASD, are purely voluntary, on a part-time basis, that they can have no extensive knowledge of the multifarious affairs of the NASD and must to a large extent rely on the paid permanent staff of the Association for their information and guidance.

In announcing that the "5% policy" now applies to oil royalties we believe that the Board of Governors was badly misguided. To suggest as the "NASD News" did, that this interpretation was made necessary by the Court's decision surpasses misguidance and approaches deception.

This interpretation was based on the old survey, and Judge Frank distinctly pointed out that this survey leading to the "5% policy" did not include instances of sales of oil royalties. Hence the only sound procedure before taking any position on permissible mark-ups would have been to conduct a survey on sales of oil royalties only. This would have disclosed the customs, trade practice, and usage with respect to them and would have created a proper foundation for the establishing of a rule or interpretation on the subject, which, as the Court pointed out, had not previously been done. As it stands we have an interpretation, and still, this has not been done.

We venture the opinion that such a survey would prove the "5% yardstick" utterly inapplicable to the sale of oil royalties.

Something ought to be done promptly by the Board of Governors concerning their having been misled. Where the Court's decision pointed the way so clearly, why the dodge? Somewhere in the NASD set-up are the responsible paid permanent personnel who should be brought to heel.

Railroad Securities

By GERALD D. McKEEVER

New York, Chicago & St. Louis

New York, Chicago & St. Louis stock—there is now only one class—has had a rather smart recovery from the recent "disappointed" sell-off. Two things had been looked for and one, namely an increase in the dividend to a level more in line with earnings of $7.50 or more per share as estimated for this year, was at least a justifiable expectation. The other, a rumor of a split, appeared less likely. However, neither came to pass and Nickel Plate stock has moved back into line on the strength of its relative merits and the outlook for the continuation of at least the present level of earnings for some time to come.

The Nickel Plate serves the highly industrialized Great Lakes region. Its 1,657 miles of owned road, which is all main line, extends from Buffalo to Chicago via Cleveland and Fort Wayne, and from Toledo to St. Louis and Peoria. It also has access to Detroit via its 50% owned Detroit & Toledo Shore Line and its controlled and leased subsidiary, the Wheeling & Lake Erie, extending from Zanesville, Ohio and Wheeling, W. Va. (actually Terminal Junction) to Toledo, provides a heavy volume of soft coal origination and iron and steel traffic. The Nickel Plate is almost entirely a freight road, with 95% of its revenues coming from this source.

In addition to this advantage of not being hampered by such passenger deficits as are the problem of so many of the roads in the East particularly, this road also enjoys a high level of traffic density, and this does not apply alone to the ton-mileage figure which is naturally boosted because of the large proportion of coal, steel and other heavy rather than bulky traffic. The road's revenue density—dollars of revenue per road-mile—is also in the forefront.

This is one important factor in according to the road a very favorable operating (cost) ratio. There is an irreducible minimum of cost per train-mile for moving freight regardless of how heavily the train is loaded and also the road must be kept in safe and usable condition whether the traffic is one light train or 20 heavy trains per day. One pronounced effect of the high revenue density of the Nickel Plate is the correspondingly low ratio of road maintenance cost. While the equipment maintenance ratio of the Nickel Plate is not far from average, the ratio of its maintenance of way and structures is traditionally and perennially low.

Although the road has a long way to go in dieselization, its transportation ratio—35.2% for the first nine months of this year—is well below average, as is also its wage ratio. One of the engaging features of the Nickel Plate is that there is room to make a good situation even better.

Another notable point in appraising the Nickel Plate is that there is relatively little overstatement of earnings due to tax credits, either for retirement of non-depreciable property or from deferral due to fast amortization. The Nickel Plate paid Federal taxes at the rate of 44% in 1954 but has accrued this charge at 49% for the first nine months of this year—a pretty full rate. Furthermore, it is estimated that the road's tax deferral credit this year amounts to only 58 cents per share or less than 8% of estimated 1955 net per share.

Another important point in sizing up the Nickel Plate situation is the steady increase, particularly in the last five or six years, in its proportion of revenues relative to the group of roads serving the same general territory. The special progress of the Nickel Plate itself affords considerable compensation for the lack of notable growth in the territory, which instead is more on the cyclical side. Nevertheless, the Nickel Plate makes a splendid growth showing, with a revenue index of 117 based on the 1947-49 average as 100, as compared with 121 for the Union Pacific, 120 for Seaboard and Southern Ry. and 116 for Atchison—all notable growth roads. Among roads in its own region it is rivalled only by the Chesapeake & Ohio which has the same 117 index, but it far outstrips the Pennsylvania and Erie with 99 each and the New York Central with 103.

This trend, a reasonably good yield, and a sound ratio of market price to per share earnings all make Nickel Plate an attractive stock for longer term investment at the current price of about 55½. It is these factors, rather than the probability of a split-up or merger, that should be weighed in appraising the investment merits of the stock. We can not think of any merger that would help the Nickel Plate, although the party of the second part might stand to gain considerably. The finances of the Nickel Plate are incomparably stronger than those of roads generally considered as being interested in a merger and it is well situated traffic-wise with connections to New York via both the New York Central and the Lackawanna. The latter wishes to cement its traffic relations by representation on the Nickel Plate board in view of its interest of 363,000 shares or almost 18% of Nickel Plate stock. The question of both the legality and the propriety of the intention of the Lackawanna is to be taken under advisement by the ICC. The Nickel Plate itself is one of the objecting parties and informed the ICC on Dec. 6 that the shares acquired by the Lackawanna Ry. had been placed in trust by the latter and that the trustee had been authorized to use "its best judgment" in voting the stock. The Nickel Plate claims this can only be "construed as transparent efforts by the Lackawanna" to evade the jurisdiction of the Commission and so appeals to the Commission for "protection" from what is styled merger overtures of the Lackawanna.

Continued from first page

Complexities in the Stock Market Outlook

market as a whole than they have been at any previous period. In fact, we can say with a good deal of conviction that the market in the broader terms is composed of a number of markets within the general up and down movements. It could hardly be otherwise in a period such as has been covered since the end of World War II. The economy not only had to make a transition from war to peacetime conditions but at the same time a whole new galaxy of industries, partly founded upon the research conducted during the war in relation to the war, came about. These, of course, covered the enormous steps forward in aviation and electronics but along with this was the intensive development of new products in many lines of industry generated by the extensive research efforts of most of our corporations that are in the manufacturing field, regardless of the type of business in which they are engaged.

Thus, in the abortive bear market that followed the end of the war, we saw a substantial decline in stocks closely related to the defense effort during the war period and at the same time we saw very strong action in such groups as the oil stocks, utilities and other special groups, even during the period when, by past measurements, the stock market was supposed to be in a general downward trend.

The bull market that began in June, 1949, has carried on with only moderate interruptions since that date. The tendency of the market to break up into several definite action groups has become even more pronounced. This was in turn influenced by the so-called police action Korean War and by the further development of intensive research for new products and broader markets generally.

The Market Has Separate Sections

There has been even a further tendency of the market to break into separate sections, since September, 1953. The dynamic movement in the stock market from that time as depicted by the various averages could perhaps be best designated as a quality market. The quality market, in turn, has been generated by at least three separate factors. One, is the tendency of more conservative investors playing for the long pull to pick out the best and, in fact, rely upon the management of these companies to take care of the growth of their capital for them.

Secondly, has come the great and increasing influence of institutional funds on the investment market. For the most part, certain institutional funds have confined their investments to the "Blue Chip" issues. They have not been infallible in their selection at all times, but it has been a characteristic of this market that once the shares of a company which formerly met with only moderate investment reception are reflecting improved earnings to a degree to substantially change the investment characteristic of the stock, then the institutional funds take on at that point and carry the stock considerably higher after it has reached the desired investment quality.

The third factor, which is probably not as well known as it should be to people not in Wall Street, is the intensive development of research departments in the underwriting and brokerage business houses as well as in the investment departments of professional buyers such as insurance companies and the mutual fund group. Wall Street, in its effort to give the best service to its customers, is spending a sum of money in research to ferret out facts and figures for their customers, which in the 1920-1929 decade would have appeared fantastic. The result of this research has been to make an even more selective market both in the "Blue Chip" category and in those issues which are showing promise of substantial improvement in their future operations.

The market's complexity in its broad moves lies in the many factors that play upon and influence its behavior.

The Various Influences on the Stock Market

Among the various factors that, together, add up to an advancing or a declining market are politics, credit, business and public confidence. Before committing myself to any viewpoint as to the outlook for stock prices over the months ahead, I want to review these various influences as I see them. Stated otherwise, I want to determine the material that goes into a building before trying to form some idea of what the building will be like.

Politics, of recent years, has been quite a factor in stock market activity. Despite rising business in 1940, 1941 and early 1942, the stock market registered a substantial decline because the foreign political picture was clouded by war. Again, with the advent of a domestic political philosophy, as evidenced in the 1952 elections, away from reform and in the direction of stability and business encouragement, we have been experiencing one of the sharpest advances in the history of the New York Stock Exchange.

Over the past two or three years, the foreign political picture has materially improved, as regards a balance of arms. America and her allies have finally built their defenses to a point where the West, it seems, can now negotiate from a position of strength. As a result, Russia has become less bellicose and the threat of a hot war has receded. The cold war continues, but I question that investors are now relating their programs in any way to the threat of an all-out fight.

That is the picture from an over-all basis as it appears at the present time regarding the influence of foreign affairs upon domestic investment policy. And yet, we cannot be complacent with this as representing anything static upon which we can rely over a long period of time.

Perhaps, this general viewpoint of noninterference of foreign affairs in domestic investment decisions reached its apogee at the time of the first Geneva Conference and in the interim period between this conference and that of the Foreign Ministers which was supposed to implement the general ideas discussed in the first meeting by concrete and substantial agreements to further peace in the second meeting.

We now know only too well that the objectives of both meetings were not attained. In fact, it now becomes abundantly clear that the cold war is with us again, having back of it no restriction whatever of the Soviet Union to expand the doctrine of world Communism but only the methods have been changed. The new approach of the directors of world Communism now bid fair to bring new problems which must be met by an extension of diplomatic, commercial and financial means to supplement progress that we have made in defense by building up our over-all strength of arms. The new approach of the Soviet Government and its satellites is one of economic and political penetration based upon the production of goods, mostly capital goods, by a system which does not necessarily have to count profits and losses in a sense that this is true in a capitalistic society.

The most concrete evidence of this new approach seen, at least in outline, is in the Soviet's offer to sell arms at cut prices through their satellite Czechoslovakia to Egypt and the Arab League in the Middle East. Sales of this material have actually taken place at prices which could only again be duplicated by this country through further now unauthorized grants in aid on which little or no repayment is expected. Another project, however, is in a slightly different class, that of the Soviet offer to build the Hi-Dam project on the headwaters of the Nile at an estimated cost of $300 million and with credit upon this amount extended over a 30-year period. This figure is not more than half of the cost estimated by American engineers for completion of the same project, taking into account all of the factors which a capitalistic industrial nation must do under the circumstances.

The heads of the Soviet Government are at the present time on a salesmanship tour, so to speak, of this same idea in India. Here again, vast public works, steel mills and industrial equipment are being promised on terms that could not possibly be made by private industry in this country and could be met by a combination of private industry and government subsidy only by a further increase in the outgo of money from the U. S. Treasury beyond any amount which seems likely to be approved by either the present Administration or the opposition party.

This new phase of the cold war has many aspects which can at the present moment be traced to their ultimate effect upon investment policies in this country. But, one of the factors which cannot be entirely overlooked is the possibility of the success of this new approach in areas that are not only strategically important to this country but are of substantial cash importance to many American corporations. Perhaps the best example of this latter would be the repercussions in the event the Middle East oil-rich territory of Saudi Arabia should, through the blandishments of community leaders, pass from the control of the Western nations and this vital supply of world oil resources go behind the Iron Curtain.

Factors on the Domestic Front

On the domestic front some uncertainty as to the outcome of the 1956 elections has replaced the prior assumption that the present term of conservative Democratic Southerners in Congress and the Eisenhower group in the Executive branch would continue for another four years. I do not regard this as a major factor, however, for three reasons: First, the stock market has already been subjected to the possibility of political change and it seldom discounts news twice. Second, the Congress will probably remain conservative. Third, the electorate, itself, has grown tired of reform and is in favor of normalcy. Its views necessarily will be partially, if not fully, reflected by any new White House incumbent, assuming President Eisenhower decides not to become a candidate next year.

As to credit, we have ample banking resources to finance a normal increase of business. Currently, the Federal Reserve is leaning against a rising business wind, but this action has been more in the nature of a check on inflation than a curb on legitimate expansion.

It lies within the Federal Reserve Board's power, of course, to set in motion strong forces tending to halt or terminate the present active level of trade. Its recent action, however, has been deliberate and moderate, rather than precipitate and extreme, and this suggests continued moderate application of the various credit checks. This is a factor that must be watched from week to week, of course, because of the Federal Reserve Board's control over credit.

As to the present occasion, however, I see no major threat in the credit picture even though I am somewhat concerned at the rate of instalment debt and mortgage expansion. Let me summarize by saying that I would expect more vigorous signs of inflation and an accompanying higher level of speculation and business before I think the Federal Reserve will put the credit brakes on very hard.

The Federal Reserve undoubtedly learned a very valuable lesson on moderation in both of the years 1953 and 1954. In 1953, acting for the first time in many years with an Administration which assigned responsibilities for credit control measures fully to the Federal Reserve, including complete Treasury cooperation, the Federal Reserve obviously went too far. This was evidenced both by the actual unavailability of credit in some sections and by the very quick reversal which the Federal Reserve effected. The harsh credit policy lasted no more than about three months. The super-easy credit policy which supplanted the harsh credit line, especially in September of 1953, likewise went too far in the direction of supplying more credit than could be ultimately used at the time. The Federal Reserve backed away from this super-easy credit policy toward the end of 1954 and, while the present policy is designated as "restrictive," still credit is available at relatively nominal costs for all legitimate borrowers, although interest rates have increased moderately within the past year.

Perhaps one of the most significant things pointing to a moderate credit control policy depending almost altogether on Central Banking operations of increasing or decreasing bank reserves, increasing or decreasing the discount rate and the purchase and sale of government securities, is the complete lack of aggressiveness which the Federal Reserve has evidenced as regards qualitative controls.

The Margin Requirements

We people associated with the stock market are familiar with the only qualitative credit control which the Federal Reserve possesses. This is the matter of adjustment of margin requirements on the purchase of stocks. Margin requirements now stand at 70%, having reached that level with two successive advances from the previous level of 50% which was in force at the end of 1954. It is within the power of the Federal Reserve to advance stock margins to 100% at which point the cost of money or the general credit controls can be entirely relegated to the background of a matter of curtailing or completely stopping the use of credit in the stock market. It is obvious that if stock market collateral cannot be used to borrow money against, except for the relatively unimportant carrying of stocks purchased on rights, then interest rates could be at any level that you care to name, ½ of 1% or 10%, and it will have no effect one way or another. Use of credit under present margin requirements has been very moderate by any previous standards of totals or percentages related to stock market values or gross national income.

The Federal Reserve formerly had at its disposal, through an Act of Congress, Regulations W (Consumer Credit) and X (Real Estate Mortgage Credit), through which the amount of down payments and the terms of repayments could be determined on consumer credit and upon real estate loans respectively. These regulations proved very effective up until they expired in March, 1952. As a matter of fact, the great expansion of both types of credit dates from that time and both more or less governed the general credit restraints imposed by the Federal Reserve in early 1953.

The Federal Reserve consequently knows very well the effectiveness of this type of control on the two categories of credit where the expansion has been most persistent and yet, the most that any Federal Reserve official has ever said with respect to these powers is that they will accept them and employ them to the best of their discretion if Congress on its own elects to reinstate them. At the same time, it was stressed that the Federal Reserve did not seek reinstatement of these qualitative credit control measures.

There could hardly be greater reassurance in view of the lessons learned in 1953 than the lack of any Federal Reserve suggestions for legislation regarding qualitative controls that a policy of credit moderation is the watchword regardless of the name given to any current phase of Federal Reserve activities.

The Level of Business

As to business, we all know it is rolling along at a high level. But the stock market looks ahead. The question is not where business is now, but where is it going to be six months to a year from now. Let us make a determination of this matter by looking at some of the items that compose the Gross National Product—the best measure we presently have of the nation's over-all production.

In the order stated, the three major items making up the Gross National Product are: *one*, expenditures by individuals for consumption goods and services; *two*, government purchases; *three*, investment by business and individuals for capital goods. Personal consumption expenditures, which recently ran at $235 billion on an annual basis, have been rising this year due to advancing wage rates, a longer work week, an increasing number of employed people, a rising amount of consumer debt, and a drop in the rate of savings.

Upward Wage Rates to Continue

Looking to 1956, I expect the upward wage rate parade to continue. Employment will also be large, based on reports from various industries as to their plans for the year ahead. With the labor surplus now largely absorbed, it also appears that, to keep up our fast business pace, hours of work may slightly lengthen. I question that consumer debt will increase at last year's rate, due to restrictions now being placed, but I also doubt that the rate of savings will increase greatly. And probabilities favor some increased spending power from possibly lower personal taxes.

Altogether, it would seem that personal consumption expenditures will hold their own, and probably will advance during 1956. As to government spending, it also promises to hold up and may even advance slightly. The Federal Government outlays are being trimmed wherever possible, but the big item here is expenditure for defense and this is expected to remain at approximately current levels. On the other hand, state and municipal outlays for various public works are rising.

Turning to the field of capital investment, we naturally look to construction, durable equipment purchases, and inventory build-up or decrease—the three items making up this category. As to construction, the F. W. Dodge Corp. has recently estimated a 3% increase in awards for 1956 for the states east of the Rockies, this despite the downtrend in residential building; while Federal agencies are looking for a 5% increase. In turn, McGraw-Hill have just completed their survey of capital spending plans by industry for plant and equipment next year and they come up with the astonishing figure of a 13% rise. Lastly, inventories have not kept pace with the rise of the present year in orders and sales and they, too, are subject to build-up.

A Higher Gross National Product in 1956

Taking the business picture as a whole, it would appear, assuming no drastic credit curbs by the Federal Reserve Board, that a further increase in the Gross National Product is in store for 1956. This could be effected by moderate advance over the first half and a leveling off in the last half but, in any event, a very good six months is ahead. Washington economists who have studied the matter arrive, incidentally, at a 5% increase in the Gross National Product for 1956 over 1955. From 3% to 4% rise is expected in physical output of goods and services, another 1% to 2% from price increase.

On the basis of the foregoing considerations, which have covered the political, credit and business outlooks, it is hard to find grounds for any pronounced change in public sentiment from its present confident attitude. Contributing to this conclusion is also the fact that the stock market as a whole is not as high as is suggested by the present level of most of the popular stock averages. Perhaps the most widely quoted average is that of the Dow Jones 30 industrial stocks which has advanced about 320 points in the last six years. Actually, however, very few stocks have advanced over 300 points during this time, and, indeed, a large segment of the stocks listed on the New York Stock Exchange is not as high as the averages.

Not only has a large segment of the market not increased as much as the averages but it must also be taken into account that a part of the rise in security prices has been due to inflation of the dollar. As you all know, the cost of a newspaper has doubled and the price of a subway ride has tripled. Similarly, the brick, mortar and industrial equipment underlying the stocks of our leading corporations have increased in value. In other words, the value of existing industrial plants tends to reflect replacement costs.

The Earnings Factor

Also to be considered is the present level of stock prices in relation to earnings. If equities climbed to dangerous heights relative to earning power such as existed back at former major market tops, the market would be vulnerable to any slight recession in business or to any slight lessening of investor confidence. Based on projected earnings for the 30 stocks comprising the Dow Jones Industrial Average, however, stocks are selling at about 12 times earnings which is a very conservative figure in contrast to what existed at past market peaks. For example, in 1946, before the market turned down, stocks were selling at about 26 times earnings (based on the previously mentioned average). At the 1937 top, stocks sold at about 17 times earnings and at the 1929 peak the price-earnings ratio was around 21. Hence, stocks are very reasonably valued in the light of earning power in contrast with conditions at previous major market tops.

Reflecting the strongly rising trend of earnings, dividends are on the increase and these payments will show a sizable total above disbursements last year. As a matter of fact, if this year's dividend payments show the same percentage increase as earnings over 1954, the yield on the Dow Jones Industrial Average will approximate 4¾% with the Average at present levels. To be sure, this return is not as generous as prevailed near the beginning of the bull market but it is still the largest yield that investors can obtain from assets with a comparable degree of liquidity.

Indeed, the yield from common stocks is still considerably above that of highest grade bonds. The bond-stock yield differential is a very important factor in attempting to time market peaks. When investors can shift out of common stocks into virtually riskless high-grade bonds, with but a slight reduction in income, that condition tends to put pressure on the market. This has been a very important factor at past market peaks because at those times the yields from common stocks got so low that they exceeded the return from high-grade bonds by only a very slight margin as may be seen from the following tabulation:

	Bond-Stock Yield Differential
1946	.64%
1937	.61%
1929 (bond yields *exceeded* the return from stocks)	negative
Present figure based on anticipated 1955 divs.	.30%

Another piece of evidence suggesting the strength which is underlying this market is the lack of intensive public speculation. During the past decade, the number of shares of common stock listed on the stock exchange has increased by more than 50% due to stock splits, dividends, etc. Moreover, there has been considerable increase in the activity of professional investors in the market in the past few years. These including trustees, poured a tremendous amount of additional money into common stocks. In short, the increase in stock exchange volume has been due chiefly to the greater activities of institutional investors, and as a result, considerable stock has been taken out of the market and it can be said that "equities are still in strong hands."

Upon considering these various factors, I can't bring it upon myself to urge major liquidation of share holdings. Indeed, at some point in 1956 I would assume that considerable market strength will be witnessed. If this comes in the early half of the year and carries far enough, we might question whether it wasn't a wind-up of the two-or-more-year bull market. On the other hand, if renewed decline should set in here and carry to a point where it fully corrected the 1953-55 advance, then we would have strengthened the market's base for a rather sustained move.

Looking at the Longer-Range

After one has reviewed the broad general bull and bear market movements and a tendency of the market to break down into groups within the broad movements which we have discussed as dating from 1946, one is tempted to back away and regard the market at an even longer range basis. In doing this, we may perhaps have at least part of the answer to the dynamic action of the market since 1953 and some of the puzzling questions that have come up since 1946. The German poet philosopher Goethe in reviewing the events of his time said, "All that is trivial has sunk from sight, only continents and oceans remain."

It may be that some of the confusion, especially as regards the so-called bear market of 1946-49, may arise simply from the fact that they have been viewed from too small a measurement, that something larger lies behind. It seems as if a good case can be made for the hypothesis that we have been in one gigantic super-bull market since April 1942. At that date and with Dow Jones Industrial Averages at about 96, there began an upward movement in stock prices at a time when the military outlook for the Allies was probably at its lowest ebb. This illustrates the point mentioned before that in the broad general movements, the superb time to purchase is when all reasons based on emotions suggest the contrary.

Nevertheless, the market advanced from April 1942 to June 1946 with only two very moderate corrections in the process. In September 1946 there occurred the first decline which has been somewhat unsatisfactorily explained as a bear market. Thereafter, in 1947, 1948 and 1949, occurred a broad sidewise movement which if we accept the larger view of the market may have been simply a correction of the first leg of the market dating back to April 1942. It might be mentioned in passing that on several occasions in the market between the last quarter of 1946 and up to September 1953, various signals for bull and bear markets were given according to an old and at one time generally followed method of evaluating the market under the Dow Theory. The characteristic of each one of these signals was that it was invariably reversed almost as soon as given, something that had not occurred before in the market history going back to 1921.

Here again, without being a proponent for any method of evaluating bull and bear markets, it is sufficient to say that all of these false signals become easily explainable if they are looked at as being much too small to have any significance in a super-bull market dating from April 1942. However we regard the market, there has been nothing approximating a bear market indication since September 1953. If we look at the market as one entity dating from April 1942, we get the overall picture of oceans and continents with all trivial things sinking from view and see a super-bull market which even at present levels may not be finished but only subject to healthy corrections from which it may carry on.

How could such a picture be explained? For one thing there was introduced into the money supply during World War II financing, an increase never before approximated. The market usually eventually discounts such a fact. Probably it did not even start to discount this factor until September 1953. One other factor which must have a great influence is the dynamic growth of population which in some way has been mysteriously associated with major wars. Prior to 1946, students of population trends were forecasting a static population for this country at about the year 1970. All such students now foresee only a minor dip in the great population growth in the next five years based upon the small generations that were born during the early 1930 depression years. But about 1960, these same sources foresee a resumption of a great population growth upsurge to carry on in this country at least to the end of this century without interruption. The figure now estimated is around 180 million people by the year 1965.

With these two factors, the expansion of the money supply during the war period, the growth of population now in progress and all of the other factors that have come in, such as much greater social consciousness, the desirability of full employment, the great strides in research and perhaps in the end, although this is by no means clear, the eventual victory of democratic capitalism over totalitarian statism, then if all of these things are taken into account, we may begin to have reasons for the stock market as it is today.

Conclusions

In summing up the various highlights in regard to the market's probable trend in the period ahead, I believe one can place emphasis on the following points:

(1) The damage resulting from news of the President's sudden illness as applied to investment confidence seems to have been pretty well restored in the last few weeks by many billion dollar expansion programs already announced and more to come, excellent corporate earnings, high year-end dividend and probable stock split developments and the possibility that the President might be willing and able to run again.

(2) The economic outlook appears most promising at least through the first half of 1956. Although some let-down in residential building and automobile production may take place, overall building construction is likely to make new highs. Steel production in 1956 may reach new peaks, and automobile production may rise sharply in the fourth quarter as new 1957 models are introduced and emphasizing many important changes and improvements over current models which, except for the Chrysler line, appear to be more or less similar to 1955 models. Thus, overall business should compare favorably with 1955 and it could develop into the most proseprous year in the nation's history.

(3) The fact that the Geneva Conference accomplished little to further world peace and the fact that the Russians have just exploded their biggest bomb so far, suggests no relaxation on our part in regard to defense measures. Production of aircraft, guided missiles, electronic devices, will continue at a high rate.

(4) Despite the imposition of credit restrictions, large surplus funds are still available for investment. I doubt whether investors will be restrained from buying good shares despite the recent rise of ¼% in the rediscount rate. Institutional investors continue to seek good common stocks which are sound from a technical and fundamental point of view. Dividend disbursements over the next few weeks should create the heaviest reinvestment demand in history in the next couple of months. In any case, there appears to be a strong technical support level in the 465 Dow Jones Industrial Averages and in the 158-160 Dow Jones Rails.

(5) Tax selling may be very active this year despite the fact that a good many stocks show sharp gains. Stocks having large capital gains as well as capital losses may be subjected to selling because of pair-offs and investors will be very alert for bargin opportunities should there be excessive pressure.

(6) A year ago the Dow Jones Averages stood at 390 approximately whereas today they are up to 485. Obviously, the stock market cannot continue at this rate through 1956. New leaders will establish themselves as time goes on and, in many cases, technically and fundamentally unattractive issues may have to be weeded out to be replaced by new issues with new developments pending.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Anthony J. Taranto is now with Kidder, Peabody & Co., Russ Building.

Derek G. Simpson

Derek G. Simpson, a director of Midland Securities Corp. Limited, Toronto, passed away on Nov. 29.

Columbus & So. Ohio Elec. Stock Offered

Dillon, Read & Co. Inc. and The Ohio Company headed an investment banking group which released an offering for public sale at the close of the market on Dec. 6 of a new issue of 250,000 common shares of Columbus and Southern Ohio Electric Co. at $31.75 per share.

Proceeds from the sale of these shares will be used by the company for the temporary reductions of bank loans which were incurred for its construction program. The construction program for the period from Oct. 1, 1955 to Dec. 31, 1957 is estimated to cost $58,000,000 and includes the installation of a 125,000 kilowatt unit at a new electric generating station near Conesville, Ohio. Present plans contemplate an ultimate capacity of this plant of approximately 500,000 kilowatts. The company has already acquired or contracted to acquire coal rights in approximately 14,000 adjacent acres for such plant.

The company's electric service area comprises portions of 22 counties in central and southern Ohio having an estimated population of 913,000. A subsidiary of the company operates a transit system in Columbus and suburbs.

For the 12 months ended Sept. 30, 1955, the company's consolidated operating revenues were $44,280,000, of which $38,169,000 represented electric revenues. Earnings on common shares were $5,520,000, or $2.30 per share on then outstanding shares.

American Greetings Offering Completed

The public offering of 200,000 shares of class A common stock (par $1) of American Greetings Corp. at $22 per share, which was made on Dec. 6 by a group of underwriters, headed by McDonald & Co., Cleveland, Ohio, was oversubscribed and the books closed.

The net proceeds from the financing will be used to pay for the construction of warehouse facilities in Cleveland and for general corporate purposes.

The company has obtained commitments for additional long-term borrowings aggregating $2,500,000 which can be used for the construction program. A program for construction of a modern single story warehouse has been developed, the first section of which is expected to cost approximately $3,200,000 (including the cost of land development) and will be completed in 1957.

Empire Studios Stock Offering Completed

According to an announcement on Dec. 5, Gerard R. Jobin Investments, Ltd., St. Petersburg, Fla., has sold 75,141 shares of common stock (par 50 cents) of Empire Studios, Inc. at $2.50 per share.

The net proceeds will be used to reduce bank loans and current liabilities in the amount of approximately $15,000; and for additional equipment, inventory expansion and additional working capital, including the finishing of three films under release contract to Republic Pictures Corp.

Empire Studios, Inc. is a Florida corporation, with its principal executive office at 108 North Orange Ave., Orlando, Fla.— It is engaged in the production of motion pictures for world-wide distribution, and television films.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John L. Strangman is now with Reynolds & Co., 425 Montgomery St.

Chase Manhattan Bank Announces Two-Square Block Office Project In Financial District

John J. McCloy, Chairman of the Board of the Chase Manhattan Bank, New York, tells shareholders, building would probably be between 50 and 60 stories high.

The Chase Manhattan Bank announced at the annual meeting of stockholders on Dec. 6 that it has tentative plans for a modern head office building surrounded by an expansive open plaza on a two-square block area in the heart of the financial district. Though plans have not yet crystallized, the building probably would be between 50 and 60 stories high.

John J. McCloy

"The objective of the bank," John J. McCloy, Chairman of the Board, told stockholders, "is not only to provide ample space for the bank's present needs and future expansion, but also to benefit downtown New York and the city as a whole." The annual meeting of stockholders, the first since Chase and Bank of Manhattan merged last March 31, was held in the bank's head office building at 18 Pine Street.

In announcing the plan Mr. McCloy emphasized that a number of important steps, including disposal of certain existing properties of the bank and approvals on the part of city officials, as well as the bank's board of directors, would be necessary before contracts could be signed and construction started.

"Our plans," Mr. McCloy said, "have benefited from the imaginative attitude of New York City authorities toward the redevelopment of the downtown area. During the initial stages of the project we have consulted Mayor Wagner, Commissioner Moses and Borough President Jack. We have found that the over-all concept of our project fits in admirably with their own plans, and they have indicated their willingness to assist us in solving some of the difficult legal and physical problems involved in our project.

"After prolonged study and careful analysis we are convinced that this plan represents an advantageous use of the bank's property from a financial standpoint. To build a conventional building on a single block, with setbacks, would result in less efficient space, much more costly construction, and no room for expansion without going to another building. By contrast, the proposed building, made possible by using a larger area as a base, would give more usable space and lower construction costs. From the viewpoint of bank operations it is an eminently practical plan, and from that of our stockholders, we believe, it is a provident plan."

The Chase Manhattan Bank project, which is being designed by the architectural firm of Skidmore, Owings and Merrill, would, if plans eventuate, occupy almost all of the two blocks bounded by Liberty, William, Pine and Nassau Streets. The proposed new Chase Manhattan Bank Building, a rectangular free-standing structure, would cover approximately 30% of the ground area, and there would be several floors of vaults, service facilities, and office space extending under the plaza area. This feature, and the uniformity of space through all floors of the building, compensate for loss of other space involved in the razing of buildings to provide the plaza which permits the type of building proposed.

The plan envisages substantial increase in the width of the four surrounding streets on land to be donated to the city by the bank. Cedar Street would be closed to vehicles from William to Nassau Streets, but pedestrians could traverse the plaza not only east and west but north and south as well.

A vital feature of the plan from the bank's point of view is that it would consolidate all its operations under one roof, with greatly improved facilities both for employees and customers. Since the Chase Manhattan merger last Spring, the bank's various head office departments, with a staff of nearly 8,700 men and women, have been using space in a total of nine buildings — six in the Cedar-William-Pine-Nassau Street block which includes the present head office, and three on Wall Street, Broad Street and Exchange Place. With all departments in a single building, substantial savings in operating expenses should be realized.

If an agreement which is pending with the Chemical Corn Exchange Bank is finally concluded, the present Chase Manhattan head office building at the northeast corner of Pine and Nassau Streets would be sold to that bank for its head office.

With the exception of two small parcels, Chase Manhattan at present owns all of the land on the proposed building and plaza site. The Liberty-William-Cedar-Nassau Street block, site of the old Mutual Life property, was acquired last year. These buildings, most of which have not been occupied for five years, are now being demolished.

Preliminary estimates indicate that the cost of constructing the building and plaza will be approximately $75 million, against which a very substantial amount will be obtained from the sale of buildings and real estate holdings in the financial district which no longer will be needed by the bank. Consideration is being given to the creation of a company which would hold this property and obtain financing from outside sources. If this were done, the bank's investment in this company and the bank's branch offices would approximate the book value of the existing banking premises.

Included in the general area redevelopment plan, though physically separate, would be the construction of a 1,000-car parking garage on a site one block east of the plaza bounded by Liberty, Water, Cedar and Pearl Streets, on property now owned by the bank. Officials of important corporations have expressed interest in the development of this plan.

Commenting on the architectural planning for the Chase Manhattan building and plaza, a spokesman for Skidmore, Owings and Merrill stated, "In the '20s, it is probable that the bank would have developed the entire area as intensively as permitted by the city zoning ordinance. However, our study showed that a single building on the northern portion of the site could meet the bank's space requirements for many years in the future, while also providing a substantial amount of rentable office space.

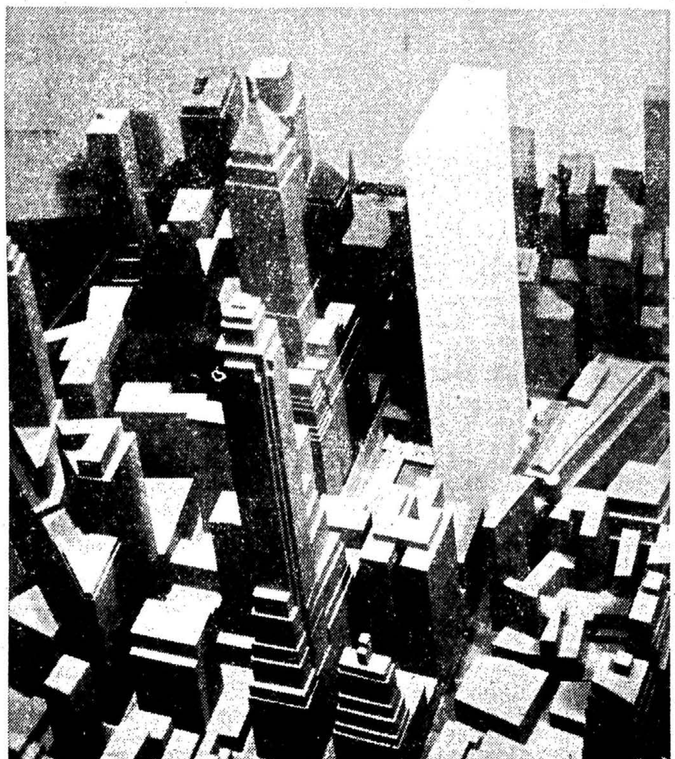
"The open plaza plan will afford space, light and air not only for the bank building but for the other buildings around the plaza. It will also provide a welcome change from the narrow, canyon-like streets of the financial district for everyone who works and does business there.

"The extreme simplicity of the building design produces an exceptionally high proportion of usable space. It also will speed construction and lessen street congestion during construction since materials can be unloaded and stored on the site."

Detailed plans of the building are not complete, and many of its features are as yet undecided. Among features that will probably be included are an auditorium, dining and recreation facilities for members of the staff, and underground car and truck loading facilities approached by a ramp from Liberty Street.

Commenting on the city's plan for redevelopment of the lower Manhattan area, including housing projects, as announced by Mayor Wagner at City Hall, Mr. McCloy said: "I am sure the stockholders of the bank will share the management's feeling of gratification upon learning of the city's forward-looking program for the redevelopment of this vitally important part of New York. I believe the Mayor and his associates in the City Government are to be greatly complimented for conceiving a plan to which I believe all members of the financial community, as well as others interested in the future redevelopment of this city, will give their wholehearted cooperation. We are keenly interested in this program and will endeavor to interest responsible builders in undertaking desirable housing projects downtown."

Proposed Chase Manhattan Project



"Aerial view" of block model of proposed Chase Manhattan project from east. In foreground is planned 1,000-car parking garage. Pyramid-topped building to left of plaza is 40 Wall Street; massive wedge-shaped building to right is Federal Reserve Bank. Tall building between garage and plaza is Cities Service Building. Block model of Chase Manhattan building indicates approximate size and location only, since plans and exterior treatment are still undecided.

Securities Salesman's Corner

By JOHN DUTTON

Sounder Customer Relations Must Be Initiated by the Salesman

Most of the misunderstandings that occur between a client and a salesman could be avoided. As more and more individual investors are generally becoming interested in securities, the responsibility rests upon the retail securities salesman to help his clients to understand certain of the obligations they must assume as investors. When you are doing business with the lay public, who in most instances are NOT PROFESSIONAL INVESTORS, you must take nothing for granted. Over the years I have found that customers appreciate a clear-cut explanation of what THEY MUST DO in order for you to help them to be more successful with their investments.

Let's Talk It Over

Your first and second interviews with prospective clients can form the basis for a sound customer relationship that will help both of you to better understand your goals. Just the other day I was informed by a client of the reason he no longer did business with another investment firm. These things happen to everyone but why not avoid them if you can? This investor had a satisfactory account for many years, and among his securities there was a very sound common stock representative of a closely held corporation which had been paying him a most generous income. He looked upon this security as a permanent investment. One day the salesman suggested a switch from this income stock into something that he thought might give his customer an opportunity for capital gain. Without a discussion of the customer's ideas concerning the stock which he was holding for income the switch was consummated. The customer gave his consent to the switch and he did not tell the salesman of the attitude he held toward the stock he was selling. Both were in the dark regarding the situation. The switch did not turn out too well, and later on the income stock that was closely held could not be replaced due to its very limited supply. Although both were at fault in not talking things over before this switch was made, relations between them began to deteriorate until they finally drifted apart.

Don't Assume Anything

Even those investors who have been purchasing securities for many years can be negligent and careless in handling the details connected with managing a portfolio of securities. There are numerous cases of people who should have known better that have allowed valuable rights to expire and become worthless, just because they were too busy, were on a trip, or were plain negligent. Others have purchased non-dividend paying stocks and have instructed that they should be placed in "street" name. Later on, instead of selling them, they kept them and the company again resumed dividends but they didn't know it and they were hard pressed to collect. It is almost impossible for a busy salesman or account executive to attend to all such things for his customers. They must understand their responsibilities, too.

When you have a transaction clarify the best procedure as to transfer instructions, and what should be expected of an investment. I once heard a salesman say to his client, "It takes a good customer as well as a capable broker to make a successful team that can work together. Let us understand each other." And that is the way it should be. If you are successful in establishing a relationship on this basis, you will know your customer's needs and he will know your own limitations and the possibilities of the securities he is acquiring.

I have found that most people are not only reasonable but they will appreciate it if you tell them candidly that:

Although there are times when, within a few months, certain investments can show a substantial appreciation in value, in most cases sound growth takes time.

That occasionally some investments may depreciate in value and when this happens it is a normal thing and steps then should be taken to reappraise and correct it if possible.

That they should keep records of dividends received, interest collected, notices and reports to stockholders, and if something is not clear to them that they should take the responsibility of bringing it to your attention.

That you are busy taking care of as many accounts as you can service, and that you want to give each of your customers the most assistance possible, but they too must help you to do this by keeping you informed of any particular details concerning their investments that arise from time to time.

New Winckler Officers

DETROIT, Mich. — The following new officers have been elected by F. J. Winckler Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges: Harry L. Schafer, President; Louis J. Luchtman, Vice-President. Walter A. Bayer continues as Secretary and William H. Gordon as Treasurer.

Continued from first page

National Economic Picture

of a single individual. If and when this is ever actually accomplished, it will be the end of the greatest economic system that has ever been created by man.

In my effort to describe "The National Economic Picture," I will attempt to answer three questions. These are: (1) What has occurred within the past year to cause the level of income and employment to reach the highest levels in our history? (2) Are the factors responsible for the current business picture strong enough to allow for a continued growth in the months immediately ahead? and (3) What is the outlook for business activity over the next 10 to 15 years?

The National Accounting Data

The answer to the first question, "What has occurred within the past year to cause the level of income and employment to reach the highest levels in our history?" can be partially found in a close scrutiny of national accounting data.

We have experienced an almost unbelievable business upturn during the past year. In the **third quarter** of 1954 (July through September), Gross National Product was at the rate of $358 billion, approximately 2½% below where it was in the same quarter of 1953. A year ago, most forecasters, myself included, were predicting an upturn, but a rise of eight to 12 billion dollars in Gross National Product by the middle of 1955 instead of the $34 billion increase that actually occurred.

A review of our data enables us to be rather precise in accounting for the 10% increase that has occurred. The businessmen of our country have moved ahead with confidence, and this confidence has been largely responsible for the rapid upsurge in our total production. Increased expenditures by businesses have accounted for nearly 50% of the rise in total spending. We have added to our capacity to produce by purchasing large quantities of electronic and other durable producers' equipment and by constructing new commercial and industrial plants. Expenditures for these purposes are over 8% above last year's. These are highly significant dollars because they put additional men to work and, thus, have a multiplying effect upon total spending. They replace obsolete equipment and add to our capital formation and increase our capacity to produce goods and services that raise our living standards.

In addition to the expenditures on commercial and industrial plants and equipment, business inventories have been accumulating at a much faster rate than a year ago. In fact, during the third quarter of 1954, inventories were being **pulled down** at an annual rate of about $5 billion while, currently, they are being accumulated at an annual rate of around $3 billion. Of course, sales have also increased, but the significant point for us to keep in mind is that when inventories increase, businesses are producing more than they are selling and, thus, funds are being pumped into the income stream faster than consumers spend. The accumulation of inventories necessitates an increase in production and, thus, is also bolstering to income and employment.

Another area of investment that has been so very active over the past year is that of residential construction. This is the area with which mortgage bankers are so familiar and the one in which you are particularly concerned. I do not know exactly how many new homes have been constructed during the past year but the Department of Commerce estimates that the dollar expenditures on new homes and improvements for the third quarter of this year were about $2 billion over the $14 billion level for the comparable period of 1954. There were ups and downs in the value of building permits, but the record shows that, except for the third quarter of this year, we have had an increase in investments in residential construction every quarter since the fourth quarter of 1953. This steady rise in residential building which amounts to approximately 26% of total business investments has had a bolstering effect upon the economy inasmuch as it has been a constant source of expanding employment and income. In recent weeks, there has been a downturn in residential building activity, but, for the year as a whole, housing starts will be in the neighborhood of 1.2 to 1.3 million.

Funds spent on all of these investments, i.e., the building up of inventories, the expansion of plant and equipment and residential construction, become explosive as soon as they are paid out to individuals in the form of wages and salaries and other forms of personal income. When they become personal income, the portion left over after taxes is either spent on consumer's goods or is saved. Our data show that during the last year, we have learned to spend a little larger share of our disposable income and to save a little less. As a result, approximately 94% of disposable income was being spent on consumer goods and services during the last quarter compared with about 92½% during the same period in 1954. The increase in investments has resulted in higher incomes and employment and, since we saved during the past year a little less of our income, the demand for consumer goods and services increased at a phenomenal rate. During the past year, consumer spending has increased more than $1 billion each month. It has risen from a rate of $237 billion during the third quarter of 1954 to more than $256 billion during the same period of this year. Spending on durable goods, primarily automobiles, has increased the most but both non-durables and services are close behind.

Although government spending remains at a respectable level, we cannot trace the upsurge in business activity during the past year to this particular source. Federal Government spending actually declined a little more than $3 billion over the year, but this was offset by an increase of approximately $2 billion in state and local expenditures so the net effect of government spending on the course of business activity has been slightly depressing rather than bolstering.

Private Enterprise Responsible for Current Business Activity

We can conclude from what has been said that it has been the private sector of our economy that has been primarily responsible for the major upturn in business activity that has occurred over the past year. Except for the Korean War scare which stimulated spending in 1950, this is the first year since 1947 that we have experienced an upturn in Gross National Product without a sizable increase in government spending. The peoples' willingness to spend their income has been encouraging to business and, this, in turn, has been an incentive for business to increase its capacity to produce. Whether or not demand can be sustained at the current high levels will depend upon the answers to the second question: "Are the factors responsible for the current business picture strong enough to allow for a continued growth in the months immediately ahead?"

Answers to this question are not simple but an important determining factor is the level of personal income that we will be able to maintain. Since total personal income is largely dependent upon the amount of employment, the number of hours worked, and the wages and salaries paid, it might be worthwhile to examine the trends found in these indicators.

During the past year, total employment increased about three million persons from 62.1 million to 65 million. If it is assumed that the average income of these new employees was anything near the average income of current workers, the additional total personal income resulting from the increase in employment amounted to more than $8 billion. Such an increase in total employment was possible because of two factors: an increase in the number of people in the labor force and the high level of unemployment we had last year.

In the months ahead, the next six to nine months, it is not likely that unemployment will be pulled down much below the current 2.4 million. As a consequence, any increase in income resulting from more workers will have to come almost exclusively from an increase in the size of the working force. Here, the prospects are not great, but a slight increase might be anticipated. Except for this slight increase in the number of workers, a rising level of total personal income will have to come from working more hours or from receiving higher pay. Almost all industries have increased the number of hours they are working over a year ago. In September, 1954, the average worker in manufacturing put in about 39.7 hours per week compared with 40.8 hours this year. I believe the rest of 1955 and the first few months of 1956 will see a continued increase in the number of hours worked because there remains a shortage of workers. Thus, income from wages will rise because of the increase in the hours worked and also because employers are going to be bidding against one another for the relatively scarce supply of workers.

Look for Slightly Higher Consumer Prices

In the next few months, wages are apt to continue to rise and this, along with the increases we have already had in industrial prices, will eventually be reflected in slightly higher consumer prices. In my own mind, it is doubtful, however, that total income will increase at a rate quite as fast as it has in the recent past. We simply do not have large numbers of workers looking for jobs. The important point is that income is apt to continue to increase and, as long as people feel secure in their jobs, we can expect further increases in spending. Further increases in spending will give added confidence to the businessman. He will have further incentives for increasing his productive capacity which, in turn, will have again a multiplying effect upon income.

If incomes continue to climb in the months just thead, what will be the effect upon broad areas of spending? We might look at durable goods, particularly houses and automobiles, non-durables and services.

This group, probably more than any other, is familiar with what has been happening to housing. According to the statistics I have studied, we will have constructed by year-end approximately 10 million homes in this country since the end of World War II. This year, new housing starts will approximate 1.2 to 1.3 million units and now the big question is, "Have we overbuilt and, thus, must we expect a downturn in home building?" In my own mind, the answer is quite clear. It is a resounding "no."

Many of our analysts point to the relatively low number of families that are currently being formed as the reason why we should anticipate a declining housing market. Such analysts are looking at only part of the picture. The replacement of houses lost by fire, flood, wind, earthquake and other disasters as well as the replacement of substandard homes plus additions and alterations call for a total demand for houses well in excess of the current rate of family formation. The Twentieth Century Fund's study of America's Needs and Resources estimates that more than 15 million new dwelling units will be needed during the fifties. Perhaps this study is a little high in the estimate, but we have a lot of evidence to substantiate the conclusion that we can absorb at least 1.2 million homes annually for the remainder of this decade.

We do not have time to explore the many reasons why we can expect a housing market as large as I have indicated but if we build many units below this number in 1956, we will be performing a disservice to the American people. It is true we need to control inflation, but I sincerely question that holding back on housing is the most appropriate way for us to achieve our objective.

The automobile is another important area of consumer spending that will call for close watching in 1956. The automobile industry did produce and push on the market many more cars in 1955 than most of us believed possible a year ago. However, the new models that have appeared reveal few significant changes from this year, and it is possible the "improvements" will not be great enough to maintain an equivalent high level of sales. The next six to nine months are very apt to see automobile inventories climbing and the dealers asking for still easier credit. A decline as much as 10% to 15% from the 7,500,000 car sales of this year would still leave us with a sizable volume of sales.

The demand for other consumer durables will reflect the continued change in incomes. The higher incomes predicted will encourage families to take on still another monthly payment and the result is likely to be additional purchases of furniture and household appliances.

Christmas sales lie just ahead, and we can expect an extremely strong demand through the end of the year. After that, the sale of consumer durables is likely to fall to around the level they were during the first quarter of 1955.

The sales of consumer non-durables and services have climbed rapidly during the current year and are very apt to continue well into 1956. The demand for more gasoline, more expensive foods, as well as greater quantities because of our growing population, additional tourist facilities, more clothes, more public utility services, and more liquor will all be the consequence of a total higher personal income being distributed to more people.

On balance, consumers will be spending a little more on their own needs during the months ahead than they did in the comparable period of last year. Automobile sales are likely to be down but this will be offset by increased sales in other areas.

Will the Expansion End?

During the past year, business has expanded its capacity to produce, and the big question now is whether or not the expansive phase is about to come to an end. By and large, there are three conditions that determine whether or not business is apt to increase its investments in plant and equipment and, thus, increase its productive capacity. These are: technological changes, the rate of current consumption, and the psychological outlook of the businessman. Technological changes are coming very fast and since most firms have their eyes on future markets, investments in new equipment are aimed at more than the mere replacement of present capacity. Also, the shortage of workers and the increase in wage rates are forcing firms to turn to automation and other technological improvements.

Current consumption of finished goods is at the highest rate in our history. We have seen that incomes are apt to continue to rise and, thus, firms see the need for still greater capacity.

In my opinion, the psychology of the businessman has never been more optimistic than it is at present. Businesses all over the country have been studying our long-run trends, and they are encouraged by what they see. Short-run factors are less important because of the optimistic long-run outlook.

These conditions add up to further expansion in plant and equipment expenditures. Although the Department of Commerce and the Securities and Exchange Commission have not published their Fall Report of what businesses expect to spend on plant and equipment in 1956, the evidence from the McGraw-Hill studies seems to point to still higher levels than have been enjoyed in recent months. Some of our individual large concerns have already made announcements concerning what they plan to do in '56. Ford, for example, claims it will spend one-half billion dollars next year on various plants and equipment. All told, I look for such expenditures to rise steadily up through at least the first six months of next year.

We have already noticed how production has been exceeding consumption at the annual rate of over $3 billion. A survey of inventory plans made by "Fortune" magazine indicates that sales next year will rise faster than inventories. Although the inventory to sales ratio is not as high as it was in 1953 when firms last started to reduce their stocks, it is sufficiently high to discourage any further rapid increase. A further increase in stocks might be anticipated for a few additional months but it is difficult to believe such a condition will be maintained for all of 1956. A decline in spending to build up inventories would just about offset any additional expenditures that might be expected by business to expand its plant and equipment.

There seems to be no significant change scheduled in government spending in the months just ahead. An increase in defense expenditures with the Russians smiling as sweetly as they are at present would be difficult while any increase in other Federal expenditures is not likely to occur in an election year. I expect that state and local expenditures will follow the pattern they have since the end of World War II . . . that is, an increase of about $2 billion.

On balance then, it is the optimism of the consumer which is demonstrated by his willingness to spend a relatively large share of a rising income that will be the chief factor in determining the level of business over the next few months. I believe it is possible that the first half of 1956 will look something like 1953. That is, spending from all sources will increase at a decreasing rate and then as the election nears, uncertainties will take over, and it becomes practically impossible to penetrate the confusion that awaits us in mid-1956.

Should the bolstering forces of our economy be somewhat weaker than I have painted, there are steps that the government can take in order to prevent a signifi-

Continued on page 36

Continued from page 35

National Economic Picture

cant downturn prior to the election. Due to credit restraints, housing starts have already fallen below the figure of a year ago. If they continue to drop the Federal Reserve will do much more to ease credit than to buy a few Treasury bills on the open market. We know that housing can be stimulated through the use of credit controls and if unemployment turns up noticeably, there will be a strong howl for more funds for this purpose from a larger portion of our economy than lending agencies and construction companies.

Other tools that are available to maintain growth are: the reduction of taxes, both personal and business, the improvement of farm income, the liberalization of social security, the encouragement of investments, and the increase in expenditures for hospitals, highways, schools, etc. Our economy is healthy and growing rapidly, perhaps too quickly. More inflation in 1956 is a real possibility.

What of the Next Decade?

There will be those among you who will think I am overly optimistic about our short-run outlook. If this is so, then please listen to my answer to question number 3, "What is the outlook for business activity over the next 10 to 15 years?"

In the recent past, it has been my good fortune to have participated in a major industry sponsored study that has enabled me to project the American economy up through 1970. It is impossible to reveal in any great detail at this meeting all of the steps taken to arrive at our conclusions. However, I can reveal the six major economic variables that were taken into account. These were the anticipated change in our population, the expected size of the labor force, the degree of unemployment that might be experienced, the expected level of employment, the increase in productivity and the expected decline in the average work week.

An attempt was made to employ conservatism throughout the analysis, but even then, the results pointed clearly to a long-term upward trend in business activity. Assuming our international situation will remain somewhat static and that defense expenditures will not change significantly either up or down and that we will not have, each year, the extremely low level of employment that exists today, we can look forward to a Gross National Product in the neighborhood of $425 billion by 1960, $500 billion by 1965, and $630 billion by 1970.

Such estimates of the future level of business represent an opportunity for free enterprise to show what it can accomplish. These estimates are based upon the assumption that we will continue to have fluctuations but that we will not allow unemployment to reach the high levels it did during the thirties. Our labor force will be approximately 80 to 82 million persons by 1970. The real challenge to business is to find 15 to 17 million additional jobs within the next 15 years. If this can be done, it will mean we will raise the living standard of every family unit in the United States by something like $2,500 to $3,000.

If our markets are increased by as much as is indicated, there will have to be a tremendous expansion in the use of credit and mortgage bankers will come in for their share of the increase as they furnish the purchasing power that will be necessary to supply satisfactory housing to the 56 million households we will have by 1965. If the trends that are working in the economy continue, we might well anticipate a level of total mortgage debit in excess of $200 billion within the next 10 years. Such a figure is only an estimate made to emphasize the direction our economy will have to continue to go if free enterprise is to continue to demonstrate its superiority over any other system.

In concluding my remarks, I would like to summarize what has been said. Although our economy is currently operating at high levels, I see no important reason why the short-run forces at work should not continue in the same direction over the next six to nine months. Because prices have started to move up in a period when we are short of labor as well as other resources, inflation remains our immediate danger. The longer-run forces are pushing us toward a standard of living inconceivable to most of us. Within 10 to 15 years, the family without two cars will be hard to find, swimming pools will be much more commonplace than they are today, and research will have placed many new products on the market. Ultrasonic means to wash clothes, television tape recorders, electronic music synthesizers and panel control lighting will all be common terms in many of the more "modern" homes of tomorrow.

We possess the knowhow for our free enterprise economy to achieve the living standards that have been indicated. Businessmen like you will be called upon to prove your confidence in our system. It is within our power to continue to raise our living standards through free private enterprise. However, if we fail to furnish the necessary employment and income for the 15 to 17 million more workers who will be entering our labor force, we will find ourselves ever more dependent upon the Federal Government for the continuance of prosperity and, eventually, the true meaning of individual economic freedom will disappear from our political vocabulary.

Continued from page 4

The State of Trade and Industry

Higher prices are the most direct way to get it. With consumers grasping for every pound of steel they can get, this is as good a time as any to revise the price structure. Besides, steel production costs have been rising and scrap is just one example.

In the automotive industry the 8,500,000th car or truck built since Jan. 1 was scheduled to roll off some United States assembly line late Saturday as the week's programming fell just 6,000 units short of the all-time weekly high of 216,629 units posted in the period April 25 to 30, "Ward's Automotive Reports" stated on Friday, last.

Estimating 182,670 cars (just 1,600 units short of the April 25-30 record) and 28,295 trucks were expected to be produced last week, "Ward's" noted that the industry is ranging well ahead of any full year car output in automotive history.

Some 7,341,942 cars were scheduled to be built this year by the close of last week. This is a strong 10% better than the 6,674,933 turned out in the previous peak year of 1950.

Ford, Chevrolet and Plymouth, with schedules nudging their best all-time or postwar yields, accounted for a large 55% of the week's program, "Ward's" said.

Corporation-wise, General Motors took the lion's share of 50.6%, Ford 27.4%; Chrysler, 17.8%; and the remaining producers, 4.2%. Overtime was prominent throughout the industry with Ford Division, Chevrolet, Plymouth, DeSoto and Buick booking "extra" day operations, the statistical agency reported.

The stepped up pace came in the wake of the holiday-crimped turnout of the week before (151,799 cars and 22,144 trucks) which represented the lowest level reached since the week ended Oct. 22.

All indications are that the industry will continue to produce at a record pace at least until the Yuletime recess snags activity, "Ward's" revealed. Some 849,000 units are on tap for December compared with the 863,800 units turned out in the month just ended. Continuance of the current tempo will assure 8,000,000 cars and 1,255,000 trucks for 1955. The former figure surpasses any two years combined prior to 1948.

Consumer instalment buying in October pushed to another new high but the monthly increase was the smallest since February, the Federal Reserve Board reported.

It said consumer instalment credit outstanding rose $264,000,000 during October. This was about half the average monthly increase over the past seven months.

In September, the jump was $544,000,000; August $679,000,000; July $562,000,000; June $765,000,000; March $466,000,000; and February, $72,000,000.

October's rise, however, easily surpassed increases registered in the like month of the past two years. The Board said instalment credit rose only $17,000,000 in October of last year and $185,000,000 in October, 1953.

At the end of October, the Board noted, total consumer credit outstanding amounted to nearly $27,000,000,000. This was slightly more than $5,000,000,000 higher than at the end of the like month of last year.

October was the ninth straight month consumer instalment credit has pushed to a new record level. As has been the case in previous months, auto credit once again was the major force in the climb.

Steel Output Scheduled to Rise to 98.8% of Capacity This Week

Steel producers set a new weekly record of 2,413,278 net tons of ingots and castings, while operating at 100% of capacity in the week ended Dec. 4, "Steel" magazine reported. Operations have been at 99% for the last three weeks, it noted.

The publication said that judging from the way customers are lining up business, 1956 may also be a year of capacity operations. Right now, it added, producers will have one to two-months of carry-over business in 1956, depending on product and producer.

Order plans for freight cars for the remainder of 1955 total 87,500 cars or more than double this year's expected output of 37,500 units. Oil well drillers are attempting to line up midsummer steel requirements and the backlog of orders by structural steel fabricators by Dec. 31 will be 1,800,000 tons or 50% above the level of Dec. 31, 1954. New business bookings this year will reach 3,400,000 tons, the highest since 1929, "Steel" pointed out.

Costs continue to push up prices and the latest to announce price changes included Connors Steel Division of H. K. Porter Company Inc., Lukens Steel Co. and U. S. Steel Corp.'s American Steel & Wire Division, Columbia-Geneva Steel Division and Tennessee Coal & Iron Division.

Unaffected by these price rises, "Steel's" arithmetical price composite holds at $128.14. Its composite on scrap rose to $47 a gross ton, a 67-cent rise over the preceding week.

Turning to new construction, "Steel" magazine observed that a record $44,000,000,000 will be poured into new construction next year and will bring the postwar total to more than $320,000,000,000. This will mark the tenth consecutive year of record building.

The 1956 figure will be 5% above this year's record of $42,000,000,000 and double the amount spent in 1948.

The publication said high construction activity and good business go hand in hand, with any major economic downturn unlikely while building activity is up. "Steel" pointed out that one reason why readjustment in 1954 was so mild was the continuing improvement in construction.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 98.8% of capacity for the week beginning Dec. 5, 1955, equivalent to 2,384,000 tons of ingot and steel for castings as compared with 97.6% of capacity and 2,356,000 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 99.6% and production 2,404,000 tons. A year ago the actual weekly production was placed at 1,958,000 tons or 82.17%. 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 Surpasses Previous All-Time High Record Scored in the Week Ended Nov. 19th

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 3, 1955, was estimated at 11,359,000,000 kwh., a new high all-time record for the industry. The previous all-time high record was established in the week ended Nov. 19, 1955, when 11,149,000,000 kwh. were produced, according to the Edison Electric Institute.

This week's output increased 632,000,000 kwh. above that of the previous week, when the actual output stood at 10,727,000,000 kwh; it increased 1,747,000,000 kwh. or 18.2% above the comparable 1954 week and 2,777,000,000 kwh. over the like week in 1953.

Car Loadings Decline 12.3% in Thanksgiving Day Week

Loadings of revenue freight for the week ended Nov. 26, 1955, decreased 94,963 cars or 12.3% below the preceding week, due to the Thanksgiving Day holiday, the Association of American Railroads reports.

Loadings for the week ended Nov. 26, 1955, totaled 676,685 cars, an increase of 93,165 cars, or 16% above the corresponding 1954 week, and an increase of 80,455 cars, or 13.5% above the corresponding week in 1953.

U. S. Automotive Output Set to Hold to Record Pace Until the Christmas Recess

Output in the automotive industry for the latest week ended Dec. 2, 1955, according to "Ward's Automotive Reports," rose last week to just 1,600 units short of the April 25-30th record and the industry is ranging well ahead of any full year car output in automotive history.

Last week the industry assembled an estimated 182,670 cars, compared with 151,799 (revised) in the previous week. The past week's production total of cars and trucks amounted to 210,965 units, or an increase of 37,022 units above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 30,871 cars, and truck output by 6,151 vehicles during the week. In the corresponding week last year 144,983 cars and 21,720 trucks were assembled.

Last week the agency reported there were 28,295 trucks made in the United States. This compared with 22,144 in the previous week and 21,720 a year ago.

Canadian output last week was placed at 6,435 cars and 751 trucks. In the previous week Dominion plants built 6,327 cars and 819 trucks, and for the comparable 1954 week, 3,807 cars and 667 trucks.

Business Failures Move Mildly Higher

Commercial and industrial failures edged up to 209 in the week ended Dec. 1 from 205 in the preceding week, according to Dun & Bradstreet, Inc. While the toll was below a year ago when 221 occurred, it was slightly above the 202 in 1953. Failures remained 21% below the 264 in the similar week of 1939.

Failures with liabilities of $5,000 or more dipped to 171 from 174 in the previous week and 190 last year. All of the week's upturn occurred among small failures with liabilities under $5,000. They rose to 38 from 31 both last week and a year ago. Liabilities exceeded $100,000 in 14 of the failing businesses as compared with 19 in the preceding week.

Retailers had 105 failures as against 100, while the toll among wholesalers climbed to 25 from 17, and among construction contractors to 31 from 30. In contrast, declines brought the manufacturing toll down to 36 from 43 and commercial service to 12 from 15. More wholesale and construction concerns failed than last year; the three other lines were below the 1954 level, with the largest decline among manufacturers.

Geographically, failures increased in five of the nine regions. The toll in the Middle Atlantic States edged up to 80 from 78 and in the Pacific States rose to 62 from 52. Failures declined during the week in four regions, including the East North Central and South Atlantic States. More businesses failed than last year in four regions, while five were below 1954. A marked rise from a year ago appeared in the Middle Atlantic States, in contrast to a considerable decline in the Pacific States.

Canadian failures rose to 32 from 14 in the preceding week and compared with 31 in the corresponding week of 1954.

Wholesale Food Price Index Strikes Five-Year Low

Drifting downward for the second straight week, the Dun & Bradstreet wholesale food price index slipped to the lowest level since June 20, 1950, just before the start of the Korean war. The Nov. 29 index dropped to $5.99 from $6.02 in the previous week and was off 12.6% from the year-ago figure of $6.85.

Higher in wholesale cost last week were wheat, corn, hams, coffee, steers and hogs. On the decline were flour, rye, oats, bellies, lard, eggs, cottonseed oil, potatoes 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 Holds to Narrow Range of Preceding 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 275.87 on Nov. 29, compared with 274.69 a week previously and 278.11 on the like date last year.

With the exception of corn, grain prices were generally lower the past week. Leading grain markets reported moderate trading activity. Although corn prices rose somewhat, buying interest was maintained at a steady level.

Grain buying in general was somewhat stimulated during the week by reports of an Administration plan to take about 25,000,000 acres of grain land out of cultivation, government payments to compensate the farmers for the reduction in acreage.

Wheat prices fell slightly as a result of the relatively poor export business and slow buying generally. Wheat supplies diminished last week by 1,239,000 bushels reducing the existing supply to 403,500,000 bushels, according to the Board of Trade. Trading was fairly active in the soybean market, despite an absence of renewed export buying and the slow demand from processors. Soybean supplies decreased by 376,000 bushels and the total supply now stands at 20,171,000 bushels.

Flour prices declined moderately a week ago and buying interest was somewhat below that of the previous week. Falling wheat prices prompted buyers to delay their flour purchasing; buyers anticipate a subsequent fall in flour prices. Some buyers thought that farmers have been holding back their wheat offerings for tax reasons and will sell more freely in 1956.

There was a slight rise in the wholesale coffee prices last week. Sellers limited their offerings as they anticipated an improvement in Brazil prices.

At the end of the week Brazil coffee prices rose moderately, as a result of increased political tension within the country and further export registration restrictions. Shipments of coffee from Brazil for the week ended Nov. 26 were higher than those of the previous week. The total was 304,000 bags as against 292,000 of the prior week. Of last week's total the United States received 178,000 bags, Europe 120,000, and all other destinations 6,000 Cocoa trading was moderately active and prices advanced slightly. At the end of the week United States importers purchased 4,500 bags of Brazilian cocoa for December-January shipment.

Cotton prices dropped slightly the past week and there was a moderate decrease in buying interest.

The price level was somewhat below that of the comparable 1954 date.

There were indications that the United States Department of Agriculture may recommend a soil bank plan whereby cotton farmers will be paid to take part of their land out of cultivation. This would check the cotton supply and prices would be less apt to fluctuate so widely. Exports for the season up to Nov. 24 were placed at 504,991 bales, as compared with 1,091,425 in the same period last season.

Trade Volume Last Week Lifted By Christmas Sales Coupled With Colder Weather

Traditional Christmas sales promotions and low temperatures stimulated retail buying the past week, as consumers began full-scale holiday shopping. The total dollar volume was slightly above that of the previous week and moderately exceeded the level of the similar 1954 week.

Automobile sales rose considerably with gains reported in both new and used cars.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels by the following percentages: New England +3 to +7; East 0 to +4; South +2 to +6; Middle West +5 to +9; Northwest and Southwest +4 to +8 and Pacific Coast +1 to +5%.

Considerable gains were scored in home furnishing lines last week. Furniture retailers reported increased sales in modern dining room sets, upholstered living room chairs and occasional end tables. Volume in draperies and floor coverings expanded somewhat, while sales in china and glassware surged upward.

Refrigerators and automatic laundry equipment were the best-selling major appliances.

Shoppers stepped-up their purchases in apparel a week ago, and the total volume was slightly above the level of the similar week last year. Department stores reported increased turnover in women's scarfs, gloves, handbags and jewelry. Volume in cloth coats and Winter suits expanded, while fur coat sales dropped noticeably. Men shoppers sought overcoats, raincoats and heavy suits.

Food sales rose appreciably, with noticeable gains in poultry, candy and canned goods. Housewives were interested in fresh fruits and vegetables and volume in frozen foods expanded some what.

Fresh meat turnover was considerably lower than that of the corresponding period a year ago.

The dollar volume of wholesale orders expanded moderately last week. Wholesalers reported increased turnover in Christmas-gift items and Spring apparel. Total volume was slightly above that of the comparable week last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 26, 1955, increased 10% above that of the like period of last year. In the preceding week, Nov. 19, 1955, an increase of 6% was reported. For the four weeks ended Nov. 26, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to Nov. 26, 1955, a gain of 8% was registered above that of 1954.

Retail sales volume in New York City the past week rose mildly to about 2% above the comparable period a year ago. In the week preceding the gain amounted to 1% above the 1954 volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 26, 1955, advanced 5% above that of the like period of last year. In the preceding week, Nov. 19, 1955, a decrease of 6% was recorded. For the four weeks ending Nov. 26, 1955, no change occurred. For the period Jan. 1, 1955 to Nov. 26, 1955, the index recorded a rise of 2% from that of the corresponding period of 1954.

Continued from page 6

Meeting the New Phase Of the Cold War

ties of the corporations which employ their membership.

Because the people supply both the capital and receive the benefit of our increased productivity, what has evolved in America today is truly a "People's Capitalism." The Advertising Council coined that phrase, and I like it. The United States Information Agency has adopted it as a meaningful way of describing our system abroad, and has asked the Advertising Council to produce an exhibit called "People's Capitalism" for display at trade fairs around the world. That exhibit is presently building and will be set up at Union Station in Washington early in February, so many of us may see it before it begins its tour abroad.

The term "People's Capitalism" has the virtue of reclaiming for America's aggressive use words which significantly characterize the very life blood of our whole system. In 1787 it was, "We the people," who did ordain and establish our Constitution. There is scarcely a citizen who does not feel himself strongly bound to Lincoln's "of the people, by the people, and for the people," and those words now describe not only our Government but our economic system as well.

We need not and should not be foolishly apologetic for the fact that what we have in this country is capitalism. We should not try to disguise it by calling it something it is not. Instead of the term capitalism becoming a weapon to be used against us it should become a proud description of what our system in fact now is, namely a new "People's Capitalism" which serves our nation in a way no other system has ever approached.

Actually it produces the most for the many. In America today it has not developed as Marx predicted. Far from the poor becoming poorer and the rich becoming richer, ever-increasing benefits have come to the great mass of our citizens. Contrast this with the wretched socialism of the Soviet, concealing behind its curtains and its barbed wire its low living standards, slave labor and cruel restrictions on personal freedom.

There is no doubt that we are in a conflict, continuing and cold. Indeed there was little to indicate that the conferences just held this year at Geneva would do much to assuage this conflict. We can claim "E" for wholehearted effort, but what these conferences made painfully clear is the need to press relentlessly the logic and justice of our own cause. Moreover our military and economic assistance programs must be continued. We can no more abandon the support of our freedom-loving friends than we can abandon our airfields, our bases abroad, or reduce our Armed Forces.

Conflict Between Military Demands and Demands for Tax Reduction

While we seek resolutely for formulae for peace, we still are confronted by the need to keep forging ahead in the race for intercontinental missiles, and more modern and powerful atomic weapons. With all the frustrating scurrying for maximum defensive strength, a hard task of budget balancing confronts us. While Geneva's disappointments mean no crash programs of accelerated military preparedness, they reinforce decisions already made to provide for the maximum security of our country against a hatefully expanding Communism. It is not easy to marshall public support for major expenditures of public funds for military security in the face of demands for tax reduction, It is not easy for the farm families of America, for instance, to accept with good grace the harrowing necessity of maintaining mutual security programs of huge proportions. Yet we must not relax those efforts which meet the threat of Communist expansion. Vigilance is no dearer price to pay for our own liberty than it was to those who watched the building of this Republic.

To persuade others to our way of life we have to think for a moment, as we have tonight, of what has happened in America in the last 50 years. When we understand that it is something truly new and dynamic, we can carry that word abroad. There are I think two elements to this persuasion. The people of less-developed nations have two main concerns in determining the direction in which they will go. First, they want to follow the direction they believe to be the winning side. Second, they naturally want to pursue the path which will do the most for them in providing for their own needs, their own culture, and their own happiness.

George Mason of Virginia in the Revolutionary Convention of 1776 stated philosophically what he deemed to be one of the great objectives of the system of government then emerging. That objective was pursuing and obtaining happiness. That thought was adopted only two months later by Jefferson and his Committee in the first section of a great declaration. One of the inalienable rights of all men ought to be, they said, the pursuit of happiness.

In this Christmas season it is not inappropriate to reflect upon the significance of that thought. If it belongs to us as it belonged to them we must believe in that right for others as we believe in it for ourselves. If we do we can fervently hope and willfully strive for the sharing of that right by every man as his universal possession.

The hunger and longing of human beings for sympathy and understanding are emotions common to every man whether he be a citizen of the East or of the West. These sentiments are not expressed simply in terms of money, or in rates of interest, or in the cold terms of conventions. If we will dedicate our efforts to the understanding of Eastern peoples that Americans have a warm heart, as well as a willing hand, and hold a firm interest in their welfare as human beings, we shall move toward a far better appreciation of our purposes as a people. The world of peace for which we strive will only be won by their confidence in us as well as our confidence in them. In that spirit we can hope for a better world for us and for all mankind.

Consolidated Edison 3⅜% Bonds Offered

The First Boston Corporation and Halsey, Stuart & Co. Inc., as joint managers of an investment banking syndicate, yesterday (Dec. 7) offered $70,000,000 of Consolidated Edison Co. of New York, Inc. 3⅜% first and refunding mortgage bonds, series K, due Dec. 1, 1985, at 101% and accrued interest, to yield approximately 3.322%. The group won award of the bonds at competitive sale on Dec. 6 on a bid of 100.35%.

Net proceeds from the financing will be applied by the company toward the payment of short-term bank notes (which at Nov. 9, 1955, aggregated $65,000,000) incurred in connection with the interm financing of the company's construction program, and the balance toward the payment for additions to utility plant on and after Oct. 1, 1955.

The new bonds will be redeemable at optional redemption prices ranging from 104% to par, and at special redemption prices receding from 101% to par, plus accrued interest in each case.

Consolidated Edison Co. of New York, Inc. is a public utility company engaged in the manufacture, generation, purchase and sale of gas, electricity and steam. It supplies electric service in the Boroughs of Manhattan, the Bronx, Brooklyn, Richmond, and Queens excepting the Fifth Ward (Rockaway District) all in the City of New York, and in Westchester County excepting the northeastern portions of that county; gas service in the Boroughs of Manhattan and the Bronx, in the First and Third Wards of the Borough of Queens, and in the more populous parts of Westchester County. It also supplies steam service in a part of the Borough of Manhattan. The company controls, through ownership of all voting stock, Consolidated Telegraph & Electrical Subway Company, which owns a system of underground conduits used principally by the company.

For the 12 months ended Sept. 30, 1955, the company and its subsidiary, showed total operating revenues of $488,543,768 and net income of $51,426,376.

Greenfield, Others Now With Boren & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Roy S. Greenfield, Sidney A. King, F. Philip Klein and Edward E. More have become associated with Boren & Co., 186 North Canon Drive. Mr. Greenfield was formerly Vice-President of Fewel & Co. in charge of their local office. Mr. More was also with Fewel & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 11	§98.8	*97.6	99.6	82.1
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 11	§2,384,000	*2,356,000	2,404,000	1,958,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 25	6,858,800	6,851,109	6,749,500	6,270,100
Crude runs to stills—daily average (bbls.)	Nov. 25	¶7,741,000	7,657,000	7,476,000	6,974,000
Gasoline output (bbls.)	Nov. 25	26,201,000	26,310,000	27,075,000	24,130,000
Kerosene output (bbls.)	Nov. 25	2,396,000	2,351,000	2,050,000	2,513,000
Distillate fuel oil output (bbls.)	Nov. 25	11,844,000	11,948,000	11,250,000	10,888,000
Residual fuel oil output (bbls.)	Nov. 25	8,600,000	8,242,000	7,811,000	7,661,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 25	155,866,000	153,580,000	151,607,000	149,191,000
Kerosene (bbls.) at	Nov. 25	34,315,000	35,144,000	36,436,000	36,244,000
Distillate fuel oil (bbls.) at	Nov. 25	145,374,000	148,661,000	151,566,000	134,916,000
Residual fuel oil (bbls.) at	Nov. 25	45,045,000	45,293,000	46,299,000	55,513,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 26	676,685	771,648	835,396	583,520
Revenue freight received from connections (no. of cars)	Nov. 26	647,964	662,109	699,384	583,048
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 1	$278,795,000	$305,501,000	$394,011,000	$302,762,000
Private construction	Dec. 1	173,248,000	216,313,000	278,458,000	196,088,000
Public construction	Dec. 1	105,547,000	89,188,000	115,553,000	106,674,000
State and municipal	Dec. 1	91,080,000	73,019,000	96,869,000	84,517,000
Federal	Dec. 1	14,467,000	16,169,000	18,684,000	22,157,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 26	9,030,000	*10,460,000	9,990,000	7,432,000
Pennsylvania anthracite (tons)	Nov. 26	456,000	575,000	478,000	500,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 26	146	142	126	133
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 3	‡11,359,000	10,727,000	10,853,000	9,612,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 1	209	205	237	221
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 29	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Nov. 29	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Nov. 29	$47.00	$45.83	$44.50	$32.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 30	42.700c	43.050c	42.700c	29.700c
Export refinery at	Nov. 30	45.375c	44.575c	43.575c	30.650c
Straits tin (New York) at	Nov. 30	100.125c	99.125c	96.250c	90.250c
Lead (New York) at	Nov. 30	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Nov. 30	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Nov. 30	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 6	95.03	94.80	96.28	99.21
Average corporate	Dec. 6	107.44	107.62	107.80	110.70
Aaa	Dec. 6	110.70	110.88	111.25	115.24
Aa	Dec. 6	109.42	109.42	109.79	112.56
A	Dec. 6	107.27	107.62	107.62	110.70
Baa	Dec. 6	102.46	102.63	102.80	105.00
Railroad Group	Dec. 6	105.69	106.04	101.21	109.06
Public Utilities Group	Dec. 6	107.62	107.80	107.98	111.25
Industrials Group	Dec. 6	108.70	108.88	109.06	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 6	2.87	2.89	2.78	2.55
Average corporate	Dec. 6	3.31	3.30	3.29	3.13
Aaa	Dec. 6	3.13	3.12	3.10	2.89
Aa	Dec. 6	3.20	3.20	3.18	3.03
A	Dec. 6	3.32	3.30	3.30	3.13
Baa	Dec. 6	3.60	3.59	3.58	3.45
Railroad Group	Dec. 6	3.41	3.39	3.38	3.22
Public Utilities Group	Dec. 6	3.30	3.29	3.28	3.10
Industrials Group	Dec. 6	3.24	3.23	3.22	3.06
MOODY'S COMMODITY INDEX	Dec. 6	407.3	402.6	398.0	409.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 26	227,809	214,122	284,924	199,444
Production (tons)	Nov. 26	279,120	294,652	288,522	244,798
Percentage of activity	Nov. 26	95	104	102	88
Unfilled orders (tons) at end of period	Nov. 26	542,397	599,443	591,291	343,160
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 2	107.17	106.98	107.15	106.56
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	Nov. 12	1,022,356	1,033,314	1,261,044	1,287,125
Dollar value	Nov. 12	$58,694,698	$56,370,657	$65,732,153	$62,232,710
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 12	807,386	838,716	1,075,018	1,412,954
Customers' short sales	Nov. 12	4,830	7,015	10,181	9,383
Customers' other sales	Nov. 12	802,556	831,701	1,064,837	1,403,571
Dollar value	Nov. 12	$42,246,724	$42,741,072	$57,896,498	$62,265,089
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 12	199,230	213,900	269,790	464,100
Short sales	Nov. 12	------	------	------	------
Other sales	Nov. 12	199,230	213,900	269,790	464,100
Round-lot purchases by dealers—					
Number of shares	Nov. 12	419,490	429,190	479,500	380,050
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	Nov. 12	443,030	408,140	437,120	749,060
Other sales	Nov. 12	9,774,320	9,907,610	11,269,010	15,992,880
Total sales	Nov. 12	10,217,350	10,315,750	12,706,130	16,741,940
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 12	1,117,710	1,253,670	1,930,410	1,892,160
Short sales	Nov. 12	206,980	194,280	226,110	438,110
Other sales	Nov. 12	931,090	1,038,600	1,658,590	1,490,980
Total sales	Nov. 12	1,138,070	1,232,880	1,884,700	1,929,090
Other transactions initiated on the floor—					
Total purchases	Nov. 12	237,600	286,960	454,440	585,120
Short sales	Nov. 12	29,300	22,200	19,700	37,500
Other sales	Nov. 12	267,210	235,570	418,440	492,310
Total sales	Nov. 12	296,510	257,770	438,140	529,810
Other transactions initiated off the floor—					
Total purchases	Nov. 12	504,040	480,840	566,425	680,649
Short sales	Nov. 12	88,800	78,680	67,230	98,170
Other sales	Nov. 12	490,463	500,950	566,294	578,581
Total sales	Nov. 12	579,263	579,630	633,524	676,751
Total round-lot transactions for account of members—					
Total purchases	Nov. 12	1,859,350	2,021,470	2,951,275	3,157,929
Short sales	Nov. 12	325,080	295,160	313,040	573,780
Other sales	Nov. 12	1,688,763	1,775,120	2,643,324	2,561,871
Total sales	Nov. 12	2,013,843	2,070,280	2,956,364	3,135,651
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 29	111.0	111.1	111.3	109.5
Farm products	Nov. 29	83.9	*84.7	85.6	91.8
Processed foods	Nov. 29	98.2	98.4	98.8	103.5
Meats	Nov. 29	72.9	*73.0	77.1	85.0
All commodities other than farm and foods	Nov. 29	119.2	119.2	118.7	114.5

*Revised figure. ¶Includes 860,000 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. ‡All-time high record. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE INC.—Month of October:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	89,462	83,448	67,047
Shipments (tons of 2,000 pounds)	87,748	87,365	90,415
Stocks at end of period (tons)	43,881	42,167	152,137
Unfilled orders at end of period (tons)	61,746	52,278	51,559
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$26,053,663	$24,005,371	$28,337,036
Middle Atlantic	78,531,988	99,334,159	64,117,040
South Atlantic	44,435,779	39,647,694	52,924,571
East Central	102,763,701	117,556,138	94,524,725
South Central	73,156,089	71,424,418	94,261,773
West Central	54,193,249	32,725,277	27,805,803
Mountain	22,864,261	18,099,757	23,832,183
Pacific	85,415,091	74,232,987	77,874,895
Total United States	$487,413,821	$477,025,801	$463,728,026
New York City	44,087,975	58,177,460	30,760,116
Outside New York City	443,325,846	418,848,341	432,967,910
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Sept. (millions of dollars):			
Manufacturing	$44,600	$44,300	$42,900
Wholesale	12,000	11,900	11,700
Retail	23,200	*23,300	22,400
Total	$79,900	$79,600	$77,000
COTTON GINNING (DEPT. OF COMMERCE)—As of Nov. 1 (running bales)	9,552,939	------	9,688,621
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of October	737,056	874,837	706,936
In consuming establishments as of Oct. 29	1,362,267	1,209,252	1,392,963
In public storage as of Oct. 29	14,543,307	11,796,569	12,845,924
Linters—Consumed month of October	157,068	147,263	116,389
Stocks Oct. 29	1,376,111	1,337,832	1,664,762
Cotton spindles active as of Oct. 29	19,302,000	19,243,000	19,286,000
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-49 Average=100—Month of October:			
Sales (average monthly), unadjusted	108	108	103
Sales (average daily), unadjusted	116	111	110
Sales (average daily), seasonally adjusted	118	108	112
Stocks unadjusted	131	123	130
Stocks, seasonally adjusted	117	116	116
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October:			
All manufacturing (production workers)	13,381,000	*13,378,000	12,612,000
Durable goods	7,694,000	7,623,000	7,081,000
Non-durable goods	5,687,000	*5,755,000	5,531,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	108.2	*108.2	102.0
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	160.8	*158.8	139.1
Estimated number of employees in manufacturing industries—			
All manufacturing	16,929,000	*16,916,000	16,007,000
Durable goods	9,725,000	*9,644,000	9,002,000
Non-durable goods	7,204,000	*7,272,000	7,005,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of September (millions of dollars):			
Inventories—			
Durable	$25,127	*$24,768	$23,709
Non-durable	19,519	*19,547	19,199
Total	$44,646	*$44,315	$42,908
Sales	27,396	*27,229	23,008
NEW YORK STOCK EXCHANGE—As of Oct.: 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debt balances	$2,788,843	$2,848,115	$2,130,872
Credit extended to customers	39,775	43,457	35,567
Cash on hand and in banks in U. S.	357,459	370,620	329,750
Total of customers' free credit balances	920,294	976,685	923,796
Market value of listed shares	192,781,695	197,536,241	148,162,510
Market value of listed bonds	106,109,809	104,547,615	109,335,338
Member borrowings on U. S. Govt. issues	126,519	95,588	156,655
Member borrowings on other collateral	2,326,237	2,233,556	1,474,690
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of September (in billions):			
Total personal income	$307.5	*$305.3	$287.9
Wage and salary, receipts, total	212.0	*211.2	195.8
Commodity producing industries	92.1	*91.5	82.8
Distributing industries	56.0	*56.1	52.5
Service industries	28.1	27.9	26.3
Government	35.8	35.7	34.2
Less employees contribution for special insurance	5.3	5.3	4.5
Other labor income	7.0	7.0	6.6
Proprietors and rental income	49.7	*48.8	49.0
Personal interest income and dividends	27.1	*26.7	24.7
Total transfer payments	17.0	*16.9	16.3
Total non-agricultural income	292.6	*290.8	272.1
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Oct. 15:			
All farm products	230	235	242
Crops	224	229	243
Commercial vegetables, fresh	223	230	190
Cotton	278	285	293
Feed, grains and hay	167	174	204
Food grains	220	217	235
Fruit	188	210	220
Oil-bearing crops	227	225	275
Potatoes	130	129	160
Tobacco	443	427	441
Livestock and products	236	240	241
Dairy products	264	257	262
Meat animals	240	250	265
Poultry and eggs	195	202	154
Wool	222	226	293
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Sept. (000's omitted):			
Savings and loan associations	$945,838	$1,059,597	$766,284
Insurance companies	155,324	163,174	163,961
Bank and trust companies	504,788	521,302	383,209
Mutual savings banks	168,473	179,355	141,148
Individuals	291,549	309,642	250,070
Miscellaneous lending institutions	455,621	463,068	417,216
Total	$2,521,593	$2,696,538	$2,121,888

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.
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., 509 Fifth Ave., New York 17, N. Y.

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.

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.

★ Belgian-American Bank & Trust Corp., New York
Nov. 29 filed $20,000 of American Depositary Receipts to be issued against Parts Sociales of Union Miniere du Haut-Katanga, a Societe Congolaise a responsibilite limitee, to be issued at rate of 40 American Depositary Shares for each full Part Sociale.

Big Chief Uranium Co., Pueblo, Colo.
Sept. 20 (letter of notification) 1,500,000 shares of non-assessable common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 441 Thatcher Bldg., Pueblo, Colo. **Underwriter**—Investment Service Co., Denver, Colo.

Big 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 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.

★ Blue Moon Mining Corp., Salem, Ore.
Nov. 25 (letter of notification) 100,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining operations. **Office**—c/o Louis E. Hall (President), 610 Livesley Bldg., Salem, Ore. **Underwriter**—None.

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.

★ Borden Co., New York
Dec. 1 filed 400,000 shares of capital stock (par $15) to be issued under the company's Employees Stock Option Plan.

B-Thrifty, Inc., Miami, Fla.
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business** — Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None.

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**—To be named.

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 first to common stockholders of record Dec. 6 in units of $50 of notes and one share of stock; rights to expire on Dec. 16. **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.

★ Cavitron Corp.
Nov. 23 (letter of notification) 18,035 shares of common stock (par 10 cents). **Price**—$16.50 per share. **Proceeds**—To retire bank loan and loan from directors; to increase inventories; and to reduce accounts payable. **Office**—42-26 28th St., Long Island City, N. Y. **Business**—Manufactures ultrasonic cutting devices. **Underwriter**—Schuster & Co., Inc., New York. **Offering**—Expected today (Dec. 8).

★ Central Illinois Light Co., Peoria, Ill.
Dec. 1 (letter of notification) a maximum of 25,000 shares of common stock (no par) to be offered to employees. **Price** — At 90% of present market value. **Proceeds**—For construction, improvement, or extension of facilities. **Underwriter**—None.

Century Acceptance Corp., Kansas City, Mo.
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of non-assessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

Channel Oil Co., Las Vegas, Nev.
Oct. 18 filed (by amendment) 435,000 shares of $1.20 cumulative preferred stock (callable at $20 per share) and 870,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred stock and two shares of common stock. **Price**—$20.20 per unit. **Proceeds** — For production of production payments. **Underwriters**—First California Co., Inc., San Francisco,

Continued on page 40

NEW ISSUE CALENDAR

December 8 (Thursday)
Missouri Pacific RR.________Equip. Trust Ctfs.
(Bids noon CST) $2,625,000

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
National Old Line Insurance Co. Class A & B Common
(Equitable Securities Corp.) 50,000 shares of each

December 13 (Tuesday)
Cumberland Gas Corp.__________________Common
(Bioren & Co.) 50,000 shares
Delaware Power & Light Co.______________Bonds
(Bids 11:30 a.m. EST) $10,000,000
Delaware Power & Light Co.___________Preferred
(Bids 11:30 a.m. EST) $5,000,000
Illinois Central RR.___________Equip. Trust Ctfs.
(Bids noon CST) $8,700,000
Muzak Corp.________________________Preferred
(Bids noon CST) $500,000
National Propane Corp.______Preferred & Common
(Carl M. Loeb, Rhoades & Co. and Union Securities Corp.)
Pittsburgh Coke & Chemical Co.__________Common
(Hemphill, Noyes & Co.) 160,000 shares
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
Quebec Hydro-Electric Commission___Debentures
(The First Boston Corp. and A. E. Ames & Co. Inc.) $50,000,000

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
LeCuno Oil Corp.______________________Common
(Eastman, Dillon & Co. and First California Co., Inc.) $4,050,000
Old Empire, Inc.______________________Common
(Vickers Brothers) $300,000

Southern Pacific Co.___________Equip. Trust Ctfs.
(Bids noon EST) $9,600,000
Southwestern States Telephone Co._____Common
(Central Republic Co. Inc.) 102,000 shares
Texas Eastern Transmission Corp.______Preferred
(Dillon, Read & Co. Inc.) $20,000,000

December 19 (Monday)
International Metals Corp.______________Common
(Gearhart & Otis, Inc.) $400,000

December 20 (Tuesday)
Georesearch Corp.______________________Common
(Bear, Stearns & Co. and Keith, Reed & Co. Inc.) 400,000 shares

December 28 (Wednesday)
Zapata Petroleum Corp.__________________Common
(G. H. Walker & Co.) 120,000 shares

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

January 31 (Tuesday)
Texas Utilities Co.________________________Common
(Bids to be invited) about $15,000,000

February 15 (Wednesday)
Dallas Power & Light Co.___________________Bonds
(Bids to be invited) $10,000,000

February 28 (Tuesday)
Texas Electric Service Co.___________________Bonds
(Bids to be invited) $10,000,000

Continued from page 39

Calif.; and Blair & Co., Incorporated, New York. **Change of Name**—Formerly Continental Production Corp. (see below). **Offering**—Indefinitely postponed.

Charge Buying Service, Inc.
Oct. 17 (letter of notification) 300,000 shares of class A common stock (par 25 cents) and 60,000 class warrants to be offered in units of five shares of class A stock and one warrant (warrant holders will be entitled to purchase one class A share at 62½ cents per share). **Price**—$2.50 per unit. **Proceeds**—For working capital and to meet current expansion and liquidate notes and liabilities. **Office**—522 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser & Emery, Inc., same city.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of non-voting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

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.

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.

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.

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 Assurance Co., Chicago, Ill.
Nov. 25 (letter of notification) 1,650 shares of capital stock (par $5) to be offered for subscription by employees of this company, of Continental Casualty Co. and of The United States Life Insurance Co. in New York City. **Price**—At the market (estimated at $181.50 per share). **Proceeds**—For general corporate purposes. **Office**—310 So. Michigan Ave., Chicago 4, Ill. **Underwriter**—None.

★ Continental Casualty Co., Chicago, Ill.
Nov. 25 (letter of notification) 2,700 shares of capital stock (par $5), to be offered for subscription by employees of this company, of Continental Assurance Co. and The United States Life Insurance Co. in New York City. **Price** — At the market (estimated at $110 per share). **Proceeds** — For general corporate purposes. **Office**—310 So. Michigan Ave., Chicago 4, Ill. **Underwriter**—None.

Continental Production Corp.
Aug. 29 filed $8,700,000 of 15-year 5½% income debentures due Sept. 1, 1970 and 870,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$50.50 per unit. **Proceeds**—For acquisition of production payments. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., Inc., San Francisco, Calif. **Statement Amended and Name Changed**—See Channel Oil Co. above.

Cook Industries, Inc., Dallas, Texas
Aug. 1 (letter of notification) 199,999 shares of common stock (par $1), of which 107,915 shares are to be sold by company and 92,084 shares by a selling stockholder. **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Central Securities Co., Dallas, Texas.

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.

★ Crown Central Petroleum Corp., Baltimore, Md.
Nov. 29 (letter of notification) an undetermined number of shares of common stock (par $5) to be offered for subscription by employees pursuant to the company's Employees Savings Plan. **Proceeds**—None.

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. (12/13)
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.

● Daitch Crystal Dairies, Inc. (12/15)
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.

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**—To be received up to 11:30 a.m. (EST) 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**—To be received up to 11:30 a.m. (EST) on Dec. 13.

★ Deleon Uranium Co., Fort Collins, Colo.
Nov. 30 (letter of notification) 590,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For mining expenses. **Office**—147 West Oak Street, Fort Collins. Colo. **Underwriter**—None.

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.

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, Conn.
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). **Price**—To be supplied by amendment. **Underwriter**—None.

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.

● Eagle Newspaper Enterprises, Inc.
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. **Offering**—Not Expected until after Jan. 1, 1956.

Eagle Rock Uranium Co., Salt Lake City, Utah
Sept. 19 (letter of notification) 30,000,000 shares of non-assessable common stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—214 East 5th South, Salt Lake City, Utah. **Underwriter**—Valley State Brokerage, Inc., Las Vegas, Nev.

East Basin Oil & Uranium Co.
Oct. 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to drilling for oil and gas. **Office**—Colorado Bldg., Denver, Colo. **Underwriter**—Philip Gordon & Co., Inc., New York.

Edgemont Shopping Center, Inc., Chicago, Ill.
Oct. 14 filed 6,000 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire title to shopping center in Lansing, Mich., from builder of center. **Underwriter**—None, offering to be made through officers of company. Funds are to be held in escrow (if not enough is received, funds will be returned to purchasers of stock).

Electronic Micro-Ledger Accounting Corp.
Sept. 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.

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. Statement effective Nov. 30.

★ Farm & Home Loan & Discount Co., Phoenix, Ariz.
Dec. 1 filed 240,000 shares of class A (voting) common stock (par $25 cents); 214,285 shares of class B (voting) common stock (par 35 cents); and 300,000 shares of class C (non-voting) common stock (par 50 cents). Of these shares, 40,000 are to be offered to officers, directors and employees of the company. Class A, B and C stock will also be issued to policyholders of the Farm & Home Insurance Co. in exchange for the assignment of their insurance dividends. **Price** — At their respective par values. **Proceeds**—For working capital. **Underwriters**—James E. McNelis and John J. Rhodes.

Farmer's Educational and Co-Operative Union of America, Denver, Colo.
Nov. 23 filed $2,300,000 of registered debentures, series A; $500,000 of registered savings debentures, series B; and $1,200,000 of registered savings debentures, series C. **Price**—At par (in units of $100, $125 and $120, respectively). **Proceeds** — To be loaned to or invested in Union subsidiaries; to retire outstanding indebtedness; and to expand the Union's educational activities. **Underwriter**—None. Debentures to be sold by salesmen, dealers and agents, and by officers, directors and employees of the Union, which is often referred to as National Farmers Union.

★ Farmers Union Telephone Co.
Dec. 1 (letter of notification) 24,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For additions and improvements, etc. **Office**—Cross Plains, Wis. **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.

★ Frontier Assurance Co., Phoenix, Ariz.
Dec. 2 (letter of notification) 2,000 shares of class B voting common stock (par $25), to be offered for subscription by holders of class A common stock. **Price**—$36.50 per share. **Proceeds** — For capital and surplus. **Office**—4143 N. 19th Ave., Phoenix, Ariz. **Underwriter**—None.

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.

● Georesearch, Inc. (12/20)
Nov. 25 filed 400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire $400,000 of notes and for general corporate purposes. **Office**—Shreveport and Jena, La. **Underwriters**—Bear, Stearns & Co., New York, and Keith, Reed & Co., Inc., Dallas, Texas.

★ Gera Corp.
Dec. 1 (letter of notification) 478 shares of $6 voting preferred stock to be sold at public sale through Old Colony Trust Co., Boston, Mass. **Price**—At highest price bid. **Proceeds**—To Verney Corp., the selling stockholder. **Office**—1740 Broadway, New York 19, N. Y. **Underwriter**—None.

★ Great Basin Development Co.
Nov. 25 (letter of notification) 1,038,000 shares of common stock. **Price** — At par (five cents per share). **Proceeds** — For development of oil. **Office** — 21 South West Temple St., Salt Lake City, Utah. **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) being offered for subscription by stockholders of record Nov. 4 on a 1-for-3 basis; rights to expire on Dec. 12. **Price**—$29.50 per share. **Proceeds**—To reduce bank loans and for working capital. **Dealer-Manager**—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.

★ Holan (J. H.) Corp., Cleveland, Ohio
Dec. 2 (letter of notification) 150.05 shares of common stock (par $1). **Price**—At market (estimated at about $15 per share). **Proceeds**—To common stockholders in lieu of fractional shares in connection with 5% stock dividend. **Office** — 4100 West 150th St., Cleveland 11, Ohio. **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.

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.

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) being 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. Each five old American shares were first exchanged for four new American shares 1955 pursuant to a plan of reorganization effective Nov. 21. **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.

★ Industrial Plywood Co., Inc.
Nov. 30 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To liquidate loans and for general corporate purposes. **Business**—Purchases and sells plywood and laminated plastics. **Office** — 168 Blanchard St., Newark, N. J. **Underwriters** — Standard Securities Corp. and Weill, Blauner & Co., Inc., both of New York.

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. (12/19-22)
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25) **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable 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.

Kawecki Chemical Co.
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. **Office** — Boyertown, Pa. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Offering**—Expected today (Dec. 8).

Kayser (Julius) & Co., New York
Oct. 24 filed 130,000 shares of common stock (par $5) being 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.

Kendon Electronics Co., Inc.
Oct. 27 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Nicholas J. Papadakos, the selling stockholder. **Office**—129 Pierrepont St., Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

● LeCuno Oil Corp., Jefferson, Texas (12/15)
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.

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 Life Insurance Co. of Georgia
Nov. 29 (letter of notification) 6,800 shares of common stock (par $5). **Price** — $44 per share. **Proceeds** — For working capital. **Office**—408 Marion Bldg., Augusta, Ga. **Underwriter**—Sellers, Doe & Bonham Co., same city.

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.

Manhattan Mercury Corp., Denver, Colo.
Oct. 26 (letter of notification) 1,500,000 shares of common stock (par one cent), of which 1,400,000 shares are for account of company and 100,000 shares for certain stockholders. **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—374 Denver Club Bldg., Denver, Colo. **Underwriters**—General Investing Corp., New York; and Investment Service Co., Denver, Colo.

Mansfield Telephone Co., Mansfield, Ohio
Nov. 4 (letter of notification) 6,000 shares of 5% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To reduce short term indebtedness and for construction program. **Office**—35 Park Avenue East, Mansfield, Ohio. **Underwriter**—None.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif. **Underwriter**—Globe Securities Corp., New York.

Mascot Mines, Inc.
Aug. 1 (letter of notification) 300,000 shares of common stock (par 35 cents). **Price** — 62½ cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ Metro, Inc., Baltimore, Md.
Nov. 30 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To Karl R. Kahn, President of the company. **Office** — 808 E. Fayette St., Baltimore, Md. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

● Mexico Refractories Co., Mexico, Mo.
Oct. 19 filed 57,776 shares of common stock (par $5) being 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 Nov. 17, 1955. Offer is conditioned upon Mexico owning at least 80% of outstanding National stock upon consummation of exchange.

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.
Nov. 9 filed 106,962 shares of common stock (par $2) being offered for subscription by common stockholders of record Nov. 29 on the basis of one new share for each 10 shares held; rights to expire on Dec. 12. **Price**—$20 per share. **Proceeds**—For expansion; purchase of machinery and equipment; and for working capital. **Underwriter**—The First Boston Corp., New York.

★ Milgo Electronic Corp., Miami, Fla.
Nov. 25 (letter of notification) 46,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For general corporate purposes. **Underwriter**—None.

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.

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** — Ackerson-Hackett Investment Co., 701 Continental Bank Bldg., same city.

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. (12/12-16)
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock

Continued on page 42

Continued from page 41

(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.

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 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**—To be received up to 11 a.m. (EST) on Dec. 14 at Room 2315, 195 Broadway, New York, N. Y.

★ **New Orleans Public Service Inc. (1/11)**
Dec. 2 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **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.

● **North Shore Gas Co., Salem, Mass.**
Nov. 10 (letter of notification) 1,289 shares of common stock (par $10) being offered for subscription by minority stockholders at rate of one new share for each five shares held as of Nov. 28; rights to expire on Dec. 19. **Price**—$14 per share. **Proceeds**—To repay advances from New England Electric System, the parent. **Underwriter**—None.

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. (12/15)**
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.

★ **Oro Products, Inc.**
Nov. 23 (letter of notification) 480 shares of 5% noncumulative preferred stock (par $100) and 960 shares of common stock (par $1). **Price**—At par. **Proceeds**—to develop and market a dental tooth stick. **Office**—c/o Aaron W. Lewin, 130 East 59th St., New York 22, N. Y. **Underwriter**—None.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

Pacific International Metals & Uranium, Inc.
Aug. 12 (letter of notification) 12,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—419 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Guss Securities Co., Salt Lake City, Utah.

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.

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.

★ **Pillsbury Mills, Inc., Minneapolis, Minn.**
Nov. 23 (letter of notification) 6,000 shares of common stock (par $25) to be offered to employees pursuant to the company's Stock Purchase Plan. **Price**—At market price on date of purchase by company for employee's account.

Pipelife Corp., Tulsa, Okla.
Nov. 29 filed 115,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To pay current accounts and notes payable; for research and development; and general corporate purposes. **Underwriter** — North American Securities Co., Tulsa, Okla.

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. (12/13)**
Nov. 22 filed 160,000 shares of common stock (no par). **Price**—To be related to the current market at time of offering. **Proceeds** — For general corporate purposes. **Underwriter**—Hemphill, Noyes & Co., New York.

Porto Rico Telephone Co.
Nov. 7 filed 100,000 shares of common stock (par $20), being 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 99,866 of the new shares. **Price**—$21.45 per share to stockholders; $22.75 to public. **Proceeds** — For construction program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Professional Casualty Co., Champaign, Ill.
Nov. 25 filed 250,000 shares of common stock (par $4). **Price**—$10 per share. **Proceeds**—For working capital, etc. **Underwriter**—Professional Casualty Agency Co., Champaign, Ill. John Alan Appleman of Urbana, Ill., is President of the company.

Prudential Loan Corp., Washington, D. C.
Nov. 22 filed 111,000 shares of 44-cent cumulative prior preferred stock (par $5) 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.**
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. **Offering**—Expected any day.

Quebec Hydro-Electric Commission (12/14)
Nov. 25 filed $50,000,000 of 25-year debentures, due Jan. 1, 1981 (to be guaranteed unconditionally as to principal and interest by the Province of Quebec, Canada. **Price**—To be supplied by amendment. **Proceeds**—To repay $8,000,000 in bank advances and to finance, in part, construction program for the period September, 1955 through the year 1962. **Underwriters**—The First Boston Corp. and A. E. Ames & Co. Inc., both of 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.

Reynolds Mining & Development Corp.
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. **Office** — Moab, Utah. **Underwriter**—The Matthew Corp. of Washington, D. C.

● **Richmond Homes, Inc.**
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. **Offering**—Expected any day.

Rochester Gas & Electric Corp.
Nov. 4 filed 200,000 shares of common stock (no par) being 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**—$40.50 per share. **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 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.
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.

★ **Scott Paper Co., Chester, Pa.**
Dec. 7 filed 10,400 memberships in the company's Employees' Stock Purchase Plan for 1956, together with 48,262 shares of common sock (no par) which may be purchased and distributed under the plan.

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.

● **Southwestern States Telephone Co. (12/15)**
Nov. 30 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To finance, in part, construction program. **Office** — San Francisco, Calif. **Underwriter** — Central Republic Co., Inc., Chicago, Ill.

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.

★ Spiegel, Inc., Chicago, Ill.
Nov. 30 filed 60,500 shares of common stock, issuable under company's Restricted Stock Option Plan for officers and key executives.

Spurr Mining Corp.
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

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.

★ Sunset Uranium Corp., Boise, Idaho
Nov. 30 (letter of notification) 200,000 shares of common stock. **Price**—At 25 cents per share. **Proceeds**—For mining expenses. **Office** — 307 Myrtle St., Boise, Idaho, **Underwriter**—None.

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.

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.

★ Telephone Utilities, Inc., Ilwaco, Wash.
Dec. 1 (letter of notification) 5,000 shares of class B non-voting common stock (par $10) and 10,000 shares of 6% cumulative preferred stock (par $25). **Price**—At par. **Proceeds** — For purchase of common stock of Island Empire Telephone & Telegraph Co. and to acquire stock of additional telephone companies. **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.

★ Texas Canyon Oil Co., Austin, Texas
Nov. 25 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—906 Capital National Bank Bldg., Austin, Tex. **Underwriter**—None.

● Texas Eastern Transmission Corp. (12/15)
Nov. 30 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Toward redemption of presently outstanding 190,000 shares of 5.50% first preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Thatcher Glass Manufacturing Co., Inc.
Dec. 1 (letter of notification) 1,000 shares of common stock (par $5) to be offered to employees. **Price**—At market. **Proceeds**—None, shares having been purchased by company at $16.25 per share. **Underwriter**—None.

● 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 Sand & Supply Corp., Painesville, Ohio
Dec. 2 (letter of notification) 6,418 shares of 5% cumulative convertible preferred stock. **Price**—At par ($20 per share). **Proceeds** — For working capital. **Office** — 51 Johnnycake Ridge Road, Painesville, O. **Underwriter**—None.

● U. S. Automatic Machinery & Chemical Corp.
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. **Offering**—Expected before Jan. 1, 1956.

★ United States Life Insurance Co. of New York
Nov. 28 (letter of notification) not exceeding 615 shares of capital stock (par $4) to be offered to employees of this company, of Continental Assurance Co. and of Continental Casualty Co. **Price**—At market (estimated at about $162.50 per share). **Proceeds**—To Continental Assurance Co., owner of the shares to be offered. **Office**—84 William St., New York. 38, N. Y. **Underwriter**—None.

Universal Service Corp., Inc., Houston, Texas
July 8 filed 500,000 shares of common stock (par two mills). **Price**—$2.50 per share. **Proceeds**—For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter** — None. **Offering** — Postponed.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

Utah Grank, Inc., Reno, Nev.
Aug. 15 (letter of notification) 270,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—312 Byington Bldg., Reno, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

● Varian Associates, Palo Alto, Calif.
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. **Offering**—Expected today (Dec. 8).

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 and Honolulu, Hawaii.

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 Natural Gas Co.
Nov. 10 filed 183,003 shares of 5% convertible preferred stock, 1955 series (par $30), being offered for subscription by common stockholders on the basis of one preferred share for each 20 shares of common stock held on Nov. 30; rights to expire about Dec. 14. **Price**—$30 per share. **Proceeds**—For exploration and development programs. **Office**—Houston, Tex. **Underwriter**—White, Weld & Co., New York.

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.

Woodstock Uranium Corp., Carson City, Nev.
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg., Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

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
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. **Offering**—Expected today (Dec. 8).

★ Zapata Petroleum Corp., Midland, Tex. (12/28)
Nov. 30 filed 120,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from proposed bank loan of $1,000,000, to be used to redeem presently outstanding 10,000 shares of preferred stock (par $10), $1,005,000 of 4% debentures, $200,000 of 5% registered notes and $116,250 of 4% convertible notes; also for acquisition, exploration and development of additional property. **Underwriter**—G. H. Walker & Co., 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

Continued on page 44

Continued from page 43

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.

★ Automatic Washer Corp.
Dec. 5 it was reported company plans early registration of 250,000 shares of common stock (par $1.50). **Underwriter**—Cohen, Simonson & Co., New York.

★ Bangor & Aroostock RR.
Dec. 1 it was announced company may issue and sell early next year some additional common stock to its stockholders who will vote about mid-January on approving a refinancing program. **Proceeds** — Together with funds from sale of $8,000,000 new 4¼% prior lien bonds, to redeem $10,400,000 outstanding 4½% first mortgage bonds.

Boston & Maine RR.
Oct. 20 stockholders approved a plan to offer $105 principal amount of series B 5% income debenture bonds (plus 5% interest for the year 1955) in exchange for each of the outstanding 274,597 shares of 5% preferred stock (par $100). Not in excess of $28,874,564 of bonds would be issued.

Citizens & Southern National Bank, Atlanta, Ga.
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held (subject to approval of stockholders in January). **Price** — $30 per share. **Proceeds** — To increase capital and surplus.

Craig Systems, Inc.
Sept. 26 it was reported company plans early registration of 175,000 shares of common stock, of which 50,000 shares are to be sold for the account of the company and 125,000 shares for account of certain selling stockholders. **Underwriter** — Hemphill, Noyes & Co., New York.

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 by-products, notably furfural. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; and Carl M. Loeb, Rhoades & Co., New York. **Registration** — Expected sometime in December.

Dallas Power & Light Co. (2/15)
Nov. 28 it was reported company plans to issue and sell $10,000,000 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.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers; Blair & Co. Incorporated. **Bids**—Tentatively scheduled for Feb. 15.

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.

Duquesne Light Co.
Nov. 28, it was announced SEC has authorized Standard Power & Light Corp. to sell not more than 10,000 shares of the common stock of Duquesne Light Co. on the New York Stock Exchange by negotiated sale to a purchaser who will buy at the prevailing market prices, less a discount of not more than 50 cents per share.

Essex County Electric Co.
July 18 it was reported company plans to issue and sell some additional first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated.

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.

Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp. **Offering**—Expected early in 1956.

● 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 about Dec. 15 or 16.

★ General Public Service Corp.
Dec. 2 directors approved a proposal to file a registration statement with the SEC covering a proposed offer of 1,652,176 shares of common stock at the rate of one share for each two shares held. It is expected that the record date will be early in January and that the warrants will be mailed to stockholders on that date. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

★ Green (A. P.) Fire Brick Co., Mexico, Mo.
Dec. 5 it was reported common stock financing is expected early in 1956. **Underwriters**—May be Blyth & Co., Inc. and Shields & Co., both of New York.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

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.

★ Hudson Pulp & Paper Corp.
Nov. 28 it was reported company may do some public financing in connection with proposed newsprint mill, which, it is estimated, will cost about $25,000,000. **Underwriter**—Lee Higginson Corp., New York.

Illinois Central RR. (12/13)
Bids will be received by the company, at Room 301, 135 East 11th Place, Chicago 5, Ill., up to noon (CST) on Dec. 13 for the purchase from it of $8,700,000 equipment trust certificates, series 41, to be dated Jan. 1, 1956 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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.

Kimberly-Clark Corp., Neenah, Wis.
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., 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.

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.

Muzak Corp. (12/13)
Bids will be received by Union Electric Co. of Missouri, 315 No. 12th Blvd., St. Louis 1, Mo., up to noon (CST) on Dec. 13 for the purchase from it of $500,000 of 7% cumulative preferred stock (par $1,000) of Muzak Corp. and an interest in a royalty agreement with Muzak Corp.

● New York Central RR.
Nov. 28 company asked ICC for authority to sell $6,600,000 equipment trust certificates to mature Dec. 15, 1956-1970 to Despatch Shops, Inc., a wholly-owned subsidiary, with latter to ultimately offer the certificates through competitive bidding. 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. **Dealer-Manager**—Francis I. du Pont & Co., New York.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

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 gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **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.

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.

Riddle Airlines, Inc.
Nov. 2 it was announced company plans soon to offer to its stockholders the right to subscribe for 1,200,000 additional shares of common stock (with an oversubscription privilege). **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Scott Paper Co.
Sept. 20, Thomas B. McCabe, President, announced a major financing program will probably be undertaken by next spring. No decision has yet been reached as to the precise type, amount or date of financing. Stockholders approved proposals to increase the authorized common stock to 40,000,000 shares from 10,000,000 shares and the authorized indebtedness to $150,000,000 from $50,000,000. **Proceeds**—For expansion program.

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.

South Texas Oil & Gas Co.
Aug. 30 stockholders authorized issuance of 110,000 shares of cumulative convertible preferred stock (par $10). **Proceeds**—For exploration and drilling program, etc. **Underwriter**—Previous common stock financing was handled by Hunter Securities Corp., New York, who it is stated, will not underwrite the new preferred issue.

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. Bonds may be placed privately.

★ Southern Pacific Co. (12/15)
Bids will be received at Room 2117, 195 Broadway, New York 6, N. Y., up to noon (EST) on Dec. 15 for the purchase from the company of $9,600,000 of equipment trust certificates, series SS, to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Texas Electric Service Co. (2/28)
Nov. 28 it was reported company plans to issue and sell $10,000,000 first mortgage bonds due 1986. **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.; Union Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids** — Tentatively scheduled for Feb. 28.

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. (1/31)
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.

★ Union Planters National Bank, Memphis, Tenn.
Nov. 29 directors authorized an offering to stockholders of 60,000 additional shares of capital stock (par $10) on a 1-for-10 basis. **Price**—$35 per share. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Meeting**—Stockholders to vote Jan. 11 on increasing authorized capital stock from $6,000,000 to $7,000,000.

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.

Whirlpool-Seeger Corp.
Nov. 14 it was reported that a secondary offering of 150,000 shares of common stock was planned the week of Nov. 21. **Underwriters**—Blyth & Co., Inc. and Goldman, Sachs & Co., both of New York. It was withdrawn.

York County Gas Co., York, Pa.
June 29 it was announced company contemplates the issuance and sale later this year of a new series of its first mortgage bonds, in an aggregate amount not yet determined. **Proceeds**—To pay for new construction and probably to refund an issue of $560,000 4¾% first mortgage bonds due 1978. **Underwriter**—May be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). It is also possible that issue may be placed privately.

Our Reporter's Report

Underwriters and distributors of new corporate securities are still floundering around seeking to find a level at which such issues will attract investment buyers. But up to this point they do not appear to have come close to an answer.

The problem is double-barreled at the moment with the firming condition of the money market being compounded by the approach of the year-end and the customary institutional reluctance to take on new issues at this time.

The more venturesome, who bid in new issues this week for distribution, seemingly encountered the same lack of interest, at least in the way of buying orders, that has prevailed for the last several weeks.

Although some corporate borrowers, as for example Consolidated Edison Co. of New York, decided to go ahead after having waited for months for improvement in the market position and the outlook for new borrowers, other segments decided on a "wait and see" course.

Prominent in the latter category is the Public Housing Administration which had planned to market about $90 million of temporary loan notes during the week. But the further markup in money rates, together with sluggish conditions in the tax-exempt market, brought a decision to postpone the business indefinitely.

Tightening of rates on commercial paper and bankers acceptances, coming in the wake of the most recent markup in Reserve rediscount rates presumably was the moving force behind the decision.

Consolidated Edison

Investment bankers, grouped into two syndicates to go after Consolidated Edison Co.'s $70 million of 30-year, first and refunding mortgage bonds, were a bit more than usual apart in their bids for the issue.

The winning syndicate paid the company 100.35 for a 3⅜% coupon rate. The runners-up bid 100.1311 for the same coupon for a spread of roughly $2.20 per $1,000 bond. In these days of close shooting for a reoffering basis, that spread may have caused some temporary lull in buyer interest.

The Week Ahead

Next week, if there is no change in plans in the meantime, will bring to market $50 million of bonds of the Quebec Hydro Electric Commission. This undertaking will be made via the negotiated route.

Delaware Power & Light Co. will be seeking bids for $10 million of new first collateral trust bonds and for 50,000 shares of new preferred to provide funds for repayment of bank loans and to finance construction.

On Wednesday New Jersey Bell Telephone Co. will open bids for $25 million of 40-year debentures. This business likely will attract ample competition.

N. Y. Thruway Bonds

A bright spot in the otherwise cloudy investment market sky was the brisk reception which greeted the newest block of N. Y. State Thruway bonds.

The second such block, after the agency had rejected bids for a much larger single block some months back, brought a bid of 100.1016 for 2¾s and 2.70s for an indicated net cost to the borrower of 2.7370%.

The issue, maturing January and July, 1985-1995, was priced for reoffering to yield from 2.60% to 2.75%, depending on maturity.

With the older issues of the Thruway selling in the market to afford a return of 2.50% to 2.55%, investors showed lively interest in the current offering which, as indicated, afforded 10 to 20 basis points more in return.

Salomon Bros. Group Offers Pa. RR. Equip'ts

Salomon Bros. & Hutzler and associates are today (Dec. 8) offering $11,595,000 of Pennsylvania Railroad series EE 3¼% equipment trust certificates, maturing annually Jan. 1, 1957 to 1971, inclusive.

The certificates are priced to yield from 3.10% to 3.40%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new equipment estimated to cost not less than $15,463,190: 240 70-ton covered hopper cars; 500 flat cars and 1,130 70-ton hopper cars.

Associated in the offering are: Drexel & Co.; Union Securities Corp.; and Stroud & Co. Inc.

Minshall Organ Stock Offering Completed

The offering to the public, through Baruch Brothers & Co., Inc., of New York City, of 100,000 shares of common stock (par $1) of Minshall Organ, Inc. at $3 per share has been completed, all of said shares having been sold.

Minshall Organ, Inc., is a manufacturer of high quality electronic home organs since 1944. Their line of medium priced musical instruments has met with unusual fine reception. Sales have increased consistently and backlog of orders are said to be the largest in the company's history.

Lopez With Akin-Lambert

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Mario S. Lopez has become associated with Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Lopez was formerly with H. Hentz & Co. and prior thereto conducted his own investment business in Los Angeles.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Edward J. Kelly, of the firm of Carl M. Loeb, Rhoades & Co., was elected President of the Security Traders Association of New York, Inc., for the ensuing year. Mr. Kelly succeeds Alfred F. Tisch, of Fitzgerald & Co., Inc.




Edward J. Kelly | Nathan A. Krumholz | Henry Oetjen | Daniel G. Mullin

Nathan A. Krumholz, of Siegel & Co., was named First Vice-President of the Association; Henry Oetjen, of McGinnis & Co., Second Vice-President; Barney Nieman, of Carl Marks & Co., Inc., Secretary, and Daniel G. Mullin, of Tucker, Anthony & Co., Treasurer.

Elected as Directors for a Two-Year Term Were: Edward A. Horn, Kuhn, Loeb & Co.; Reginald J. Knapp, Wertheim & Co.; Wilbur Krisam, John C. Legg & Co., and Lewis H. Serlen, Josephthal & Co.

Trustees of Gratuity Fund (Two-Year Term): Edward L. Chaoman, Spencer Trask & Co.; Salvatore J. Rappa, F. S. Moseley & Co.

National Committee: Samuel Magid, Hill, Thompson & Co., Inc.; John J. OKane, Jr., John J. O'Kane, Jr., & Co., and Harold B. Smith, Pershing & Co.

National Committee Alternates: Samuel F. Colwell, W. E. Hutton & Co.; Stanley F. Dawson Smith, Cruttenden & Co.; John D. Olandt, New York Hanseatic Corp.; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Beane, and Graham Walker, Joseph McManus & Co.

Election held Dec. 2, 1955, at the Bankers Club.

Caunter Adds to Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio — James J. Strnad is now connected with L. A. Caunter & Co., Park Building.

With Frank L. Walker

(Special to The Financial Chronicle)

MARIETTA, Ohio — Janet S. Storms has been added to the staff of Frank L. Walker & Co., Peoples Bank Building.

Continued from page 12

The Banks and Government Bonds

against which to charge the losses. Otherwise, a reduction in earnings in a loss year is presumed to be offset by either an increased yield in the future, by future gains taxed at the capital gains rate, or a combination of both. Therefore, various types of comparisons which show the advantages of selling one issue and buying another are predicated on two future factors:

(1) That Federal Income Tax statutes and rates will remain substantially the same as now;

(2) That capital gains in the year the new bonds are due or called will not be drastically offset by bond losses during that year.

The terms of the Dec. 15 refunding were announced last Friday and by now, I presume, are familiar to most of you. Holders of the maturing 1¼% Certificates of Indebtedness and the 1¾% Notes can elect to accept either a one-year 2⅝% Certificate of Indebtedness, or a two-and-one-half-year 2⅞% Note, or a combination of both. The certificate matures Dec. 1, 1956, and the note, June 15, 1958. The new issues will be dated Dec. 1, 1955, and the delivery date will be Dec. 8, at which time the maturing notes and certificates should be presented with the Dec. 15 coupons attached. Accrued interest will be paid in each case to Dec. 1.

These rates are in line with short-term rates in 1953 when both a 2⅝% certificate and a 2⅞% note were issued. Market reaction preceding and subsequent to the discount raise discouraged whatever hopes the Treasury might have had of any consequential extension of the public debt. As a matter of fact, there was considerable discussion concerning the desirability of confining the offering to one 2⅝% certificate issue because of the unsettled condition of the market. Certainly, the holdings of the Federal Reserve, corporations, and possibly a substantial number of larger banks, will be rolled into the certificate. Banks hold about $2½ billion of the maturing issues, and I do feel that a considerable number of smaller banks may conceivably be attracted to the 2⅞% note. While at par the after-tax yield is approximately the same as that on the 2⅜% bonds of June 15, 1958 at current market, it must be remembered that the current income on the note is derived from a 2⅞% coupon as against 2⅜% on the bond. Part of the yield on the 2⅜% bond consists of capital gains resulting from the discount at which it is selling. The extent to which holders accept the note issue in the exchange represents that much of a gain in the Treasury's aim to lengthen the debt whenever possible. I feel that the rate of 2⅝% on the certificate is sufficiently attractive to corporations to prompt them to buy either the rights or new issues from banks which might otherwise use the maturing obligations to obtain funds for loan demands.

Future Government Bond Prices

Before proceeding to make an estimate of what the future may hold with respect to Government bond prices, I think it should be recognized that the picture presented is, to put it mildly, extremely confused. After the unfortunate illness of the President, a strong feeling developed that in some indefinable way interest rates would ease as a result of a relaxation of the restrictive monetary policy of the Federal Reserve. This idea also germinated from circulated reports that the authorities feared a repetition of the 1953 "squeeze" and that moderation would govern future policy. Up to date, the complaints that money is tight enough, and that business is slowing down as a result of monetary policy have not been productive of any significant alteration of Federal Reserve activity.

The main factors affecting monetary policy are obvious enough. Business is still booming in spite of the fact that in a few segments of the economy there are indications of a levelling off. However, my definite impression is that the fear in Washington is of inflation rather than deflation. The rediscount rate has been raised four times since April, and at 2½% has now reached the highest point since 1934. In spite of increasing interest rates, business has continued to prosper, and commercial, industrial, and agricultural loans have increased approximately $2,300,000,000 since mid-year. These loans increased only about $200 million during the same period last year. Consumer credit continues to expand despite repeated efforts to slow down the expansion, and there seems to be widespread optimism that 1956 will be an excellent year from a business standpoint. Under such conditions, is it not reasonable to anticipate that the Federal Reserve will continue to follow a restrictive policy until there is a definite change in the business picture? I am unable to convince myself that we can expect an early easing of rates even though business does tend to level off, because, in my opinion, the tremendous momentum behind the present boom will carry forward at least until the year-end and perhaps even longer.

The recent watchful waiting period of inactivity of the Federal Reserve, to evaluate the results of past policies, seems to be at an end. The current raise in the discount rate, which was more or less unexpected in some quarters, leaves little doubt in my mind that the attention of monetary authorities is again focused on inflationary pressures. Therefore, if I am correct, the theory bears out my contention that there can be little basis to the reports that we may anticipate an easing of interest rates in the near future. Yet, there is always the possibility that the "froth on the bubble" may collapse prematurely because at the moment—to borrow again Dr. Burns' analogy—"we are poised on a high plateau." The agricultural situation has been distressing for some time, and there is evidence that housing starts this year will not equal last year's totals. Also, it seems evident that the automobile industry will have some difficulty in approaching last year's production. Because of the fact that the prosperity and, undoubtedly, the very existence of a substantial number of other industrial enterprises, depends on continued demand from the farmer, the builder, and the automobile maker for the products of these other industries, it is possible, of course, that eventually we may see a reversal of trend in our booming economy. At the moment, however, as I have said, this does not appear to be imminent.

In the final analysis, therefore, the future course of bond market prices, in which are reflected the shifts in interest rate trends, depends upon the continuation or abatement of our current business boom. I feel that the recent drastic decline in Government bond prices, triggered by the raise in the discount rate, was overdue anyway, and the rise in prices during the preceding few months was mainly psychological, based on the suspicion, or hope, that easy money was in the offing.

It will be interesting to see what action will be taken by the fiscal authorities in the early months of next year when normally the return of circulation and loan liquidation can be expected to develop an easing tendency in money rates. I have a strong feeling, despite the fact that during the past two weeks the Government market has lost a lot of its gain since the President's illness, and then regained some of the lost ground, that it would be extremely prudent to remain cautious in the matter of extending maturities, because we may conceivably have further to go on the downward side in the market. This feeling is predicated on the restrictive nature of fiscal policies now in effect, and the natural forces in the economy working toward tighter money, such as the expansion of circulation, loan expansion, etc.

It is more or less axiomatic, however, that interest rates do not tend to continue in one direction without letup, and I would be inclined to anticipate a moderate easing of rates sometime about, or just prior to, the middle of next year. It might very well be that by the end of 1956 we may look back upon today's bond prices as being relatively attractive. A cautious attitude at this time should furnish excellent chances for us as bankers to arrange our bond maturity schedules to provide opportunities to take advantage of the interest rate change when it occurs.

Emanuel, Deetjen Group Offers Reading Tube Preferred Stock

Emanuel, Deetjen & Co. and associates are offering 80,000 shares of Reading Tube Corp. $1.25 cumulative convertible preferred stock, 1955 series at $25 per share. Simultaneously, the company is offering 40,000 shares of this stock to certain of its officers and directors at $23.25 per share.

Of the proceeds to be received from the sale of these shares, $1,539,234 will be applied to the complete redemption of the outstanding principal amount of the company's 20-year 6% sinking fund debentures, due July 1, 1971 at 103%; $987,500 will be applied to the payment of the principal balance of the company's note due May 11, 1965, payable to Berks County Trust Co., and the balance will be placed in the company's general funds.

The new preferred stock will be convertible at any time into common at the rate of 1.56 common shares for each preferred share. The preferred stock is redeemable at prices ranging from $27.50 per share prior to Jan. 1, 1961 down to $25 per share after Dec. 31, 1964.

Since 1945, the company has been engaged in the manufacture and sale of copper tube for use in construction, plumbing, radiant and general heating, refrigeration, air conditioning, oil burner, industrial and allied trades. Prior to that time, the company manufactured cold drawn seamless steel tubing and cast steel flanged fittings, which operations were discontinued in 1945 when the management became convinced that the manufacture of copper tube offered possibilities of larger and more profitable operations.

Other members of the underwriting group include: Bache & Co.; Blair & Co. Inc.; Hayden, Stone & Co.; Dempsey-Tegeler & Co.; Francis I. duPont & Co.; Arthurs, Lestrange & Co.; Stroud & Co., Inc.; Arthur M. Krensky & Co. Inc.; Straus, Blosser & McDowell; Robinson & Co. Inc.; Butcher & Sherrerd; Suplee, Yeatman & Company, Inc.; Newburger & Co.; and Warren W. York & Co. Inc.

Continued from page 2

The Security I Like Best

tion is an old line construction, marine salvage and hoisting company, dating back to 1860. Since 1951, it has greatly broadened its scope of operations. This company's revenues are now derived from at least seven different industries, no one of which accounts for more than 30% of the total, indicative of the diversification that has taken place in this company in the recent past. It is now represented in chemicals, paints, steel products, heavy construction and earth moving equipment—all fields that are recognized as having substantial growth potential.

The demand for this company's wide range of products is favorable. The outlook for steel, chemicals and construction products and services is particularly good. There are no further significant changes or additions to the present structure of the company anticipated in the immediate future. This company is now in the stage of "digestion" of the additions made in 1954 and early 1955. These successive acquisitions during 1954 included Newport Steel Corporation and its subsidiary, Utah Radio Products Company, Inc., The Shoup Voting Machine Corporation, Marion Power Shovel Company and its subsidiary, the Osgood Company, and C. A. Pitts General Contractor, Limited. During 1955, New York Ship Building Corp., Devoe & Raynolds, Inc., and the Tennessee Products and Chemicals Corp. were also acquired.

It was anticipated at the time of these acquisitions that some of these companies would not immediately contribute to Merritt-Chapman & Scott's earning power, and that time and effort would be required to develop their individual potentials. However, considerable progress has been made to date. Newport Steel, which was expected to operate at a deficit for at least a year following its acquisition, produced earnings last October and is currently enjoying one of its best years. Merritt-Chapman & Scott has made considerable progress in integrating and consolidating their recent acquisitions, which has had the effect of establishing a greater earnings potential for the overall operation.

As a result of these recent changes and acquisitions, Merritt-Chapman & Scott has become one of the nation's newest industrial giants. Upon completion of the contemplated merger of these several companies, the new combination will emerge as one of America's 100 largest manufacturing corporations, with a net worth in excess of $130 million. Projected 1955 gross revenues should approximate $375 million and net profit before taxes will be in the neighborhood of $28½ to $30 million.

Under the leadership of present management, which took over in April of 1951 when Mr. Louis E. Wolfson was elected Chairman of the Board, the company has been able to make rapid strides toward building a widely diversified, yet strategically well-integrated operation. It is also of significance to note that MCS and its corporate family are all well established companies with long histories, which through the years have operated successfully. Having undergone this dramatic growth, the company has finally emerged as the parent of a far-flung industrial enterprise.

The company foresaw the need for new construction work in the early 1950's and expanded its construction division in order to take advantage of this construction boom. The following partial list ing of the company's present o recently completed jobs gives a idea of the success attained b MCS in developing its competitiv position in heavy industrial and marine construction. These proj ects include: two dams in Califor nia and Washington; a pipeline i India; a pulp and papermill i New Zealand; an air field i Crete; bridge substructures i New York and Michigan; tunnel in Virginia and Maryland; a hote in the Dominican Republic. MCS has strengthened its staff through the years to the point where it i qualified to assume the responsi bility for the original design and planning on a construction proj ect, regardless of size, and then carry it through to completion o the work.

Being so concentrated in the field of industrial and marine heavy construction, MCS has undertaken a program of diversification which will not only open up new markets for the company's products and services, but also will lend stability to the earnings over the longer term. No less than 14 separate companies were acquired during recent years and this pooling of financial resources, operating know-how and other assets will enable MCS to operate these various companies on a more profitable basis.

Obviously, my opinion is influenced by the effects these various acquisitions have had on the growth of the company. Total assets have increased since 1950 by 1,224%; net worth by 1,200%; net working capital by 1,319%; gross revenues by 887%; and net income before taxes by 409%, based on projected 1955 estimates. In addition to this growth, these various corporate acquisitions have also enabled Merritt-Chapman & Scott to diversify its activities. The advantages of this diversification are many and the various companies are complementary to each other's operation. Devoe & Raynolds' paints can be used for nearly all the divisions in the company. The steel division supplies certain products to other divisions of the company, while the chemical, paint and metallurgical division supplies pig iron and other steel making materials to the steel division. These are examples of but a few of the opportunities through which the merged companies can benefit one another, not to mention the savings to be achieved through the elimination of duplicate overhead, estimated at $5 million annually.

Merritt-Chapman & Scott has six major divisions. The Construction Division has achieved a strong position in the industrial and marine construction industry and the companies' past and current projects cover many types of work in the construction field performed all over the world. The Chemical, Paint and Metallurgical Division includes Tennessee Products and Chemical Corp., which produces heavy, aromatic and agricultural chemicals, metallurgical products, fuels and building materials. Also included in this division is Devoe & Raynolds, which ranks among the top five paint manufacturers in the United States and dates back to the year 1754. The Steel and Steel Products Division is made up of Newport Steel, which is about the 20th largest steel manufacturer in the United States, with a rated annual ingot capacity of approximately 708,500 net tons; and the Milton Steel Products division which produces carbon and alloy steel bars, bar size shapes and reinforcing steel in Milton, Pa. The Shipbuilding Division's activities are carried on by New York Ship Building Corp., which has a 230 acre yard in Camden, N. J. and is one of the three largest shipyards in the U. S., capable of building any of the largest ships yet designed. The Equipment Division is comprised of the Marion Power Shovel Co. and its subsidiary the Osgood Company, which manufacture the world's most complete line of excavators, power shovels, and mobile cranes. Also included in the Equipment Division is the Highway Trailer Co. which ranks seventh in the manufacture of truck trailers and semi-trailers for transporting both dry and liquid cargo. This company is currently benefiting from the adaptation of "piggy back" trailers to railroad flatcars and looks forward to further sustained revenue from this new source of business.

In the Manufacturing Division there are three companies—Nesco, which is engaged in the fabrication and coating of sheet steel and the production of steel drums and heavy duty galvanized ware for industry in the several manufacturing plants; Utah Radio Products, which manufactures radio and television loudspeakers and transformers, electrical and electronic assemblies for the armed forces and radio, juke box and television cabinets. The third company in the Manufacturing Division is Shoup Voting Machine Corporation, which is one of Merritt's most promising acquisitions, being one of the nations' two major producers of voting machines. The Shoup machine first introduced in 1932, has received most favorable acceptance in this country and is in use in 23 states.

In conclusion, I feel that Merritt-Chapman & Scott is on the threshold of a very favorable period in its history. With no further immediate expansion in sight and with an adequate working capital position, the outlook is for higher earnings in the years to come. These record profits should result not only from the company's greatly expanded volume of business, but also from the many advantages obtained as a result of the company's recent acquisitions.

Earnings are estimated in the neighborhood of $28½ to $30 million before taxes and $13½ to $15 million after taxes, equivalent to $2.75 to $3.00 per share for full year of 1955.

The common stock is listed on the New York Stock Exchange and is currently selling around $24, paying an annual dividend of $2.00 per share. The 4½% convertible debentures, also listed on the N. Y. S. E., are convertible at $26 through July 1, 1958. The market is around $98½. Last quarter profits for 1955 are expected to be substantially higher than the rate of the nine months when the company reported $1.66 per share based on the average number of shares outstanding during this period. I feel that with anticipated construction work plus an augmented volume from the recent acquisitions this should provide a broader basis for higher level operations and earnings over the longer-term. The common stock of MCS has especially interesting possibilities for growth and income.

Revlon Common Stock Offered at $12 a Share

For the first time since its organization in 1932, securities of Revlon, Inc., were sold to the public yesterday (Dec. 7). Of a total of 373,900 shares of common stock being offered, 272,067 shares are being sold by the company and 101,833 shares by selling stockholders.

Reynolds & Co., Inc., heads an underwriting group that is offering the 272,067 shares being sold by the company and 67,933 shares being offered by stockholders at $12 per share. The remaining 33,900 shares are being offered by stockholders directly to certain employees and only such of these shares as are not purchased by the employees will be offered by the underwriters.

The net proceeds of the sale of the company's portion of the common stock offering, which is expected to exceed $3,000,000, are to be used to complete payment for a plant newly acquired from Johnson & Johnson in Metuchen, N. J., and equipment to be installed in the plant and for engineering surveys. The purchase of this new plant will permit the company to bring its Bronx and Brooklyn operations together under one roof and make possible economies of operation and increased production.

Revlon, Inc., organized in 1932, pioneered at its inception in the production of a creamy opaque nail enamel and has since become a world-wide leader in cosmetics and toiletries, in general. The company makes almost 100 different beauty preparations, of which the most important, in terms of net sales, are lipsticks, liquid and compact makeups, shampoos and lotions, and nail enamels. These products are sold, directly or through subsidiaries, in numerous foreign markets, as well as in the United States, where the company believes that its net sales of cosmetics are the largest of any company selling through retail establishments.

The company, revealing sales figures for the first time, reports consolidated net sales, both domestic and foreign, have risen from $18,991,000 in 1950 to $33,604,037 in 1954 and, for the first eight months of 1955, to $26,415,983. Consolidated net income after taxes for the year 1954 amounted to $1,297,826 and for the first eight months of this year to $1,375,609.

Associated with Reynolds & Co., Inc. in the underwriting are Lehman Brothers; Hornblower & Weeks; Paine, Webber, Jackson & Curtis; Cruttenden & Co.; Hugh Johnson & Co., Inc.; Smith, Hague, Noble & Co.; Francis I. Du Pont & Co.; Laurence M. Marks & Co.; G. H. Walker & Co.; Bache & Co.; Bateman, Eichler & Co.; Goodbody & Co.; Lester, Ryons & Co.; Moore, Leonard & Lynch; Rauscher, Pierce & Co.; Reed, Lear & Co.; and Reinholdt & Gardner.

Seebeck President Of Inv. Ass'n of N. Y.

Robert F. Seebeck of the investment banking firm of Smith, Barney & Co. was elected President of the Investment Association of New York at the annual meeting. He succeeds H. Lawrence Parker of Morgan Stanley & Co. Membership of the Association comprises younger men associated with New York City investment banking firms.

Other officers elected at the meeting were: Vice-President, Maitland T. Ijams of The First Boston Corporation, to succeed Avery Rockefeller, Jr. of Dominick & Dominick; Secretary, R. Bruce McBratney of Wood, Struthers & Co., to succeed Edward B. deSelding of Spencer Trask & Co.; and Treasurer, Mr. deSelding, to succeed Robert H. Austin of Kidder, Peabody & Co.

DIVIDEND NOTICE

Beneficial Finance Co.

106th CONSECUTIVE QUARTERLY CASH DIVIDEND

The Board of Directors has declared a quarterly cash dividend of

$.25 per share on common stock

payable December 29, 1955 to stockholders of record at close of business December 15, 1955.

December 1, 1955

Wm. E. Thompson
Secretary

OVER 950 OFFICES — Beneficial Finance System — IN U. S. AND CANADA

DIVIDEND NOTICES

AMERICAN MACHINE AND METALS, INC.

48th Dividend

A QUARTERLY DIVIDEND OF 50¢ per share, for the final quarter of 1955, and an EXTRA DIVIDEND OF 75¢ per share will be paid concurrently by check on December 22, 1955 to shareholders of record on December 12, 1955.

H. T. McMeekin, *Treasurer*

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

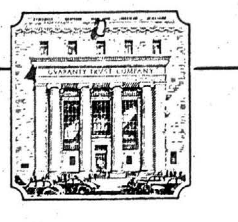
Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable January 1, 1956 to stockholders of record at the close of business on December 7, 1955.

Common Stock

A quarterly dividend of $0.25 per share on the Common Stock, payable January 1, 1956 to stockholders of record at the close of business on December 7, 1955.

Transfer books will not be closed. Checks will be mailed. WM. J. WILLIAMS
Vice-President & Secretary



New York, December 7, 1955

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending December 31, 1955, and an extra dividend of Eighty (80) Cents per share, both payable on January 16, 1956, to stockholders of record at the close of business December 15, 1955.

STUART K. BARNES, *Secretary*

Guaranty Trust Company of New York

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On November 29, 1955 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 3, 1956 to Stockholders of record at the close of business December 15, 1955. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

THE FRANCISCO SUGAR COMPANY

106 Wall Street, New York 5

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share on the Capital Stock outstanding, payable December 28, 1955, to stockholders of record at the close of business on December 16, 1955.

B. RIONDA BRAGA,
December 5, 1955 *President.*

THE GARLOCK PACKING COMPANY

December 6, 1955

COMMON DIVIDEND No. 318

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share and an *extra* dividend of 25¢ per share were declared on the common stock of the Company, payable December 28, 1955, to stockholders of record at the close of business December 16, 1955.

H. B. PIERCE, Secretary

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock, payable January 1, 1956 to Preferred Stockholders of record at the close of business December 15, 1955.

Paul Raibourn
Treasurer

November 30, 1955

DU MONT

In All Phases of Television

INTERNATIONAL SHOE COMPANY

St. Louis

179TH CONSECUTIVE DIVIDEND

Common Stock

A quarterly dividend of 60¢ per share payable on January 1, 1956 to stockholders of record at the close of business December 15, 1955, was declared by the Board of Directors.

ANDREW W. JOHNSON
Vice-President and Treasurer

December 5, 1955

DIVIDEND NOTICES

AMPHENOL

At a meeting of the Board of Directors of American Phenolic Corporation held today a dividend of twenty cents per share was declared, payable January 27, 1956, to the shareholders of record at the close of business January 13, 1956. The transfer books will not be closed.

Dated at Chicago December 5, 1955.

FRED G. PACE
Secretary

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 234

The Board of Directors has declared a dividend of 50¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable December 23, 1955, to holders of record at the close of business December 14, 1955.

J. T. CULLEN,
November 29, 1955 *Treasurer*

VANADIUM CORPORATION OF AMERICA

VANCORAM

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held November 29, 1955, a dividend of fifty cents per share was declared on the capital stock of the Corporation payable February 15, 1956, to stockholders of record at 3:30 o'clock p. m. February 3, 1956. Checks will be mailed.

D. A. SHRIVER, Secretary

Dated November 29, 1955.

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

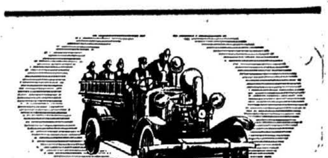
PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable January 1, 1956 to holders of Preferred Stock of record at the close of business on December 16, 1955:

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875

VINCENT T. MILES
Treasurer

November 30, 1955



NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

136th DIVIDEND DECLARATION

The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid December 30, 1955 to stockholders of record at the close of business December 12, 1955.

William [signature]
Treasurer

December 6, 1955

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower's White House Conference on Education is evaluated here as simply another step in the inexorable movement toward the ultimate enactment by Congress of a program of Federal aid to local education.

The President first conceived the idea of Federal aid to local education in 1954. In that year he persuaded Congress to issue a formal call for a White House Conference on Education. Congress passed the resolution calling last week's conference, which was the culmination of state-wide conferences of a similar character.

By tipping his hand in 1954, the President may have accidentally contributed to the delay in the enactment of a Federal program. It was expected that the state-wide and final Federal meetings would operate as a gigantic, nationwide propaganda drive to influence grass roots sentiment for such a program and break down long-established prejudices against having the Federal Government enter into this characteristically local governmental function.

When the Democratic opposition was thereby put on such clear notice that the President intended to add this welfare objective to his political repertoire, the Democrats attemped to beat the Administration to the draw, as it were. Both the Education and Labor committees of the Congress held hearings in 1955 on not only the Administration's "shoe in the door" program of Federal aid for school construction, but on differing proposals of their own.

In the process those who, on principle, oppose Federal intervention in education were aroused sooner than they might have been had the subject remained quiescent before the Congress this year. And the active consideration of the subject quickly brought out divisions among supporters.

While many southerners are not nearly as hostile to receiving supposedly free Federal hand-outs as they have the reputation of being, the Supreme Court's desegregation decision is in the forefront of their consciousness. They naturally fear that any Federal aid inevitably must be used as a device to hasten desegregation of the races in public schools.

President Eisenhower's own technique of approaching this problem also may have contributed to its failure to enactment in 1955. In lieu of an outright system of Federal grants-in-aid, generally a mechanism familiar to the Congress, the President proposed an unfamiliar and gimmick-like formula whereby states would enact statutes to avoid their own constitutional or statutory borrowing limits, and the Federal Government would become the market for such doubtful legal obligations, with only a relatively minor part (at least initially) going for admitted and direct Federal school subsidy.

May Fail in 1956

It is possible that a Federal program can fail of enactment again in 1956. Although it was a subtle change, the President in his opening message to the White House Conference on Education indicated an unmistakable shift in emphasis from indirect to direct responsibility. He talked as did Vice-President Nixon of it being a "state, local, and Federal" responsibility, to make good this deficit in teaching talent and class rooms alleged to exist.

If the program fails in 1956, however, it will probably be because the foes of desegregation will add their strength to those who oppose Federal intervention in education on principle. And advocates of private schools, lay and parochial, will see a further relative handicap for the future of their systems. Then, too, the Administration if less clearly than in 1955, may still cling to the coy approach of dressing up a scheme, in the characteristic Eisenhower manner, which appears to avoid a broad and definite initial budgetary commitment. Sponsors of Federal aid to education want Federal money and they don't care how it is raised except that it comes from the Treasury.

This is not to predict failure of a Federal aid program in 1956, but only to report that many of the same conflicts which developed when the legislation was prematurely given active consideration in 1955 may again appear in 1956. As a matter of fact, the idea inherent in the 1954 Eisenhower approach of taking two years of careful propaganda approach to build up for action not before 1956, came a cropper when the Democrats got into the act in 1955 and the Administration had to back a hastily improvised bill which illustrated all the elements of theoretical and amateur political strategy so characteristic of some of Mr. Eisenhower's closest advisers.

"No Central Control"

President Eisenhower and Vice-President Nixon also handily provided the rationalization for which the opposition can prepare an answer, the President having given his rationalization so far in advance. One of the two main points upon which there should be agreement, the President told his Conference, was that education should not be Federally or centrally controlled.

"The first thing is that the education of our young should be free," the President stated. "It should be under the control of the family and the locality. It should not be controlled by any central authority. We know that education, centrally controlled, finally would lead to the kind of control in other fields which we don't want and will never have. So we are dedicated to the proposition that the responsibility for educating our young is primarily 'local,'" the President stated.

Opponents will not need to question the sincerity of the Eisenhower Administration in offering Federal aid with supposedly no Federal strings attached. However, since no man lives on earth eternally, there may be some day another President besides Mr. Eisenhower, and no successor is bound by the commitments of any predecessor, any more than any one Congress is bound by a preceding Congress.

Opponents can rewrite many programs which started out innocently as aid programs designed only to get a specific objective achieved with Federal stimulus, and which ended up as virtually completely Federally controlled mechanisms.

Controls Local Housing

Housing offers an illustration of this almost inevitable evolution from aid to states and localities to eventual Federal control.

Initially and separately, over a period of years, Congress at the behest of past Administrations, enacted various schemes to provide "public" or subsidized Federal housing, and Federal subsidies for clearance of slums and rehabilitation of slum areas. To these were added special forms of inherently high-risk mortgages for re-housing under-privileged, under government guarantees.

At first these programs were designed to achieve specific, concrete objectives, to wit: To provide housing deemed "adequate" for those who could not pay economic rent, to clear slums, to rehabilitate slum areas, etc. The idea that this was, at the time enacted, part of a "conspiracy" of the Federal Government to control local housing was hotly denied by the "liberals" of the time.

However, by the Housing Act of 1954, several of the pieces of this program of Federal subsidies were tied into one package, and the package was made deliverable within any municipality only upon condition that the municipality agreed to complete Federal domination of its housing and municipal planning.

In other words it has become in fact, "central control" or the city does not get the money.

Every week there passes, two to three a week, press releases over the desk of Washington correspondents, saying that the Housing and Home Finance Agency has "approved" the planning of "X" city, named in the releases. There follows in detail the statement that the Federal Government is satisfied that the given city has an "adequate" (adequate in the view of an anonymous Federal official) program of planning, of eliminating its slums, of re-housing those displaced from slums, of neighborhood planning, of financing future improvements, and so on. Therefore these Federal subsidies are now available to "X" city, being the given city specifically named in each release.

By a curious coincidence, it was the Eisenhower Administration which knowingly and intentionally, in the Housing Act of 1954, asserted the power to withhold these subsidies until "central control" in fact was established.

Other officials of the Eisenhower Administration do not display the hostility toward Federal control of state activities discussed by the President in his opening remarks to the Education Conference.

For instance, the Labor Department is getting set to back next year with utmost vigor a proposed "grant-in-aid" bill to promote industrial safety. The U. S. Labor Department would under this bill disburse sums of money to state labor agencies for promoting industrial safety. The bill provides, however, that state labor departments must conform to strict Federal standards as a condition to getting this grant-in-aid money.

This bill was previously backed by the Truman Administration and "liberal" Senators, but got nowhere until the Eisenhower Administration came along. Its chances of enactment next year are rated as good.

The Labor Department, which theoretically has no control over state workmen's compensation commissions, is busy drawing up a proposed "model state statute" on the subject of workmen's compensation. Its objective is to liberalize benefits under those statutes.

Confirms Inflation Control

What is news out of the House Banking subcommittee's "round table" discussion of the housing credit problem is something which was not intended by the engineers of this seance.

Senator John J. Sparkman (D., Ala.) last week held a "round table" discussion of the housing problem. The housing problem is in the eyes of the home-building industry and "liberals," the shortage of mortgage money which is allegedly putting a crimp in the volume of speculative home-building.

So Johnny Sparkman called in a lot of mortgage lenders and builders and Leon Keyserling to listen to Randy Burgess, Treasury Under Secretary, and Bill Martin, Federal Reserve Chairman, explain why the Administration was currently maintaining a tight credit policy. There was some advance intimation that these two gentlemen were expected to squirm in the public view, for their allegedly evil machinations in affecting a possible down-turn in building.

Neither gentleman squirmed. Instead they took a firm stand that the whole economy was going so strong and demanding so much credit that control over monetary expansion was necessary to prevent the boom from getting out of hand and turning into a later bust. They both also made the point that with sharp rises in the cost of building materials, additional credit would only raise the already rising cost of new houses and do the buyers thereof no good.

As it worked out, the Federal Reserve and the Administration came out with a commitment that should 1956 business volume be boiling like it has been in the latter part of 1955, the brakes will be held on the expansion. The commitment came sooner than otherwise because of the Sparkman hearing.

In the process the Chairman of the subcommittee and Leon Keyserling committed themselves to the view that regardless of whether there was inflation in the economy as a whole, special steps must be taken to guarantee some mystically "desirable level" of housing construction.

[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