INVESTMENT BANKERS ASSOCIATION CONVENTION ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 182 Number 5490 New York 7, N. Y., Thursday, December 15, 1955 Price 40 Cents a Copy

UNIVERSITY OF MICHIGAN
DEC 16 1955
BUSINESS ADMINISTRATION LIBRARY

EDITORIAL

As We See It

Not since the late 'Twenties, probably, has there been such unanimity about the business outlook. It is difficult to find an economist or other prognosticator who is not ready to assure the public that extraordinarily good rates of business activity and general welfare are assured for at least the first half of 1956, and it is not often that one even makes reservations about the second half of next year. The current volume of business, the large backlog of orders, the still not excessively heavy inventories, the high rate of employment, the good earnings, the buoyancy in the stock market, and a number of other factors are cited as providing "momentum" of such strength as to leave little doubt about the future for at least a year to come.

As to all this we venture no opinion. We can and we certainly do hope that all the good things promised for us in the months ahead will eventuate. There can, of course, be no doubt that business generally is now exceptionally good. So far as the ordinary man can see, there is not a great deal in sight to mar the picture seriously for a considerable period of time. Beyond that we leave the future to those who believe that they know what is in store for us.

There is, however, a further phase of this optimism which does give us a good deal of uneasiness at times. It is the doctrine now preached on many sides—we had almost said on all sides—that the thing the economist sometimes calls the business cycle is as dead as King Tut, that henceforth we may have minor variations of prosperity but never a full fledged depression as it has been known since modern industry began. Those

Continued on page 126

Europe's Unmanageable Managed Money

By MELCHIOR PALYI

Dr. Palyi calls attention to dollar inflation in Europe, induced, he claims, by our economic and military aid. Says Europe's super-boom could never have occurred, had it not been for our hand-out policies which are expanding credit, creating inflation, and leading to a price-wage spiral. Holds managed money policies have failed, and the responsibility lies with the money-managers. Concludes the stage has been reached at which virtually every European country has to take measures to stop incipient inflation, but so far decisive measures are on paper only.

In April of this year, the Marshall Plan outfit, the O. E. E. C, published its sixth annual report dripping with optimism. Europe's economic growth from 1938 to 1954 was presented by such increases (in physical volume, mind you) as:

+ 70% in exports to the outside world;
+ 12% in imports from the outside world;
+114% in exports to the dollar zone;
+ 12% imports therefrom;
+ 70% in intra European trade;
+ 34% in gross national products;
+ 54% in industrial production;
+ 30% in agricultural production.

Dr. Melchior Palyi

Two additional figures did not make such a good showing: average increase in labor productivity between 1938 and 1954: 15 to 20% in Western Europe vs. about the double rate in the U. S.; and average increase in per capita consumption: 11 to 12% in Western Europe against about 45% in the U. S.

The report went on predicting that a dollar shortage "in the near future appears very unlikely." By that time,

Continued on page 127

The Investment Bankers Association of America Holds 44th Annual Convention

Meeting at Hollywood Beach Hotel, Hollywood, Florida, Nov. 27-Dec. 2, is addressed by the incoming President, George W. Davis; the outgoing President, Walter A. Schmidt; Hon. Gabriel Hauge; Philip D. Reed; Harlee Branch, Jr., and Thomas B. McCabe. Texts of these addresses, also Committee Reports and other Convention developments, given in this issue.

The Forty-fourth Annual Convention of the Investment Bankers Association of America was held at the usual place, the Hollywood Beach Hotel, Hollywood, Florida, from Nov. 27 to Dec. 2, inclusive. The Association elected as President for the ensuing year George W. Davis, Partner of Davis, Skaggs & Co., San Francisco, who succeeds Walter A. Schmidt, Senior Partner of Schmidt, Poole, Roberts and Parke, Philadelphia. The Vice - Presidents elected were: Andrew M. Baird, A. G. Becker & Co., Incorporated, Chicago; Robert H. Craft, American Securities Corporation, New York; John C. Hagan, Jr., Mason-Hagan, Inc., Richmond; William C. Jackson, Jr., First Southwest Company, Dallas; and Delmont K. Pfeffer, The First National City Bank of New York, New York.

George W. Davis

The New President

Mr. Davis, the new President of the Association, has been in the securities business on the West

Continued on page 132

IBA PICTORIAL SECTION—Pictures of incoming Officers and Governors of the Investment Bankers Association of America, also candid shots taken during course of the Association's recent Convention at Hollywood, Fla., appear on pages 65 to 88 incl.

DEALERS
in
U. S. Government, State and Municipal Securities
TELEPHONE: HAnover 2-3700
CHEMICAL CORN EXCHANGE BANK
BOND DEPARTMENT
30 BROAD ST., N.Y.

Eastern Stainless Steel
Expanding to Supply Jet Engine and Atomic Power Needs
Bulletin on Request
J. R. WILLISTON & CO.
ESTABLISHED 1889
MEMBERS NEW YORK STOCK EXCHANGE AND OTHER STOCK AND COMMODITY EXCHANGES
115 Broadway, New York 6, N.Y.
Miami Beach — Rye, N. Y.

STATE AND MUNICIPAL BONDS
THE FIRST NATIONAL CITY BANK OF NEW YORK
Bond Dept. Teletype: NY 1-708

COPIES OF OUR NEW BOOKLET
"ATOMIC ENERGY REVIEW"
ARE NOW AVAILABLE ON REQUEST
HARRIS, UPHAM & CO
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5
34 offices from coast to coast

State, Municipal and Public Housing Agency Bonds and Notes
BOND DEPARTMENT
THE CHASE MANHATTAN BANK

First
TO REMEMBER IN THE Southwest
State, Municipal, County and District Bonds
FIRST Southwest COMPANY
Dallas

T. L. WATSON & CO.
ESTABLISHED 1832
Members
New York Stock Exchange
American Stock Exchange
25 BROAD STREET
NEW YORK 4, N. Y.
BRIDGEPORT • PERTH AMBOY

Net Active Markets Maintained To Dealers, Banks and Brokers
CANADIAN SECURITIES
Commission Orders Executed On All Canadian Exchanges At Regular Rates
CANADIAN DEPARTMENT
Teletype NY 1-2270
DIRECT WIRES TO MONTREAL AND TORONTO
GOODBODY & CO.
MEMBERS NEW YORK STOCK EXCHANGE
115 BROADWAY NEW YORK
1 NORTH LA SALLE ST. CHICAGO

CANADIAN
BONDS & STOCKS
DOMINION SECURITIES CORPORATION
40 Exchange Place, New York 5, N.Y.
Teletype NY 1-702-3 WHitehall 4-8161

American Express Co.
COMMON
Analysis upon request
IRA HAUPT & CO.
Members New York Stock Exchange and other Principal Exchanges
111 Broadway, N. Y. 6
WOrth 4-6000 Teletype NY 1-2708
Boston Telephone: Enterprise 1820

Digitized for FRASER
http://fraser.stlouisfed.org/

Nationwide Over-the-Counter Coverage

In 35 years of serving dealers, brokers and institutional investors, we have equipped ourselves to serve your most specific needs.

The complete facilities of our fully staffed Trading Department and large private wire system are available to provide you with primary trading markets and prompt executions in more than 400 different Over-the-Counter securities.

New York Hanseatic Corporation

Established 1920
Associate Member
American Stock Exchange
120 Broadway, New York 5
WOrth 4-2300 Teletype NY 1-40
BOSTON • CHICAGO
PHILADELPHIA • SAN FRANCISCO
Private Wires to Principal Cities

Specialists in
RIGHTS & SCRIP
Since 1917
McDONNELL & Co.
Members
New York Stock Exchange
American Stock Exchange
120 BROADWAY, NEW YORK 5
TEL. REctor 2-7815

Trading Interest In
American Furniture
Bassett Furniture Industries
Camp Manufacturing
Commonwealth Natural Gas
Life Insurance Co. of Va.
STRADER, TAYLOR & CO., Inc.
Lynchburg, Va.
LD 39 TWX LY 77

Exceptional facilities for the
ACCUMULATION or PLACEMENT
of large blocks of
"OVER-THE-COUNTER" STOCKS & BONDS
Greene and Company
ESTABLISHED 1929
37 Wall St., N. Y. Tel. Hanover 2-4850

LAMBORN & CO., Inc.
99 WALL STREET
NEW YORK 5, N. Y.
SUGAR
Raw — Refined — Liquid
Exports—Imports—Futures
DIgby 4-2727

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Masco Industries, Inc. — Carl E. Bryant, of Hayden, Stone & Co., Boston, Mass. (Page 2).

Phillips Petroleum Co. — Charles T. Jawetz, Senior Partner, Daniel Reeves & Co., Beverly Hills, Calif. (Page 19).

CARL E. BRYANT
Hayden, Stone & Co., Boston, Mass.

Masco Industries, Inc.

On Dec. 21 a stockholders meeting will be held by Alexander Smith, Inc., to act on the proposal to merge Mohawk Carpet Mills, Inc., into Alexander Smith, Inc., and change the name of the latter to **Masco Industries, Inc.**

Carl E. Bryant

No industry has been more pushed around by its economics in the past five years than the carpet industry. It is afflicted with the textile classification since it uses textile fibers via the weaving process. In years past, wool has been the industry's principal raw material. Since domestic wool is not of the proper texture for weaving carpet, it has been necessary for the industry to import its wool. This situation created an "inventory in transit" problem. Because of long distances and time involved in transporting the industry's principal raw material, carpet companies were forced to carry large inventories and this involved a considerable price risk. This was especially so in the 1950-54 period. Following the Korean incident, the average cost of carpet wool rose sharply to 300% of the 1947-49 average; fell to around 130% by the middle of 1952; and rose again to 160% early in 1955. At the same time, labor and other costs were following the general upward trend of the economy. Since carpeting falls somewhat in the luxury class and its purchase can be readily postponed by the consumer, it was not possible for the industry to get prices from the consumer to adequately compensate for rising costs. Since early 1952, the soft floor covering index has held at or near the 130 level. The Carpet Institute reports that in the period 1950-54, total sales of six principal manufacturers dropped 34%; net income dropped from $20.6 million to $100 thousand and net income as a percent of sales fell from 5.36% to 0.39%. Woven carpet and rug production dropped 35%.

Conditions such as the above force cost cutting and some changes have occurred. The industry has turned to domestic man-made fibers as an added source of raw material. In the 1949-54 period, man-made fiber consumption in woven carpet and rug production doubled while U. S. imports and consumption of carpet wool dropped about 10% and 29% respectively. In the past four years, 36% of total woven yardage produced was of man-made fibers or blends of such materials. Thus a competitive raw material substitute, obtained domestically, should reduce the raw material inventory problem and increase the stability of raw material costs.

Along with the use of synthetic fibers came a new manufacturing process known as "tufting," producing a lower cost soft floor covering that has met with strong consumer demand. Tufting lends itself to the use of synthetic fibers and it is estimated that their use in "tufted" production increased from one million to 40 million pounds between 1951 and 1954. The industry is now using rayon, nylon and cotton and there is every indication that additional fibers will be used in the future.

In addition to efforts in the direction of solving the problems of raw material costs, the industry, through the Carpet Institute, is spending several million dollars in public relations, retail sales promotion and cooperative advertising to stimulate dealer and consumer interest in soft floor coverings and to build sales. This action along with rising consumer disposable income and new family formation, both of which carpet sales to consumers follow closely, is producing some good results, and there are signs that a turn has come. In the first half of 1955, woven carpet production was 7% ahead of 1954, and the increase in tufted output was estimated at 10%. Consumer purchasing power and demand reached the point where prices could be increased and two general price increases have been made this year. The four largest manufacturers in the industry showed a 15% combined gain in dollar sales in the nine months ended Sept. 30, while net income rose from a deficit of $550,000 in 1954 to net of $2¼ million. The industry is characterized by widening profit margins as sales rise above the break even point.

The soft floor covering industry is a small industry from the standpoint of sales volume. It consists of something over 100 producers. In 1953, sales approximated $396 million and none of the largest companies did as much as 20% of the total volume. About 30,000 employees are engaged in production and distribution of woven carpets. The largest producer has about 6,000 workers. These conditions together with the type and nature of its problem makes the industry ripe for mergers.

Alexander Smith, Inc. has been making carpets and rugs since 1845. It is a "name" in the industry. In the past five years, it has reported net losses. It is fourth in dollar sales in the industry. It has accumulated $32,000,000 in tax-carry-forward losses, and about $850,000 in preferred dividend arrears. Losses, in part, have resulted from closing and disposal of high cost plants, consolidating warehousing facilities, disposal of high cost inventories at going prices and construction of new facilities in the South and their starting up costs. The company's Greenville Mill in Greenville, Miss., is new and capable of a cost level as low as the best in the industry.

Alexander Smith stockholders go into the merger on a share for share basis while Mohawk Carpet stockholders go in on the basis of 4 shares of Masco for each share of Mohawk. The deal seems to have been worked out on a net asset value basis. If approved it becomes effective Dec. 31, 1955.

Aside from conditions in the industry, this merger has some justification. It will create the largest manufacturer in the industry with a sales volume exceeding $100 mill[illegible] It may well have some stabiliz[illegible]ce on the economics o[illegible]stry. While it will be t[illegible] company in the indus[illegible]y no means a large com[illegible] corporation sizes go too[illegible]exander Smith's 1955 sales [illegible] approximate $35,000,000 ([illegible] lowest in five years) with [illegible]le, if any, profit from operations. Mohawk Carpet's 1955 sales will approach $71,000,000 (24% above 1954) with net income equal to between $3.50 and $4.00 a share. A substantial part of Alexander Smith's $4¼ million loss in the 9 months ended Sept. 30 appears to be of the non-cash variety.

Production facilities of these two companies seem to be complementary. Smith is strong in the production of Axminster carpets with its new Greenville, Miss. mill and limited in "Wilton" facilities, while Mohawk's position is the reverse. Smith has no "tufted" production facilities, while Mohawk has the newest plant in the industry for the manufacture of this fast growing product. Smith has a velvet carpet plant in South Carolina and Mohawk has velvet facilities in New York which may offer some combining opportunities. The two companies seem to fit physically.

The top managements of the two companies are to be merged with some change in emphasis on various individuals. The President of Smith will become Chairman and the Chairman of Mohawk will become Co-chairman of the new board if present plans are carried out. The President of Mohawk will become President of the new company. Thus, the emphasis veers somewhat in the direction of Mohawk management. It should be noted that Mohawk stockholders will get 69% and the Alexander Smith stockholders will get 31% of the common of Masco.

Financially, there will be some changes favorable to stockholders. The cash position of the consolidated company will be better than that of Smith alone. Each of the 3,066,000 common shares to be issued will have a $12.67 book value. The stock will be substantially leveraged due to combined long- and short-term debt of approximately $45 million plus the Smith preferreds outstanding at $9.5 million. This gives the new company $54.5 million senior capital compared with approximately $40 million (book value) of common equity having a market value, based on the current price of 9 for Alexander Smith Common, of $27.6 million. At a time when conditions in the industry and prospects for the company may be improving, even this situation can be advantageous to stockholders. However, over the longer term, considering the nature of the industry, the debt is probably heavy enough to dictate retention of a large portion of future profits.

Alexander Smith will bring $32,000,000 in tax-carry-forward losses, which will be sufficient, on the average, to off-set a 5% annual pre-tax margin on a sales volume of $110,000,000 annually through 1960. If these carry-forward losses are fully utilized, total tax savings over the next five years would equal $4-$5 a share of common stock. Furthermore, the companies are negotiating alteration of the dividend restrictions in debt agreements which will permit dividend payments on the preferred and common stocks of the new company out of future earnings. It should be noted that Mohawk common stockholders have been receiving dividends at

Continued on page 19

Alabama & Louisiana Securities

Bought—Sold—Quoted
STEINER, ROUSE & Co.
Members New York Stock Exchange
Members American Stock Exchange
19 Rector St., New York 6, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La. - Birmingham, Ala.
Mobile, Ala.
Direct wires to our branch offices

JAPANESE SECURITIES
may have unusual appeal to investors with vision—investors with knowledge of Japanese potential.
Call or write
Yamaichi Securities Co., Ltd.
Established 1897
Home Office Tokyo—70 Branches
Brokers & Investment Bankers
111 Broadway, N.Y.6 COrtlandt 7-5680

BOUGHT — SOLD
QUOTED
L. A. DARLING
MORELAND & CO.
Members
Midwest Stock Exchange
Detroit Stock Exchange
1051 Penobscot Building
DETROIT 26, MICH.
Woodward 2-3855 DE 75
Branch Office—Bay City, Mich.

Established 1856
H. Hentz & Co.
Members
New York Stock Exchange
American Stock Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
and other exchanges
N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.
Chicago • Detroit • Pittsburgh
Miami Beach • Coral Gables
Hollywood, Fla. • Beverly Hills, Cal.
Geneva, Switzerland
Amsterdam, Holland

Over-the-Counter Quotation Services for 42 Years
National Quotation Bureau
Incorporated
Established 1913
46 Front Street New York 4, N. Y.
CHICAGO SAN FRANCISCO

ized for FRASER
http://fraser.stlouisfed.org/

Where Do We Stand on Freedom?

By COLA G. PARKER*
President-elect, National Association of Manufacturers
Director, Kimberly-Clark Corporation

Mr. Parker cites the dangers of the great growth of bigness of Government, and its proliferation in the states and localities. Lists various encroachments on our freedom, stemming from taxation, unionism, agricultural regimentation, TVA-ism, and social security. Maintains we are constantly broadening the socialistic base, and thus are well on our way to the Communist State as blue-printed by Karl Marx.

There was once a preacher who had the very laudable habit of ending every conversation with an invitation to come to church and attend services. It happened that one evening he ate a meal in a restaurant, where he was served by a somewhat dizzy blonde.

C. G. Parker

He gave her a pleasant smile as he rose to leave. "That was a very good meal," he said. "Good evening, and I hope that I'll see you in Sunday School."

The waitress put her hands on her hips, stopped snapping her gum long enough to reply "say brother, I don't know what your pitch is, but your approach sure is different."

I have no new pitch as you see from the title, and the correct approach was made 179 years ago.

But first, where do we stand materially? In a few more days we shall close the books for 1955.

Materially, it has been a good year—with an output of close to $400 billion in goods and services for the first time in our history, national income of well over $300 billion and more than 65 million gainfully employed.

Times are good from that standpoint—so why be critical? Today I don't intend to talk to you about our material gains. I'm going to speak to you about the ground we have lost, the Constitutional landmarks we have let crumble, the flame of freedom that once was so clear, now flickering and threatening to go out as does an untended candle in a draft.

Franklin's Warning

There is hardly a person in this room who does not recall Ben Franklin's statement that "nothing is certain except death and taxes." But mostly we forget that this phrase is usually quoted out of context, as if it stood alone. We overlook this more important fact that Franklin was expressing his fear that the American Constitution might not live.

"Our Constitution is in actual operation," he wrote to a friend in France. "Everything appears to promise that it will last; but in this world nothing is certain except death and taxes."

Even as he walked out of Convention Hall, he was asked, "what have you given us?"

And Franklin, past 80, yet with his great mind still looking to the future, gave his answer to that question: "a republic, sir, if you can keep it."

A republic, if we can keep it! —How often do we remember that "if?".

I don't know how many of you recall the news story about the wolves in the Detroit zoo. About how, with complete security, housing, food, free medical service, and so forth, they became so soft that when turned loose in their natural habitat, on an island in northern Michigan, they were completely miserable, with no notion of how to get a square meal except to sit around the back doors of resorts and howl for food. Even the cats chased them into the woods. It was the worst debacle for a wolf since Walt Disney's "Three Little Pigs."

Our Founding Fathers did not create the priceless boon of individual freedom and respect for the dignity of man. The roots of freedom go back deep in Christian religion and philosophy. They reach even beyond the Magna Carta, the Petition of Right, the Grand Remonstrance, and the famous English Bill of Rights after the peaceful revolution of 1688.

No, our Founding Fathers did not invent liberty. But, while not inventing it, they did find a way to assure its continuance by the creation of a central government of closely limited powers designed to protect this freedom of the individual, with **all**—and I emphasize **all**—non-delegated powers, except those denied to any level of government reserved to the respective states and to the people.

Mindful of Freedom's divine origin, they set down those "self-evident truths" . . . the God-given "unalienable rights" . . . "life, liberty and the pursuit of happiness" . . . and secured the blessings of liberty by the establishment of our Constitution.

As Daniel Webster said, it was "the people's government, made for the people, made by the people, and answerable to the people."

Government's Original Functions

In its original concept our government had two prime functions:

(1) To protect all individuals from foreign attack.

Continued on page 124

*An address by Mr. Parker before the NAM's 60th Congress of American Industry, New York City, Dec. 8, 1955.

INDEX

Articles and News

	Page
Europe's Unmanageable Managed Money—Melchior Palyi	Cover
Where Do We Stand on Freedom?—Cola G. Parker	3
Investing in Energy—Donald C. Samuel	4
Amerada the Beautiful—Ira U. Cobleigh	6
"The Carrot Instead of the Stick"—Hon. Sinclair Weeks	10
Agriculture: Beset With Problems of Plenty —Lowell S. Hardin	12
The Outlook for Bank and Insurance Shares—Robert S. Burns	13
Legal Aspects of the SEC's Work—J. Sinclair Armstrong	14
Monetary Policy and the Real Estate Markets —William McC. Martin, Jr.	17
Organized Labor's Economic Creed—George Meany	18
Factors in Planning Your Investment Program for 1956 —Edwin J. Schlesinger	21
Our Rising City and Town Taxes—Roger W. Babson	21
Innovations in Granting of Instalment Sales Credit —Harold Wolozin	24
Tax Reduction Is in Order—Paul Studenski	26
Consumer Demand Boosts Auto Industry—W. J. Simons	28
Economic Trends in Canada—Hon. Walter E. Harris	36

Texts of IBA Convention Addresses

FULL TEXTS of addresses and Committee Reports delivered at the Annual Convention of the Investment Bankers Association of America at Hollywood, Fla., appear on pages indicated:

Tasks Confronting the IBA—George W. Davis	31
Essential Concepts of the Eisenhower Regime —Gabriel Hauge	32
A Busy Year for the IBA—Walter A. Schmidt	33
A Basis for Confidence—Philip D. Reed	34
There's No Limit on Tomorrow—Thomas B. McCabe	35
The Electric Utilities: Opportunity and Challenge —Harllee Branch, Jr.	37

Texts of IBA Committee Reports

Industrial Securities Committee	38
Railroad Securities Committee	40
Governmental Securities Committee	42
Municipal Securities Committee	44
Federal Taxation Committee	46
Aviation Securities Committee	48
Canadian Committee	50
Public Utilities Securities Committee	51
Nuclear Energy Committee	52
Oil and Natural Gas Securities Committee	53
Investment Companies Committee	54
State Legislation Committee	55

* * *

Candid Pictures Taken at Convention—pages 65 to 88 incl.	
List of Those in Attendance at the Convention	30
Winners of Golf Tournaments at the Convention	110
Investment Bankers Association of America Holds 44th Annual Convention	Cover
IBA Board of Governors Adopt Resolution Opposing Bricker Bill and Similar Legislation	43
Chairman W. Carroll Mead Reports Activities of IBA Education Committee	132
M. J. Rathbone Views Atomic Power as Energy Partner	102
FHLB Eases Credit Restraints on Savings-Loan Associations	130

Regular Features

As We See It (Editorial)	Cover
Bank and Insurance Stocks	141
Business Man's Bookshelf	9
Coming Events in the Investment Field	8
Dealer-Broker Investment Recommendations	8
Einzig: "Russian Aid to Backward Countries"	20
From Washington Ahead of the News—Carlisle Bargeron	15
Indications of Current Business Activity	140
Mutual Funds	148
NSTA Notes	150
News About Banks and Bankers	22
Observations—A. Wilfred May	5
Our Reporter on Governments	141
Our Reporter's Report	151
Public Utility Securities	24
Railroad Securities	116
Securities Now in Registration	143
Prospective Security Offerings	148
Security Salesman's Corner	120
The Market . . . and You—By Wallace Streete	16
Theh Security I Like Best	2
The State of Trade and Industry	4
Washington and You	152

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 15, 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.

Copyright 1955 by William B. Dana Company

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.

B. S. LICHTENSTEIN AND COMPANY

A TISKET A TASKET

We don't want your yellow basket— unless filled with yellow obsoletes!

Obsolete Securities Dept.
99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

GULF COAST LEASEHOLDS

MEXICAN GULF SULPHUR

CORPUS CHRISTI REFINING

HYCON

J.F. Reilly & Co., Inc.
42 Broadway, New York 4
DIgby 4-4970 Teletype: NY 1-4643

Corpus Christi Refining Co.
The Diners' Club, Inc.**
Dumont Broadcasting
Gulf Coast Leaseholds, Inc.*
Pacific Uranium Mines Co.*
Revlon, Inc.

*Circular on Request.
**Prospectus on Request.

We maintain trading markets in more than 250 over-the-counter securities

SINGER, BEAN & MACKIE, INC.
HA 2-0270 40 Exchange Pl., N. Y.
Teletype NY 1-1825 & 1-4844
Direct Wires to
Philadelphia • Chicago • Los Angeles

Lithium Corp. of America
Reeves-Ely Laboratories
Vitro Corp.
Federal Uranium of Nevada
Pan American Sulphur
Gulf Sulphur

WM V. FRANKEL & CO.
INCORPORATED
39 BROADWAY, NEW YORK 6
WHitehall 3-3960
Teletype NY 1-4040 & 4041
Direct Wires to
PHILADELPHIA DENVER
SALT LAKE CITY

For many years we have specialized in PREFERRED STOCKS

Spencer Trask & Co.
Members New York Stock Exchange
25 BROAD ST., NEW YORK 4, N. Y.
TELEPHONE HAnover 2-4300 • TELETYPE N. Y. 1-5
Albany • Boston • Chicago • Glens Falls
Nashville • Schenectady • Worcester

gitized for FRASER
http://fraser.stlouisfed.org/

Investing in Energy

By DONALD C. SAMUEL*
Partner, Ralph E. Samuel & Co., Members, N. Y. S. E.

Mr. Samuel predicts rate of growth in energy field will continue to outstrip industry as a whole. Expects 10 to 20 years of "giant expansion" of energy industries. Concludes whole field of energy generation and transmission is prime place for thoughtful investor's funds; and diversified investment in oil, natural gas, electric utilities, and other nuclear power enterprises represents best investment in America's future as a great nation. Cites specific issues in various categories.

I will try not to be too ponderous. I will avoid statistics as you would avoid the plague, and I will steer away from the scientific phases of the generation and transmission of energy.

Donald Samuel

Before I get into the problem of energy investments, perhaps I should spend a few minutes in a backward glance, an historical glance, if you please, toward energy down through the ages. Someone, I think it was H. G. Wells, said that human history is in essence a history of ideas, and I sometimes think that the greatest of all pragmatic ideas has been man's creative ability in developing energy resources.

Man first created energy, I would think, by harnessing the winds. He sailed the seas in olden days, and centuries ago built crude windmills to pump water.

I would think the next step forward in his quest for energy was the discovery and use of falling water. In the early days of our country falling water, running water, turned the waterwheels that produced energy in our meagre industrial plants of pre-Revolutionary days. And from there it was, of course, but a step to the use of falling water itself, hydro-power, in our lexicon, which, of course, is the great source of energy in Switzerland and in the Western end of our state at Niagara Falls.

Some 200 hundred years ago, more or less, we learned how to use steam to create energy, to bring about power. Man learned that by heating water to the boiling point the resulting vapor, when pressurized, became a dependable source of energy. As you know, it was this development that brought about the industrial revolution in England, which in turn spread throughout the Western world.

Steam power in turn created, as time went on, a great demand for what the scientists call fossil fuel. And the earliest of the fossil fuels, of course, was coal—a fuel that was the result of mineral matter that had been dormant under the earth's surface for millions of years.

It was this fossil fuel, coal, that made possible the great developments of the 19th century: the great iron and steel industry here and in Western Europe, the amazing spread of railroading, the accelerating of ships at sea and our great manufacturing era. All of these in the 19th century stemmed from man's discovery of steam and his use of the fossil fuel, coal, to create this steam.

In our century a new fossil fuel has come along—petroleum. Discovered in the latter part of the 19th century, it has come into universal use in our own time.

The Petroleum Era

It is trite, of course, to remind you that we are in the petroleum era. Our roads and streets are unbearably crowded with the automobile powered by gasoline. Our ships cross the seas, obtaining their power from Diesel oil. Our railroads, too, are largely Dieselized, and fuel oil is a giant source of power for industrial plants in many sections of the country.

In the last 20 years another petroleum product has been brought into use as a source of energy—natural gas. Natural gas is a clean fuel, relatively inexpensive, and is supplying energy more and more for the great industries that have located along the Gulf Coast and the Middle South.

So here we stand, a bit beyond the mid-twentieth century, with the use of wind largely discarded as a source of power and depending on falling water (hydro) and fossil fuels, coal, oil and natural gas.

But all of these, when one looks ahead, may be insufficient to supply our energy needs. So man, with his scientific resources and inventiveness and insatiable curiosity, creates atomic power, nuclear power, and it is the nuclear age that we are entering.

For war purposes man learned how to split the atom, but in the decades and centuries to come, the splitting of the atom, the process of fission, will be for peaceful purposes.

Where do we stand now in the planned use of nuclear power? Our Navy has commissioned a third nuclear-powered submarine, and Congress is demanding that our Merchant Marine, our ships of war, our aircraft carriers, should be converted to nuclear power. Particularly is it argued that tankers will be nuclear-propelled, first, because of the added storage room that would result, and second, because of a speeding-up of the so-called turn-around time .

In the air, many companies are working to bring into being a nuclear-powered airplane. There is nothing classified about this. United Aircraft (Pratt & Whitney) and General Electric fill the Sunday papers with advertisements in their attempts to recruit engineers to work on these projects. Only the other day we read that an airplane flew with an inactive reactor in the nose of the plane, an experiment doubtless to shed light on problems of weight and spacing.

In the electric utility field, there are many exiting nuclear power developments. Detroit Edison is working on an improved nuclear utilization. There is another one for several electric utilities in and around Ohio, and up the Hudson River a few miles New York's Consolidated Edison is going to construct a giant nuclear energy plant to create power for New York and environs.

Abroad, Great Britain is moving rapidly to create six widely dispersed nuclear plants, and, of course, in countries where there is a shortage of fuel there is a great desire for nuclear energy. India and parts of Latin America come to mind readily as parts of the globe where nuclear power can fill a long-felt want and do much to bring about a full life. Even Switzerland, with its famous hydro-power resources, has been a recent purchaser of a nuclear reactor.

I proceed now to say a word or two about still another source of energy that may not be too far in the future: solar energy. You have read, I am sure, of the experiments of the telephone company in several sections of the country, bringing in the power of the sun to storage batteries, sufficient power recently to implement an historic telephone conversation; and on the subject of solar energy, I remind you that the Prime Minister of Israel stated only a week or two ago that the sun-drenched desert in the Negev would blossom forth as a productive garden-spot in the not-too-distant future when solar energy is available.

All of this, of course, is preliminary to the question as to how one invests in energy, and I address myself now to that question.

The Investing Phases

First, let us talk about coal. For many years now, investors have neglected coal mining, have regarded it as a dying industry. There was nothing dynamic about it, nothing to attract capital. But this is changing. The insatiable demand for power has convinced many people that the demand for coal will go on for countless decades and that it is a source of cheap power for certain sections

Continued on page 134

*A talk by Mr. Samuel before the Advertising Post, American Legion, New York City, Dec. 12, 1955.

d'AVIGDOR COMPANY
63 WALL STREET • NEW YORK 5, N. Y. • WHitehall 4-3405

we predict:
Fuel injectors will replace carburetors in automotive engines within two years.

Air suspension (replacing steel springs) will be commonplace within the same period.

we recommend for speculation:

SAATY FUEL INJECTOR CORP.
Common Stock

AIR-SPRINGS, INC.
Common Stock

Information available on request

The State of Trade and Industry

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

A marked rise was noted in industrial production for the country-at-large in the period ended on Wednesday of last week. The most noticeable gains were recorded in the automotive and construction industries. Over-all output exceeded the comparable 1954 level by a considerable margin.

On the employment front a decrease of 24,000 in claims for unemployment insurance was reported the past week. However, there were some seasonal labor cutbacks in the food processing and apparel industries. Claims declined most noticeably in Washington and Oregon and rose moderately in Indiana.

In the week ended Dec. 3, new claims for unemployment compensation climbed 32,600 to 238,800, the United States Department of Labor reported.

The department's Bureau of Employment Security attributed the rise to seasonal layoffs in the apparel, textile and food processing industries and to claims delayed from the week before when offices were closed on Thanksgiving. New claims in the like week of 1954 totaled 301,700.

The bureau also reported the number of jobless workers on the compensation rolls climbed 105,500 to 931,700 in the week ended Nov. 26. A year ago the figure stood at 1,515,700.

While the big problem in steel is one of producing enough to meet demand, the steel price question smoulders beneath the surface. Prices will loom larger in the weeks ahead, "The Iron Age" national metalworking weekly, states this week.

If anything, the steel supply outlook is worse, with producers straining to maintain high production levels. However, cold weather, maintenance problems and the holidays are likely to force a break in the fast pace being set by the mills, it continues.

The usual hullabaloo about steel prices has followed recent advances in base and extra charges. Chances are that by March 1, practically all major product prices will be changed either in terms of extras or base. But the important adjustments are still to come. Meanwhile, producers have one eye cocked on Washington. The possibility of being called on to explain price changes may give some mills a bad case of cold feet. Such a probe hardly seems likely in view of the industry's need for additional expansion capital, declares this trade authority.

It is still much more than an even possibility that steel prices will rise moderately before March 1. That they will go up again after wage negotiations next summer is a foregone conclusion.

The railroads are with some success putting on the pressure for more steel to push their freight car program. They failed to get priorities from Washington, but their efforts have had the desired effect on some steel producers, concludes "The Iron Age."

Business inventories at the end of October topped the year-earlier level by 5% and sales for the month were 14% higher than last year, the United States Department of Commerce reported.

The Department said total manufacturing trade inventories amounted to $81,300,000,000 at the end of October. This was $3,800,000,000 higher than a year earlier and $1,600,000,000 above September.

Sales during October, the department said, amounted to $54,300,000,000. This was $6,500,000,000 above the like month last year but only $100,000,000 above September.

The September-October rise in total business inventories was a little more than is considered normal by the Department. Thus, its index adjusted for seasonal variations rose $700,000,000 during October to a book value of $80,700,000,000 at the end of the month. About 40% of this increase reflected higher replacement costs, the Department commented. It said manufacturers' book values were $500,000,000 higher and wholesalers' stocks increased by about $150,000,000. Retailers' inventories were up about $50,000,000, it added.

October sales, on the other hand, rose a little less than the Department considers normal for the month. The seasonally adjusted index for sales volume, therefore, dipped $600,000,000 from the September level to a $52,500,000,000 volume in October. Most of this decline came in the durable goods sector of manufacturing sales, which dipped $400,000,000 to a $13,300,000,000 volume for October.

In the automotive industry United States car makers last week expected to set a production pace surpassed only once in industry history, "Ward's Automotive Reports" stated on Friday last, as 181,479 automobiles were scheduled to wheel from assembly points throughout the nation.

Only the week of last April 25-30 displayed a greater productive

Continued on page 130

We are pleased to announce establishment of a

MUNICIPAL BOND DEPARTMENT

under the direction of

PAUL L. SIPP, JR.

STERN, LAUER & CO.
Members New York Stock Exchange
120 Broadway New York 5, N. Y.
December 15, 1955 *Telephone:* HAnover 2-4450

itized for FRASER
//fraser.stlouisfed.org/

Observations . . .

By A. WILFRED MAY

"HOW GOOD IS THIS COMPANY'S MANAGEMENT?"*

The investor's reaction to management quality — via either impression or "appraisal" — is becoming ever more significant as a result of (1) the broadening base of public stock ownership, and (2) the intensification of Blue Chip-ism.

A. Wilfred May

Pervading the Blue Chip philosophy is the supplanting of quantitative value criteria, as the price earnings ratio, with the relatively vague reliance on the "good stock." And part and parcel of the investor's concept of that "good stock" is the attribution of "good" (often meaning merely highly glamorized) management.

The Public's Foibles

In line with the American public's proclivity for hero-worshipping, its picture of the corporate manager is sometimes a product of public relations, rather than of actual performance—from which follow the frequent instances of the oscillation of the corporate leader's reputation, from-hero-to bum (often accompanied by a reddish discoloration of black ink on the earnings statement).

Too often is the public's estimate disproportionately based on an official's compensation—often stemming from publicity attending a highly-colored proxy battle.

Or the real significance of a quantitative factor is just not properly weighted. For example, earnings might be considered only on the record of growth in recent years, not realizing that industry-wide or nationwide boom in volume were cancelling individual management errors. A company's record during all phases of a business cycle, and vulnerability of volume and profit margins during, but as well as boom, must be taken into account.

The lay stockholder can do well by inspecting basic ratios, as that relating earnings to invested capital and reinvested profits, and to sales volume for demonstration of the profit margin; as well as by noting the growth of sales. And their validity is tremendously enhanced by comparing such results in any one concern with those shown by other companies in the same industry. Also he can sense some worthwhile conclusions from company statements through "playing it by ear."

Nevertheless it remains impossible for the lay stockholder to arrive at over-all tangible valuations. Not the least of the difficulties confronting him is avoidance of subjective self-interest warping his judgment, on such questions as dividend policy and management compensation in its various forms.

Even for the expert is the gleaning of evidence about management evaluation scarce and uncertain. But efforts by professional forces are growing albeit very slowly.

An Institutional Technique

Partially filling the void in the formulation of judgment about management in which the investor founders, are some professional attempts at definitive appraisal.

One of these operations by the American Institute of Management of New York City, scrutinizes, through its Management Audit program, the workings of 4,000 publicly-owned companies via 301 questions grouped under the following 10 areas of the managerial process:

Economic Function
Corporate Structure
Health of Earnings
Service to Stockholders
Fiscal Policies
Research and Development
Directorate Analysis
Production Efficiency
Sales Vigor
Executive Valuation

These questions, which enable experienced management men to gather the necessary data for the audit, must be answered before any full-scale investigatory work is done.

All 4,000 companies are specifically rated following these counts, of which 379 companies this year were presented with certificates of excellence of their management performance during 1954.

In contrast to other management organizations, the Institute of Management does no correcting, nor embark on active engineering services. It merely engages in studies which are concerned with the over-all management function, and with the relation of that function to corporate policy as a whole. This relationship is assessed in the comparative audits which the Institute continues through its Research Center and field research efforts. It is these comparative audits which are the foundation for the above-mentioned *Excellently Managed Companies*, and for the *Certificate of Management Excellence*.

Reports and the specific ratings by the Institute, a non-profit organization supported by grants and memberships, are generally available to the public free of charge.

Another Rating Attempt

The rating technique is likewise exemplified by *FORBES' Annual Report on American Industry*, which, tailored for the investor, attempts to give him light on that basic question: how good is this company's management? For 1955, 171 companies in 16 industries are rated; the coverage by industries being rotated year-by-year.

Each management is given an arithmetic grade. One hundred-perfection being an impossible achievement, the ratings generally range from 95 down.

Leaving it to the individual investor to weigh the findings as he deems best, the Forbes' editors have devised what they consider a "set of simple graphic yardsticks" to answer these four questions about how management is doing:

(1) EARNING POWER. How profitably is management putting the stockholders' money to work?

(2) GROWTH POWER. How fast is management making stockholders' equity grow?

(3) LAYOUT vs. PLOWBACK. Is management letting stockholders share in the profits through adequate dividends?

(4) PLOWBACK PERFORMANCE. Is management finding profitable uses for that portion of the profits that are not paid out in dividends?

Minority Stockholders Nos. One and Two

On a different plane, the Gilbert Brothers, Lewis and John, the marathon performers at annual company meetings, render opinion about management to their fellow "minority" stockholders. While their watch-dogging at the meetings is largely concerned with items of protocol and company manners, as the chairman's attitude toward questions from the floor, accessibility of the meeting place, attendance of the auditors, issuance of a post-meeting report, officers' compensation, and cumulative voting; they also issue a voluminous annual report to their proxy-givers, in which quite thorough and fundamental management aspects are treated.

Functioning by the Funds

In effect, the management intangibility gap now is probably best filled for the lay investor by the mutual fund's full-blown arrival on the scene. Insofar as a fund's directors properly weigh the management element of the companies in the arrangement constituting its portfolio, do they professionally relieve its own lay shareholders of that responsibility.

The Broad Benefits

While these as other current efforts to appraise the quality of a company's management assuredly have little scientific validity, and leave many gaps, and harboring some unfortunate potentialities, they nevertheless do offer much that is constructive.

When done by an organization with no personal axe to grind, they substitute needed objectivity as well as experienced and broadly-based judgment for both inexperience and demagogic attitudes. For the lay investor they highlight the management factor as an important element in his decisions. They impress him with the importance of specifically scrutinizing each company according to some logical standards, in lieu of mere vaguely glamorous, or unglamorous, attributes that may be uncertain and irrelevant; of implementing the constructive approach of realistic evaluation as contrasted with market-playing; and, most significantly, of awakening the public stockholder to a business-like attitude in lieu of his chronic basic apathy toward the affairs of the company to whom he has entrusted his capital.

Broadly viewed, the arousal of stockholder interest in management performance should help remedy the abuses basically stemming from the separation of corporate ownership from control. And the promotion of realistic attitudes toward management, including the removal of distrust traditionally embraced by too many of the nation's existing and potential shareholders, will supply an important fillip to that desired healthy flow of equity capital into free enterprise!

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

Carl H. Ollman With Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Carl H. Ollman has become associated with Dean Witter & Co., 111 West Monroe Street. Mr. Ollman was formerly Manager of the Municipal Bond Department for the Chicago office of Lee Higginson Corporation.

With McCoy & Willard

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Arthur W. Silvester has become connected with McCoy & Willard, 320 Mooney Point.

With Model, Roland Stone

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — James S. Stubbs is with Model, Roland & Stone of New York.

HAZELTINE CORPORATION

We have made an exhaustive study of this unique Company.

Copy available on request.

HAY, FALES & CO.

Members New York Stock Exchange

71 Broadway, New York 6, N. Y.

ESTABLISHED 1894

STATE AND MUNICIPAL BONDS
CORPORATE BONDS
LOCAL STOCKS

The Robinson-Humphrey Company, Inc.

RHODES-HAVERTY BLDG. ATLANTA 1, GEORGIA
WALNUT 0316 LONG DISTANCE 421

Gairdner & Company Limited

320 Bay Street, Toronto, Canada

We provide a complete service for corporate financing in Canada. Private enquiries from dealers are invited.

Members
The Toronto Stock Exchange Montreal Stock Exchange
Winnipeg Stock Exchange Canadian Stock Exchange
Vancouver Stock Exchange

Affiliate

Gairdner & Company Inc.

60 Wall Street, New York 5, N. Y.

Member: The Investment Dealers' Association of Canada

Montreal Kingston Quebec Calgary Vancouver
Hamilton Kitchener London Edmonton Winnipeg
New York

Private wire system.

gitized for FRASER
http://fraser.stlouisfed.org/

Amerada The Beautiful

By IRA U. COBLEIGH
Enterprise Economist

Following the flow of oil from Amerada's amazing and far flung acreages; with some notes about the pleasing propensity of this storied enterprise for getting its drills there "fustest," with the "mostest" oil.

Students of the equity market agree that the dominant motive for share purchase by investors is income. If you were to take a sort of Gallup poll sampling of a broad group of investors you'd find most of them, in the deep recesses of their minds, yearn for a 6% return. It's sort of a traditional goal carried over from the early 20's. They can't get it today on most issues, however, so they're willing to settle for close to 5%. But even that target yield keeps them out of some of the most rewarding equities for long-term holding—life insurance shares, chemicals and today's entry, Amerada, which on a $2 dividend yields a meager 2.12% at 94. And 1955, mind you, delivered just about the highest cash yield on this stock in four years—2.45% a few weeks back.

Ira U. Cobleigh

So having dispatched the strictly yield buyer with a few strokes of the pen, in the first paragraph, we now warm to our pleasant task of delineating just how wonderful a stock Amerada has been; and we shall conclude that it's a pretty slick oil stock for the future as well.

Nineteen hundred and fifty-five is the 36th year in the life of Amerada—and for each of the last 35 it has shown a profit. That's quite a record in itself for a company that confines itself to drilling and production of oil and gas. With a less talented management, there might well have been debit years of dusters and dry holes. Instead there has been a steady, majestic forward march, in oil discovery, production, reserves, and earnings, so that, today, Amerada is the largest exclusively producing, petroleum enterprise in America. You might almost say the sun never sets on Amerada. In 15 of the United States, principally in Texas, California, New Mexico, Oklahoma, Louisiana and the Dakotas, Amerada owns partial or full interests in 6,140,000 acres; in Canada ARC has leases on 1,650,000 acres; a 64½% interest in 188,000 in Venezuela; a vast exploratory venture in Somaliland (with Ohio Oil and Continental); and, with the same partners, an extensive exploration project in Libya.

The whole history of Amerada has been early exploration, early and low cost acquisition of drilling acreage, and a truly impressive list of oil field firsts. Amerada was first with geophysical exploration techniques. It did some pretty valuable early work for Louisiana Land and Exploration Company in the early 30s, and was rewarded by low cost acquisition of 213,000 shares of Louisiana Land common. Of this nest egg, 50,000 shares were sold last year at a fancy profit (above $4 million) and 163,000 still reside in the company treasury, standing on the books at $59,246 but worth in the market above $16 million.

Amerada was first in the Williston Basin in 1951 and now has estimated reserves there of 200 million barrels, and 395 producing wells. The new Standard of Indiana Refinery nearby at Mandan, N. D. (30,000 barrels) has resulted in stepped up Amerada production to the 20,000 barrel per day level for 1955.

Amerada was among the first to enter production in New Mexico and is now that state's largest producer.

At Sturgeon Lake in West Alberta, Canada, Amerada was first on the scene and now has 650,000 acres there under lease or option, and reserves which may conservatively be stated at 90 million barrels. The production future in this area is brightened by a new pipeline (now being completed, and 16⅔% owned by Amerada) which will deliver Sturgeon Lake oil into Trans Mountain Pipe Line; and thence to Pacific markets.

Viewed in the aggregate, Amerada today probably has (although there is no official company estimate) some 600 million barrels in oil reserves and 2¾ trillion cubic feet of gas; and the truly amazing thing about this enterprise is that it has the happy faculty of finding 1½ barrels of new reserves for each barrel it produces. It hits a dry hole less than 30% of the time which is considerably below par for the course. It will probably produce around 84,000 barrels a day, this year, and gross earnings should move into new high ground above the $85 million recorded for 1954.

For those who still view with some disdain the $2 dividend on this relatively high priced stock, let it be noted that (1) that this has been considerably more than 50% of reported net, (2) that some 80% of actual cash earnings each year is being reinvested in the property, and (3) that there has been a history of stock dividends that should have satisfied the most avid. Amerada common was thrice split 2-for-1; in 1946, again in 1951, and again this year.

It is, no doubt, true that Amerada did, in 1952, get a little ahead of its horizon at 117½ (adjusted for splits). Buoyed up by successes at Williston and Sturgeon Lake, Amerada sold as high as 45 times earnings. But that was three years ago and during that time the cash position has improved, reserves have surely increased by 50 million barrels, and the cash plowback has exceeded $100 million. So it's not hard to conclude that ARC is a much stronger stock today than it was then.

The important thing to remember in any over-all consideration of Amerada is its notable nose for oil, year in and year out. Starting off under the guidance of Mr. E. L. DeGolyer in 1920 (he left Amerada in 1932), good bird dogging brought in a succession of winners; and since the accession of Mr. Alfred Jacobsen to the Presidency in 1929, fortune has smiled on the company and every drill bit has been, at heart, an optimist with a rabbit's foot. But any notion that the success of Amerada has been "just lucky" should be summarily dismissed. Amerada has always stressed geological information in depth, and fielded a corps of skillful oil hunters. This is not to suggest that ARC knowledge or information about a prospective exploration area is always better than anybody else's. That would not be true. But, on the record, Amerada has attracted to its organization men who developed real talent for interpreting geological and geophysical data, so that they excelled in making fortunate decisions on where to drill; and when they drilled they had a high batting average in striking oil.

The shares of Amerada, of which 6,309,400 are listed on N.Y.S.E., are found in some of the most opulent, elite, and best managed investment portfolios in the land. Pick out 10 big stock accounts, or 10 mutual funds, and chances are at least four of them will hold Amerada. That may tend to create a "name" or scarcity value for the issue, but it also proves that top analysts have consistently perceived a solid value in this equity. And nobody seems eager to sell it out even though its market action this year has been somewhat short of scintillating.

Total capital paid in to Amerada was $11 million. Without any security flotation since 1926, ARC has expanded, entirely from internal sources, and common stock is still the sole, unsullied, capitalization. Over $110 million has been paid out in cash dividends since 1922, and had you or I been fortunate, or confident, enough in 1932, we could have bought this authentic blue chip in black gold for $2—exactly the amount of the current dividend. Long-time stockholders here may well sing the praises of ARC to the strains of Amerada the Beautiful. Nineteen fifty-five per share should reach an all-time high—around $3.90.

To Be Alex. Brown Partner

WINSTON-SALEM, N. C.—Benjamin S. Willis on Jan. 1 will be admitted to partnership in Alex. Brown & Sons. Mr. Willis is manager of the firm's Winston-Salem branch in the Reynolds Building.

CANADIAN STOCKS and BONDS

We trade actively in the following Securities in NET U.S. FUNDS:

Abitibi Power & Paper Co., Ltd., New Com.
Abitibi Power & Paper Co., Ltd., 4½% New Pref.
Algom Uranium Mines Ltd.
Algoma Steel Corporation Ltd., Com.
Aluminium Ltd.
American Leduc Petroleums Ltd.
Anglo-Canadian Oil Co. Ltd.
Anglo-Newfoundland Development Co., Ltd.
Argus Corporation Ltd.
Asbestos Corporation Ltd.
Atlas Steels Ltd.

Bank of Montreal
Bank of Nova Scotia, The
Britalta Petroleums Ltd.
British Columbia Forest Prod. Ltd.
Bulolo Gold Dredging Ltd.

Campbell Chibougamau Mines Ltd.
Campbell Red Lake Mines, Ltd.
Canada Oil Lands Ltd.
Canadian Bank of Commerce, The
Canadian Breweries Ltd.
Canadian Chemical & Cellulose Company Ltd.
Canadian Hydrocarbons Inc.
Canadian Industries (1954) Ltd.
Canadian Javelin Ltd.
Canadian Pacific Railway Co.
Canadian Pipelines & Petroleum Ltd.
Canadian Vickers Ltd.
Canadian West. Lumber Co. Ltd.
Chemical Research Corporation
Consolidated Fenimore Iron Mines Ltd.
Consolidated Paper Corp. Ltd.
Crown Zellerbach Corporation

Distillers Corp.—Seagrams, Ltd.
Dome Mines Ltd.
Dominion Magnesium Ltd.
Dominion Stores Ltd.
Du Pont of Canada Securities Ltd.
Falconbridge Nickel Mines Ltd.
Frobisher Ltd.

Geco Mines Ltd.
General Dynamics Corp.
Great Lakes Paper Co. Ltd.
Great Plains Development Co. of Canada Ltd.
Gunnar Mines Ltd.

Home Oil Company Ltd.
Hoyle Mining Co. Ltd.
Hudson Bay Mining & S. Co. Ltd.
Husky Oil & Refining Ltd.

Industrial Acceptance Corp. Ltd.
International Nickle Co. of Can. Ltd., The
International Paper Co.
International Utilities Corp.
Interprovincial Pipe Line Co.

Kerr-Addison Gold Mines Ltd.

Labrador Mining & Exploration Co. Ltd.
Liberal Petroleums Ltd.
Lorado Uranium Mines Ltd.

MacMillan & Bloedel Ltd. Class "B"
Massey-Harris-Ferguson Conv. Pfd.
McColl-Frontenac Oil Co. Ltd.
McIntyre Porcupine Mines, Ltd.
Mexican Light & Power Com.
Mexican Light & Power Pref.
Minn. & Ont. Paper Co.
Moore Corporation Ltd., The

New Dickenson Mines Ltd.
Noranda Mines Ltd.
North Star Oil, Ltd.

Ontario Jockey Club Ltd., The
Opemiska Copper Mines (Quebec) Ltd.

Pato Consolidated Gold Dredging Ltd.
Peace River Natural Gas Company Ltd.
Pend Oreille Mines & Metals Co.
Placer Development Ltd.
Powell River Co. Ltd.
Prairie Oil Royalties Company Ltd.
Price Brothers & Co. Ltd.
Pronto Uranium Mines Ltd.
Prospectors Airways Co., Ltd.

Quebec Lithium Corp.
Quebec Metallurgical Ind. Ltd.
Quemont Mining Corporation, Ltd.

Royal Bank of Canada, The

Silver-Miller Mines Ltd.
Steep Rock Iron Mines Ltd.
Strategic Materials Corp.
Sullivan Cons. Mines Ltd.

Tech-Hughes Gold Mines Ltd., The
The Toronto-Dominion Bank
Traders Finance Corporation Ltd., "A"
Trans-Mountain Oil Pipe Line Co.
Triad Oil Co. Ltd.

Ventures Ltd.
Violamac Mines Ltd.

Walker-Gooderham Worts, Ltd., H.
Winnipeg and Central Gas Co.

Yellowknife Bear Mines Ltd.

Orders executed on all Canadian Exchanges at regular commission rates.

Teletype N.Y. 1-142

CHARLES KING & CO.

61 Broadway
NEW YORK
WHitehall 4-8974

MEMBERS
Toronto Stock Exchange
American Stock Exchange
Montreal Stock Exchange
Canadian Stock Exchange

Royal Bank Bldg.
TORONTO
EMpire 4-6407

Direct Wire Connections - TORONTO, NEW YORK, MONTREAL

Digitized for FRASER
http://fraser.stlouisfed.org/

New Issue

December 14, 1955

$46,000,000

California Toll Bridge Authority

Carquinez Strait Bridges
3¾% Toll Bridge Revenue Bonds
Series A

Dated September 1, 1955

Due September 1, 1995

The Bonds of Series A are redeemable prior to maturity at the option of the Authority either as a whole, on any date on and after September 1, 1961 from any source of available funds, or in part, on any interest payment date on and after September 1, 1961 from Revenues as provided in the Resolution, at 104% if redeemed on or before September 1, 1967; thereafter, at prices diminishing by ¼ of 1% each year to and including September 1, 1982; and thereafter at 100%; plus accrued interest in each case. In case less than all of the Bonds of Series A are called for redemption, the Bonds so to be redeemed will be selected by lot.

Principal and semi-annual interest (March 1 and September 1) payable at the principal office of American Trust Company, San Francisco, California, Paying Agent or at holder's option, at the principal office of Irving Trust Company, New York, N. Y., Collection Agent. Coupon bonds in denominations of $1,000 registerable as to principal only. Fully registered bonds in denominations of $1,000, $5,000, and $10,000, or in multiples of $10,000. All of said bonds are interchangeable as provided in the Resolution.

Interest Exempt, in the opinion of counsel, from Federal Income Taxes under present laws, regulations and court decisions: also the Bonds and the interest thereon are exempt from California Taxes except transfer, inheritance, franchise and estate taxes.

The Bonds are issued under the California Toll Bridge Authority Act of the State of California and other applicable legislation, and pursuant to a resolution approved October 4, 1955, which authorized the issuance of a maximum of $80,000,000 bonds of which the Bonds of Series A are the initial part thereof. In accordance with the Act and the Resolution the bonds will be issued for the purpose of providing funds for constructing the Additional Carquinez Bridge, and for the improvement of the Existing Bridge, and for approaches and other purposes as specified in the Resolution. The Bonds will not constitute a debt, liability or obligation of the State of California, but will be valid obligations of the California Toll Bridge Authority secured by a first lien on the revenues of the Existing Bridge, and of the Additional Bridge, but only when the latter is open to public traffic and certain funds applicable to the payment of the Bonds as set forth in the Resolution, but such revenues will also be applied to the costs of operating the Bridges, including use and occupancy insurance. The cost of physical maintenance of the Bridges, including cost of insurance against all risks is to be paid by the Department of Public Works out of funds available to it for the maintenance of state highways.

Additional bonds not exceeding $34,000,000 par value may be issued under the Resolution to construct the Benicia-Martinez Bridge, and approaches to the Bridges, and, when the latter is opened to public traffic, all of the bonds issued under the Resolution will be equally secured by the Revenues of all of the Bridges.

Price 103% and Accrued Interest

These Bonds are offered when, as and if issued and received by us, subject to approval of legality by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, San Francisco, California, Bond Counsel to the Authority. This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by means of the Official Statement of the Authority, copies of which may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State. It is expected that Bonds in temporary form will be ready for delivery within 30 days, exchangeable for definitive bonds.

Blyth & Co., Inc. — The First Boston Corporation — Harriman Ripley & Co. Incorporated — Lehman Brothers

Smith, Barney & Co. — Drexel & Co. — Blair & Co. Incorporated — C. J. Devine & Co. — Goldman, Sachs & Co. — Kidder, Peabody & Co. — Bear, Stearns & Co.

R. H. Moulton & Company — Merrill Lynch, Pierce, Fenner & Beane — Phelps, Fenn & Co. — Equitable Securities Corporation

Union Securities Corporation — Salomon Bros. & Hutzler — White, Weld & Co. — Weeden & Co. — Ladenburg, Thalmann & Co.

R. W. Pressprich & Co. — Stone & Webster Securities Corporation — B. J. Van Ingen & Co. Inc. — Dean Witter & Co. — A. C. Allyn and Company Incorporated

Alex. Brown & Sons — Estabrook & Co. — Heller, Bruce & Co. — Hemphill, Noyes & Co. — Hornblower & Weeks — Kaiser & Co.

Lee Higginson Corporation — F. S. Moseley & Co. — John Nuveen & Co. (Incorporated) — Paine, Webber, Jackson & Curtis — Reynolds & Co., Inc.

Schwabacher & Co. — William R. Staats & Co. — Bacon, Stevenson & Co. — J. Barth & Co. — A. G. Becker & Co. Incorporated — J. C. Bradford & Co.

Braun, Bosworth & Co. Incorporated — Central Republic Company (Incorporated) — John W. Clarke & Co. — Coffin & Burr Incorporated — Dick & Merle-Smith — R. S. Dickson & Company Incorporated

Dominick & Dominick — Francis I. duPont & Co. — First of Michigan Corporation — Hallgarten & Co. — Ira Haupt & Co. — Hayden, Stone & Co.

W. E. Hutton & Co. — The Illinois Company — McDonald & Company — The Ohio Company — L. F. Rothschild & Co.

Schoellkopf, Hutton & Pomeroy, Inc. — Stern Brothers & Co. — Stifel, Nicolaus & Company Incorporated — Stroud & Company Incorporated — Tripp & Co., Inc.

gitized for FRASER
p://fraser.stlouisfed.org/

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.

Canadian Economy — Monthly report — Bank of Montreal, Montreal, Que., Canada (New York office 64 Wall Street).

Cigarette Industry—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also in the same bulletin is an analysis of **Railroads.**

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

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

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

Ira Haupt Watching Service—Descriptive booklet—Ira Haupt & Co., 111 Broadway, New York 6, 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.**

Natural Gas Producers—Analysis—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

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.

Secondary Issues—42 selected stocks which appear favorable—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Toronto Stock Exchange—Monthly review giving trading data on the more than 1,000 listed issues — Toronto Stock Exchange, Bay Street, Toronto, Ont., Canada.

* * *

Abbott Laboratories — Report — Harris, Upham & Co., 12 Broadway, New York 5, N. Y. Also available is an analysis of **Carborundum Company.**

American Can Co.—Memorandum—Walston & Co. Inc., 120 Broadway, New York 5, N. Y.

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

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

Bettinger Corporation—Analysis—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Bristol Myers Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

California Interstate Telephone Co. — Analysis — William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Capital Airlines—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Catalin Corp. of America—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

Color Corporation of America — Analysis — Daniel D. Weston & Co., 140 South Beverly Drive, Beverly Hills, Calif.

Eastern Stainless Steel—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Foremost Dairies — Data — Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief analysis of **Machine Tool Industry.**

Four Corners Uranium Corporation—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a memorandum on **Micromatic Hone Corp.**

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

Hazeltine Corporation—Study—Hay, Fales & Co., 71 Broadway, New York 6, N. Y.

Hycalog, Inc. — Memorandum — Keith Reed & Co., Fidelity Union Life Building, Dallas 1, Texas.

King Bros. Productions Inc.—Report—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a report on **Southwest American Houses, Inc.**

Merck & Co. Inc.—Analysis—Taylor & Co., 105 South La Salle Street, Chicago 3, Ill.

National Fire Insurance Co. of Hartford — Memorandum — Walter C. Gorey Co., Russ Building, San Francisco 4, Calif. Also available is a memorandum on **Connecticut General Life Insurance Co.**

Oak Manufacturing Co. — Memorandum — Fairman, Harris & Co., 209 South La Salle Street, Chicago 4, Ill.

Oliver Corp. — Memorandum — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Parker Rust Proof Company—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Rio Palmer Oils Limited—Analysis—Burns Bos. & Company, 44 King Street, West, Toronto 1, Ont., Canada.

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

Royal Dutch Petroleum—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y. Also available is a bulletin on **Value Line Income Fund.**

Saaty Fuel Injector Corp.—Data—D'Avigdor Company, 63 Wall Street, New York 5, N. Y. Also available is information in **Air Springs, Inc.**

Tokyo Spinning—Analysis in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 6, 1-chome, Kabutocho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is an analysis of **Kanegafuchi Spinning.**

Union Oil Company of California—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

West Virginia Turnpike — Comprehensive analysis — Blair & Co Incorporated, 44 Wall Street, New York 5, N. Y.

$20 Million South Carolina Bonds Offered

First National City Bank, Northern Trust Co., and First National Bank of Chicago joint managers of syndicate marketing new issue of school bonds.

The First National City Bank of New York, The Northern Trust Company of Chicago and The First National Bank of Chicago are joint managers of a syndicate that was awarded on Dec. 14 an issue of $20,000,000 State of South Carolina School bonds due Dec. 1, 1956 to 1975, inclusive.

The group bid 100.069 for 2.35s, representing a net interest cost of 2.3434%.

The bonds are being reoffered at prices scaled to yield from 1.70% to 2.35%, according to maturity.

Associated in the offering are: Goldman, Sachs & Co.; Glore, Forgan & Co.; The First National Bank of Portland, Oregon; Dean Witter & Co.; City National Bank & Trust Co., Kansas City; Clark, Dodge & Co.; Barr Brothers & Co.; Roosevelt & Cross Incorporated; Fidelity Union Trust Company, Newark, N. J.; Weeden & Co. Incorporated; Robert Winthrop & Co.; Shearson, Hammill & Co.; Wood, Struthers & Co.; The Citizens and Southern National Bank, Atlanta, Ga.;

Courts & Co.; Stern Brothers & Co., Kansas City, Mo.; The National City Bank of Cleveland; First Securities Company of Chicago; New York Hanseatic Corporation; Auchincloss, Parker & Redpath; Goodbody & Co.; Anderson & Strudwick; Citizens and Southern National Bank of South Carolina; Eldridge E. Quinlan Co. Inc.; Varnedoe, Chisholm & Co. Incorporated; Wyllie and Thornhill; Newman, Brown & Co., Inc.; Wm. J. Mericka & Co. Inc.; Soden Investment Company; Huger, Barnwell & Company; J. W. Tindall & Company; Hancock, Blackstock & Company.

Paul Sipp Joins Stern, Lauer & Co.

Stern, Lauer & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that the firm has established a municipal bond department under the direction of Paul L. Sipp, Jr. Previously Mr. Sipp was associated for nine years with the municipal bond department of the New York office of the First of Michigan Corporation.

Paul L. Sipp, Jr.

With Intermountain Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Lee W. Dolsby has become affiliated with Intermountain Securities, Inc., 1714 South Broadway. Mr. Dolsby was previously with Denver Securities, Inc.

COMING EVENTS

In Investment Field

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

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

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

Feb. 10, 1956 (Boston, Mass.)
Boston Security Traders Association annual winter dinner at the Parker House.

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

March 9, 1956 (New York City)
New York Security Dealers Association 30th annual dinner at the Biltmore Hotel.

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

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

J. W. Stephens With Perkins, Clark Co.

DALLAS, Tex. — John W. Stephens has joined the Investment Department of Perkins, Clark & Company, Inc., Adolphus Tower Building.

John W. Stephens

Mr. Stephens has been field representative for National Securities and Research Corp. of New York. Formerly he operated his own economic research and investment counselling business in Dallas.

During World War II he was Personnel and Safety Director of Culver Aircraft Corp., of Wichita, Kansas, following which he was economists for Kansas in the Office of Price Administration.

Mr. Stephens is author of the series, "Factors Affecting Livestock Investment Trends," published monthly in the "Cattleman" magazine. He is a member of the Dallas Association of Investment Analysts and the New York Society of Security Analysts.

Joins T. Nelson O'Rourke

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla. — Dwight F. Entwistle is now with T. Nelson O'Rourke, Inc., 533 Seabreeze Boulevard, members of the Midwest Stock Exchange.

Frank Edenfield Adds

(Special to THE FINANCIAL CHRONICLE)

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

With Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Wilbur C. Sievers is now with Security Associates, Inc., 137-139 East New England Avenue, members of the Philadelphia-Baltimore and Midwest Stock Exchanges.

Primary Markets

Kawecki Chemical | Revlon Inc.

Prospectus on Request

TROSTER, SINGER & CO.

HA 2-2400 — *Members: N. Y. Security Dealers Association* — *74 Trinity Place, New York 6, N. Y.* — NY 1-376

Nomura Securities Co., Ltd.
Member N.A.S.D.
Broker and Dealer
Material and Consultation on Japanese Stocks and Bonds without obligation
61 Broadway, New York 6, N. Y.
Tel.: BOwling Green 9-0186
Head Office Tokyo

DEPENDABLE MARKETS

DEMPSEY-TEGELER & CO.

Digitized for FRASER
http://fraser.stlouisfed.org/

Business Man's Bookshelf

Automatic Merchandising — 1956 directory — National Automatic Merchandising Association, 7 South Dearborn Street, Chicago 3, Ill. (cloth), $3.00.

Credit Manual of Commercial Laws—National Association of Credit Men, 229 Fourth Avenue, New York 3, N. Y. (cloth), $10.

Diner's Companion, The: A Guide to the Fine Art of Dining Out—Maurice Dreicer—Crown Publishers, Inc., 419 Fourth Avenue, New York 16, N. Y. (cloth), $3.95.

Discovery Proceedings Under the Federal Rules—Monograph—Practicing Law Institute, 20 Vesey Street, New York 7, N. Y.

Dow Corning Silicone Products—1956 Reference Guide — Dow Corning Corporation, Midland, Mich.

Ear Marked State Taxes — The Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y. (paper), single copies free; quantity prices on request.

Economic Development of Malaya —Report of a Mission Organized by the International Bank for Reconstruction and Development — The Johns Hopkins Press, Homewood, Baltimore 18, Md. (cloth), $7.50.

Foreign Agricultural Trade of the United States 1954-55 — United States Department of Agricultural, Foreign Agricultural Service, Washington, D. C. (paper).

Foreign Bondholders Protective Council Inc. — Report 1953 through 1954 — Foreign Bondholders Protective Council, Inc., 90 Broad Street, New York 4, N. Y. (paper), $6.00.

Guideposts to Wood Markets — brochure — Timber Engineering Company 1319 Eighteenth St., N. W., Washington 6, D. C.—paper (on request).

Improving the Work Skills of the Nation—Proceedings of a conference at Arden House, Harriman Campus of Columbia University — Columbia University Press, 2960 Broadway, New York 27, N. Y. (cloth), $3.50; (paper), $2.25.

Market Structure of West Virginia Industry: A Study of Rail Freight Shipments, 1948-1952—Jere W. Clark—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. (paper).

Motor Truck Facts 1955 Edition—Automobile Manufacturers Association, New Center Building, Detroit, Mich. (paper).

New Horizons in Business—Edited by Julius Hirsch — Harper & Brothers, New York, New York (cloth), $3.00.

Pre Trial and Jury Trial Procedure in the Federal Courts — Monograph—Practicing Law Institute, 20 Vesey Street, New York 7, N. Y.

Profit Sharing for Small Business J. J. Jehring — Profit Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Ill. (paper), $1.00.

Should Your Child Be a Banker? —Reprints of New York Life Insurance Company advertisement in booklet form, containing a narrative by Fred F. Florence, President of the American Bankers Association—available on request from Public Relations Council, American Bankers Association, 12 East 36th St., New York 16, N. Y.

Standard Oil Company (Indiana): Oil Pioneer of the Middle West Paul H. Giddens — Appleton-Century-Crofts, Inc., 35 West 32nd Street, New York 1, N. Y. (cloth), $7.50.

Telephone Statistics of the World—brochure—American Telephone & Telegraph Company, 195 Broadway, New York 7, N. Y. (paper).

United States Business Performance Abroad: Case Study of Creole Petroleum Corporation in Venezuela—Wayne C. Taylor and John Lindeman — National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C. (paper), $1.

Videotown 1948-1955 (8th annual edition) — study — Cunningham & Walsh, Inc., 260 Madison Avenue, New York 16, N. Y. (paper).

Alfred S. Foote Director

Alfred S. Foote

At a meeting of the board of directors held Dec. 13, 1955, Alfred S. Foote, Vice-President of J. P. Morgan & Co. Incorporated, was elected a director of Rome Cable Corporation, Rome, N. Y. The company manufactures electrical wires and cables and steel conduit with plants at Rome, New York and Torrance, Calif.

Stanley Baron Joins Barclay Inv. Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Stanley J. Baron has become associated with Barclay Investment Co., 39 South La Salle Street. Mr. Baron was formerly an officer of Arthur M. Krensky & Co., Inc.

Joins E. F. Hutton Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Robert E. Davis is now with E. F. Hutton & Company, 111 West Tenth St.

With Remmele-Johannes

(Special to The Financial Chronicle)

MERRILL, Wis.—Leon P. Tabor is now affiliated with Remmele-Johannes & Co. of Granville, Ohio.

Forms Wagner Inv. Co.

NEW ORLEANS, La.—Wagner Investment Co., Inc., has been formed with offices at 3959 Elysian Fields Avenue to engage in a securities business. Officers are Clarence H. Wagner, President; Norman Levenson, Vice-President; and Ann C. Wagner, Secretary and Treasurer. Mr. Wagner was formerly with Renyx, Field & Co., and Slayton & Company, Inc., and in the past conducted his own investment business in New Orleans and Tulsa.

Cashiers of Wall Street Annual Christmas Party

The Cashiers Association of Wall Street, Inc. held their annual Christmas get-together party on Tuesday. A buffet supper was served and a good time was had by all.

New Issue

$20,000,000

State of South Carolina

2.35% State School Bonds

Dated December 1, 1955. Principal and semi-annual interest (June 1 and December 1) payable at the State Treasury, Columbia, South Carolina, or at The First National City Bank of New York. Coupon Bonds in denomination of $1,000, registerable as to principal only or as to both principal and interest.

Interest Exempt from Federal Income Taxes under Existing Statutes and Decisions

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

In the opinion of counsel named below, these Bonds will constitute general obligations of the State of South Carolina, for the payment of which the State has pledged its full faith, credit and taxing power and, specifically, the first revenues derived from the South Carolina retail sales tax.

AMOUNTS, MATURITIES AND YIELDS OR PRICES

Due $1,000,000 each December 1, 1956-75, inclusive

Due	Prices to Yield	Due	Yields or Prices
1956	1.70%	1962-63	2.10%
1957	1.85	1964-65	2.15
1958	1.95	1966-67	2.20
1959	2.00	1968-69	2.25
1960	2.00	1970-71	2.30
1961	2.05	1972-75	100 (price)

(Accrued interest to be added)

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the approval of legality by the Honorable T. C. Callison, Attorney General of the State of South Carolina, Messrs. Hawkins, Delafield & Wood, New York City, and Messrs. Sinkler, Gibbs & Simons, Charleston, South Carolina.

The First National City Bank of New York — The Northern Trust Company — The First National Bank of Chicago

Goldman, Sachs & Co. — Glore, Forgan & Co. — The First National Bank of Portland, Oregon — Dean Witter & Co. — Clark, Dodge & Co.

City National Bank & Trust Co. Kansas City, Mo. — Barr Brothers & Co. — Roosevelt & Cross Incorporated — Fidelity Union Trust Company Newark, N. J. — Weeden & Co. Incorporated

Robert Winthrop & Co. — Shearson, Hammill & Co. — Wood, Struthers & Co. — The Citizens and Southern National Bank Atlanta, Ga.

Courts & Co. — Stern Brothers & Co. Kansas City, Mo. — The National City Bank of Cleveland — First Securities Company of Chicago

New York Hanseatic Corporation — Auchincloss, Parker & Redpath — Goodbody & Co. — Anderson & Strudwick

Citizens and Southern National Bank of South Carolina — Eldridge E. Quinlan Co. Inc. — Varnedoe, Chisholm & Co Incorporated

Wyllie and Thornhill — Newman, Brown & Co., Inc. — Wm. J. Mericka & Co. Inc. — Soden Investment Company

Huger, Barnwell & Company — J. W. Tindall & Company — Hancock, Blackstock & Company

December 15, 1955.

Digitized for FRASER
http://fraser.stlouisfed.org/

"The Carrot Instead of the Stick"

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Secretary Weeks maintains present unprecedented prosperity for both capital and labor "got that way" because Eisenhower Administration substituted friendly hand of encouragement for heavy hand of government on the economy. Predicts business will rise further in first half of 1956, and expresses optimism about balance of year. Cites likely rise to new peak of new plant and equipment expenditures.

The National Association of Manufacturers has an excellent theme this year: "So people may prosper." Today people **do** prosper. The imagination, resourcefulness and efforts of 166 million free Americans coupled with our private competitive enterprise system have created the greatest prosperity in world history.

Sinclair Weeks

Many of our problems today are the problems of plenty — surpluses and diets to shrink the waistline —traffic bottlenecks and the decision as to which new car to purchase—jam-packed stores and the question of how Santa Claus will be able to shoulder such a big bundle of Christmas presents.

Sufficient returns are in to indicate that 1955 will produce an all-time high insofar as the level of business activity is concerned and we are close enough to 1956 to be giving careful consideration to what the portents forecast for the coming year.

It is not my purpose this morning, however, to do much by way of helping these portents in their forecasting job. For the first six months at least I am confident we'll move to a higher plane—for the balance of the year I'm optimistic.

High Capital Expenditures

One factor in particular encourages me—a recent survey of business capital expenditures for '56, the details of which were published by the Commerce Department recently. This survey indicates that new plant and equipment expenditures estimated for the first quarter of 1956 will be at the annual rate of 12% over the record year now closing.

Such a clear demonstration of the momentum of prosperity is the result of business confidence in the future. And I may add here that in our delicately balanced economy when we shake the confidence of either the customer or the businessman, we risk fracturing the very base on which we stand.

Whether or not our economy continues to flourish and expand, however, depends in large measure on the action both of government and of business management.

As far as management is concerned, it will do well in the first place to watch pricing policies. From 1939 to January 1953 inflation held sway—the value of the dollar depreciating to the extent of 47%. Since January 1953 the value of the dollar has been stabilized and held to a variation of within ½% and this course we naturally want to have continue. Insofar as prices are concerned, there's no occasion today to charge all the traffic will bear and I hope business management will exercise statesmanlike restraint in this respect.

Secondly, instalment debt which was 3% of the Gross National Product in 1929 and 5% in 1939 is today 7%. Despite the fact that this is a substantial increase percentagewise, there's nothing to worry about yet, although the figures in second-hand car lots—$5.00 down, etc.—and the droning night after night over the air of the slogan "You pay nothing down" make me remind business management that it has very definite responsibilities with respect to the extension and character of consumer debt.

And finally, business management, if on the ball, can continually improve its handling of inventory problems to the end that the hills and valleys in the business cycle may be leveled out more and more as we move in the improvement of business practice and procedure.

These are some of the things management can do, but government too can do much and since January 1953 has.

Your present Federal Government has removed controls so as to let a free economy operate.

It has been steadily liquidating government-operated business and making real progress in this area.

It has made record tax reductions but much more importantly it has ceased the practice of using the tax system to change the social order.

It has avoided the practice of deliberately debasing the currency in order to soup up the economy.

And additionally, I think it can fairly be said that we have laid the ghost of that theory of Socialists and left-wingers that to have prosperity one has to have war or a war economy or large government expenditures. While government expenditures have been dropping $15 billion in three years, private expenditures have picked up to the extent of $34 billion. But still and despite this fact of the high level of our economy, the advocates of big government planning call for more government spending.

Specifically, for example — as reported in "Business Week" on March 5 of this year—Dr. Keyserling called for more and bigger hikes in government expenditures. Some people cannot seem to understand that wealth is created by making things the people can use and it is almost axiomatic that the more of such things that are made and the less that government spends, the wealthier all of our people will be.

So far so good. But what about the future?

Don't deceive yourself. **We have gained a bridgehead, but we have not won the war.**

Those who fight against dynamic conservatism are mounting a counter offensive to smash their way to power where they can again tinker with the economy. Let no businessman fool himself that nothing can happen to prosperity, regardless of who calls the shots in Washington.

There is no such thing as a guaranteed annual prosperity.

Current prosperity in large measure stems from the kind of government we have today. Future prosperity will depend in large part on the kind of government we have tomorrow.

Who nationalized the steel industry in Britain? Who wiped out private enterprise in Czechoslovakia? Who closed down the publishing business in Argentina? Who sent businessmen and workers as slaves to the coal mines in Siberia? Who did all that to business? Who but government.

The obstacles placed on business in so many areas of the world and the memory of our own recent past should keep any businessman with common sense from gambling on the worthless hunch that it makes no difference who writes the laws and who executes the laws. Policies of business, markets for business, competition in business, taxes on business, costs of business, freedom for business—**all** in this country are affected for good or bad by what Washington does.

That power now is exercised in the best interests of all Americans. As a result, the American people are earning more, producing more, buying more and enjoying more of the good things of life than before.

We got that way because the Eisenhower Administration used a carrot instead of a stick. We have withdrawn the heavy hand of government from the economy and substituted the friendly hand of encouragement. We have spurned the path of socialism and taken the path of freedom and goodwill.

Result: **a self-managed, self-supporting** economy, encouraged by an understanding government, which has produced the greatest prosperity that capital and labor ever have shared—anywhere on earth.

If people are to continue to prosper, the public needs to be told the truth about the great economic issues of the day because our private enterprise is under attack. Sound economic policies are being opposed. The other day I came across a statement by James Carey, the labor leader. He said and I quote:

"We are aghast at the self-serving, greedy tactics of the present Administration keyed to the belief that what is good for business is good for the country."

Of course, I understand that occasionally labor leaders play politics as do politicians, but I must say that if Mr. Carey is aghast, there is no word in the English language to describe my aghastness at his statement. Can Mr. Carey really believe such stuff and nonsense?

Business **itself** is people—management and labor organized for mutual gain—producer, distributor and consumer organized to sell and buy — people drawing pensions or interest on savings invested in industry — people enjoying the fruits of expanding business prosperity.

When we encourage the American private business system, we act in the interest of every single mortal in this entire nation. Pros-

*An address by Secretary Weeks before the National Association of Manufacturers, New York City, Dec. 17, 1955.

$7,500,000

Chicago, Milwaukee, St. Paul and Pacific Railroad Equipment Trust, Series UU

3⅜% Equipment Trust Certificates

To mature $250,000 semi-annually July 1, 1956 to January 1, 1971, inclusive

To be guaranteed unconditionally as to payment of principal and dividends by Chicago, Milwaukee, St. Paul and Pacific Railroad Company

Maturities	Yields	Maturities	Yields	Maturities	Yields
1956	3.00%	1959	3.25%	1963-64	3.375%
Jan. 1957	3.10	1960	3.30	1965-66	3.40
July 1957	3.15	1961	3.325	1967-68	3.425
1958	3.20	1962	3.35	1969-71	3.45

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

R. W. PRESSPRICH & CO. BAXTER, WILLIAMS & CO.

FREEMAN & COMPANY GREGORY & SONS IRA HAUPT & CO.

WM. E. POLLOCK & CO., INC. McMASTER HUTCHINSON & CO.

MULLANEY, WELLS & COMPANY F. S. YANTIS & CO. INCORPORATED

December 8 1955

$2,625,000

Missouri Pacific Railroad Equipment Trust, Series C

3½% Serial Equipment Trust Certificates
(Philadelphia Plan)

To mature $175,000 annually January 1, 1957 to 1971, inclusive

To be guaranteed unconditionally as to payment of par value and dividends by endorsement by the Trustee of the property of Missouri Pacific Railroad Company, as Trustee but not individually.

Priced to yield 3.50% for all maturities

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

R. W. PRESSPRICH & CO. FREEMAN & COMPANY

THE ILLINOIS COMPANY INCORPORATED McMASTER HUTCHINSON & CO.

December 9, 1955

itized for FRASER
://fraser.stlouisfed.org/

perous business makes jobs and increases the prosperity of everyone—the record of the last several years certainly proves this.

This is where you come in.

This is where the National Association of Manufacturers can perform another great public service. You can tell your associates in this organization, your counterparts across the nation, your employees, your home town people—better than anyone else—the truths which they should know about economic issues.

I cannot overstate the importance I see in a thorough and good job being done—for in a democracy unless the people support sound policies affecting their livelihood, the people will cease to prosper—and the people of this country will support sound policies if they know the facts and understand them.

Too frequently some elements of business express impatience because government hasn't brought in the millennium before midnight. Too often—it seems to me—the voices of many businessmen are seldom heard except when a special interest seeks a special favor or a particular segment has a particular gripe.

I believe all business would command great public respect and appreciation if with equal vigor business championed **all programs that are good for the American people.** Instead of some of you being rarely heard except when you disagree with government, in my opinion you would serve yourselves and your country well if you were heard in constructive support of the great movements afoot to make the lot of all Americans better.

We in the Administration have quite a bit of unfinished business that needs to be done for America. We need your continuous support to make sure it gets done.

We have a great program in partnership with states and communities to provide urgently needed schools, health facilities, airports, and highways, including completion to modern standards of the huge 40,000-mile Interstate Highway System — adequate for modern needs and a growing population — the greatest highway project in the history of mankind.

In new schools, we propose some Federal aid in construction, distributed according to need, without reducing the incentive for state and community effort and without endangering freedom of local school systems. **In highways,** we lean toward a pay-as-you-go policy.

We have a realistic program, as recommended by the Cabinet Advisory Committee of which I was Chairman, to give all forms of transportation more opportunity to compete and to strengthen the common carrier system so that people will get better transportation at less expense.

The Eisenhower program also includes a sound farm program; promotion of world trade; development of water resources; measures to help chronically distressed areas to help themselves; further commercial use of atomic energy and sound foreign aid to help our friends in the four corners of the earth as they strive with us for a just and lasting peace.

The Overriding Issue

On the domestic front as well as over the whole face of the globe, the great overriding issue, however, is between socialism and capitalism.

In this country this struggle is nowhere better exemplified than in the power field.

The socialists want a Federal power monopoly. The thought of private capital venturing into this field is anathema to them. That's what is back of the Dixon-Yates power controversy — that's all there is to the struggle for Federal power development on the Snake River where private capital after authorization by this Administration has moved in to do the job.

I repeat, government over the earth ranges from Communism to Capitalism. Here we fight to preserve Capitalism. We are not surprised that some ideologies elsewhere seek to overthrow our system but we are surprised that so many in this country want to do the same thing.

Our system of Capitalism and free enterprise has done more for the American people who enjoy it than any system ever devised by the mind of man.

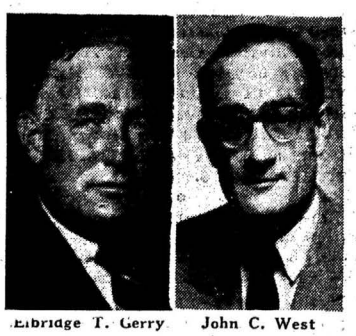
We can keep it that way if we work at the job and not otherwise.

In conclusion, I wish to express my thanks for the great honor done me exactly one year ago in this very room. I express gratitude for the long years of warm personal friendships which I have enjoyed with all of you.

It is because of these ties and my appreciation of your great power for good that I entreat you to lead this nation to a better understanding of economic issues. I urge you as individuals to give active support to programs that spur prosperity for the American people. Let the voice of business be the voice of progress.

Brown Bros. Harriman To Admit Two

Elbridge T. Gerry and John C. West will become general partners in the private banking firm of Brown Brothers Harriman & Co., 59 Wall Street, New York City, on Jan. 1, 1956, it has been announced.



Elbridge T. Gerry John C. West

Mr. Gerry has been associated with the firm since 1936. A graduate of Harvard University, Mr. Gerry served as an Air Force officer during World War II. He is the President and a director of the New York Society for the Prevention of Cruelty to Children. He is also a general partner of Gerry Brothers & Co. which became a limited partner of Brown Brothers Harriman & Co. on Nov. 1, 1955.

Mr. West, who is a graduate of Yale University, joined the firm in 1934, and in recent years has been a manager in the Philadelphia office. Mr. West is a director of the Philadelphia Life Insurance Co. and is President of the Seamen's Church Institute of Philadelphia. After the first of the year, he will make his headquarters in New York.

Established in 1818, Brown Brothers Harriman & Co. is the oldest and largest private banking firm in the United States, with total assets of approximately $225,000,000. In addition to its commercial banking activities, the firm also conducts an extensive investment advisory business. It holds memberships on the New York Stock Exchange and the American Stock Exchange, with which the required applications for approval of the admission of the new partners have been filed.

General partners include David G. Ackerman, Moreau D. Brown, U. S. Senator Prescott S. Bush, Louis Curtis, E. Roland Harriman, Stephen Y. Hord, Frederick H. Kingsbury, Jr., Robert A. Lovett, Thomas McCance, John B. Madden, Ray Morris, Harold D. Pennington, L. Parks Shipley, and Knight Woolley. Limited partners are The Honorable W. Averell Harriman and Gerry Brothers & Co.

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Christopher G. Janus has become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Arthur M. Krensky

(Special to THE FINANCIAL CHRONICLE)

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

With A. & C. Realty & Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul A. Welbourne has become affiliated with A. & C. Realty and Investment Corporation, Shirley Savoy Hotel Building.

With Salomon Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert B. Sanborn is with Salomon Bros. & Hutzler, 75 Federal Street.

Weeden Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gertrude H. Buckley has been aded to the staff of Weeden & Co., 24 Milk Street.

Now With Ashton Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Ward S. Stahlberger is now with Ashton & Co., 15315 West McNichols Road. He was formerly with Paine, Webber, Jackson & Curtis.

Goodbody Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Gordon H. Hutchinson is now connected with Goodbody & Co., Penobscot Building.

With Arthur M. Krensky

(Special to THE FINANCIAL CHRONICLE)

MUSKEGON, Mich.—Richard D. McCormick, Jr. is now with Arthur M. Krensky & Co., Inc. of Chicago.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$25,000,000

New Jersey Bell Telephone Company

Forty Year 3⅜% Debentures

Dated December 1, 1955 Due December 1, 1995

Price 100.99% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

SALOMON BROS. & HUTZLER — A. G. BECKER & CO. INCORPORATED

DICK & MERLE-SMITH — WERTHEIM & CO.

F. S. SMITHERS & CO. — BACHE & CO. — BAXTER, WILLIAMS & CO.

GREGORY & SONS — VAN ALSTYNE, NOEL & CO. — COOLEY & COMPANY

COURTS & CO. — HIRSCH & CO. — THE ILLINOIS COMPANY INCORPORATED

NEW YORK HANSEATIC CORPORATION — BALL, BURGE & KRAUS

GREEN, ELLIS & ANDERSON — IRA HAUPT & CO.

December 15, 1955.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$2,500,000

North Shore Gas Company

(A Massachusetts Corporation)

First Mortgage Bonds, Series B, 4%, due 1975

Dated December 1, 1955 Due December 1, 1975

Price 101⅜% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

STROUD & COMPANY INCORPORATED — NEW YORK HANSEATIC CORPORATION

CLAYTON SECURITIES CORPORATION — THOMAS & COMPANY

December 9, 1955

ted for FRASER
fraser.stlouisfed.org/
l Reserve Bank of St

Agriculture: Beset With The Problems of Plenty

By LOWELL S. HARDIN*
Agricultural Economist
Purdue University

Prof. Hardin points out that despite the strong demand for agricultural products arising from the current high level of business activity, agricultural prices and income in 1956 are likely to fall below 1955 levels. Says loss of export markets are indirectly responsible for increased livestock output, and nation today has a two-year supply of wheat. Sees better prospects for poultry and dairy products. Holds situation shows a painfully slow process of adjustment in a basic industry, but concludes, despite severity of the cost-price squeeze today, agriculture is still in strong financial condition.

For agriculture the year ahead, as has been increasingly the situation since Korea, is beset with the problems of plenty.

Paradoxical that plenty should plague a people bent on higher living standards? Yes. But such is the dilemma faced by technologically progressive American farmers in '56.

Lowell S. Hardin

The brightest spot on the 1956 agricultural horizon is the booming non-agricultural sectors of the economy. It is not our purpose now to discuss the general business situation. It is on the foundation of the general health of the total economy, however, that any projection for agriculture must be based. While earnings in agriculture as compared to incomes of non-farm segments of the economy have taken divergent paths in recent years, agriculture is by no means the "tail that wags the dog." Therefore, our discussion of income prospects for agriculture is based on the following estimates of the general business situation.

We expect the momentum of the current business expansion to carry the economy at a high level of business activity and employment through at least the first half of 1956. This is projected on expectations of larger consumer incomes, a reduction in personal income taxes, and a continued willingness of consumers to spend at a high level. Business inventories may become burdensome relative to sales during the latter part of 1956. If this along with some reduction in rate of investment in capital goods and housing occurs, we expect some decline in business activity. This is not likely to be severe in 1956.

Vigorous general business activity, therefore, assures a strong demand for the products of American farms. At the same time prices paid by farmers for non-agriculturally produced items will probably increase modestly.

Not Likely to Sustain 1956 Agricultural Prices and Income At 1955 Levels

Even with a rapidly expanding economy and high level of domestic demand, net income of U. S. farm operators from farming is running about one billion dollars, 9%, less in 1955 than in 1954. Total volume of farm marketings is up 1% in 1955 while prices have averaged 5% lower.

Returns from farming are expected to decline further in 1956. Marketings will probably be up another 1 to 2%. Prices received will likely average 3 to 5% below average 1955 levels with little change in farming costs. This would mean a further drop in net incomes of U. S. farm operators as a group of 5% or more with a parity ratio averaging around the present level of 82. It would place net income of farm operators from farming, after adjustment for inventory changes, at a level of $10 to $10.5 billions. This compares with $12 billions in 1954 and $15.8 billions as recently as 1951.

Essentially this price and income outlook for 1956 suggests that the bolstering effect of a strong domestic demand will be more than offset by continued heavy marketings and big carry-over stocks of several crops. Government price support levels on major crops are also scheduled to be somewhat lower in the coming year. Agriculture is increasing production more rapidly than as a nation we are expanding our capacity to consume — at previous levels of prices. Why, we ask, should this be so?

Loss of Export Markets Indirectly Responsible for Increased Livestock Output

In over-simplified terms, the events leading to the present problems of agricultural plenty developed thus. Under incentives of patriotism and profits agricultural output increased around 25% in the decade of the 1940's. Farmers responded further to price rises as a result of the Korean conflict. Then followed rather rapid agricultural recovery in war-torn countries. Foreign demands declined sharply. Wheat exports dropped by over 50%; cotton by more than 40%. A home for the production of around 20 millions of acres of U. S. farm land was lost. Acreage allotment programs diverted land area from these export crops, but pounds, bushels and tons of food and fiber production decreased relatively less. Ingeneous farmers stretched their more fertile acres to previously unequalled high yield levels. Surplus stocks under government ownership or loan accumulated rapidly.

What happened to the acres diverted from production of cotton and wheat? About 60% of them were shifted to the production of feed crops—grain sorghum, oats, barley. By 1955 the production of these other feed crops in the U. S. was 48% greater than in 1952. Their combined output was equivalent over 400 million bushels of corn. The result is much the same as if the corn crops were increased by 14%.

Abundant supplies of available feed grains resulted in lower prices. Generous feed supplies at reasonable prices meant just one thing to farmers. They built up livestock numbers. They started converting more feed to meat and livestock products. Especially this resulted in more hogs—over 100 millions this year — and more high-quality compared to lower grade beef.

Now with perishable agricultural products, consumption almost has to equal production. Storage capacity is quite small. If 10 or 15% more meat is to move into consumption in our system, price has to give. So today, hogs are selling at levels at least 30% below prices of a year ago.

Clearly then, the loss of our export market for cotton and wheat has come home to roost in the corn belt. And the livestock industry, particularly swine producers, is feeling the full impact of the shift in acres from wheat and cotton to grain sorghum and other feed grains.

Farm Commodity Prices to Average Below 1955 Levels

Within this framework, then, what is the price outlook for individual farm commodities in the year ahead?

Our 1955 crop output is in total the second largest on record. We go into 1956 with the largest total supply of feed grains in our nation's history — some 9% more than a year earlier. Even with our large livestock population, carry out of feeds in October, 1956, is likely to be greater than in October, 1955. Roughly, we face the prospect of having on hand about one-fifth of a year's feed supply when the 1956 crops come to market. Much of this is under governmental control. Its management is an ever-present factor in grain pricing.

Up until 1955 the price advantage of complying with corn acreage allotments was relatively small. Today, however, farmers in the commercial corn area who planted within their 1955 acreage allotments have an average support price of $1.58 per bushel, or 87% of parity. The open market price of corn in the southern and eastern corn belt, however, is around $1.00 per bushel. Because

Continued on page 136

*An address by Prof. Hardin before the Conference Bank Correspondents of the First National Bank of Chicago, Nov. 29, 1955.

TRIPP & CO., INC.
TAX-EXEMPT BONDS

NEW YORK OFFICE:
40 Wall Street
HAnover 2-5252

WASHINGTON OFFICE:
805 15th Street, N.W.
District 7-6403

Connecticut Brevities

The directors of **Eastern Industries, Inc.** and of **Neptune Meter Company**, New York, have voted to recommend a merger between the two companies. Stockholders will vote early in 1956 on a proposal to merge on a basis which will provide a ratio of 10 shares of Eastern Common stock for six shares of Neptune common stock. Eastern operates plants in Hamden and East Norwalk, Conn., and in Newton, Mass. Neptune has its main plant in New York City and its subsidiaries have plants in Wallingford and Meriden, Conn., Mineola, L. I., and Long Branch, Ontario, Canada. Products of Eastern include radar speed meters, industrial mixers and specialized pumps, traffic-actuated control equipment and miscellaneous electronic equipment. Neptune produces liquid meters, small pumps and hydraulic equipment.

* * *

On Nov. 30, an underwriting group, headed by Putnam & Co., offered 100,000 Units of securities of **The Cuno Engineering Corporation** at $16.50 per Unit. Each Unit consisted of one share of $1 Cumulative Preferred Stock and one share of common stock. The preferred has a stated value of $14 per share and the common is $1 par value. Cuno, which was organized in 1912, operates two plants in Meriden, Conn., and has acquired as a wholly owned subsidiary Connecticut Filter Corporation, whose plant is located in Stafford Springs, Conn. Cuno also has a subsidiary with a plant in Ontario, Canada. Approximately 80% of the overall sales volume of Cuno and its subsidiaries are derived from sales of industrial filters and the balance from sales of automobile cigarette lighters.

* * *

On Dec. 8, 1955 a group of 29 underwriters offered an issue of $20,000,000 of First and Refunding Mortgage 3¼% Bonds, Series N, due Dec. 31, 1955, of The Connecticut Light and Power Company. The proceeds of the issue are to be used primarily to repay bank loans and to finance the company's construction program. During the first 10 months of 1955 a total of about $22 million was spent on a new electric, gas and water plant. It is anticipated that by the end of 1956 an additional $25 million will be expended for new plant facilities.

* * *

Emhart Manufacturing Company has recently acquired **Maxim Silencer Company**, Hartford, through an exchange of 31,500 shares of Emhart common stock for the entire outstanding stock of Maxim. At the current market of about $31.50 for Emhart common the acquisition involved about $975,000. Maxim, which will operate as a subsidiary, was formed in 1912, and presently has about 250 employees. Its activities include a wide line of Silencers for guns and many types of engines and outlets. In recent years it has developed and marketed a line of evaporated water, primarily for converting salt water to fresh water. The acquisition is a part of Emhart's program of diversification and will also provide to Emhart and its other subsidiaries a well equipped sheet metal fabricating and machine shop.

* * *

International Silver Company has recently announced plans to construct a new factory and office building on the outskirts of Meriden. The plant which will cost an estimated $4 million will be used to house production facilities for hollow ware and the company's general offices. As a result of this new building, various changes in the location of manufacturing operations will take place in the company's other Meriden plants.

Alexander Wilson Feted on Occasion Of 76th Birthday

Guest of honor at gay party given at "The Antlers" by former employees of the "Financial Press." Mr. Wilson now on "Chronicle" editorial staff.

Last Friday night, the former employees of the "Financial Press" of New York gathered at Charley Carroll's "Antlers Restaurant," 67 Wall Street, New York, to honor Alexander Wilson of the Editorial Department of the "Financial Chronicle" on his 76th birthday.

Alexander Wilson

Mr. Wilson was formerly manager of the "Financial Press" of New York, publishers of Van Dyke's bond value and interest tables and the well-known "Investor's Pocket Manual," the little yellow book of stocks and bonds, from 1920 to 1941.

The "Antlers Restaurant" has become a rendezvous for Wall Street anniversary celebrations and is completely booked up to Dec. 25 with Christmas parties. Hayden, Stone & Co. will hold their annual dinner at the "Antlers" on Dec. 20 when 400 of their New York City staff are expected to be present. Over 200 of Merrill Lynch, Pierce, Fenner & Beane's staff held a Christmas party Dec. 12 and the Metal Traders will dine 150 of their members on the 21st besides which the New York Stock Exchange firm of Cowen & Co. will entertain 150 of their organization at the "Antlers" Restaurant, Dec. 22.

Paul F. Burns Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul F. Burns is conducting a securities business from offices at 3306 West Sixth Street.

Primary Markets in
CONNECTICUT SECURITIES

CHAS. W. SCRANTON & CO.
Members New York Stock Exchange
New Haven
New York — REctor 2-9377
Hartford — JAckson 7-2669
Teletype NH 194

Digitized for FRASER
http://fraser.stlouisfed.org/

The Outlook for Bank And Insurance Shares

By ROBERT S. BURNS*
Hayden, Stone & Co., Members, New York Stock Exchange

Mr. Burns, in considering investment merits of bank stocks, points to economic necessity for bigger institutions, as by merger. Maintains bank shares constitute soundest securities in today's market on basis of earnings and book value; and as related to past market valuations. Expects year-end rally. Considering insurance stocks, maintains fire and casualty shares should sell nearer their much higher-than-market book values. Citing sensational advances in life insurance shares, urges cautious scrutiny now.

For some reason or other, bank stocks and insurance stocks seem to go together, like ham and eggs, or scotch and soda. When a man comes to a bank and insurance analyst with an *insurance* stock problem —then the analyst is a *Bank* man; when the inquiry is a bank inquiry —the analyst is an *insurance* expert. You see, it is pretty hard to pin us down to anything, as a rule. However, today it would appear that I am vulnerable—"the Buck stops here."

Robert S. Burns

BANK STOCKS

Banks are economic institutions. Unlike other corporations, they are ranked in size by how much they owe. All a bank has, really, is its capital funds and it owes them, too—to its shareowners. So, in effect, it owns nothing.

After you sell all the salable assets and pay off the deposits, the proprietors get what is left, the equity in the business.

Now, in a going, profitable banking business, those equity shares can be very valuable. We saw good bank stocks sell at 25 times earnings and twice book value back in 1937. National City Bank stock, at 580 in 1929 was worth more in total value, ($3,190,000,000) than were the total assets of the bank alone, then $2,200,000,000.

Today, those same stocks that averaged 25 times earnings at the 1937 highs are priced at only 15% or about 12 points on the average, above those highs, and at only 14 times current earnings. Their average yield is now about 4.25% compared with a return of about 2% back in '37. They are now priced at only 73% of their 1929 lows, and at only 30% of the highs of that year.

I don't have to tell you men that interest rates are up all along the line. Banks are strapped for reserves or, as we say, they have no money in the bank. They have been heavy borrowers at the Fed. Loan business is booming. The Reserve authorities have jumped the rediscount rate four times this year for a total rise of 1 point or 66⅔%. The current rate of 2½% is highest since 1934. Treasury Bills went at 2.591 this week, highest since the Bank Holiday. All this means bigger earnings for the banks and I think we are going to have to raise our estimates of this year's earnings. What isn't booked this year will go to swell 1956 totals. 1955 net may go as much as 20% over that of last year, and higher in some individual cases. (Since June 30, commercial loans are up $968 million vs.— $81,000,000 at this time last year.) '56 should, also, be a banner year earnings-wise for the banks.

Bigger loan demand from business means bigger banks are needed to meet that demand. We have seen a few king-size mergers. I think there are going to be more big ones. Despite the recent furor over monopoly on the part of some people, we are going to have more mergers. There will be fewer banks but they will be better banks. Old concepts are changing as trade areas once widespread are being grouped together despite artificial and even natural boundaries.

Now, the first time in 40 years, our State Banking Law is being worked over to bring it up to date with existing conditions in the banking field. It is my guess that numerous changes will be made, resulting in wider and more liberal interpretation of branch expansion among other things. It will be interesting to see whether or not our friends County Trust Co. downstate succeed in crossing the Hudson from Westchester over to the "Jersey side."

Two attempts have been made and it is noteworthy that Superintendent Mooney has stated; "disapproval *now* of this merger proposal does not preclude reconsideration at a later date should circumstances change or should studies now in progress make a modification of departmental policy advisable."

This will probably be resolved when the law is recodified. We may go from our present system of infra County banking to one of inter County banking.

My feeling is that the recent ruling by the Comptroller of Currency as regards the Long Island banking picture was directed at 3 or 4 small banks down there and was not meant to be a general proclamation.

Mr. Mooney, too, has indicated that each merger proposal will be given the individual study it deserves. I don't think the authorities are against mergers as such; they are against, I think, banks buying other banks by the use of inflated market price of common stock instead of by true book value. With that I am in complete agreement.

Sound Values

Speaking generally, bank shares are one of the soundest securities in today's market. It is my belief that a great many good values are to be found today, in these defense-type equities.

And by good values I mean bank stocks the prices of which are low in relation to earning assets, book value and earnings within the definitions of those terms. I like to see, for instance, earning assets of about ten or more dollars for every single dollar of market value, a market not much above book value and a price-earnings ratio not above 15 to 1. Such things are, of course, elastic in nature and these are merely guide posts I have set up.

I might add, though, that, speaking of price-earnings ratios, the National City Bank, when it purchased the old First National Bank of New York, paid for it at the rate of 10 times gross earnings and about 22 times net earnings, paying a total of $165 million. But note those ratios.

There are still more than 14,000 commercial banks in this land of ours, about 700 of them here in the Empire State. Mergers will take out nationwide about 250 this year, greatest number since 1931. There were 207 last year, 116 in '53, and 119 in '52.

Banking is big business in the Empire State. It is not surprising of course, when we consider New York City, chief money market of the world. Aside from that, however, the State, with its great resources, provides a back-drop for every type of banking activity practiced.

The State had a total of 693 banks of all kinds at Dec. 31, 1954. There were for instance, 340 national banks, 343 State banks and trust companies, and 10 others, such as private banks, facilities, etc. There were some 1,077 branch offices operated by the 693 different institutions. The State is also the home of 129 of the 527 mutual savings banks in the United States.

Total banking figures for New York State are impressive. They are, of course, by far the largest of the 48. At the end of 1954, for example, the total asset figures for all New York State banks of all kinds, at $60,691,867,000, was equivalent to 26% of the national total of $235 billion.

New York has three times the amount of assets possessed by banks in the next largest State, California. In capital funds, its banks have about 29% of the national total. Of the first 100 largest banks in the nation 21 of them are in New York State.

The State is divided into nine branch districts, each containing several counties. District No. 1, for instance, includes the counties of Kings, Queens, Nassau and Suffolk, L. I. New York City is the Second District, including Staten Island (Richmond) and the Bronx. Westchester County is the Third District. This County of Erie is in the Ninth District.

Population of the State is given as 14,741,445 as of the last census. This is 9% of the accepted estimate of 165 million for the whole country.

During the past century and a half the banks of this country have had to adjust their policies many times to conform with discovery and invention and scientific research. They have weathered the ravages of eight wars and at least a dozen major business depressions, four of them since 1900.

Our economy has expanded and contracted many times, in varying degree. Always have our great banks handled the ebb and flow as their loans and deposits adjusted themselves to reflect the myriad business transactions that crossed their counters.

The system has often been called upon, on rather short order, to make decisions entailing many millions of dollars to finance new industries. Bankers had to learn, for instance, about the automobile, the airplane, and more recently, jet propulsion and its ramifications. Now they are studying hard at such things as electronics, memonics and neucleonics (not to mention satellites and satelloids and other Buck Rogers abracadabra of modern times).

Cost of new equipment in these advanced fields run into astronomical proportions. For example, the submarine "Nautilus" is said to have cost as much as $29 million without its power reactor, or furnace. And, the newer "Seawolf" is supposed to have cost more than $32 million, also without its nuclear reactor. The total cost of these two "Sea-monsters" was probably in the neighborhood of $100 million, a nice neighborhood, to be sure.

These new and expensive "Gadgets" mean more and more dollars to feed the seemingly inexhaustible demand of scientific research.

The capital markets will supply a goodly part of the needed funds but bank credit will continue to be needed in *big* pools. I think the outlook is for continued strong demand at high rates in the field of commercial loans.

Imminence of Year-End Rally

We know that the last half of a year is the best half marketwise for bank stocks and the last month of the year sees increased activity on the upside.

There is almost always a year-end rally from about Dec. 15 through about Jan. 5-10. *Not once in the past 22 years has this failed to take place, to my knowledge!*

Now, barring some unusual developments in stock prices generally, I expect a year-end rally in the N. Y. C. bank issues that should take them up by about 10% from these levels of say index number 73.0 on the "American Banker" Index up to about 80.0 by the middle of next month.

That would mean Bankers Trust at 72, Chase Manhattan at 56, Chemical Corn at 53½, First National City at 70, Manufacturers Trust at 95, etc. Even at current

Continued on page 138

This advertisement is not, and is under no circumstances to be construed as, an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

NEW ISSUE December 15, 1955

$2,000,000

Daitch Crystal Dairies, Inc.

4½% Convertible Subordinated Debentures

Dated December 1, 1955 Due December 1, 1975

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained within any State only from such of the undersigned and others as may lawfully offer these securities in such State.

Hirsch & Co.

Equitable Securities Corporation **Baxter, Williams & Co.**

M. M. Freeman & Co., Inc. **Ira Haupt & Co.**

This advertisement appears as a matter of record only. These Notes will be issued in installments and arrangements have been made to place these Notes privately through the undersigned, and no public offering is being made.

$1,000,000

Daitch Crystal Dairies, Inc.

4½% Notes

HIRSCH & CO.

December 15, 1955

gitized for FRASER
p://fraser.stlouisfed.org/

Legal Aspects of SEC's Work

By J. SINCLAIR ARMSTRONG*
Chairman, Securities and Exchange Commission

Chairman Armstrong, in discussing the position of the Securities and Exchange Commission in the Federal Government and its functions in the regulation of the interstate market in securities, mentions the duality of functions involved in the agency's developing the facts on which a proceeding is based and then sitting in judgment on those facts. Takes up also the quasi-legislative function of "rule making," and holds this does not derogate from the Congressional legislative power. Describes the rule-making procedure and recites cases in which the SEC has come into conflict with other governmental authorities.

The Commission was established by the Congress in the middle 1930's in the exercise of the power granted by the interstate and foreign commerce clause of the Constitution to regulate new issues of corporate securities where the mails or facilities of interstate or foreign commerce are used and to regulate trading in securities on national securities exchanges, that is all major stock exchanges. The statutes were revised in the late 1930's to grant more specific jurisdiction in the field of regulation of the over-the-counter markets in securities. Also, there was added special and detailed regulatory authority with respect to trust indentures, corporate reorganization under the Bankruptcy Act, public utility holding companies, investment companies and investment advisers. The jurisdiction is broad and extensive and its indirect economic impact large.

J. Sinclair Armstrong

The amount of new issues of corporate securities registered with the Commission under the Securities Act for sale to the public in interstate commerce in 1954 was $9.6 billion and in the first nine months of 1955 $10.1 billion. The market value and volume of all shares traded on national securities exchanges in 1954 was $28.1 billion and 990 million shares and in the first nine months of 1955 $29.3 billion and 940 million shares. The net utility assets of the public utility holding companies subject to our jurisdiction at the end of 1954 were $12.0 billion representing about 20% of the total privately owned public utility business in the United States and the net assets of investment companies subject to our jurisdiction at the end of 1954 were $10.3 billion.

The Commission is an independent bipartisan agency composed of five members, each appointed by the President, subject to Senate confirmation, for five-year terms. One Commissioner's term expires each year permitting considerable continuity despite changes in the national Administration. Under the law no more than three of the five Commissioners may be of the same political party. The Commission has administrative responsibility, it has quasi-judicial responsibility, and it has responsibility for adopting rules and regulations under the acts it administers, some of which are quasi-legislative in nature.

Functions of the SEC

Let me give you a few examples of these different functions of the agency. First, in the administrative field, a principal function of the Commission is to examine registration statements relating to new issues of securities to assure compliance with the statutory standards and Commission rules for fair disclosure of the facts about the issuing company and the securities being registered. If the registration statement appears on its face to meet the requirements, it is permitted by the Commission to become effective, thus allowing the securities to be sold. Another example of our administrative function is our activity in enforcing the various provisions of the Exchange Act regarding the conduct of brokers and dealers and national securities exchanges, which require compliance with many statutory and rule provisions concerning such things as the maintenance of minimum capital, keeping of books and records, hypothecation of customers' securities, margin requirements, the provisions against manipulation and fraud, stabilizing of prices in connection with distributions, as well as the many rules in effect with regard to the conduct of the exchanges and the members of exchanges with respect to such things as short selling, activities of floor traders and the like.

When a violation occurs of sufficient importance to justify the Commission bringing proceedings, the quasi-judicial functions of the Commission are brought into play. For example, under the Securities Act, if a registration statement does not appear to comply with the full disclosure or anti-fraud provisions of the Act, the Commission has power to institute a stop-order proceeding. This immediately adds to our administrative functions additional quasi-judicial responsibilities. Procedurally, the Commission serves on the parties a "statement of matters" alleging deficiencies in the registration statement. A full evidentiary hearing is held before the Commission or, because there would not be time for the Commission to sit on all cases, before a hearing examiner, a legal record is made, the case is briefed and argued before the Commission and the Commission then makes findings of fact and conclusions of law and either suspends the effectiveness of the registration statement or not, depending on the findings it makes which are based upon the record made in the proceedings. This order is appealable to a Court of Appeals of the United States. Proceedings under the Exchange Act are similar. The Commission has the authority under this Act to revoke the registration of a broker-dealer. This is a drastic power.

The Duality of Functions

When the Commission is sitting to decide whether or not the registration of a broker or dealer in securities should be revoked, it has great responsibility to the public interest. It cannot help but we aware that a judgment adverse to the broker-dealer will deprive that person and possibly his employees of their means of a livelihood. The grounds on which a revocation may be ordered are clearly specified in the statute. In practice the most important ground for revocation of broker-dealers is fraud perpetrated on their customers. The duality of functions involved in the agency's developing the facts on which a proceeding is based and then sitting in judgment on those facts presents problems which have been carefully considered by the Bar over years past. Procedures were established before the passage of the Administrative Procedure Act of 1946 to assure that the decisional functions of the administrative agency are kept completely separate from those of the investigation and prosecution of the case. The Commission itself becomes insulated from the staff in charge of developing and prosecuting the case.

The staff presents what you might describe as the "prosecution side" of the case to the hearing examiner and the rules of evidence are followed at this hearing. The staff then briefs and argues the case before the Commission and, except for matters the Commission may take into account under the legal principle of judicial notice, it only considers the formal evidentiary record made in the hearing, together with the briefs and arguments, in arriving at its final decision.

Because the volume of work is great, the Commission is aided by a special staff group known as the Office of Opinion Writing. The lawyers in this office, whose function is comparable to that of law clerks of the Federal judges, help the Commission in analyzing records and drafting findings of fact and conclusions of law. In the day to day operations of the Commission, the Opinion Writing Office is isolated from the operating divisions and offices, and the personnel of the Opinion Writing Office take professional price in avoiding contact with the investigatory and prosecutory staff of the Commission.

SEC Rule-Making

So much for administrative and quasi-judicial functions. Let me say a few words about rule-making and how this may be in some cases quasi-legislative in nature. The fact that the Commission may be said in a legal sence to exercise quasi-legislative authority does not imply at all that it is doing anything which derogates from the Congressional legislative power. Just the opposite is the fact.

There are many areas in the regulation by the Congress of interstate and foreign commerce in which the Congress has recognized that complications were so great, need for swift action was so great, need for flexibility was so great, that the Congress established independent agencies for the very purpose of delegating to those agencies powers which in fact Congress could exercise itself if it wished to, but which are better exercised by administrative agencies.

You are all familiar with the history of the establishment of the Interstate Commerce Commission back in the 1880's, which was the first of the great administrative agencies established by the Congress for this purpose. The Securities and Exchange Commission is similar. There are many provisions in the statutes the Commission administers giving the Commission the power to make rules and regulations. However, the rules which are made pursuant to statute must be in accordance with statutory standards.

For example, in Section 14 of the Exchange Act, the Congress in very broad language gives the Commission the power to make rules and regulations with respect to the solicitation by any person of proxies from the holders of securities which are listed on national securities exchanges. Over the past 20 years the Commission has established a body of regulation, known as the proxy rules, in which it sets forth specific requirements — all in accordance with the statutory standards expressed in that section of the Exchange Act.

The Rule-Making Procedure

Procedurally, in rule-making the Commission proceeds in a manner not too different from that of a Congressional Committee. The Commission and its staff, Congressional Committees, individual Senators and Congressmen, and the public generally, develop and submit recommendations for rules or revisions of rules. These are examined by the Commission in the light of its experience in cases and in the light of the statutory standards. Before adopting a new rule or rule revision, the Commission generally promulgates it merely as a proposal for public comment. For informational purposes, copies of proposed rule changes are sent to the Banking and Currency Committee of the Senate and the Interstate and Foreign Commerce Committee of the House so that these Committees, charged with observing the work of the Commission under the Legislative Reorganization Act of 1946, will be advised of the steps proposed to be taken. Written comments are received from the public over a period of weeks or months.

It has been the policy of the Commission in the past several years that there shall be a public hearing on all major rule changes. For example, in the past two weeks the Commission has completed public hearings on its proposed revisions of the proxy rules, and on its proposed revisions of the regulations pertaining to issues of small size under the conditional exemption in the Securities Act for offerings not in excess of $300,000.

The Commission also considers testimony that may have been given before, and discussions and reports that may have been had or made by, Congressional Committees or their members on the subject matter to which the rule pertains. We are considering, with relation to our revisions in these two areas, the records of the hearings held by a Subcommittee of the Senate Banking and Currency Committee on the subject of proxies and the hearings held by a Subcommittee of the House Interstate and Foreign Commerce Committee on the subject of speculative "penny" stocks.

Relations With Other Branches of the Government

Occasionally the Commission is faced with problems involving its relationship as an independent agency performing executive functions to other branches of Government. For example, in its administrative capacity the Commission has broad powers under the statutes to conduct investigations. The purposes of these investigations is to determine whether the acts are being complied with and many investigations lead to administrative proceedings before the Commission or injunctive proceedings in the Federal Courts and some result in indictments and criminal prosecutions. With respect to securities law violations, the Commission has a function which is similar to that of the Federal Bureau of Investigation with respect to other Federal criminal statutes. We have, like other Government agencies, regarded our investigation files as not open to the public, as making public investigation files would seriously impair, and indeed might make impossible, effective investigative work. However, every now and again problems develop.

For example, this past year in a private law suit to which the

*An address by Chairman Armstrong before the Chicago Bar Association, Chicago, Ill.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities.

NOT A NEW ISSUE

47,900 Shares

Southern Pacific Company

Common Stock
(No par value)

Price $57.625 per Share

Smith, Barney & Co.

December 9, 1955

gitized for FRASER
p://fraser.stlouisfed.org/

Commission was not a party, a Federal district court attempted to get possession of certain data which the Commission had in its files as a result of an investigation which it was making of transactions involved in the law suit. After seriously considering the public interest involved in making its investigative files public, the Commission determined that it would be adverse to the public interest to disclose the contents of its files. The District Court, for the purpose of forcing the Commission to make disclosure, held the Commission's General Counsel to be in contempt of court and sentenced him to 60 days in jail. Naturally, the Commission appealed the ruling to the Court of Appeals, and the Court of Appeals for the Sixth Circuit held that the judicial power vested in the Federal Courts could not be used to require the Commission to produce papers where the Commission determined this would not be in the public interest. The contempt order against our General Counsel was set aside.[1]

Relationships With Congressional Committees

Occasionally Congressional Committees, in the very proper discharge of their legislative functions, request information about particular cases which are pending under investigation or in actual litigation. We have been fortunate in working out the furnishing to Congressional Committees of requested information in such a way as not to impair our law enforcement work.

The good relationships which the Commission has with the Congress Committees result from a mutual recognition by the Committees and the Commission of the basic objectives of the Congress and the Commission in the field of law enforcement with respect to interstate commerce in securities.

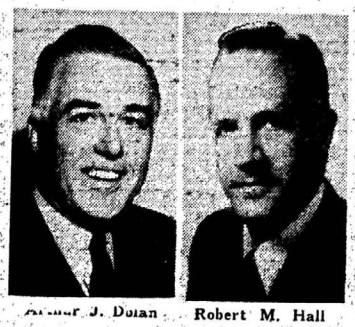
I will conclude by emphasizing the importance, if the work of the Commission in administering the securities laws is to achieve its maximum effectiveness, of the assumption by members of the Bar of their full responsibility in the field. We are dependent in every phase of our law enforcement activity on the work of responsible lawyers representing those over whom we have regulatory authority. Generally speaking, those lawyers who participate in the preparation of registration statements, in representing registered brokers and dealers and exchanges, in representing issuers and underwriters, and others who come before the Commission, are helpful not only to their clients but to the Commission in achieving conformity with the fair disclosure and anti-fraud provisions of the statutes. Just for example, the registration statements that are filed under the Securities Act today in many cases require little or no comment by the staff of our Division of Corporation Finance. The skill of lawyers in assisting their clients to set forth the pertinent facts fully and concisely is vital to the effective administration of the statutes. Unfortunately sometimes registration statements are filed without a clear recognition of the importance of compliance with the Acts by those on whom the legal responsibility rests. Companies proposing to issue securities in a number of recent cases seem to have forgotten or overlooked the fact that responsibility for the registration statement rests with them and with the underwriters, and not with the Commission. It is not the function of the staff of the Commission to rewrite registration statements. Our staff is ready to assist those who in good faith assume the burden of preparing the registration statement and are as helpful as possible in suggesting whatever may be needed by way of additional information if the registration statement, as filed, is not entirely complete. But the Commission's policy in the public interest and for the protection of investors, is immediately to commence stop order proceedings in those cases in which the issuer and underwriter refused to comply with, or ignored, the disclosure standards of the law or where the registration statement appears on its face to be false and misleading. Since the beginning of the present calendar year, the Commission has instituted eight such stop order proceedings and has several investigations under way with respect to a number of other registration statements.

The Commission is in a very real sense appreciative of the many careful and thoughtful comments submitted by lawyers on its rule revision program. We have been greatly aided by some members of this Association who have taken time to write us about many important rule changes made during the past few years or presently under consideration and we urge the legal profession to give us their best efforts, their backing and support as we endeavor to fulfill our responsibilities in administering the Federal securities laws.

[1] Appeal of the United States Securities and Exchange Commission and William H. Timbers, Its General Counsel (C. A. 6, No. 12, 503, Oct. 19, 1955).

Blyth & Co. Names Two Vice-Presidents

Arthur J. Dolan, San Francisco, and Robert M. Hall of Portland, Ore., have been elected Vice-Presidents of the investment



Arthur J. Dolan Robert M. Hall

banking firm of Blyth & Co., Inc., according to an announcement by Charles R. Blyth, President and Chief Executive Officer.

Mr. Dolan, Jr., has been in the investment field in San Francisco since 1928. He joined Blyth in 1946 and has been Sales Manager of the San Francisco office since Jan. 1, 1954. He will continue in that capacity.

Mr. Hall, who is Sales Manager of the Portland Office, joined Blyth in 1933. In 1947 he became head of the municipal department and in 1955 he was named Sales Manager of the Portland office in which capacity he still serves.

Texas & Western Finance

DALLAS, Tex.—Texas & Western Finance, Inc. has been formed with offices at 6115 Denton Drive to engage in a securities business. Morton J. Koval is a principal of the firm.

Spector, Levine Branch

CHEVY CHASE, Md.—Spector, Levine and Company has opened a branch office at 2514 Colston Drive under the direction of Sidney Spector.

Bell & Beckwith Partner

TOLEDO, Ohio—Bell & Beckwith, 234 Erie Street, members of the New York Stock Exchange, on Jan. 1 will admit Grafton M. Mouen to partnership.

From Washington Ahead of the News

By CARLISLE BARGERON

It is too bad, but from now on we may expect a lot of politics in the reports on the President's health. Up until last Saturday there had been amazing frankness in these reports. The Washington correspondents were so pleased, as were the editors generally, that Jim Hagerty, the White House Press Secretary, had received many plaudits from them and last Saturday night the famous Gridiron Society paid him the unusual tribute of having him as the honor guest at their closed winter dinner. Under the Gridiron's new practice, the winter dinner is confined primarily to the members themselves with only a few outstanding outside guests. Under these circumstances, Hagerty was made the honor guest. You might say he took the place of the President of the United States. Certainly it was an honor no other White House Press Secretary has received.

Carlisle Bargeron

Up until that Saturday the reports on the President's illness had been in sharp contrast to the news handling of Grover Cleveland's cancer of the throat. This was kept completely quiet and, indeed, it is doubtful if it is generally known yet. His Secretary at the time, John Lincoln O'Brien, who died only a few weeks ago, made it known a couple of years ago and cited it as one of the accomplishments of a unique and successful career that he had been one of those to arrange the secrecy.

In the case of Eisenhower's heart attack, there was a delay of only a few hours before the real nature of his illness was made public, and Hagerty is generally given the credit among newspapermen for having made the decision to make it frankly known to the public. The story is that the decision was left entirely up to him.

But last Saturday, significantly a day when the stock market was closed, the President came to Washington from Gettysburg for a series of medical examinations at Walter Reed Hospital. There followed newspaper headlines based on the doctors' report that he had been ordered to slow down, and also, that he would not be able to make a decision as to whether he could or would run again until mid-February, if not later.

Now, if you read the doctors' report carefully and the questions and answers of the interview which they had with reporters, there was not the slightest occasion for the alarmist statements which made for the headlines. Questioning by newspapermen elicited the response there was nothing new in the "slow down" orders. There was nothing the doctors found on Saturday to prompt these orders. They had been made to the President before because the doctors thought he was moving too fast back into his routine activities. It was very ordinary advice from doctors to a patient. There was found to be no "significant" enlargement of his heart, the scar seemed to be healing as fast as might be expected. Then why a statement of this nature by the doctors?

The answer seems to lie in the situation which the President's illness has created among Republican party leaders.

There is not a one of them who wouldn't like to see the President run again. His decision to run, they unanimously agree, would remove a lot of their worries and uncertainties.

But the concern with some of these leaders is that if he decides not to run, the Dewey faction along with the Palace Guard are trying to bring about a situation where the man of their choice will be the nominee and they will still be in the driver's seat. They hear talk and fancy they see maneuvers to run either Dewey or Milton Eisenhower, the President's brother.

They were given some basis for their feeling that everything is not on the up and up by recent activity on the part of Sherman Adams, Assistant to the President, to enter an Eisenhower ticket in the New Hampshire primary of mid-March. The ticket would have to be entered by mid-February. Under this plan Adams could control New Hampshire's delegates to the Republican National Convention whether Eisenhower runs or not.

Senator Bridges, one of the most influential leaders of the Senate, Chairman of the Republican Policy Committee, a man who has served as Governor of his state and who is now in his fourth term as Senator, having got an increasing majority every time he ran, doesn't want to sit idly by and be left out in the cold by any such shenanigans as this. He has been asking that the President make his intentions known before the New Hampshire filing date on Feb. 14. Senator Knowland of California has been demanding that he make them known even earlier. He has indicated very clearly that if the President isn't a candidate he will be.

It is doubtful that Bridges would make any national campaign for the office but quite understandably he expects to have something to say about whom the nominee should be if it is not Eisenhower. Significantly, the President's doctors, both of them army men, one the President's aide, have precluded any decision on Eisenhower's part before the New Hampshire filing date. I can't escape the feeling their statement in this instance was political.

Hagerty, because of the President's illness, has moved into a tremendous vantage point of just what should and what shouldn't be said about the President's health. He is a Dewey man. He works closely with Adams and the two of them are able to manipulate things pretty much as they see fit.

In a contest between Bridges and Adams in New Hampshire, without Eisenhower's intervention, it is my conviction Bridges would win hands down.

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

NEW ISSUE

580,000 SHARES

LeCUNO OIL CORPORATION

CAPITAL STOCK

(PAR VALUE TEN CENTS PER SHARE)

PRICE $7.00 PER SHARE

Copies of the Prospectus may be obtained from such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective states.

Eastman, Dillon & Co. First California Company

Hayden, Stone & Co. Carl M. Loeb, Rhoades & Co.

Paine, Webber, Jackson & Curtis Piper, Jaffray & Hopwood

December 15, 1955.

gitized for FRASER
tp://fraser.stlouisfed.org/

The Economic Scene And the Look Ahead

By THEODORE J. KREPS*
Professor of Business Economics
Graduate School of Business, Stanford University

After commenting on the many forecasts of favorable economic conditions ahead, Prof. Kreps calls attention to variables which may create soft spots in the economy, such as: (1) cleavage in the price structure; (2) business investment; (3) inexperienced consumers in a buyer's market; (4) over-full employment, and (5) over-optimism. Approves predictions by J. Frederick Dewhurst and associates as to economic growth trends in next five years.

Appraisals of the economic scene are "bursting out all over," unanimously bullish. The distinguished editor and publisher of "Business Week," Mr. Elliott V. Bell, in the November issue of "The Mortgage Banker" states: "There is hardly a cloud in the sky and the ship sails on before a fair wind that will surely last well into 1956 and perhaps even into 1957." Mr. Allyn P. Evans, President of Lionel D. Edie and Company, investment counsellors, predicts: "Gross National Product will be about $400 billion, up 4% and industrial production will be up 4%—a rate of growth less than 10% experienced in 1955 but normal, substantial growth nevertheless."

Theodore J. Kreps

At Hot Springs, Va., 28 leading economists and industrialists, at a meeting of the U. S. Commerce Department's Business Advisory Council, characterized 1956 as a record year for retail sales, business investment outlays and employment.

There are numerous, valid reasons for such bullishness. Practically every measuring device on the economic instrument board shows the economy operating at record levels. Since President Eisenhower took office in January of 1953, that is from the first quarter of 1953 to the third quarter of 1955, Gross National Product has increased over 9%, personal consumption expenditures over 10%, gross private domestic investment over a third. Federal Government purchases of goods and services have declined by a sixth. This has been a **civilian** boom, not one based on government ladling out of extra billions for war or other purposes.

Total personal income has increased about 8% but personal taxes only 4%, so that per capita disposable incomes in dollars of 1954 buying power have risen from $1,565 to $1,647 or over 5%. Corporate profits both before and after taxes and stock market prices have jumped by about a third to new record levels in American economic history.

In September, average weekly earnings in manufacturing industries hit a new high of $77.90. Nonagricultural employment also hit a record 50,300,000, some 100,000 more than in September, 1953. They produced a record industrial output which according to measurements of the Federal Reserve Board in September, amounted to 141% of 1947-49 levels compared with 134% in 1953. The productivity of labor likewise reached a new high in September. Employers required 500,000 fewer workers in manufacturing than two years ago, 80,000 fewer miners, and 100,000 fewer workers each in the transport, public utility, and construction industries. Whatever new jobs there were, seem to have been found in the distributive trades, in professional and service enterprises, and in state and local governments.

New peacetime peak levels in the third quarter of 1955 were also reached in department store sales, retail sales, especially outlays for autos and parts, construction outlays, consumer credit, business loans, furniture shipments, steel, coal, and electric power output and freight carloadings.

Practically all the business barometers, likewise, show fair weather ahead. In August, new orders totaled $29 million, just a fraction under the all-time frenzied height of January, 1951. There were fewer business failures. More new business corporations were being formed. There were larger machine tool orders, more hours of work per week, increased orders of paperboard for containers and higher industrial prices—all these harbingers of things to come forecast increasing prosperity.

Worry Only When New Record Highs Are Not Reached

Table I shows the facts in detail. The outstanding fact that emerges is that consumers and their behavior in the auto showrooms, on the housing tracts, and at the retail counters have been the dominant factor in recent business trends. Nor are new high records anything to be scared about.

This economy should make new records every year. Since President Eisenhower took office, population has increased by about 2½ million persons per year. Merely to give each newcomer the same quantum of $1,800 of national income of goods and services enjoyed on the average requires an increase in national income of nearly $5 billion a year. Moreover, a dynamic nation refuses a standstill in its living standards. An increase of but 2% a year means another $6 billion.

Thus if the economy continues to function effectively, each year will ordinarily show new record levels of output, sales, employment, and real income. Consumer outlays for rent, personal services, and nondurables will march ahead even during substantial recessions. Moreover a new bulging $4-8,000 income group is thronging into housing and durable goods markets, "trading up," reaching for quality homes, luxury cars, and superior recreational and cultural equipment and facilities. New records are not only to be expected, they constitute a continuation of the great explosion in American living standards that has been the most eloquent refutation of Communist dialectics in history.

Spearheading this expansion in the production and sales of the fruits of modern technology has been the automobile industry. Last year more new cars were

Continued on page 149

*An address by Prof. Kreps at the 24th Annual National Conference of Controllers Institute of America, Los Angeles, Cal.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to mill around in an uncertain fashion generally this week with no clearcut indication that the list was getting started on the traditional yearend rally yet. Conversely, what selling assaults came along failed to make any more than temporary dents so the worst that could be said of the market was that it was a stalemate.

* * *

That much worn word—selective—had to be trotted out again as only a handful of issues managed sustained gains. Those that turned the trick fared very well, notably Ritter Co., General Railway Signal and Warren Foundry which rushed into new high territory on multi-point gains. Warren, in particular, put a couple of fat gains together for a better than 10-point improvement in continuing its independent climb that has been going on for weeks now. The issue was the best-acting one for last month when it added better than 54% in value, a 23-point jump.

Secondaries Waking Up

There was definite stirring among the secondary issues which, as a result, were outperforming the market. If it is maintained, it will be a new phase to have these issues finally joining in on the bull market that was concentrated so closely on only the blue chips up to now.

* * *

An indication of this new twist might be the issues reaching new highs — United Electric Coal, Gabriel, General Cigar, Royal McBee, Gardner Denver, Interchemical, Seiberling Rubber, New York Air Brake, and even Benguet Mining which more times than not has had the dour distinction of being the lowest-priced issue on the Stock Exchange.

Aircrafts Rise

As far as the individual stock groups are concerned, the aircrafts were able to stand out as one of the better-acting ones around. Douglas, Boeing, North American Aviation and General Dynamics were able to post good gains with more ease than the rest, making even the action in this group somewhat selective.

* * *

The old pattern of industrials showing better stability than the rails was back again. However, the fact that the industrial average was able to post an all-time record peak late last week generated little in the way of new enthusiasm and the feat, in fact, was achieved almost as a happenstance. The rail average, which reached a quarter-century peak two weeks ahead of the industrials, failed to perk up on the industrial achievement and were rather persistent in backing away from the top, including three losing sessions in a row.

* * *

Whether the industrial peak was a valid penetration is still moot. The new peak was a mere 35 cents above the 487.45 achieved on Sept. 23 before the weekend of the Presidential heart attack. That the list was able to rebound so strongly and so rapidly to erase all the damage in only a couple of months was good testimony of underlying strength. The heavy flow of good dividends obviously was a prime factor in the rebound, but with it pretty much over now the big question is where from here.

Some Fund Liquidation

Some definite signs of caution were cropping up, both in the forecasts and in the specific actions of various institutional investors. Some rather large blocks of prime issues were steadily being marketed, and U. S. & Foreign Securities, while refusing to discuss specific liquidations, agreed that heavy sales from the portfolio enabled a yearend dividend far above anything ever paid by the fund before. Up to September only $4,200,000 had been realized in gains on investments and the dividend payout came to some $11,700,000. The nine-month report showed $18,500,000 of holdings sold against purchases of a negligible $178,875. How much further liquidation has been going on in the current quarter will have to wait on the company's annual report.

* * *

Yearend forecasts were all highly optimistic but generally hedged with enough qualifications to make it seem that the second half of next year is somewhat cloudy. There is general agreement that the good business currently will spill over into the first quarter for certain and probably into the second quarter as well.

* * *

The above-average yields of the secondary issues, most of which have been able to boost profits for good comparisons this year, plus the fact that they are available at anywhere up to 50% discounts from their highs of the last decade, made the field a fruitful one for picking. Underwood Corp., for instance, selling below $40 currently was above $80 in 1946. J. I. Case, lately available around $18, sold at above $39. Mohawk Carpet sold at $70 in the last decade yet, despite all the merger romance of its deal with Alex Smith and the fat tax credit acquired thereby, has been hovering around $35 lately.

Flings in the Atomics

The so-called "atomic" stocks occasionally have a fling despite the fact that concrete earnings from the atomic energy work are still somewhat remote. Babcock & Wilcox, Combustion Engineering, and even General Dynamics partly for this reason too, are among those that get the occasional plays.

* * *

In the motors it was Studebaker-Packard that was able to lift its heels on good, although not too persistent, demand. Chrysler was inclined to lag. For the automotive group generally, a lot of hope revolves around the forthcoming public offering of Ford Motor stock. This record-setting stock offering with a value approaching half a billion dollars is certain to be an instantaneous sellout if the current demand holds up until the middle of next month when the offering is tentatively slated. The theory is that such a huge demand will spill over into the foreign Ford companies already publicly held, and spark the shares of even Ford's rivals. Of incidental note is the fact that Electric Auto-Lite appears rather prominent on several of the list of "secondary" issues that might be favored if this group is going to have its day in the limelight. Auto-Lite sold above $80 in 1946 and currently is in the 40s. In fact, its peak price this year was below the best of 1947, 1948, 1951, 1952 and 1953.

Yearend Rally Ahead?

There is still a widespread belief that the list will still muster a yearend rally to keep up the tradition. A rather heavy load of tax selling had to be cleaned up this year, unlike the situation a year ago, but the indications were that it is beginning to dry up. Once that is out of the way, the list could get back to the job of trying to make new highs with a bit more conviction.

[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.]

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Gilbert S. Cruz has been added to the staff of Walston & Co., Inc., 137 East Weber Avenue.

itized for FRASER
://fraser.stlouisfed.org/

Monetary Policy and The Real Estate Markets

By WILLIAM McC. MARTIN, JR.*
Chairman, Board of Governors, Federal Reserve System

In outlining the broad responsibilities of the Federal Reserve for credit and monetary conditions, Chairman Martin discusses the monetary policy and real estate markets over the past few years. Finds influence of credit conditions on mortgage markets and home building is difficult to trace, but claims the restrictive monetary policy does not give an adequate explanation of reduced levels of housing starts, and holds the volume of investable funds from consumer and business savings has not been adequate for housing demands.

Congress has placed on the Federal Reserve System responsibility for formulating and carrying out national credit and monetary policies. The System's objective is to contribute to sustainable economic growth and to maintenance of a stable value for the dollar. This responsibility for credit and monetary conditions relates to the over-all credit situation, not to markets for particular goods and services or to the activities of particular producer or consumer groups.[1] The System's actions influence most directly the lending and investing activities of commercial banks, which supply the credit used by individuals or businesses. These operations of the commercial banks, in turn, influence other financial institutions and markets.

W. McC. Martin, Jr.

The general economic developments with which the System is primarily concerned are the result of combined activities of the many markets that make up the economy. The System must keep itself informed constantly about these particular markets in order to make judgments and to determine appropriate credit and monetary policies.

Response to the Subcommittee's inquiry about the influence of credit and monetary policy on mortgage and housing markets must be considered against this background. As these are specific markets, the influence of credit and monetary policies upon them is indirect.

Monetary Policy and Real Estate Markets Over the Past Few Years

The amount of housing that may be built, sold, and financed within any period depends upon a number of considerations. Demand for housing depends on growth and shifts in families and other occupants, upon price factors, and upon ability of individual buyers to finance their purchases. It also depends upon the physical availability of resources for construction of new homes—land, building materials, and labor. This places definite limits on the amount of housing that can be added to the supply within any short period of time.

The capacity of the economy to finance home purchases must also be considered. The availability of funds for investment in mortgages depends on the flow of savings, on alternative opportunities for investing funds, and on credit and capital market conditions generally.

Residential building and home purchases are strongly influenced by the availability and terms of credit. The nature of this influence is not easy to trace, for many other factors are always at work. It is clear, however, that because of the complexity of these markets, the impact of credit and monetary policy on their different sectors and on participants therein varies considerably.

Mortgage Markets and Lenders

Because mortgage markets are local in important respects, variations usually develop among geographic areas, reflecting different market structures as well as differences in regional economic development. To a considerable extent, the development of Federally underwritten mortgages has served to reduce regional differences in the supply of savings relative to local investment demands. The relative attractiveness of Federally underwritten mortgages and conventional mortgages may change from time to time, partly because interest rates on the latter are free to vary more widely than are rates on the former.

The effects of changes in credit and monetary policy normally take some time to permeate a market as complex and variable as the mortgage market. They may be particularly slow to influence construction, for instance, if the amount of financing commitments by lending institutions is large. The precise timing of events cannot be foreseen in view of the many variables involved and the changing circumstances of each period.

For example, from mid-1952 to mid-1953 large over-all demands for credit pressed upon limited, though growing, credit availability and resulted in some strains on financial markets. Expansion of real estate mortgage debt was restrained at the start of this period by the selective regulation of real estate construction credit. Regulation X, governing the extension of conventional credit on new houses and other new structures, was suspended in September, 1952, but some restrictive conditions on Federally underwritten mortgages continued until April, 1953.

Federally underwritten mortgages having relatively low maximum interest rates became less attractive to investors in a market of generally rising yields, and were salable only at discounts from par. GI loans on new houses, in particular, declined markedly during the year ending June 1953 and were a much smaller proportion of total mortgage lending than in comparable earlier periods. Conventional mortgage lending meanwhile increased substantially, although such loans were generally available to borrowers only at higher interest rates and on more restrictive terms than had been the case prior to selective credit regulation and general credit restraint.

Interest rates on Federally underwritten mortgages were raised in May 1953. Shortly afterwards, the slackening of other credit demands, the easing in credit and monetary policy, and the resulting decline in yields on nonmortgage investments improved the competitive position of mortgages generally in financial markets. Moreover, the flow of savings to financial institutions was increasing rapidly while issues of corporate securities available to investors were reduced.

The changed demand and supply situation in financial markets began to be reflected significantly in mortgage markets late in 1953. By that time, with slackening in other demands for credit and a continuing decline in yields on competitive investments, funds for mortgages with Federal underwriting became much more readily available, with both FHA and VA loans selling in secondary markets at prices close to par, and interest rates on conventional loans reduced by ¼ to ½%. Investors began actively to seek mortgages on terms which they would not have granted six months earlier. Commitments by lenders to take mortgages, especially those guaranteed by VA, were made in increasing volume toward the end of 1953 and rose sharply in 1954, and many lenders who earlier did not engage in such activity began to do so.

The rise in mortgage credit on newly completed and existing properties did not occur until the second half of 1954. In that period total mortgage lending was one-fourth larger than in the preceding six months, reflecting gains in most types of loans for purchase of both new and existing houses. GI loans were increasingly available to borrowers with no down payment and maturities of 30 years, and other types of mortgage loans were also readily available on favorable terms.

Mortgage lending on residential properties expanded sharply in the first half of 1955 to an all-time high of almost $14 billion. The volume of GI loans made on new houses rose markedly to over $2 billion, the largest total by far for any half year. In the same period there was a sharp rise in FHA-insured loans on existing houses to over $900 million, reflecting chiefly a liberalization of terms made possible by the Housing Act of 1954.

For the full year ending June 30, 1955, new records for nearly all types of mortgage lending were established. The ready acceptance by investors of VA-guaranteed loans on terms favorable to borrowers and the accumulation of a large backlog of commitments by lending institutions, to take mortgages in the future, stand out as major influences on the mortgage market during this period. Increase in the volume of Va loans amounted to over two-thirds of the increase in lending on new houses and over two-fifths of the increase in lending on existing houses. Meanwhile, FHA-insured loans made on new houses during these 12 months showed little change from the two preceding 12-month periods.

Housing Markets

The influence of credit conditions on home building and purchase is even more difficult to trace than that on mortgage markets, particularly as far as the timing of changes is concerned. For example, there was little decline in residential construction activity as a result of the credit stringency in the spring of 1953. Subsequently, there was considerable lag in the adjustment of residential market activity to the change toward easier credit availability which began around mid-1953. The number of housing units started through the first half of 1954 was little different from comparable periods in preceding years. Statistical measures of pre-building activity did not begin to move upward until early 1954, but thereafter rose rapidly. By August, requests by builders to the Veterans Administration for appraisal of proposed houses were more than double the largest monthly total in the three preceding years. Applications to FHA for mortgage insurance on new houses also reached considerably higher levels in the summer and autumn of 1954 than in previous comparable periods.

Reflecting the upsurge in prebuilding activity, new private housing starts beginning in June 1954 increased contra-seasonally through the end of the year, with monthly totals in the last quarter the largest for any comparable month on record. The substantially larger volume of units started in the second half of 1954 compared with the like period of 1953 reflected chiefly a more than doubling in units started under VA guarantee. Units started under FHA financing arrangements also increased slightly, while conventionally financed starts declined.

Sales of old as well as new houses accelerated in the second half of 1954 and continued strong through the middle of 1955. In the 12 months ending June 1955, substantially more houses were sold than during preceding comparable periods. Reflecting the impact of easing terms in the GI loan market during 1954, the increase in units sold with VA-guaranteed mortgages in the year ending June 1955 amounted to almost two-thirds of the increase in new house sales and nearly two-fifths of the increase in existing house sales.

The Current Situation

This summer and autumn economic activity in most lines has been at new high levels. The Gross National Product in the third quarter was a record $392 billion (seasonally adjusted annual rate) and a further large increase is indicated for the current quarter. In October, industrial production continued at the new high established in September and nonagricultural employment was a record for any October.

The most striking economic developments over the past year have been the marked expansion in consumer buying, especially of durable goods, renewed rise in business outlays for fixed capital, and the relatively moderate nature of inventory accumulation. Since output in many areas is now close to capacity, further increases in production will necessarily be at a slower pace and growth in consumption and investment demands will need to be correspondingly moderated.

Reflecting the pressures of expanding demands upon limited supplies, wholesale prices of industrial commodities have been rising considerably since mid-year, with the increases more recently extending to intermediate products and finished goods. Consumer prices, which have been relatively stable for two years, have recently shown signs of edging up.

The situation is not greatly different in construction and real estate markets, except that these markets have been extraordinarily strong for a longer period. Since the recovery in the general economy began more than a year ago, activities revolving about construction and real estate, which continued high throughout the 1953-54 recession, have expanded sharply further and are now at

Continued on page 20

*A statement by Chairman Martin on behalf of the Board of Governors of the Federal Reserve System before the Subcommittee on Housing, Senate Banking and Currency Committee.

1 The System's only direct influence a particular market is exercised ough margin requirements (Regula-ns T and U) in the market for reg-ered stocks.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE December 14, 1955

$50,000,000

Quebec Hydro-Electric Commission

3½% Debentures, Series N

Dated January 1, 1956 Due January 1, 1981

Guaranteed unconditionally as to principal and interest by

PROVINCE OF QUEBEC
(Canada)

Price 99.50% and accrued interest

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation — A. E. Ames & Co. Incorporated
Smith, Barney & Co. — Harriman Ripley & Co. Incorporated
The Dominion Securities Corporation — Wood, Gundy & Co., Inc. — McLeod, Young, Weir, Incorporated
Blyth & Co., Inc. — Lehman Brothers — Salomon Bros. & Hutzler — White, Weld & Co.
Bell, Gouinlock & Company Incorporated — Mills, Spence & Co. Inc. — Nesbitt, Thomson and Company, Inc.
Burns Bros. & Denton, Inc. — Greenshields & Co (N.Y.) Inc — Harris & Partners Limited, Inc.
W. C. Pitfield & Co., Inc. — Dawson, Hannaford Inc.

tized for FRASER
://fraser.stlouisfed.org/

Organized Labor's Economic Creed

By GEORGE MEANY*
President, American Federation of Labor-Congress of Industrial Organizations

Labor leader maintains labor expects "understanding" above all else from management, based on great area of common agreement. Declares labor likes our free enterprise system with investment earnings profits. States despite centralized power of AFL-CIO, combined union has no right to tell anyone to go on strike. Says, with automation, we are today facing a so-called industrial revolution, but that the Kremlin constitutes a much greater threat.

If I were to give a short answer of what I think labor expects from management, I could perhaps wrap it up in one word and say "understanding." I feel that labor and management here in this country have so much in common and so little, really, that they can take a different attitude about, that a greater understanding of the trade union movement and of its aims and objectives could certainly be helpful and conducive to better labor-management relations.

George Meany

Now I would like to tell you just a little about the structure of the American Federation of Labor and Congress of Industrial Organizations. Actually, the structure of the new merged federation is a duplication of the separate structures of the American Federation of Labor and the Congress of Industrial Organizations which existed as separate organizations up until Dec. 5.

The present combined structure comprises 140 national and international unions, each of which is separate and distinct, each of which runs its own affairs and is completely autonomous, and each of which is tied into the federation in order to carry out whatever work there is in the trade union movement on which there can be coordination between various trades.

*An address by Mr. Meany before the NAM's 60th Congress of American Industry, New York City, Dec. 9, 1955.

68,000 Local Unions

These 140 national and international unions have in affiliation 68,000 separate and distinct local unions. In the American Federation alone, there were 44,000 separate and distinct local unions holding in some membership some 15 million of us. Now this structure has been likened to a rope of sand; this contemptuous description was applied to the American Federation of Labor by Lenin, the Russian dictator back in 1922, in which, in giving this designation of course, he was indicating that workers have absolutely no hope of improving their condition of life or of work from an organization that was so poorly put together, an organization that was not tied together by any rigid rules and regulations.

Now the reason I stress this type of structure at this time is to comment briefly on some of the statements that have been made about this merged federation and about the tremendous power that lodges in the hands of a few men, presumably the officers at the head of this organization. When you speak of tremendous power in the hands of a few men, there should be some idea of what the power could be used for or what it would be used for, and I submit that the men at the head of this organization—I am now speaking of the American Federation of Labor-Congress of Industrial Organizations — actually have very little power.

For instance, they have absolutely no power to tell anyone to go on strike. And it may interest you to know that I am the President of this great organization that has such tremendous power and I never went on strike in my life, I never ran a strike in my life, I never ordered anyone else to run a strike in my life, never had anything to do with a picket line. So if that is the type of power people have in mind, they should get another fellow for President, because I have no experience with that type of power.

Now, how do unions go on strike? These 68,000 unions that I speak of, I would say that about 40,000 plus have separate and distinct individual agreements with the employers, with various employers, some of them, of course, with associations of employers. I would say that perhaps the other 20,000-odd are tied into area or nationwide agreements, but those are in the minority. Of course, where there are area or nationwide agreements—and I am sure you know this has been a subject of controversy for a number of years as to the usefulness of this type of agreement—that is most cases we find where they have these area or nationwide agreements, it is because of the fact that the industry in which they operate is organized from the management side in about the same way as the union is organized, and they feel of necessity that they must deal through collective bargaining with the employer, and in the same manner in which the employer is organized.

Now the other unions, of course, make their own decisions as to collective bargaining; they lay down their own conditions. Some of the national unions, of course, have a right to tell the local unions that they should not go on strike or that, if they do go on strike, they lose certain benefits which normally would come to them. I don't know of any of these 40-odd thousand cases of individaul union doings—I don't know of any international union that has a right to tell a union it should go no strike for certain wage conditions. They do have the right to refuse benefits, alter the benefit structure of a union if the union goes on strike in defiance of an order or advice from the international office.

Less Than 25% of Workers Belong to Unions

Now another statement has been made about this being a monopoly, and of course when you are speaking in terms of monopoly, you think in terms of controls, controlling the supply of a certain percentage of articles. And I submit that under this structure it cannot be a successful charge of monopoly: Number one, less than 25% of the working force of the country are gathered together in these union; and number two, I don't know of any power that resides in any of these unions to shut off, let us say, the supply of any essential article or commodity that goes in the national economy, except of course in cases where one particular union may get into a hassle that would eventually, through a shutdown, affect other organizations and bring down something like a general shutdown. But I am quite sure you must know that it has been traditional in the history of the American Federation of Labor and the labor movement in general of this country that we have never, never taken a position for a general strike. We have never tried to organize a general strike. And the philosophy of our organization from Gompers' day to this has been entirely against the general strike, on the very simple ground that a general strike was a rebellion against the government, a rebellion against your neighbors, against the people, against the community at large. So there is no fear, I think, of the charge of monopoly on that score.

Then, it has been said by a gentleman, I believe, who was formerly associated with the National Association of Manufacturers a few days ago that it is significant that the rise of labor in this country paralleled the rise of Nazism in Germany. Well, that may be an historical factor. It may be that labor in this country did start to increase its membership around the time of the development of Nazism in Germany. I don't think that's true, but if it were true, it would be a coincidence, because you can see from the record, if you care to examine the record, that the one group in this country who saw a danger and a distinct menace to our way of life in what was happening in Nazi Germany in 1933 when Hitler came to power was the American Federation of Labor.

Labor's Fight Against Nazism

We protested, we organized a boycott against the importation of Nazi goods. We organized the Labor Chest to take care of the victims of Nazi tyranny who had fled to our shores and to other countries. And we did everything possible to alert the American people to the dangers and the menace that lay in the rise of a dictatorship in Germany. The record of American labor has been consistent on all types of dictatorship, whether they were from the right or from the left, so I do not see anything in this so-called parallel between the rise of Nazism in Germany and the fact that labor was in the depths of a very, very bad depression from which, if labor was going to survive at all, it would be the only way that it could go and it would be up, because the membership of American labor was at an all-time low at the time.

So I just want to mention this sort of criticism to show that there is just no foundation, because the implication in this statement is that there was some connection between American labor and Nazism, and of course that is completely ridiculous on the face of it, and of course it can be very, very successfully refuted by the record, that not only were there no sympathetic connections between the American labor movement and Nazism, but on the contrary, American labor was the one force in this country that called attention to the dangers and the menace of Nazism long, long before we finally got into a war as a result of the rise of Hitler in Germany, along with his Italian partner and the Japanese group that afterwards come to cooperate with them.

We have a tremendous vital interest in the maintenance of a free way of life and we feel that the employer has that same interest. Here we are in the city of New York, a labor meeting, an employer's meeting, under the benefit of the National Association of Manufacturers, saying what we want to say, not only about each other, but saying what we want to say about our government, criticizing different departments, completely free, knowing full well that we are not going to land in a concentration camp or going to face punishment of some kind, because we happened to criticize those in power in our government.

Origin of Wagner Act

We have this stake, and I am quite sure that management has the same stake in this system under which we live. We cannot maintain a free trade union under any other system, and we do contend that through the free trade union system that we have built up the standards of life of the American worker. We may take nothing away from managment. We know that management ingenuity and resourcefulness have made their contribution, but we feel that we have made our contribution, and I want to say to you very frankly that we don't like the idea of a government to be deeply into the question of labor-management relations. I, for one, and a great many more, were very, very skeptical about the idea of the Wagner Act. But I think in all honesty we have got to look at the record and ascertain just why the government stepped in in such a way as they did in the Wagner Act.

And I am going to concede perhaps that the Wagner Act went too far one way, just as I think the Taft-Hartley Act goes too far the other way now. But the point is, why did government come in? Well, you can find out very, very easily. You can find it in volume after volume of the record of the testimony in the files of the Civil Liberties Committee before Congress in those years preceding the enactment of the Wagner Act. And you will find it was because millions upon millions of American citizens were denied their right to have associations such as you have and such as we have now. They were denied their rights by a superior economic power in the hands of their employers who hired spies to go into their unions, hired all sorts of people to prevent the unionization of their workers, denying them the right of freedom of association one way or another.

Now I am not going into details on that, except I can say that whoever wants to read or desires this information can find it in that record, and it is not a very, very pretty picture.

Now let's look forward to what we are facing today. We are going into a so-called industrial revolution. Everybody is talking about automation. I make no claims to know anything about it, and I don't know too much — I have read a little about it. It seems that we now have not only machines to manufacture the tremendous numbers, through mass production methods, of the things that we need and that we can use in this economy of ours, but we have now got machines to run the machines that manufacture those things. Of course, the next thing we have got to come up with, I suppose, is a machine to manufacture consumers to buy the things that the machine that runs the machine can manufacture.

Threat From the Kremlin

However, that is going to pose a problem, and I think it's a problem that labor and management both can make a contribution to the solution. And I feel, in addition to that, we have something much more compelling. We have this threat that is hanging over our country and over the heads of the people of every free country on earth, and that is the determination of the people who run the Kremlin to dominate the world with the godless idealogy that they practice. We certainly are possessed with enough intelligence to know that there was no change in the Communist plans during this past year, that while there was a change in method while we had this so-called "smiling face" technique which engendered the spirit of Geneva, we at least have the intelligence enough to know that the spirit of Geneva was not a spirit of good will or of faith, it was a spirit of deceit and of fraud and of trickery in order to foister on the free world the ways of the Communist dictators. We know what has happened since Geneva. We know the pressure to again blockade Berlin. We see the slanderous tour of Khrush-

GOB SHOPS of AMERICA, Inc.

299,000 Shares of Common Stock
(Par Value $.30 per Share)

Offering Price: $1.00 per Share

The Company is engaged in six States in the sale and distribution of sporting goods, camping equipment, men's and boys' work and play clothing and shoes through five specialized retail stores and a chain of over thirty franchised stores owned by independent operators. Its principal offices, showrooms and warehouse are at 5 Carpenter Street, Pawtucket, Rhode Island.

Offering Circular may be obtained from your own broker or the undersigned.

•

UNDERWRITER:
BRUNS, NORDEMAN & CO.
Members of New York Stock Exchange and Other Principal Exchanges
52 WALL STREET • NEW YORK 5, NEW YORK
Telephone: BOwling Green 9-6900

tized for FRASER
://fraser.stlouisfed.org/

chev and Bulganin through India, spilling all sorts of slander against the Western powers. We see everything that they are doing that should convince us that they still are doing business at the same old stand; they are still determined to destroy our free way of life and substitute this Marxist philosophy and Communist world that they speak so well of, and that we know never makes good on its promises, either to worker or management.

We do know that we have a great deal to fear from the Communists, and I am sure businessmen should feel the same way as we do about it. And let me say this to you, ladies and gentlemen. I say this not in any attempt to emphasize the importance of the trade union movement or to play down the importance of any business association, but I say this to you in all sincerity. The workers' organizations are much more important in the Communist scheme of things than anything else. The best case in point is the destruction of the Republic of Czechoslovakia some 17 years ago.

In that country the Communists did not have a majority in the national Parliament. They had less than 27% of the membership there. They didn't have a cabinet member. They didn't own any businesses. They had a little paper in Prague which was the counterpart of our "Daily Worker," just the same sort of thing, same sort of stuff day in and day out. But they got control of the free labor movement of Czechoslovakia; they took control of it. They had been working from the inside, subverting it, and they got control. And they struck the city of Prague for one day—no milk, no telephones, no buses, no bread, absolutely a dead city for one day. And at the conclusion of that one day they effected a compromise with Jan Masaryk and President Benes of that country, and that compromise gave them a cabinet minister, the Minister of Internal Security — in other words, the head of the state police. Within 14 days they had control of that country lock, stock and barrel, because they had demonstrated to the political heads, who were just as patriotic as any people that we have on this side of the world—Mr. Masaryk and Mr. Benes were patriots of the first order—they demonstrated again they could render a people and a city completely helpless by their control of the trade union movement.

The test in Italy and France during the days immediately following World War II was whether or not they could successfully pull a general strike. For a time it looked as if they might, but I think we are past that, and I think Italy and France now are safe because the labor movements of those countries are still strong enough — the free movement is still strong enough to prevent the Communists carrying out a general strike. So I think we have that interest in common, to keep this country free so that we can carry on with the type of improvement of our life which labor and management jointly are responsible for.

Belief in the Profit System

In the final analysis, there is not a great difference between the things I stand for and the things that Mr. Parker, Mr. Slight and Mr. Riter stand for. I stand for the profit system; I believe in the profit system. I believe it's a wonderful incentive. I believe in the free enterprise system completely. I believe in the return on capital investment. I believe in management's right to manage.

And believing in all these things, as a representative of free labor, what is there left for us to disagree about? It is merely for us to disagree, if you please, as to what share the worker gets, what share management gets from the wealth produced by the particular enterprise. And I am sure there is enough intelligence in the American worker, enough intelligence in American management, to solve that problem in a fair, square American way.

In the final analysis, no union can gain anything—I am speaking now of American unions, not a Communist controlled union—no union can gain anything by putting the fellow out of business who fills the pay envelope. The interests of the worker and the employer must be identical in an industry because they have both got to get their livelihood from whatever is produced by the industry.

I feel unity of American labor, under the new AFL-CIO, presents no threat to the American people, it presents no threat to the American public, it presents no threat to American management. We are going to continue to try to improve the lot of the people we represent. We are going to continue to try, by collective bargaining, to get a fair share of the wealth that is produced jointly by labor and management. I think we could do this perhaps better of the great organizations of management such as the NAM, the Chamber of Commerce, were better acquainted with the great organizations of abor. We have so much in common that it seems rather silly to be fighting about the things that we do not have in common. And above all, we have this in common: We like this way of life. We like this idea of being able to assemble freely as you are doing here today and as we have been doing over this past week. We like this free enterprise system where men can have unions, where they can see profits in return for investment, all that sort of thing, and we want to keep that. And I am sure that should be a very compelling reason for cooperation between the great organizations of labor and of management, and I, for one, can merely say to you, I would like to see that cooperation.

Continued from page 2

The Security I Like Best

the rate of $1 a year. To continue this dividend, it will be necessary to clear all arrears on the Smith preferreds, and if the merger is consummated, such action seems likely, as well as providing continuity of dividends to Mohawk stockholders in terms of dividends on the stock of Masco, early in 1956. Such action would provide Alexander Smith common stockholders with their first dividend in four years. Furthermore, there should be earnings to pay dividends. In the first 9 months of 1955, Mohawk's net profit was about an offset to Smith's operating loss. In the fourth quarter, combined profits should improve. The merger should provide some immediate savings.

With $110 million sales volume and a 5% pre-tax margin (which is about one-half that of the most profitable unit in the industry) pre-tax earnings would approximate $1.68 a share on the new common. Tax losses carried forward should permit all or a very large part of pre-tax earnings to be retained by the company for the next five years. Such an estimate of earnings is conservative because it makes no allowance for immediate savings and improvement in operating efficiency resulting from the merger. With a five year tax-relief period ahead, such earnings will supply funds to pay conservative dividends, to strengthen the capital structure, to build sales volume and improve the profit margin to the level of an efficient unit in the industry —about 10% pre-tax.

Should a $150 million sales volume ultimately be reached, for example, a 10% pre-tax margin would produce earnings after taxes of $2.25 a share. This is in the realm of the future but, operated as an efficient unit in the industry, it is not an unreasonable expectation, in view of the progress of the industry in moving toward a solution of some of its problems. In the meantime, via tax-relief, earnings are likely to be such as to justify a common dividend of as much as 10c quarterly on the stock of Masco Industries.

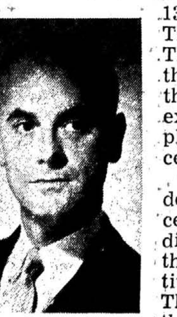
The Alexander Smith common selling at 9 on the New York Stock Exchange represents the new Masco common. At a price equal to 5.5 times what seems a conservative estimate of earnings; with almost immediate dividend prospects and a possible five year tax relief period ahead in which to build the business, this stock at 9 could well be underpriced.

CHARLES T. JAWETZ

Senior Partner, Daniel Reeves & Co., Beverly Hills, Calif.

Phillips Petroleum Co.

In choosing a security that can logically and honestly be categorized as "one I like best," consideration must, of necessity, be given to more than one factor. Some of those considered in making this selection were:



Charles T. Jawetz

(a) In view of the high level of the general market, can this security move forward should the advance be stalled or in the event a decline materializes?

(b) Is there a growth factor of sufficient vitality present to encourage forward looking institutional buyers?

(c) Is the buyer, at these levels, sacrificing yield to an unwarranted degree in order to obtain the growth factor?

It is my belief that the security of my choosing, Phillips Petroleum Co., squarely faces the issues enumerated above in favor of the new stockholder. From a financial standpoint the company is probably a little weak cashwise, particularly when one considers the cash generation against estimated expenditures for 1956. These expenses will probably equal the $175 million estimated expended for 1955. From an earnings standpoint Phillips should earn in the neighborhood of $5.50 per share for 1955, with a cash flow of about $12 per share. Nineteen fifty-six should show a modest increase in earnings to above the $6 per share mark. The interesting fact in the earnings picture is the profit that comes from the chemical operations. Fifteen million should be derived from these sources in 1955 and next year an amount double this is not beyond attainment.

The basic philosophy of Phillips seems to be the upgrading, through chemistry, of the raw materials of natural gas and oil, and with the possible exception of Standard Oil of New Jersey, more than five times the size of Phillips, the company has probably gone further in this direction than any oil company in America. Phillips seems to be entering a cash-in period on the millions of dollars that have been spent on chemical research to date.

Phillips has an investment in offshore leases of about $30 million and includes approximately 135,000 acres of these properties. The potential in them is fabulous. They could materially increase the total oil and gas reserves of the company probably to the extent of 50%, should their exploration be even modestly successful.

While the company has not done anything outstanding in recent years in bringing in new discoveries, it is believed that they will become increasingly active in exploration from now on. The extremely large outlays in the chemical end of the business have probably been responsible for the relative quiesence in exploration.

In view of the company's cash position and large projected expenditures, the present $3 annual dividend rate is not likely to be increased for some time. It is highly possible, too, that some long-term financing may be necessary, probably a major bond issue of the debenture type. In spite of this, however, the stock has so much appeal, particularly to those seeking a growth vehicle, that the demand for the stock should remain high and probably at increasing prices. Should the Fulbright Bill, establishing field prices for natural gas, be enacted in 1956, Phillips stock should be a major beneficiary and this can be expected to be immediately reflected in the market.

Much, of course, could be said about MARLEX, Phillips' trademark for its revolutionary new family of polyethylene and polyolefin plastics. As the President of Phillips, Mr. Paul Endacott, stated last September, new major chemical developments of this nature usually require seven to ten years from the test tube to market. In the case of MARLEX, however, plastics made of it will travel the full route in three years to the extent that large-scale production will be achieved in the Summer of 1956. Mr. Endacott further stated that MARLEX tests demonstrated that it combined greater toughness, strength, versatility, and resistance to heat and cold than any polyethylene now known. From it, articles as different from each other as pipe and packaging film can be made. The resistance of it to distortion at steam sterilization temperatures will open many new uses in the hospital, drug and food packaging fields.

Phillips is actively engaged in the study and application of rocket energy. The company produces a type of solid propellant adaptable to use in rocket, missile, and gas-generating purposes.

Many more paragraphs could be used expounding the virtues of this fine company. Unfortunately, space is at a premium. I believe firmly that for the investor with patience, who is willing to invest money in return for a modest yield in an assured growth vehicle, Phillips can be ideally chosen. The stock is listed on the New York Stock Exchange.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Geunther R. Teubert has become connected with State Bond & Mortgage Co., 28 North Minnesota Street.

This announcement is not an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$2,000,000

Varian Associates

Fifteen-year 5% Convertible Subordinated Debentures

due December 1, 1970

Convertible into Common Stock through November 20, 1970

Price 100.5% and accrued interest

from December 1, 1955 to date of delivery

Copies of the Prospectus may be obtained from the underwriter only in states in which such underwriter is qualified to act as a dealer in securities and in which the Prospectus may be legally distributed.

Dean Witter & Co.

December 9, 1955

Digitized for FRASER
http://fraser.stlouisfed.org/

Russian Aid To Backward Countries

By PAUL EINZIG

Anticipating imminent Eisenhower-Eden discussion of Russia's new economic drive through offering assistance abroad, Dr. Einzig advocates great caution before we make competing commitments. Cites probability of insincerity of Soviet's promises; and, in any event, possible detriment to Communist group's own capital development plans. Concludes it would be a grave mistake for Western powers to divert undue proportion of their resources, particularly on a credit basis, to equipment of underdeveloped countries merely to meet the Kremlin's challenge.

LONDON, Eng.—It is understood that the new Russian policy of offering capital equipment to underdeveloped countries will figure prominently among the topics to be discussed on the occasion of Sir Anthony Eden's Washington visit at the end of January. The proposals made recently by the Soviet Government to Egypt, India, Burma and other countries, to undertake gigantic public works contracts, or to provide them with steel plants and other capital equipment, gave rise to a renewed agitation on both sides of the Atlantic in favor of a substantial increase of Western economic aid to backward countries. There is indeed a strong temptation for the United States and Great Britain to accept the Russian challenge and embark on a new race with the Communist Bloc, as to which side can provide more economic assistance for the development of backward countries, which is exactly the main purpose of the Russian move.

Paul Einzig

Our Need for Self-Restraint

Before committing too much of our already over-strained resources, it would be advisable if President Eisenhower and Sir Anthony Eden were to give careful thought to the facts of this much-advertised Russian economic drive in the East. Does the Kremlin really mean business or do the promises merely represent empty gestures made for propaganda purposes? It must be recalled that, on more than one occasion in the past, much-publicized Russian promises of economic aid to countries outside the Communist Bloc came to nothing, or next to nothing, in practice. It is at least possible that history will repeat itself on this occasion.

Another question to be examined is, how far the Russian proposals amounted to economic aid—in the sense of leading to unrequited exports of capital equipment—and how far they amount to ordinary commercial transactions based strictly on "give-and-take." In the case of Burma it is clear that, in return for the building and equipment of a technological school by the Soviet Government, Russia is to receive rice and other much-needed goods which Burma could easily sell elsewhere. So on closer examination we find a businesslike transaction in which there is very little in the nature of economic aid, such as Burma receives under the Colombo Plan, for instance.

Above all, it is well worth considering whether Soviet Russia would be in a position to undertake economic assistance outside the Communist group on a large scale without thereby slowing down its own capital development scheme, and without materially reducing economic assistance to China. This latter point is particularly worth attention. The needs of China for capital equipment are practically unlimited. Indeed the main danger to the West lies not so much in the Russian progress in the development of nuclear weapons as in an extensive industrial utilization of China's immense manpower. From that point of view, it would in fact suit the interests of the democratic countries if Russia were to divert from China to other underdeveloped countries a large part of the heavy equipment which is available for export. After all, if India is assisted in her industrial development instead of China, it delays the process of industrialization of China.

The men of the Kremlin are no doubt aware of this. If in spite of this, they choose to leave China's demands unsatisfied in order to be able to supply capital equipment to India and other countries, it is because they hope that in doing so they would be able to bring these countries into the Communist Bloc. This hope is based on the assumption that the countries which stand to benefit by Russian economic aid would be duly grateful for the Russian assistance in their industrial development. It is not very realistic, however, on the part of statesmen who pride themselves in their realism, to expect gratitude in politics. India, Egypt and Burma will accept all the economic assistance Russia is prepared to give them, especially if, and to the extent to which they are not required to give *quid pro quo* immediately. But their political attitude will not be determined by any sentimental considerations of gratitude. They are anxious to retain their freedom and the majority of the population would undoubtedly prefer democracy to dictatorship.

No Cause for Worry

In the circumstances, the Western powers have no cause to be unduly worried even if Russian performance in the sphere of economic assistance to underdeveloped countries should prove to be equal to Russian promise. Beyond doubt, it would enhance the prestige of the Soviet Union. Since, however, the diversion of capital equipment from China would delay China's industrialization, the net result of the new policy would be detrimental from the point of view of Communist-imperialist designs.

For this reason it would be a mistake if the United States and Great Britain were to embark on a competition with the Soviet Union in the development of backward countries. In particular it would be a mistake if capital equipment supplied on a long-term credit basis or other forms of lending to underdeveloped countries were to be increased. If these countries are in a position to get their equipment from the Western countries on a credit basis, they can well afford to pay in goods for the Russian equipment. Russia would thus be able to gain prestige practically without any sacrifices.

It would be a grave mistake if the Western powers were to divert an undue proportion of their resources to the equipment of underdeveloped countries merely for the sake of meeting Moscow's challenge. From the point of view of maintaining the existing balance of power between the free countries and the Communist group, it would be advisable for the Western countries to use their resources for the purpose of strengthening their own industrial potential. The progress of automation will necessitate immense additional capital investment which should be given priority over economic assistance to underdeveloped countries beyond the extent of existing commitments. If the Soviet group has the advantage of an immense manpower, the answer of the Western countries is to employ the maximum of machine power. Even if it would be a mistake to overrate the significance of the enthusiastic welcome given to the Soviet leaders on the occasion of their recent visits to India and Burma, that experience should not be ignored altogether by those responsible for shaping the policy of economic assistance to underdeveloped countries.

Continued from page 17

Monetary Policy and The Real Estate Markets

record levels. The evidence in recent months suggests increasingly that construction and real estate activities—even more markedly than most manufacturing activities—are close to capacity. In these areas, as in the economy as a whole, a major current problem is to prevent development of inflationary forces, which could lead to serious maladjustments and declines from the gratifying levels of activity experienced in recent years.

The recent volume of construction and high levels of economic activity generally have resulted in large and widespread price increases for building materials. After about two years of comparatively easy material supplies and efficient operations, materials shortages and delays in the progress of work have reappeared. Likewise, financing—in competition with many other expanded demands in a capital market characterized by large, though limited, supply—has become more difficult and more expensive for many types of undertakings.

Some observers in recent weeks have attributed these developments and the moderately reduced level of starts solely to a more restrictive monetary policy. This is by no means an adequate explanation. For example, although housing starts for some months have been below the very high levels reached last spring, the number of houses under construction this summer was probably larger than ever before. If construction delays have been as serious as some trade reports suggest, this number may still be rising. The number of new houses completed and occupied in the first six months of 1955 was considerably larger than in any other first half year. Completions in the second half will undoubtedly rise further to exceed the all-time record second half of 1950.

These completions have required an exceptionally heavy volume of financing. In addition, sales of an unprecedented number of old houses have also been financed. Accordingly mortgage lending so far this year is at record levels, more than one-fourth higher than in the comparable period last year. Demands for financing are still rising. Whatever effects the present credit situation may be having on housing markets, it has not prevented an extraordinarily large volume of mortgage underwriting. It is the large demands for credit throughout the economy, rather than a curtailment of funds for investment in housing, that has caused a tightening in the money market.

Mortgage repayments have also been rising, but at a slower rate. As a result, the amount of mortgage debt outstanding has been growing rapidly. Mortgage debt outstanding on small properties this year can be expected to increase by about $13 billion, compared with $9.6 billion in 1954.

This year's increase in all nonfarm mortgage debt will be close to $16 billion and of this, over $11 billion will be acquired by three major groups of lenders — savings and loan associations, mutual savings banks, and life insurance companies. This is a very large proportion of the total increase this year in the capital and liabilities due from these institutions to the public. In other recent years the increase in their capital and liabilities to the public exceeded the increase in their mortgage holdings by a wider margin.

To obtain the funds needed to keep up the recent high and rising level of mortgage lending and to meet other financing demands which have also been large, these institutions have been borrowing heavily this year from commercial banks. Mortgage lenders have also been obtaining forward commitments from the banking system in order to be in a position to make good their own forward commitments to lend. A special survey of large city banks indicated that in the year ended Aug. 10, loans of such banks to mortgage lenders had risen by over half a billion dollars and that additional commitments for $1¼ billion of loans to such lenders were outstanding. In addition, direct real estate loans by commercial banks are likely to rise this year by over $3 billion. It should be borne in mind that expansion in commercial banking

BROKERS IN MUNICIPAL BONDS

FOR

DEALERS AND DEALER BANKS

EXCLUSIVELY

J. J. KENNY CO.

DIGBY 4-9440 NY 1-3082

GOLKIN & CO.

UNDERWRITERS — DEALERS

DISTRIBUTORS

61 BROADWAY, NEW YORK (6)

Tel. WHitehall 4-4567 Teletype NY 1-1658

We maintain active trading markets

in

Buffalo and Western New York issues

Your Inquiries are invited

TRUBEE, COLLINS & CO.

Members New York Stock Exchange

Associate Members American Stock Exchange

M & T BLDG., BUFFALO 2, NEW YORK

Telephone Madison 1400 Bell Teletype BU 544

New York Wire Connections

FAHNESTOCK & CO.

Members New York Stock Exchange

tized for FRASER
://fraser.stlouisfed.org/

operations creates new supplies of money in contrast to other financial institutions which lend existing funds.

It is evident that consumers have been buying houses — both old and new — at a higher rate than ever before. Builders' operations—which means houses under construction, builders' financial obligations, consumption of materials and need for credit—have been higher than ever before. Commitments of financial organizations to take mortgage loans have been very close to if not the largest on record. Moreover, a larger proportion of financial institutions appears to be obligated on commitments. This means that individual institutions have not had the freedom to respond to the current demands that they might otherwise have had. It no doubt accounts in part for reports that builders are unable to obtain additional forward commitments.

With the housing industry operating close to capacity and bidding actively against other industries for resources, prices of construction materials have increased. Properties under construction have been very high and so also has been construction financing to carry these inventories. The demand for funds has been beyond the supply of savings, and additional funds have been supplied from an unusually large expansion of bank credit.

Except, perhaps, for the extent to which commitments to finance future transactions are outstanding, the situation in residential construction and real estate is very much like the credit situation generally. Heavy demands for credit have been in evidence almost everywhere—to finance the high level of consumer buying of automobiles and other durabue goods; to finance business expansion of fixed plant and equipment; to finance public improvements by State and local governments. The Federal Government has also been a substantial borrower in recent months, but most, if not all, of this borrowing will be offset by debt retirement during the remainder of the fiscal year. The volume of investable funds becoming available from consumer and business savings has not been adequate to take care of all these demands. Mortgages are competing with all these other uses for the large, but limited, supply of funds.

While some expansion of commercial bank credit has been desirable in order to supply additional cash balances, consistent with the growth needs of the economy, the commercial banking system could not have met all of these demands for credit not supplied from savings without running the risk of inflationary consequences.

In a prosperous, expanding economy, funds for financing home ownership, as well as financing ownership of other long-lasting capital goods, should come as far as possible from savings in the hands of the owners or made available on loan from institutional or other holders of accumulated savings funds. Free competitive credit markets are the most effective means for allocating these funds to applicants.

Under prevailing conditions, demands for funds are running far ahead of the supply of savings. To meet these demands by creating new supplies of money through the commercial banking system with Federal Reserve assistance, would invite dangerous inflationary repercussions throughout the entire country.

Forms Lamey & Co.

BOULDER, Colo. — Eugene V. Lamey is engaging in a securities business from offices at 1424 Pearl Street under the firm name of Lamey & Company.

Factors in Planning Your Investment Program for 1956

By EDWIN J. SCHLESINGER
Investment Counsel,
New York City

In planning the 1956 investment program, the following factors appear worthy of consideration:

Edwin J. Schlesinger

(1) Since 1956 is a Presidential year, the country's economy may be subjected to considerable uncertainty

(2) Unless world conditions worsen, a balanced budget should be attainable, while even a token reduction of the national debt would be a step in the right direction.

(3) A tax reduction appears likely. While desirable, it should not be instituted at the expense of balancing the budget and a sound defense program.

(4) Artificial factors may prevent interest rates from reaching their true level.

(5) While the Treasury and Federal Reserve have taken various steps during 1955 to restrain inflation and market speculation, the future may call for a more aggressive program.

(6) It is advisable to have in mind the possibility of further inflation.

(7) Agriculture, one of the important components of the national economy, is being used as a political football.

(8) If prices do not get out of hand, unit volume in some lines should increase. Price advances are likely to hamper business.

(9) Instalment buying will continue to be an important influence on the country's economy.

(10) The course of general business will be considerably influenced by the activity of the automobile and building industries.

(11) Dividends in 1956 should compare favorably with 1955, while earnings may not stand up as well.

(12) The investors' emotions will continue to have a decided influence on stock prices. Optimism, as well as pessimism, often swings too far.

(13) Poor markets frequently offer excellent buying opportunities, while during advancing markets the selection of stocks requires even more than usual care.

(14) Exercise of patience by investors is important. Taking some calculated risks is advisable in building a sound portfolio. On this score, much can be learned from the methods followed by European investors.

(15) The past record of a stock is important. However, the chief factors in deciding upon its acquisition include its present position and outlook.

(16) The growing strength of labor warrants considerable thought.

(17) Commodity prices should be watched for signs of weakening.

(18) While much has been done to strengthen the country's economic structure, unfavorable developments will still be felt in a telling way. The action of the stock market after the President's illness is a case in point.

(19) The growth of research is a boon to the country's business.

(20) Continued growth of the population should have beneficial effects on the economy.

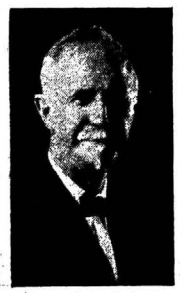
(21) The long-term prospects for the country are excellent regardless of any intervening setbacks.

Our Rising City and Town Taxes

By ROGER W. BABSON

Mr. Babson expresses concern over complacency about continued uptrend in municipal and town taxes, pointing out 1955 "tax bite" of cities will rise to $65 per person. Questions relative expansion of city debt, at time of record high business level. Concludes probable return of bad times prompts Government thrift.

WASHINGTON, D. C., Dec. 15. I am much concerned by the continued uptrend in municipal and town taxes. In 1955, the "tax bite" of cities in the United States will amount to over $65 per person, compared with $61 in 1953 and $56 in 1952. I am especially disappointed with the very little attention which the Conference on Education, recently held here, gave to this important subject.



Roger W. Babson

Taxes Reflect Heavy Municipal Debt

A study covering 481 U. S. cities with populations of 25,000 or more, shows that local taxes accounted for about one-half of total municipal revenues from all sources, including Federal and state grants for education, road-building, and other purposes. The rapid rate at which these taxes have been increasing in recent years points up the fact that municipal debts are also growing larger.

In fact, city debts increased 7% during 1954 to a record level of $12,200,000,000 for cities of over 25,000 population. As a result, the average debt per capita in these cities is $196. In New York City the per-capita debt was over $600 per person, and is still rising! I predict a further boost in city and town taxes and debts in 1956.

Are Our Cities Overspending?

Obviously, city debts are rising faster than city tax rates, even though the latter are becoming more and more burdensome, especially to owners of real estate. Why should city debt be rising so fast at this point in our history when general business is at record high levels? Of course, costs of city services are up all along the line, but that is only part of the story. Raw material and labor costs also adversely affect manufacturers of many products, but the prices of those products have not soared as much as city taxes.

In some cases, the city tax load has been permitted to become burdensome because of poor municipal management or downright mismanagement. There are many localities where money goes down the drain because accounting, purchasing, and other procedures need tightening, but even these loose policies do not fully explain our plight.

People Expect Too Much

Of course, our cities and towns are overspending. Municipal county, and state governments all over the country are living well beyond their means. In many cases, they are forced to do so because of heavy popular demand for luxuries in the form of ornate school buildings, careless road-planning with little thought of future needs, expensive recreational services and equipment.

When I was a boy, cities were expected to provide fire and police protection, water and sewage systems, also good schools. Now the people are demanding many adidtional services, often of no real value, and all of them very costly. I believe in parking lots for their cars; but not buildings, miscalled "schools," for mothers to park their children. It is ironical that cities along the seacoast in New England have built municipal swimming pools for children and adults! We provide buses to take the children to school and then build gymnasiums to exercise them when they arrive. I walked four miles each day for 10 years to get an education, and am still alive!

American Cities Are in For Tough Sledding

We are now at peace, even though the world is troubled. We are prospering as no other people have prospered before. But I believe that bad times will come again. We shall again be called upon to make sacrifices to preserve our political and economic freedom, as these are threatened by war or depression. These sacrifices will be easier to make, and our efforts will be more effective, if we now pay closer attention to tax and debt policies and to efficient government.

The menace to our economy and to our way of life from political extravagance **at all levels** is a very real one. We must learn again that thrift is the mainstay of any government and of any individual. If voters persist in their demands for luxuries to be provided by city, state, and town governments, and continue piling up debt, we will some day force the breakdown of democracy in America.

Connolly Opens Office

(Special to THE FINANCIAL CHRONICLE)

KENTFIELD, Calif. — John J. Connolly has opened offices at 999 Sir Francis Drake Boulevard to engage in a securities business.

J. H. Lewis Opens

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—John H. Lewis is conducting a securities business from offices at 3764½ Orange Avenue.

Zuehlke & Grieve Open

(Special to THE FINANCIAL CHRONICLE)

ROCHESTER, Minn. — Zuehlke and Grieve Investment Securities has been formed with offices at 11½ Second Street, Southwest to engage in a securities business.

SELLING A NEW ISSUE

The first concern of any issuing company naturally is to have the stock sold and raise the money. As underwriters, we can do that job. Equally important is to have the issue well-distributed . . . to have a broad base of many stockholders that can be a source of strength in the future. We can do that job as well.

BUYING A NEW ISSUE

Look at the underwriter's record. How is his "batting average?" Are his past offerings holding up? Are the companies accomplishing what they set out to do . . . are the stocks at a premium? No underwriter has a perfect record of course, and neither do we . . . but we have a good number of healthy companies that are doing well.

Here are our past underwritings:

Issue—	Offering Date	Time in Syndicate	Offering Price	High-Low	Quote 12/14/55
Chase Chemical	Aug. 14, 1952	13 months	$1.00	1½- ¾	1⅛
Corpus Christi Refining	July 21, 1953	4 months	1.50	4½- ½	2¾
Texas International Sulphur	Aug. 14, 1953	Oversubscribed	1.00	4⅛-1	3
United States Sulphur & Chemical	June 18, 1954	Converted into Minerals Corp. of America	2.00	Never out of syndicate Received 3 shares Minerals Corp. of Amer. for each share*	
Durham Explorations	June 18, 1954	Selling stopped—Canadian market in stock dropped	34¢	34¢-4¢	9¢
Bassons Industries	July 6, 1954	1½ months	2.00	3½-1⅝	2¾
National Uranium	July 8, 1954	4 months	1.00	4½-1	2½
*Minerals Corporation of America	May 4, 1955	1 month	1.00	1¼- ⅞	1¼
Aquafilter	June 16, 1955	1 week	2.00	2¾-1¼	1¾

VICKERS BROTHERS

52 Wall Street, New York 5, N. Y. DIgby 4-8040

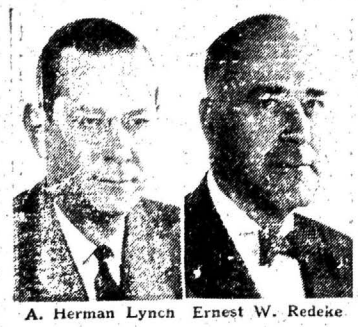
Boston: 80 Federal St. Baltimore: 512 Keyser Bldg. Houston: 5619 Fannin

gitized for FRASER
p://fraser.stlouisfed.org/

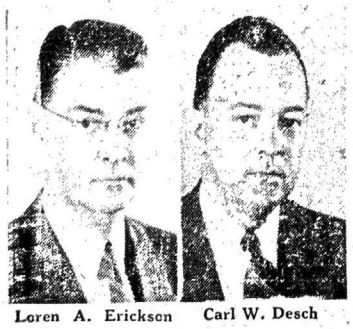
NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At a regular meeting of the Board of Directors of **The First National City Bank of New York** on Dec. 13, four Vice-Presidents were appointed at Head Office



A. Herman Lynch Ernest W. Redeke



Loren A. Erickson Carl W. Desch

and two Resident Vice-Presidents overseas. The Head Office appointments are: A Herman Lynch, formerly head of the Credit Department, who will now be in charge of the bank's offices in the Bronx and Queens; Ernest W. Redeke and Loren A. Erickson, Cashier's Department, Operating Division; and Carl W. Desch, Domestic Branch Operations.

The overseas appointments are: Leigh R. Cramer, former Manager of the Panama Branch, now in charge of branches in Panama and the Canal Zone, and Frederick J. Todd of the Havana Branch, who has been placed in charge of the bank's 10 branches in Cuba.

* * *

Henry C. Brunie, President of **Empire Trust Company of New York** has announced the election of Lewis W. Douglas to the Board of the bank. Mr. Douglas is Chairman of the Board of The Mutual Life Insurance Company of New York and a director of numerous corporations. After serving as Principal and Vice-Chancellor of McGill University, Montreal, Canada, from 1938 to 1940, Mr. Douglas become President of The Mutual Life Insurance Company of New York, which position he resigned in 1947 to accept the appointment of United States Ambassador to Great Britain.

* * *

F. H. Blaxill, New York agent of the Standard Bank of South Africa, Ltd., at 67 Wall Street, made known on Dec. 12, the receipt of the following announcement from the bank's Head Office in London:

"The Directors of **The Standard Bank of South Africa, Limited** have been pleased to appoint Mr. Anthony Comar Wilson to a seat on the Board of the bank with effect from Dec. 7, 1955."

* * *

After 49 years of banking service, John R. McWilliam will retire on Dec. 31 as Vice-Chairman of **Chemical Corn Exchange Bank of New York** and as Chairman of **Chemical Corn Exchange Safe Deposit Company,** it was announced Dec. 12 by N. Baxter Jackson, Chairman of the bank. Mr. McWilliam started his banking career with Corn Exchange Bank in 1906 and rose through the ranks to become President in 1951. Upon the merger of **Corn Exchange Bank** with **Chemical Bank & Trust Company** in 1954, Mr. McWilliam was elected Vice-Chairman and he has since been engaged in the coordination of the operations of the combined organizations.

* * *

Directors of **Chemical Corn Exchange Bank of New York,** voted on Dec. 8 to ask shareholders for authority to increase the bank's capital stock by 590,425 shares to a total of 5,313,825 shares outstanding, it was announced by N. Baxter Jackson, Chairman. The proposal will be submitted to shareholders at the bank's annual meeting on Jan. 17. If the proposal is authorized by the meeting and approved by the State Superintendent of Banks, shareholders would be offered the right to subscribe to new stock in the ratio of 1 for 8, at a time and a price to be determined subsequently by the directors. In referring to the directors' action, Mr. Jackson explained that "Chemical Corn Exchange Bank traditionally has increased its capital funds through retained earnings. However, its present accelerated growth, together with an expanding need for credit from industry at home and abroad as well as the increasing importance of New York City as the world's financial center, make it necessary to consider an increase of capital through subscription rights to shareholders." The bank notes that it has nearly 100 offices in New York City.

* * *

New Vice-Presidents of **The Bank of New York,** of 48 Wall Street, New York, announced on Dec. 12 by Albert C. Simmonds, Jr., President, are LeRoy Clark, Jr., in charge of the bank's office at 63rd Street and Madison Ave.; John U. Grissinger, Trust Department; Charles J. Svercel and Samuel H. Woolley, Investment Department. Promoted to Assistant Vice-Presidents were John F. Newman, Trust Operations; Francis J. Williams, Business Coordination; and Jeremiah J. Wolfe, Bank Operations. Also appointed were Donald W. Krause, Assistant Treasurer, Public Relations Department, and William Reid, Jr., Assistant Treasurer, Foreign Department.

* * *

The Directors of **Guaranty Trust Company of New York,** on Dec. 7 declared a quarterly dividend of 80 cents per share on the capital stock of the company for the quarter ending Dec. 31, and an extra dividend of 80 cents per share, both payable on Jan. 16, to stockholders of record at the close of business Dec. 15. The result of this action is that dividends totaling $4 per share have been declared during the year 1955.

* * *

The Board of Trustees of **The Bowery Savings Bank of New York,** on Dec. 12, appointed Howard S. Hastings and Walter H. Tietjen, Assistant Vice-Presidents; Stanford Holzman, Assistant Treasurer and Peter J. Andre, Principal Executive Assistant. Mr. Hastings, with 43 years of service, is the bank's senior employee in length of service. He was formerly Assistant Treasurer. Mr. Tietjen was promoted from Deputy controller and Mr. Holzman from Principal Executive Assistant.

* * *

The appointment of Richard P. Wilson as Vice-President in charge of Branch Loan Control at **Manufacturers Trust Company of New York,** was announced on Dec. 12 by Horace C. Flanigan, President. Mr. Wilson succeeds David V. Austin who retired recently after 33 years with the bank. In 1928 Mr. Wilson joined the **Chatham Phenix National Bank & Trust Company** which merged with Manufacturers Trust in 1932. He was advanced to an Assistant Vice-President in 1938 and to Vice-President in 1944.

* * *

Irving Trust Company of New York announces the election of James R. MacDonald to its Board of Directors. Mr. MacDonald is Chairman and President of General Cable Corporation. He was elected President of General Cable Corp. in 1951 and on Oct. 26 of this year was also named Chairman of the Board.

* * *

The promotion of 10 officers to new official posts and the elevation of seven staff members to junior officerships with **The Marine Midland Trust Company of New York** has been announced by George C. Textor, President. Edward J. Palkot, Frank C. Straat, Jr., Henry F. Stubing and John P. Sullivan were advanced to Vice-President from Assistant Vice-President. New Assistant Vice-Presidents included Robert B. Decker, Walter V. Keeling, Crocker Nevin, Henry Reuter, John F. Toto and Emil C. Wahl, formerly Assistant Treasurers. The seven staff members included three women, the first so designated in the bank's 48-year history. Elevated to official status are William Ford, Robert T. Schneider and George Vetter as Assistant Treasurers, with Hilmer Petersen, Mae F. Clark, Mrs. Wilhelmina Scully Gustafson and Mary Scott being named as Assistant Secretaries.

* * *

Sterling National Bank & Trust Company of New York has increased its surplus account by $500,000 through the transfer of that sum from reserves and current earnings, it was announced on Dec. 9, by Joseph Pulvermacher, President. The bank's surplus it is indicated now stands at $7,500,000 while capital and undivided profits remain unchanged at $1,500,000 and $1,631,901, respectively, as of the Sept. 30, published statement of condition. The latest addition to surplus account brings the aggregate increase for the past 10 year-period to $4,000,000.

* * *

Guy M. Royce, Manager of the **Long Island Trust Company's East Garden City Office,** and Supervisor of the bank's Mortgage Department, has been promoted from Assistant Secretary to Assistant Vice-President effective immediately. Mr. Royce, who will celebrate his 20th year with Long Island Trust Co. in June, 1956, was appointed Manager of the East Garden City Office when it opened on Nov. 10, 1954. His banking career began with the North Shore Bank & Trust Co. of Oyster Bay with which he spent 12 years. He joined the staff of Long Island Trust Co. in 1936 and has been with the bank since then with the exception of a two and one-half year military leave-of-absence. Mr. Royce held every office with the American Institute of Banking prior to his installation as President during 1942-43. The East Garden City Office, now at 839 Stewart Ave., will move to larger quarters at Stewart Ave. and Clinton Road, Garden City, early next year.

* * *

The New York State Banking Department reports that the **Olean Trust Company of Olean, N. Y.,** on Nov. 18 increased its capital stock from $100,000 in 4,000 shares, par $25 each, to $175,000, consisting of 7,000 shares of the same par value.

* * *

With common capital stock of $100,000, the **National Bank of Newport, Vt.,** was placed in voluntary liquidation effective Nov. 15, the institution having been taken over by the **Chittenden Trust Company of Burlington, Vt.**

* * *

An addition of $500,000 has been made to the capital of the **First National Bank & Trust Co. of Evanston, Ill.,** as a result of which it was enlarged from $1,000,000 to $1,500,000 as of Dec. 2. Part of the increase was made possible through a stock dividend of $250,000 while the sale of new stock served to add the further $250,000 addition.

* * *

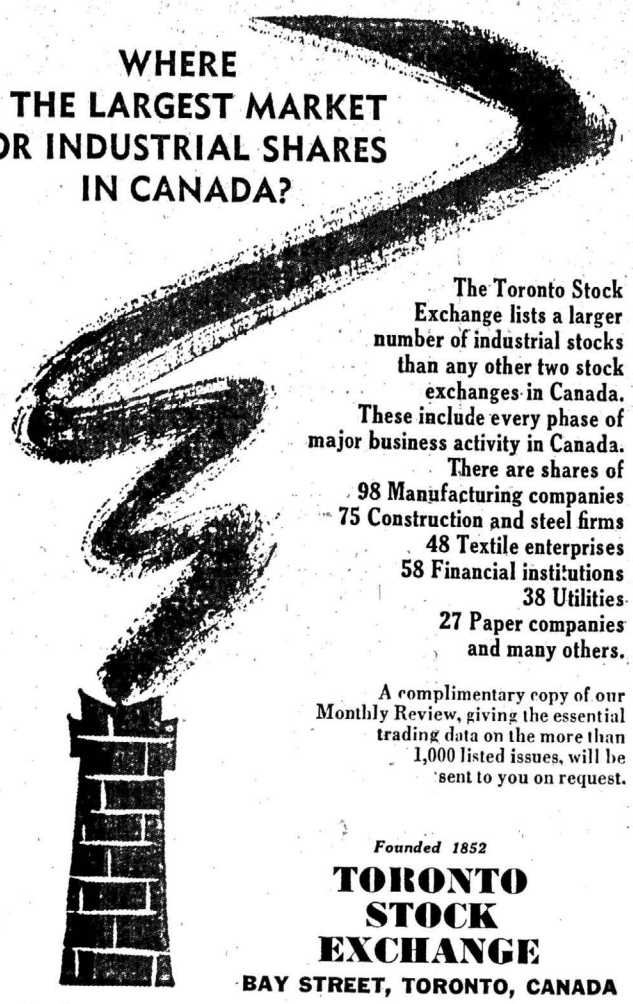
Five new Vice-Presidents headed a list of 19 major promotions at **National Bank of Detroit** at **Detroit, Mich.,** Charles T. Fisher, Jr., President, announced on Dec. 12. Keith B. Hackett, Out-of-Town Division, Arthur H. Hupp and Herbert A. Mertens of the Up-Town office and John W. Matson, Mortgage Department are the new Vice-Presidents in the Banking Department. All were previously Assistant Vice-Presidents, having served with the bank since its organization in 1933. Wilfred C. Bingham, Instaloan, Ronald M. Chisholm, Operations, Samuel A. Clark, Mortgage, and Philip G. Moon, Credit, were promoted to Assistant Vice-Presidents. Previously they had been Assistant Cashiers. Robert K. Barbour, Plymouth office, John H. Cousins, Operations, Jack W. Gurney, Mortgage, Gerald B. O'Neill, Foreign, Richard F. Parks, City division and Palmer C. Pratt, Personnel, were elected Assistant Cashiers.

In the Trust Department Edgar B. Galloway was promoted to Vice-President and Assistant Trust Officer from Assistant Vice-President and Assistant Trust Officer. Frank Langstrom, Jr., Stewart E. McFadden and Stuart A. Reading were promoted from Assistant Trust Officers to Assistant Vice-Presidents and Assistant Trust Officers. Sidney Borden was elected Assistant Trust Officer.

* * *

A new trust service offered by **City National Bank & Trust Co., of Kansas City, Mo.,** is reported as opening broader and improved investment opportunities to pension, profit-sharing and other employee trusts. Qualifying trusts it is announced may now pool their resources in two special funds established by City National. One of the special funds will be invested primarily in corporate stocks, the other in bonds, mortgages and other types of fixed-income investments. As a result, the particular needs and objectives of each pension or profit-sharing plan can, it is stated, be met by adjusting the ratio of participation in either or both of the funds. Because they permit a flexible and widely diversified investment program, the funds should be especially attractive to pension and profit-sharing plans of modest size, R. Crosby Kemper, President of City National, pointed out on Dec. 7. Benefits of the special funds are available to non-insured employee plans and to insured plans with conversion or other similar reserves for investment, he said. It is noted that both principal and income of the special funds are exempt from Federal income tax, according to a recent ruling of the U. S. Treasury Department. Mr. Kemper also emphasized that City National receives no fee for operating the special funds. Its only compensa-

Continued on page 141



The Toronto Stock Exchange lists a larger number of industrial stocks than any other two stock exchanges in Canada. These include every phase of major business activity in Canada. There are shares of
98 Manufacturing companies
75 Construction and steel firms
48 Textile enterprises
58 Financial institutions
38 Utilities
27 Paper companies
and many others.

A complimentary copy of our Monthly Review, giving the essential trading data on the more than 1,000 listed issues, will be sent to you on request.

Founded 1852

TORONTO STOCK EXCHANGE

BAY STREET, TORONTO, CANADA

itized for FRASER
://fraser.stlouisfed.org/

SOCONY MOBIL OIL COMPANY, INC.

LEADER IN LUBRICATION FOR NEARLY A CENTURY

Affiliates: General Petroleum Corporation and Magnolia Petroleum Company

itized for FRASER
://fraser.stlouisfed.org/

Innovations in Granting of Instalment Sales Credit

By HAROLD WOLOZIN
Economist, The Hecht Co., Baltimore, Md.

Mr. Wolozin, after a short survey of instalment credit in recent years, discusses innovations in this field, such as the "Revolving Budget Plan" and the "Quantitative-Automatic Department Store Plan." Discusses the nature of instalment credit costs, as well as the broad implications of instalment selling, and foresees more literal consumer credit arising from recently adopted innovations.

The dramatic rise in instalment credit outstanding from a prewar high to $6 billion in 1941 to over $24 billion outstanding in 1955 has been accompanied by fundamental innovations in the extending of instalment sale credit — new retail credit plans, which have by their design eased credit and made instalment sales credit a positive selling tool. This may have broad implications for the retailer, as well as the consumer and the economy.

Harold Wolozin

Although consumer instalment debt extended by department stores, furniture dealers, mail order businesses, and other retail outlets handling similar kinds of goods is presently only about 15% of total instalment debt, it is a strategic 15%. When automobile loans, modernization loans, and personal loans are excluded,[1] it is about 60% of consumer goods instalment credit outstanding. This is the credit used in the purchase of a large share of durable consumer goods and an increasing share of non-durables.

If the new plans continue to spread as rapidly as they have in the last year or two, retailers (department stores and mail order houses in particular) will be most heavily committed to instalment credit business, and their credit outstanding may reach heights which would not have been considered sound or profitable by retail managements a few years ago. Although furniture stores are also adopting these new plans, they have traditionally been more aggressive in their employment of instalment credit.

It is not too difficult to envision a shift in the distribution of expenditures toward goods most commonly purchased with instalment credit, as well as greater fluctuations in savings as they are affected by debt repayment patterns. And these changes in patterns of saving and consumption will be reflected in alterations in the seasonal patterns of department store and retail sales. They may further accentuate the cyclical instability of durable goods expenditures with the resulting, concommitant repercussions in the economy.

The department stores and mail order houses have been the principal innovators in instalment selling. They have evolved and adopted, in one form or another, credit plans which are quantitative rather than qualitative, or selective — plans which in most cases have effectively and inflexibly liberalized credit. They mark a shift from passive to active exploitation of instalment sales credit as a selling tool, and, perhaps, a new era in the use of instalment credit selling by major retail outlets.

It may be well to examine briefly the recent growth in the use and volume of retail instalment sale credit. The most complete figures available are those for department stores. In 1945, a year in which credit extensions were controlled by Regulation W, but which was the first year in which instalment sale type goods were available in greater quantity, department stores sold only about 4% of their goods on instalment credit. The index of department store instalment credit outstanding, calculated on a 1947-49 base, was 36 as of Dec. 31, 1945. Even though they are still at moderate levels, there has been a steady increase in both of these measures over the years, so that by 1954, 11% of the department stores' total sales were on instalment credit, and the index of instalment credit outstanding had risen to 277. Table I summarizes this growth.

TABLE I

Department Store Instalment Sale Credit

	% of Sales on Instalm't Credit*	Index of Credit Outstanding (1947-49=100)†
1945----	4%	36
1947----	6%	154
1948----	7%	153
1951----	9%	197
1952----	10%	231
1953----	10%	259
1954----	11%	277

*Federal Reserve Bulletin.
†Survey of Current Business.

The Rise of the Mail Order Store Automatic Plan

The decision to extend instalment sale credit so as to convert it to a positive selling tool was first taken by the mail order houses a few years ago, when they evolved automatic instalment credit plans. These spelled out terms for the customer, for the sales people, for the advertising and promotion department, and for the credit office. The latter is most significant, for a credit purchase no longer included lengthy negotiations on terms between the credit office clerk and the customer. A consistent, uniform policy was enunciated. To credit men versed in the art of bargaining for "good" terms—that is, larger down payments and shorter repayment periods—this was a departure in method which took from the credit department some of its jealously prided control over credit. The scheduled of terms, spelled out for the customer by the salesman from his chart, advertised, and in many cases printed on price tickets attached to merchandise, was most interesting in that, systematically, the larger the purchase the more liberal were the terms offered. They were graduated monthly, and in most cases only token down payments were required. The dependence of these companies on credit has become legend—for example, the country's largest mail order house did about 40% of its retail business on instalment credit last year.

Revolving Budget Plans

The department stores generally offering instalment credit along conventional lines (12 to 18 months, determined individually) ventured into the field of automatic credit gingerly with the revolving budget plan which, in its early stage, limited credit to certain types of goods—mostly soft goods—in relatively modest amounts. The revolving budget account simply gave to the customer a relatively low debt limit serviced by a given scheduled payment. This balance could be maintained so long as the customer met his payments promptly. This left to the credit office quite a bit of control, as it could set debt limits for individual customers, although it could no longer determine or vary the number of months on an individual basis as in the conventional instalment account. This revolving budget plan was a limited selective type of credit extension. It had the disadvantages of being both relatively tight (6 months) and rigid in its terms and of lacking coverage. But it was a step in the direction of the fully automatic broad coverage plan, for the revolving budget plan spelled out and promoted the terms to the customer. It gave him the discretion, within certain narrow limits, to determine the distribution of his purchases according to size. Apparently these plans were not only successful but opened the avenue for predominantly "cash" stores to enter the instalment sale credit market.

Before too long, the initial revolving budget concept was expanded so that it greatly liberalized the extension of credit. Coverage was extended to all types of goods, and terms were lengthened generally to 12 months for so-called soft goods and 24 months for hard goods. These are the goods generally classified into non-durable, semi-durable, and durable groupings in economic literature.

The Quantitative-Automatic Department Store Plan

Another group of department stores, however, apparently rejected most of the pure revolving budget concept. They instead developed plans modeled after the plans of the mail order retailers but incorporating revolving budget features. As initiated by several leading department stores, all of the characteristics of this mail order house plan are taken over —monthly graduated terms, with emphasises on the size of monthly payment, not the number of months, terms charts for sales people and advertising departments, advertising and ticketing terms, etc. A noval and important aspect of the plan is that the monthly payment size can be set according to the customer's ability and inclination to pay, as determined by national consumer surveys. This was the approach employed by the author in a plan he instituted for his company. Another significant provision (the revolving budget feature) is that once a customer establishes a balance, he may continually add purchases so as to maintain it without increasing monthly payments. And he can add to his account, so as to increase the balance, with very little added monthly payment. This is, in effect, a revolving budget plan built into the quantitative automatic plan.

Although this plan certainly liberalizes the extension of credit, it enables somewhat more control over the extension of credit than the revolving budget plan by omitting the blanket authorization of credit and gearing the extension of credit to the income position of consumers. It may well be that most of the purely revolving budget plans will evolve into this type of plan. Mushrooming outstandings may provide the impetus for, in increasing numbers over the past two years, department stores, furniture stores, and other types of retail outlets have announced and extensively promoted the new liberalized revolving budget plans, either directly, or under the guise of instituting

Continued on page 123

[1] Data released by the Board of Governors of the Federal Reserve were used to obtain these ratios.

Public Utility Securities

By OWEN ELY

Virginia Electric & Power Co.

Virginia Electric & Power is an electric utility serving most of Virginia and parts of North Carolina and West Virginia. It also distributes natural gas in Norfolk and Newport News, but this business contributes only about 7% of total revenues. Electric operating revenues are derived about 92% from Virginia, 7% from North Carolina and only 1% from West Virginia.

The population of the territory served is estimated at 2,500,000, roughly two-thirds residing in communities of 1,000 or more. The principal industries produce tobacco products, ships, textiles, rayon, cellophane, nylon, food products, chemicals, paper, pulp, wood products, metal products, machinery, stone and clay products, trunks and bags.

As shown in the accompanying 10-year table of earnings, the company has enjoyed excellent growth. Revenues are currently running in excess of $101 million compared with $40 million in 1946, a gain of 153%. The company in 1944 acquired Virginia Public Service Company and doubtless this acquisition somewhat diluted the merged company's statistical position. In any event the management has been able to increase the annual average use per residential customer from 1,347 kwh in 1945 to 2,838 kwh in 1954, and the average residential rate was reduced from 3.5c to 2.6c. The equity ratio was increased during the postwar period from 27% to 36% and book value of the common stock from $8 to $21. The company has also installed a large amount of efficient steam generating capacity in the postwar period—about two-thirds of the present total capability of 1,151,000 kw. steam.

The company has also been interested for some years in trying to develop some hydro power at Roanoke Rapids, N. C. (near the Virginia border). The project furnished newspaper headlines for four years, while a fight with the Department of Interior and the Virginia REA Association traveled through the courts. Finally in March, 1953 the Supreme Court upheld the initial action of the Federal Power Commission in granting a license. The harnessing of the Roanoke River is expected to generate 100,000 kw, with the project costing about $34 million. The dam is a half-mile long and rises 70 feet above bedrock creating a reservoir upstream nearly 7½ miles. Three 25,000 kw units have already been installed and a fourth is scheduled for completion currently, making 100,000 capability. The company's application for a Federal Power Commission license to construct the 87,000 kw Gaston hydro project upstream from Roanoke Rapids is still pending but it is hoped that the license will be granted within a reasonable time.

The United States in 1953 completed a 204,000 kw (maximum) hydro development at Kerr Dam within the company's service area. However, the firm output is less than 5% of the company's present output. Southeastern Power Administration, a Federal agency, sells about one-third of the total power from the dam to the company and another one-third is "wheeled" over company lines to cooperatives, municipalities, etc., with the company supplying SEPA with firming energy at rates slightly in excess of generating costs. It is expected that eventually the remaining one-third of the power will be marketed outside the service area, but temporarily a portion of it is being purchased by the company.

Several large generating units have been added recently including a 100,000 kw steam unit at Portsmouth last year and a slightly larger unit at Possum Point this year, together with the 100,000 hydro at Roanoke. Future units include 160,000 kw steam at Yorktown which will use by-product coke (scheduled for completion in mid-1957) and a similar unit authorized for 1958, together with possible additional hydro.

Share earnings remained in a narrow range during the years 1949-53, $1.78 being earned in the latter year. Since that date, however, earnings have improved rapidly to the $2.54 recently reported for the 12 months ended Oct. 31. Contributing to this showing were a number of favorable factors including an electric rate increase in 1954 of about $4.8 million annually, equivalent to about 33c a share on the 6,600,000 shares now outstanding. In November, 1954, an adjustment clause in gas rates became effective which adjusts for changes in the wholesale rate paid for natural gas (an appeal is pending, however).

The efficiency of the new generating equipment, plus lower coal prices, also were important factors. Average fuel costs (principally coal) declined from $9.15 in 1952 to $8.36 in 1955; and the average number of pounds of coal needed to produce one kw of steam power dropped from 1.01 lbs. in 1950 to .83 lbs. recently. Nearly 30,000 electric and gas residential customers were connected to the company's lines in the 12 months ended June 30, 1955. Average use of electricity increased nearly 6% resulting in a gain in electric output of over 9% in the first half of 1955; and the abnormally hot weather during July, with a resulting heavy air-conditioning load, caused a record output for the month, nearly 19% over the previous period.

At the recent price of 43 and based on the current dividend rate of $1.60, the yield is 3.7% and the price-earnings ratio 17. With a payout ratio of only 63%, another increase in the dividend rate appears possible next year. However, interest charged on construction may result in a lower credit next year with a possible dip in earnings of about 9c from this factor, unless offset by gains elsewhere.

		COMMON STOCK RECORD				
Year	REVENUES (Millions)	Earnings	Dividends	Approx. Range	Equity Ratio	Book Value
1954--------	$96	$2.20	$1.40	34-27	36%	$21
1953--------	84	1.78	1.40	27-23	34	18
1952--------	77	1.74	1.35	27-21	31	16
1951--------	69	1.65	1.20	23-19	30	15
1950--------	62	1.86	1.20	22-17	31	14
1949--------	56	1.67	1.20	20-16	29	13
1948--------	50	1.19	0.90	18-14	30	11
1947--------	45	1.81	1.25	17-14	28	10
1946--------	40	1.71	1.00	-	28	9
1945--------	42	1.39	1.00	-	27	8

Digitized for FRASER
http://fraser.stlouisfed.org/

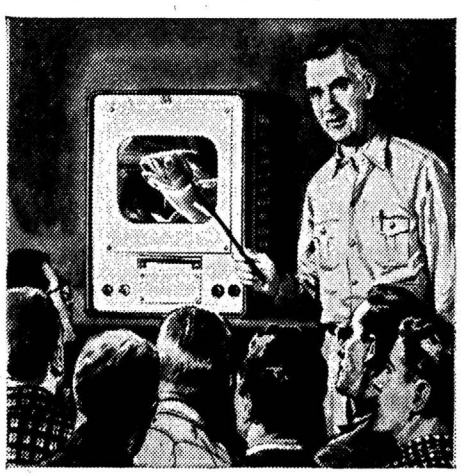
RCA TV camera encased in special diving bell televises the activities of sea life in sunlit waters off the Gulf Stream.

Now RCA puts TV underwater to help the Government protect marine life

In the Gulf Stream off Florida, a fish peers inquiringly into the glowing eye of an RCA television camera—ten fathoms underwater! As the camera moves through the darting schools of fish, U. S. Fish and Wildlife Service technicians on the surface hover over an RCA remote control TV monitor. From what they see will come new improvements in fishing techniques and equipment to help the government protect marine life.

It's only natural that the development of underwater television should come from RCA—for it was RCA that introduced black-and-white TV as a service to the public in 1939. Since then, more people have bought RCA than any other television. Today RCA pioneers again with Compatible Color TV—the system that lets you watch wonderful new color shows or black-and-white programs on the same set!

The electronic and engineering skill behind these achievements is inherent in all RCA products and services. And continually, RCA scientists at the David Sarnoff Research Center in Princeton, N. J., delve into new "Electronics for Living"—electronics to make life easier, safer, happier!



U. S. Fish and Wildlife Service technicians study fishing methods and equipment on an RCA remote control TV monitor.

RCA®

RADIO CORPORATION OF AMERICA

ELECTRONICS FOR LIVING

gitized for FRASER
p://fraser.stlouisfed.org/

Tax Reduction Is in Order

By PAUL STUDENSKI*
Professor Emeritus of Economics, New York University
Director, Graduate Program in Public Administration, Albany, N. Y.

Urging need for a reduction in Federal taxation in 1956-1957, Dr. Studenski maintains that with lessening of inflationary pressures, it is much too high for normal operations of our free economy, for balanced federalism, and for adequate financing by local governments. Advocates rise in personal exemption; a raising of corporate surtax exemption limit; permission to corporations to capitalize surpluses by paying a modest tax; and planned gradual cuts in the over-all corporate tax rate, to permit sound planning for their future financial operations. Also suggests reductions in the excise field, to include admissions and gasoline.

The present level of Federal taxation is much too high for the normal operations of our private enterprise economy. It is also too high for the maintenance of balanced Federalism. It should be reduced so that individuals and groups could dispose more freely of the fruits of their labor and also so that state and local governments could more easily raise taxes to discharge their responsibilities in a diversified Federal society.

Dr. Paul Studenski

The high level of Federal taxation was required originally to maintain a necessary high level of Federal expenditures and also to check strong inflationary pressures working within our national economy. Now that the level of Federal expenditures has dropped and that inflationary pressures have subsided considerably, the reasons for maintaining this high level of Federal taxation have lost much of their former potency.

The recent figures of Federal tax collections and of the flow of Federal expenditures seem to indicate that the Federal budget would be balanced or near-balanced in the current fiscal year; and that in the next fiscal year, at the present tax rates, Federal revenues may, for the first time in years, exceed Federal expenditures, provided these expenditures are kept under control.

I would not say that inflationary pressures have been removed from our economy altogether: credit still keeps on expanding and certain phases of its expansion, particularly those relating to consumer credit and to mortgage debt offer reasons for concern; state and local debts are also expanding at a disturbing rate. But offsetting these inflationary trends there are also some deflationary ones: the likelihood of some falling off in the demand for new automobiles and new homes, in a year or two from now, is considerable. The recent break in the stock market is indicative of the delicacy of the existing balance of inflationary and deflationary forces. Few people expect the economy to continue to surge forward at the same rate it is today. There will be general satisfaction if the economy just stays on an even keel for a while.

It seems to me, therefore, that both the situation of our Federal finances and the economic conditions of the nation warrant a reduction in the existing high level of Federal taxation.

Debt Reduction May Not Need to Begin Immediately

But some people may raise an objection at this point to the effect that a reduction in Federal taxation at this time would interfere with the accomplishment of another worthy fiscal objective — the objective of reduction of the existing huge national debt. However, I see no compelling reason for attempting debt reduction at this time. The achievement of a balanced Federal budget after 25 years of practically uninterrupted Federal budgetary deficits seems to me to be a sufficient fiscal accomplishment for the moment. The decrease in the Federal deficit from $9½ billion in the fiscal year 1952-53 to a zero or near-zero point in the fiscal year 1955-56, accompanied by sizable tax reductions during the last three years seems to me to constitute an extraordinary fiscal achievement. I see no reason for going immediately beyond it to a higher goal of Federal debt reduction. I think that priority belongs to the achievement of still another round of Federal tax reduction at this time.

It seems to me to make little sense to maintain high Federal tax rates to pay off the Federal debt, when by maintaining these high Federal tax rates we make it difficult for our state and local governments to raise additional taxes necessary to finance their rapidly growing services, forcing them to go inordinately into debt. In fact, it seems dubious to me whether under these conditions much of a reduction in the Federal debt could be accomplished anyway. The continued maintenance of high Federal tax rates by making it difficult for state and local governments to increase their taxes, can result only in a progressive abdication by these governments of their responsibilities for self-financing and in increased demands on their part for additional Federal grants-in-aid which would necessitate a further rise in Federal expenditures that would interfere with the reductions of the Federal debt. The result can be only further centralization of government, further weakening of state and local autonomy, and further unbalancing of our unique Federal or dual system of government.

The Three Previous Rounds of Tax Reductions

Three years ago there was much debate among political economists as to whether or not a reduction in Federal taxation should be instituted and also as to what type of a tax reduction, if any, should be brought about. The debate was won by the advocates of tax reduction.[1] It is clear that the tax reductions were justified even though they increased the Federal budgetary deficits for the fiscal years 1953-54 and 1954-55. These tax reductions have helped the economy to check the recessions which began in 1953. As you can well remember, the tax reductions were made in three parts; first, the repeal of the excess profits tax; second, the reduction in consumer excises and a cut averaging 10% in the personal income tax, along with certain concessions in the application of this tax; and third, the moderation of the existing double taxation of dividend income and the allowance for accelerated depreciation intended to moderate the unfavorable impact of the corporation income tax on investments. Was this the right type of tax reduction? The results seem to indicate that it was. But some people contend that the other types of tax reductions which they advocated at the time would have produced even better results; but they cannot furnish any proof to that effect.

The Type of Tax Reduction To Be Desired

The experience of these recent tax reductions lends encouragement to the proposal of having another round of tax reductions at this time. However, as we resolve to have another tax reduction, let us also resolve that it be a well balanced tax reduction. Let us make sure that it benefits both the consumer and the producer, that it lightens the burdens of both the individual and the corporate tax payer, that it gives relief not only to the federally overtaxed poor man, but also to the federally overtaxed well-to-do man; that it opens the way for the effective strengthening of state and local tax systems. In a word, let us make sure that the tax reduction strengthens effectively our national economy and the fabric of our political federalism. Let us insist that both of our great political parties act in a responsible manner in the consideration of the program of tax reduction during the forthcoming session of Congress and that they do not allow themselves to be stampeded during an election year into tax reductions designed chiefly to capture the maximum number of votes.

Desirable Reductions in the Individual Income Tax

So far as reductions in the individual income tax are concerned, the choice lies between an across-the-board slash of the whole rate schedule such as was enacted two years ago and a rise in the personal exemption by some specific sum. It seems to me that at this time the second type of tax reduction is preferable. An increase in the personal exemption would benefit the lower income groups most. It would translate itself most quickly and completely either into increased consumer buying or into a more rapid paying-off of the existing high consumer debt, both of which results would be desirable at this time.

Such a tax reduction would of course do little for the overtaxed individuals in the higher income brackets. These individuals — owners and managers of business and professional people — are taxed to a point where their economic incentives to exert themselves are affected adversely. If they have not yet slackened much in their efforts, it may be so only because their non-economic incentives may be stronger than the economic ones. However, it would be risky to continue to take advantage of this fact. Productive efficiency will suffer if this key group in our economy should decide that the rewards are not worth the effort. If this group is bypassed in this round of tax reduction, as it may have to be, plans should be made to include them surely in any succeeding tax reduction that might be instituted under conditions of general prosperity.

Desirable Reductions in the Corporate Income Tax

Turning now to our second great source of Federal revenue —the corporate income tax—I see the need for at least three types of tax reduction at this time. The first should involve the raising of the present $25,000 exemption limit for surtaxes to $50,000 in successive steps. This would enable smaller corporations to retain larger portions of their profits for reinvestment. It would help to start new businesses. It should also help existing small businesses to compete against larger corporations. It should add strength to our competitive enterprise economy.

Consideration should be given to another type of reduction in the corporate income tax for the benefit of smaller corporations that has been used successfully in Canada during the last seven years or so. This is a permission to corporations—particularly the small closely held corporations—to capitalize their surpluses by paying a modest tax (15% in Canada). The company can then issue preferred stock or a stock dividend and later redeem the stock in cash with no further tax liability to the stockholder. Under our system the stockholder has to pay a capital gains tax when he sells such a distributed stock. In Canada this privilege of capitalization of the surpluses has contributed greatly to the self-financing of the corporations and to the growth of small business. Mr. Abbott, the able Canadian Minister of Finance, has recently proclaimed this provision to have been the most significant factor in Canada's amazing postwar economic growth.

The third type of desirable reduction in the corporate income tax applies to the over-all tax rate. The persent rate of 52% is much too high. It is damaging our economy in several ways: (1) it encourages wasteful corporate spending and makes for careless management; (2) it deprives corporations of the means of self-financing, thereby slowing down the rate of capital growth and technological improvement and (3) it keeps dividend rates down. The damaging effects of the high tax rate may be concealed by many factors responsible for the continuing extraordinary buoyancy of our economy over the past 10 years, but their existence is indisputable. The rate should be reduced to 45% or less, by means of planned cuts of 1 to 2% a year. Such a gradual reduction in the rate would not upset the Federal budget abruptly and it would help corporations to plan their future financial operations with greater certainty. The reduction should be made in the normal rate which is fixed today at 30%, rather than in the present surtax of 22%. The reduction in the normal rate will benefit the smaller corporations proportionately more than the larger ones. This, too, seems to me to be desirable at this time.

I don't believe that the new allowances for accelerated depreciation provided under the 1954 Revenue Act, need any further liberalization now. I consider them to be sound. They should be left undisturbed so that their effects on capital growth could be effectively observed.

Desirable Reductions in the Excise Field

In the field of Federal excise taxation, I should like to see the Federal Government abandon the admissions tax — not in order to relieve the consumers but in order to enable state and local governments to use their own admissions taxes more freely. This type of tax is peculiarly well suited to local imposition. But I would tie the relinquishment of this tax to a corresponding reduction in certain types of Federal grants-in-aid such as those for vocational education and vocational rehabilitation. This parallel action should leave the Federal budgetary balance undisturbed. It would enable the state and local governments to take over the full responsibility for the financing of these services in the maintenance of which they have a vital interest.

I should also like to see a reduction made in the Federal gasoline tax to be accompanied by a corresponding reduction in Federal grants-in-aid for highways. Most states would be able to assume a larger share of responsibility for financing their highway construction provided they could levy additional gasoline taxes with greater ease.

Summary

Such, in brief, is the program of tax reduction which appears to me to be worthy of enactment during the forthcoming session of Congress, to take effect sometime during the fiscal year 1956-57. If the greater portion of this program is enacted, we will have made extraordinary progress toward a stronger national economy.

*A paper presented before the Society of Professional Business Advisers, New York City, Nov. 10, 1955.

[1] At this point, I cannot help but to advert to an article I wrote three years ago, when no signs of an economic recession had yet appeared. In that article, published in December 1952, I took the position that a tax reduction of $2 billion in 1953-54 and of $5 billion more in 1954-55 was possible, without preventing the achievement of a budgetary balance in 1954-55. I made the reservation that this was possible provided that the then existing favorable economic condition continues, throughout that period. What happened? An economic recession developed. And yet, in despite of it, the foregoing program and time table has been achieved almost to a dot. The budget expenditures dropped by more than $10 billion by 1954-55 as I expected; the tax reductions of $7 billion were effected; the revenue, however, because of the unexpected recession, did not come up to expectations and so the balancing of the budget was delayed by a year. ("Federal Fiscal Policy in the Near Future," *Commercial & Financial Chronicle*, Dec. 25, 1952).

Schmidt, Poole to Be Open Saturdays

PHILADELPHIA, Pa.—The investment securities firm of Schmidt, Poole, Roberts & Parke announced that their Philadelphia office located at 123 South Broad Street, will henceforth be open on Saturdays although there is no trading on securities exchanges that day. Schmidt, Poole, Roberts & Parke are members of the Philadelphia-Baltimore Stock Exchange.

Walter A. Schmidt, partner of the firm and former President of the Investment Bankers Association of America, stated that the firm decided to try the unique idea of staying open on Saturdays "because we feel that there are many large and small investors who are employed during the week and as a result cannot give the proper time and attention to their personal investment problems."

Mr. Schmidt said a staff, fully competent to handle any investment problem, will be available at the firm's Philadelphia office each Saturday starting Dec. 10.

Halle & Stieglitz Admit

Robert A. Nubel, member of the New York Stock Exchange, on Jan. 2 will become a partner in Halle & Stieglitz, 52 Wall Street, New York City, members of the Stock Exchange.

Hill & Co. to Admit

CINCINNATI, Ohio — Wallace E. Sarran, Jr., on Jan. 2 will be admitted to partnership in Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Amanda J. Nicoud is now with Paine, Webber, Jackson & Curtis, 50 North Garfield Avenue. Miss Nicoud war formerly with J. Barth & Co.

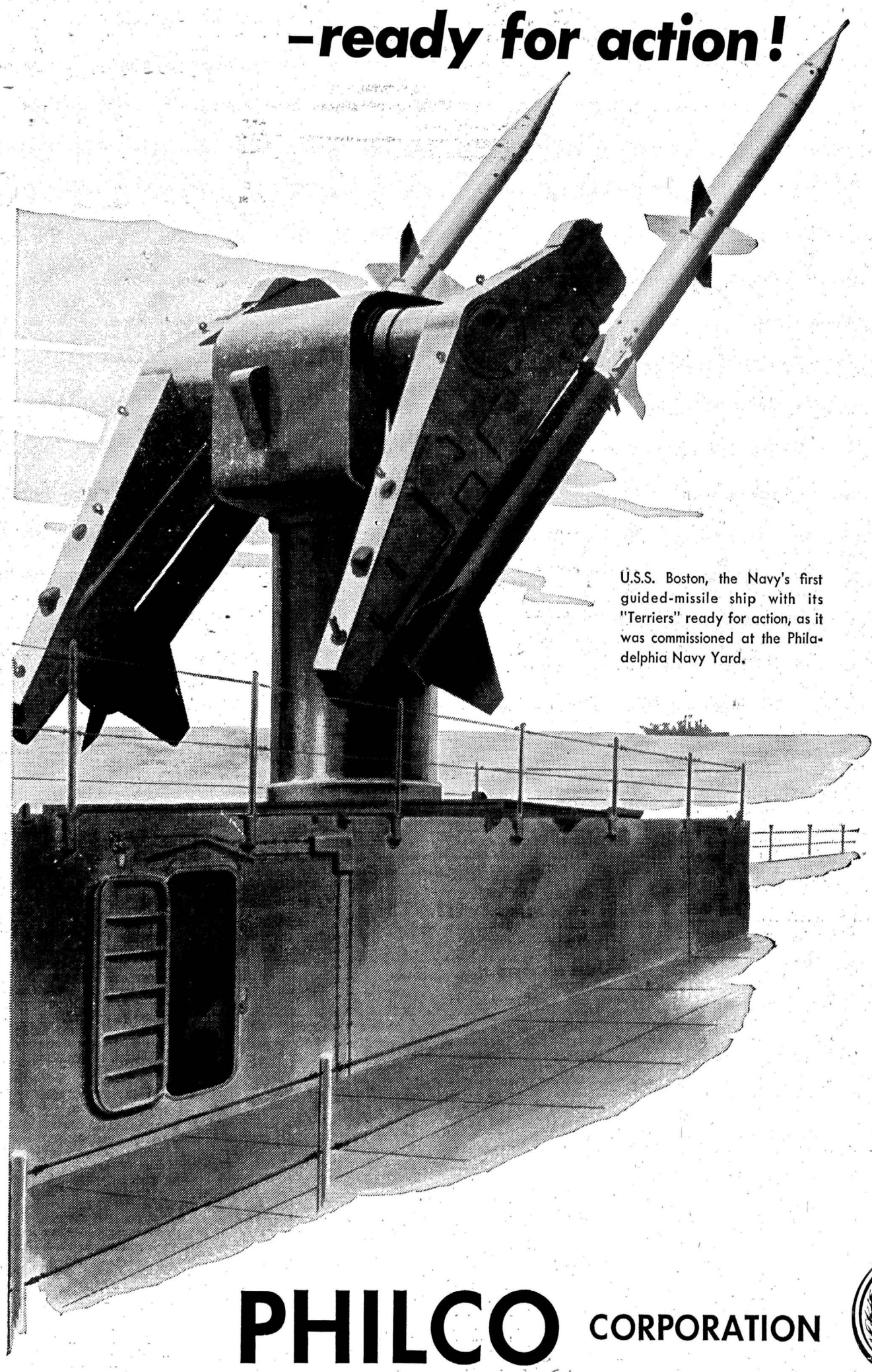
Neal Kellogg Adds

(Special to THE FINANCIAL CHRONICLE)

WOODLAND, Calif.—Frank H. Faton has joined the staff of Neal H. Kellogg, 185½ First Street.

ized for FRASER
/fraser.stlouisfed.org/

"TERRIERS" —ready for action!



U.S.S. Boston, the Navy's first guided-missile ship with its "Terriers" ready for action, as it was commissioned at the Philadelphia Navy Yard.

ONE OF THE MOST potent defense weapons now in use by our Navy is a supersonic, rocket-propelled, guided-missile called the "Terrier". Well named, the job of this electronically-controlled "watchdog" is to track down an enemy and put him out of action *before* he can strike.

Working in close cooperation with the Armed Services on this guided-missile, Philco research, engineering and production have made important contributions to its development. This has been particularly true in connection with the proximity fuse, the mechanism which extends the effective target range and enables the "Terrier" to demolish an aircraft the moment it gets in the *vicinity* of the marauder.

From the first sketch to the final, super-accurate mechanism, Philco pioneered and completed this assignment in cooperation with the Navy. Philco's world famous scientific knowledge and skill is a continuing factor in the development of tomorrow's defense for your protection . . . tomorrow's quality products for better peacetime living throughout the world.

PHILCO CORPORATION

PHILCO Famous QUALITY

gitized for FRASER
tp://fraser.stlouisfed.org/

the corporate gift
that says
you thought
about it

with the unique built-in "pin point pourer"

BEAM'S
PIN BOTTLE
with the unique built-in
"pin point pourer"
8 OR 10 YEARS OLD

A corporate gift doesn't have to be a thoughtless "routine" present. Every customer or colleague on your gift list will appreciate the handsome tribute of Beam's Pin Bottle with the unique, distinctive "Pin Point Pourer" that's built right in to the bottle closure.

Worthy of Your Trust

BEAM... *Distillers of the World's Finest Bourbon for 160 Years.*

KENTUCKY STRAIGHT BOURBON WHISKEY
86.8 PROOF

JAMES B. BEAM DISTILLING CO.
CLERMONT, KENTUCKY

Consumer Demand Boosts Auto Industry

By W. J. SIMONS*
Treasurer, Chrysler Corporation

After ascribing the increase in automobile sales to normal conditions, which have given the first real expression of basic consumer demand, official of large auto producer expresses no fear of ill effects of the record value of automobile paper outstanding. Foresees favorable outlook for automobile industry in 1956, and finance companies can face the future with confidence.

We all know and appreciate the fact that the automobiles we enjoy today would not have been developed and produced if the tool of installment financing had not been developed and produced at the same time.

W. J. Simons

This is an important point. Much is said about debt these days, but all too little is said about the good that comes from it. This thought struck me quite forcefully the other day when I recalled an incident from the life story of Walter P. Chrysler. In 1908, Walter P. Chrysler attended the Chicago Auto Show and was so taken by the beauty and mechanical sturdiness of a Locomobile touring car that he became one of the very first to finance an automobile. It cost $5,000. Mr. Chrysler paid $700 down and borrowed $4,300 right here in Chicago. His income at that time was $350 per month and the $700 constituted his life savings.

This loan — deemed "madness" at the time—was a turning point in Mr. Chrysler's life.

Now I don't claim that the financing of every automobile will have the significant results that this particular loan had. However, we must always bear in mind that every purchase of durable goods does have many, many salutary effects upon the individual and the community.

Your financing of the sale of automobiles to dealers and to the public is a vital economic service.

As you well know, the volume of consumer credit, total installment credit and automobile paper are at an all time high. You in this room have played an important part in establishing these records.

Should you be congratulated?—Or, should you be criticized?—

My natural reaction and impulse is to congratulate you. But then I hold myself in check when I recall that you have some people worried.

Then I ask myself, "Is there reason to worry?" "Is business too good?" "Are consumers borrowing on the future?" "Must everything that goes up, come down?"

Are those who answer "Yes" to these sobering questions right?

I think not!

A Revolution in Consumer Demand

America has been undergoing a revolution in consumer demand and in consumer income. There are expanding opportunities that have not been fully recognized.

You have done your job by granting the credit the demand required—the credit fully justified by the income.

What are these revolutionary forces?

Well, there are five of particular significance. These five dynamic forces are long term trends. They help to explain why so many more people have been buying so many more things. They also make it a virtual certainty that this market expansion will continue in the long run.

The first force—and the basis of all economic activity,—is people and more people. Our population is expanding every year. In the last 12 months alone, it increased almost 3 million. At this rate, we are in effect populating a new city, the size of Chicago every 18 months.

The expanding population alone is a tremendous force in the American market.

The second force is the movement to the suburbs. This is a phenomenon familiar to all of you. It has made us need more of many things—and more of many new things: The power lawn mower, rapid transportation, new schools, churches, roads and countless other things.

The trek to the suburbs is a market force that is illustrated by the fact that between 1953 and 1955, there has been a 60% increase in the number of families owning two or more cars; over 1½ million increase in total car demand from this source alone.

The third dynamic force is the increase and change in character of the income of our American families.

The growth of personal income and, particularly, the growth of the middle income group has been a significant development to watch. Since only 1950, the number of families in the $4,000 to $7,500 income bracket has grown by over 4 million. These families —19 million of them—now earn 40% of total personal income—double the share they accounted for in 1941.

This is a revolutionary shift in income stratification. Its full impact only begins to be appreciated when we think of the higher and higher proportion of each dollar that still remains after these families pay their taxes and purchase their food, clothing and shelter.

Thus, we have more people with greater and different buying requirements; with more money to spend.

Expansion of Consumer Expenditures

A fourth and significant force in the continued expansion of consumer expenditures—is the rising level of savings. Bank accounts and savings bonds are in amounts never before approached. It is estimated that one out of every five consumers has $2,000 or more in the form of liquid assets: savings bonds, postal savings and bank accounts.

Of even greater significance is the fact that families in the middle income group have 30% of all liquid assets, a total of 46½ billion dollars. This backlog in savings bonds and bank accounts —fosters the confidence of these middle income families and encourages spending for newer and better houses, automobiles and other durable goods. Many of these middle income families are making installment purchases to conserve their savings.

Spending—as well as borrowing —has a firm base.

The fifth force, of which I speak, is the unparalleled propensity of Americans to seek and accept new products. They want new improvements, new designs, better quality, greater performance.

This process of upgrading encourages firms to bring out more and more new and improved products. In turn, the innovations of business—new products and new models introduced under the sharp spur of competition—tend to upgrade consumption still further.

These innovations are the visible evidence of technological advance which play such an important part in this whole interrelated picture. Technological research has made possible not only many new consumer products and innovations—such as push button driving—but has permitted a steady rise in productivity and employment.

Our new Plymouth engine plant is an excellent example of this cycle.

The public demanded V-8 engines beyond the capacity of Plymouth to provide them. Plans were made and a 50 million dollar plant placed in operation in half the time customarily needed.

The very newness of this plant makes it the most modern in the industry both as to efficiency of operation and quality of product.

Plymouth has satisfied the initial V-8 engine demand with a better engine which, in turn, has increased demand still further. As a corollary affecting personal income, employment is up.

Thus we see the complete cycle.

This steady rise in productivity from technological advance is, of course, a driving force behind the steady rise in personal income.

These long-run dynamic forces —upsurge in population, movement to the suburbs, great rise in personal incomes, high levels of liquid assets, and rapid upgrading of consumption habits — are powerful and continuing underlying forces.

They have created and will continue to create expanding opportunities for everyone!

To reap the harvest of these opportunities, sizeable expenditures of a capital nature are required. By Government — for roads and schools—; by industry—for plants and research—; by individuals— for homes and automobiles.

In most cases these capital expenditures must be made in advance of the harvest and must be paid for out of the proceeds of the harvest. The tool of credit makes this possible.

It has always been thus for government and industry. It is just as reasonable and necessary for individuals.

Consumer installment debt for durables is largely self-liquidating just as in business.

Payments for an automobile not only eliminate other transportation costs, but increase the productivity and pleasure of the individual.

Payments for the refrigerator eliminate the daily cake of ice.

More Automobiles Will Be Bought

The results of these expanding opportunities, as far as you and I are concerned today, have been that more automobiles will be bought this year than in any prior year and that more automobile paper will be created this year than in any prior year.

At the end of 1955, automobiles on the road will approximate 51 million, and automobile paper will total approximately 14.8 billion dollars.

By 1960, there will be many more millions of automobiles on the road. Automobile paper, too, will certainly be higher—backed, of course, by increased savings and income.

Curiously, it is more difficult to estimate short term trends than long term ones. Production, consumption and income always vary day to day from averages, but there is no reason for these variations to become extreme in their annual effect unless they become accentuated by a lack of understanding of the harvest of opportunity the future holds.

Such a lack of understanding may breed a lack of confidence. This must not happen!

An understanding and confident approach to the future is an essential ingredient to the short term stabilization of the long term trends which are so evident.

Happily, the American consumer is confident of the future. This was brought out by a recent survey conducted by the Survey Research Center of the University of Michigan. The preponderance of the high and middle income families had confidence. The optimists outnumbered the pessimists—16 to 1.

Thus, this important group of consumers has the propensity as well as the ability to spend.

Is there anything peculiar about the 1955 or the 1956 outlook for the automotive industry which makes this confidence misplaced?

Conditions for the sale of 1955 model cars have been predominantly favorable, and record sales have resulted.

1955 Not An Abnormal Year

Some say that 1955 is an abnormal year and that production and sales of automobiles for 1956 must be lower. On the contrary, it is more true than not that 1955 was the first year in the entire postwar period that the industry and the economy did not face substantial, abnormal conditions of one form or another.

It is the first year to give concrete evidence of the underlying strength of consumer demand for automobiles. It is the first year that basic consumer demand was able to express itself.

It was inhibited in the past by many factors: material shortages, governmental controls, production limitations and distorted distribution.

Gross National Product which was at an annual rate of 367 billion dollars, as we entered 1955, now is approaching 400 billion dollars.

Personal incomes are high and continue to grow. The annual rate of $292 billion at the start of 1955 at last reports stood at $307 billion.

The tax situation for 1956 looks as favorable as it was for 1955—if not more favorable.

New and used car inventories are currently at a most reasonable level. In particular, Chrysler Corporation dealers entered the 1956 model year with a minimum carry-over of 1955 models.

All of the long term upward trends are evident at this time. More and more families are getting into the two car class. New driver-owners continue coming into the market.

The average age of cars on the road continues high—6 years. There will be more cars in the 2 to 4 year age category in 1956 than there were in 1955. Owners of these cars traditionally buy most of the new cars.

The number of cars ready for the scrap heap continues to be high. The 1956 replacement market should be good.

Outlook for Auto Industry is Positive

Thus, all the important factors for the 1956 outlook in the automobile industry are positive. The only shadow is apparently the feeling of a few that "things just can't be that good, somehow!"

Their concern seems to center around the record volume of automobile paper outstanding and the fear that terms are becoming unsound.

While consumer debt has increased, consumers continue to maintain a strong financial position. Their liquid assets continue to grow. The ratios of their debt to liquid assets and income are sound.

It is interesting to note that while automobile paper will have increased some $4½ billion during 1955, a further increase of only

*An address by Mr. Simons before the American Finance Conference Convention, Chicago, Ill.

itized for FRASER
://fraser.stlouisfed.org/

$1½ billion will support automobile sales in 1956 equivalent to 1955.

Average terms have lengthened, but there is strong evidence that the American consumer will continue the tradition of paying his bills. Repossession and deliquency rates continue to be very low.

Whenever I question an individual from a financing institution on this particular point, he always is confident of the soundness of his own portfolio. His only worry —is the other guy.

I have been talking about confidence in the future. We at Chrysler have that confidence, and credit plays no small part in our plans.

We have already borrowed half of a $250 million 100-year loan commitment, which we have from the Prudential Life Insurance Company. We will borrow another $62½ million during 1956.

With these funds and funds from operations, we are adding systematically to our productive capacity. This year alone we are putting well over $130 million into our program of plant expansion.

This year's physical growth is only part of a pattern of physical expansion that has been going on in the post war period.

Future plans call for more than $1 billion in the next five years to expand plants and push research on gas turbine engines, electronics and nuclear and solar energy.

In addition to our plant expansion program, we invested $175 million in our change-over from 1955 to 1956 flight sweep models. This measures the responsibility we feel to meet the traditional demand of the American public for new styles, innovations, and greater safety and performance features—a responsibility to continue the research and development which has contributed so much to our high American standard of living.

You in this room are entitled to a real sense of gratification from the part you have played in this whole picture. You have met your responsibility to the American consumer. You have made it possible for people who want things and are willing to work for them, to enjoy them. You will continue, I know, to grant credit appropriate to the individual's circumstances, on terms which will maintain a proper relationship for the consumer between value and debt, between income and payments.

It has been a genuine pleasure to lunch with you. I face the future wih confidence in no small part because I know that we have a sound ally in you and your sales finance companies. I face it with confidence because I feel that you share that confidence, and I know that you will meet your responsibilities as to the American consumers we plan to meet ours.

We can jointly face the future with confidence because it is a future of expanding opportunities.

Chicago Bond Club to Hear Prof. Johnson

CHICAGO, Ill.—There will be a luncheon meeting of the Bond Club of Chicago, Wednesday, Jan. 11, 1956, at 12:15 p.m., in the Red Lacquer Room of the Palmer House.

Guest Speaker will be D. Gale Johnson. Professor Johnson was a member of the 12-man American delegation which made a 10,000-mile unofficial tour of the U.S.S.R. in the summer of 1955 to study farm problems. The group visited collective and state farms, experiment stations, and agricultural machinery and food-processing plants in the Moscow area, the Ukraine, the Volga region, the central Asiatic part of the U.S.S.R., and Western Siberia and Kazakhstan.

His subject will be "Agricultural Problems and Prospects in the U.S.S.R."

Members may avail themselves of the opportunity to invite guests at a charge of $3.75 per person. Reservation should be sent to Jules F. Cann, Lehman Brothers.

J. Logan Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dane Wagner is now with J. Logan & Co., 210 West Seventh Street.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George R. Green, Jr. has become affiliated with E. F. Hutton & Company, 623 South Spring Street.

Los Angeles Bond Club Elects Officers

LOS ANGELES, Calif.—Lewis J. Whitney, Jr., of Dempsey-Tegeler & Co., was elected President of The Bond Club of Los Angeles.

Ballots of The Bond Club members also elected Wm. D. Witherspoon, of Witherspoon & Co., Inc., as Secretary, Francis D. Frost, Jr., of Hemphill, Noyes & Co., as Treasurer, and Walter E. Lawrence, of J. Barth & Co., as Director.

At the business meeting, Bond Club President Joseph D. Ryons, of Lester, Ryons & Co., reviewed Bond Club activities of the current year, and turned over his office to President-elect Whitney. In his first address to members, President Whitney promised continuation of Bond Club activities at a high level in 1956.

Now With J. K. Mullen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert S. Layton is now with J. K. Mullen Investment Co., U. S. National Bank Building. Mr. Layton was formerly with Forbes & Co. and Sidlo, Simons, Roberts & Co.

Joins J. Barth Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert C. Klahorst has become associated with J. Barth & Co., 210 West Seventh Street. Mr. Klahorst was previously with Coombs & Co., and Marache, Sims & Co.

Joins Eppler Staff

(Special to THE FINANCIAL CHRONICLE)

REDWOOD CITY, Calif.—Leslie C. Green has become affiliated with Avery L. Eppler Company, 1839 Broadway.

Joins Rex Merrick

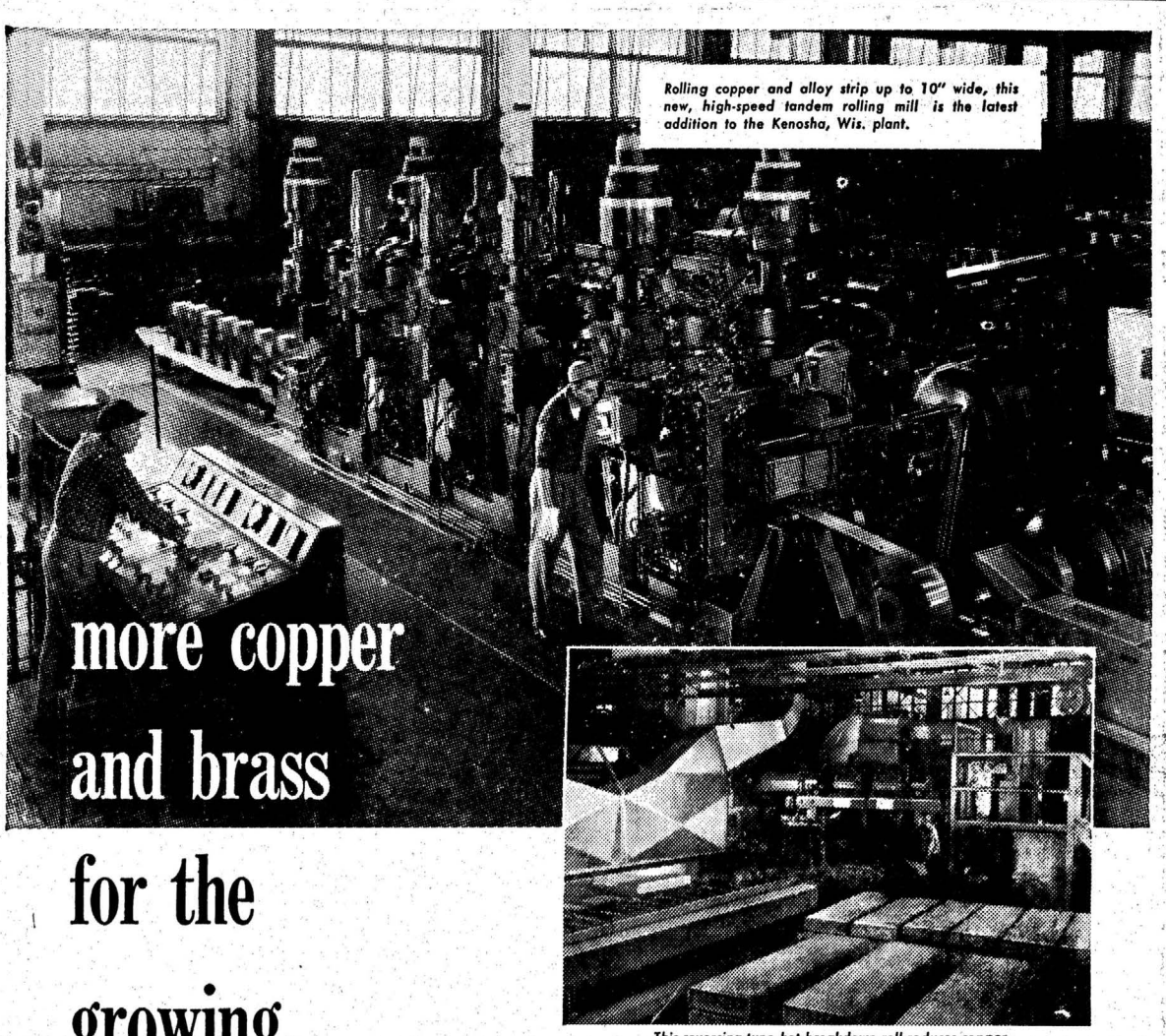
(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Hamilton E. Townsley, Jr. has joined the staff of Rex Merrick & Co., 22 Second Avenue.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ralph B. Peters and Virginia N. Weber have been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Peters was previously with First California Company.



more copper and brass for the growing middle west!

This reversing-type hot breakdown roll reduces copper and alloy cakes from 6" thicknesses to .440" gage in one process. It can handle cakes weighing up to 3,000 pounds.

In a few months, Anaconda's subsidiary, The American Brass Company, will complete its current expansion and improvement program at the Kenosha, Wisconsin, plant . . . one of the largest copper and brass mills in the United States.

The result will be an engineering dream come true. Able to handle copper and copper-alloy cakes weighing up to 3,000 pounds, this ultra-modern plant is ideally located to meet the growing demand of industry in the Middle West for copper and copper alloys in the form of sheet, strip, rod, tubes and drawn products.

Its completion will mark one more advance in Anaconda's company-wide expansion and improvement program. Through such accomplishments, Anaconda is constantly increasing its ability to serve American industry in the non-ferrous metal and metal-product fields.

55239B (Rev.)

ANACONDA

The American Brass Company
Anaconda Wire & Cable Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

itized for FRASER
://fraser.stlouisfed.org/

In Attendance at IBA Convention

ABBE, RICHARD F.
Shearson, Hammill & Co., New York
ABERNATHY, R. S.
Interstate Securities Corporation, Charlotte
ABRAMS, JAMES S.
Allen & Co., New York
ADAMS, EDWARD R., Mrs.
With Clement A. Evans, Atlanta
ADAMS, WILLIAM M.
Braun, Bosworth & Co., Detroit
AGEE, RUCKER
Sterne, Agee & Leach, Birmingham
AHBE, JOHN L.
Distributors Group, New York
AHEARN, JOHN W.*
Rockland-Atlas National Bank, Boston
AINSWORTH, WALTER W.
Metropolitan St. Louis Company, St. Louis
ALDEN, Jr., WILLIAM O.
O'Neal, Alden & Co., Louisville
ALEXISSON, GUSTAVE A.
Granbery, Marache & Co., New York

ALLEMAN, F. MONROE
Leedy, Wheeler & Alleman, Orlando
ALLEN, E. RAY
E. Ray Allen & Co., Chicago
ALLYN, ARTHUR C.
A. C. Allyn & Co., Chicago
ALLYN, JOHN W.
A. C. Allyn & Co., Chicago
ALTGELT, Jr., E. J.*
Harris Trust & Savings Bank, New York
AMAZEEN, EDWARD S.*
Coffin & Burr, Boston
ANASTASIA, ALBERT A.
Wall Street Journal, New York
ANDERSEN, JONAS C.
Kuhn, Loeb & Co., New York
ANDERSON, EDWARD C.
Anderson & Strudwick, Richmond
ANDERSON, GLENN E.
Carolina Securities Corporation, Raleigh
ANDERSON, HERBERT R.
Distributors Group, New York
ANDERSON, Jr., WILLIAM J.
Equitable Securities Corporation, Nashville

ANGLIN, THOMAS L.
Mackall & Coe, Washington
ARMITAGE, ALBERT T.*
Coffin & Burr, Boston
ARMSTRONG, GEORGE H.
New York Hanseatic Corporation, New York
ARNOLD, H. WILSON*
Arnold & Crane, New Orleans
ARNOLD, WARREN D.*
F. S. Moseley & Co., Boston
ARTHURS, ADDISON W.*
Arthurs, Lestrange & Co., Pittsburgh
ARTHUR, Jr., GEORGE D.
Cohu & Co., New York
ASCHER, H. ALBERT
Wm. E. Pollock & Co., New York
ATKINS, J. MURREY*
R. S. Dickson & Co., Charlotte
ATWILL, Jr., WILLIAM
Atwill & Co., Miami Beach
AUCHINCLOSS, REGINALD L.
Courts & Co., New York
AUSTIN, J. HOLLIS*
J. W. Tindall & Co., Atlanta
AVERELL, ALFRED B.
Bache & Co., New York
BABCOCK, RICHARD F.*
De Coppet & Doremus, New York

BAGGS, HENRY M.
First Pennsylvania Banking & Trust Co., Philadelphia
BAIRD, ANDREW M.*
A. G. Becker & Co., Chicago
BAKER, PHILIP D.
White, Weld & Co., New York
BAKER, RALPH D.
James Richardson & Sons, Winnipeg
BALDWIN, ROBERT H. B.
Morgan Stanley & Co., New York
BANCROFT, E. M.*
Stranahan, Harris & Co., Toledo
BANEY, ARTHUR L.
E. R. Jones & Co., Baltimore
BARNETT, GEORGE E.*
First National City Bank, New York
BARRINGTON, CHARLES S.
Harry Downs & Co., New York
BARROW, WM. RUSSELL*
Barrow, Leary & Co., Shreveport
BARROW, Miss, SIDNEY
With Wm. Russell Barrow, Shreveport
BARRY, EUGENE P.*
Shields & Co., New York
BARTOW, PHILIP K.
Wood, Struthers & Co., New York
BASS, Jr., JACK M.
Jack M. Bass & Co., Nashville
BAUEIE, WILLIAM E.
Baker, Simonds & Co., Detroit

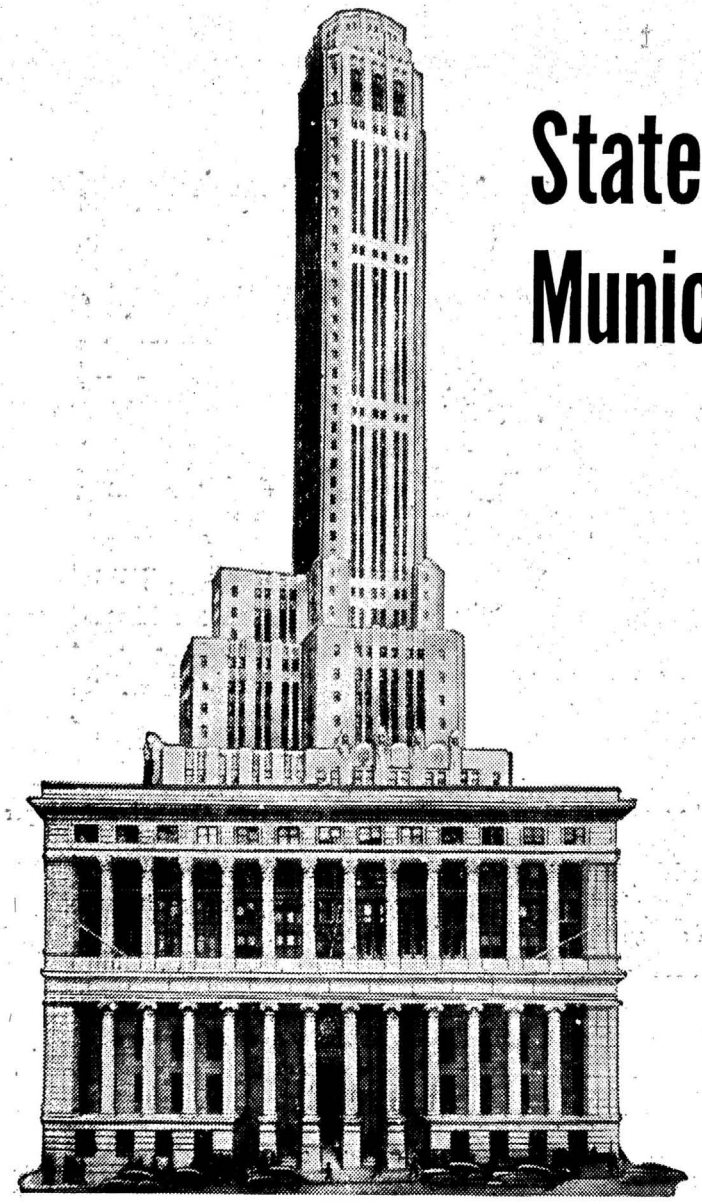
BAUMANN, JOHN F.
The Milwaukee Company, Milwaukee
BAXTER, Jr., CHARLES M.
Baxter, Williams & Co., Cleveland
BAXTER, DANA F.*
Hayden, Miller & Co., Cleveland
BEAUBIEN, ANDREW S.
L. G. Beaubien & Co., Montreal
BECHTEL, CHARLES C.
Watling, Lerchen & Co., Detroit
BECK, EDWIN L.
Commercial & Financial Chronicle, New York
BECKETT, Jr., THOMAS
First Southwest Company, Dallas
BEECROFT, HARRY*
Beecroft, Cole & Co., Topeka
BEIL, Jr., FREDERIC C.*
Beil & Hough, St. Petersburg
BELL, RUSSELL D.
Greenshields & Co., Montreal
BENNETT, CHARLES R.*
United States Investor, New York
BENNETT, FRANK S.
Cutter, Plummer & Bennett, New York
BENT, GORDON
Bacon, Whipple & Co., Chicago
BENZING, WAYNE R.
Granbery, Marache & Co., New York
BERGMANN, CHARLES L.
R. W. Pressprich & Co., New York
BESSE, HARRY W.*
Boston Stock Exchange, Boston
BIANCHI, CHARLES A.
Cohu & Co., New York
BINGHAM, CURTIS H.*
Bingham, walter & Hurry, Los Angeles
BLACKFORD, Jr., HENRY J.
A. M. Law & Co., Spartanburg
BLAIR, BOWEN
William Blair & Co., Chicago
BLAKE, JOHN L.
Eaton & Howard, Boston
BLAKE, SIDNEY S.*
H. M. Byllesby & Co., Philadelphia
BLEIBERG, ROBERT M.
Barron's Publishing Co., New York
BLYTH, ROBERT B.
U. S. Treasury Department, Washington
BOEHMLER, ERWIN W.
Investment Bankers Association, Washington
BOLES, EWING T.*
The Ohio Company, Columbus
BOLGER JOHN F.
Shillinglaw, Bolger & Co., Chicago
BOOTHBY, Jr., WILLARD H.*
Eastman, Dillon & Co., Philadelphia
BOWEN, FRANCIS
Government Development Bank, Puerto Rico
BOWMAN, FRANCIS B.
Chase Manhattan Bank, New York
BOYCE, C. MEREDITH*
Mercantile-Safe Deposit & Trust Company, Baltimore
BOYD, T. HENRY
Blyth & Co., New York
BOYNTON, ELWOOD D.*
Hallgarten & Co., New York
BRADFORD, J. C.
J. C. Bradford & Co., Nashville
BRADLEY, S. WHITNEY
Eaton & Howard, Boston
BRANCH, Jr., HARLLEE*
Edison Electric Institute, Atlanta
BRAUN, Jr., FREDERICK C.
F. S. Moseley & Co., New York
BRAUNS, ROBERT A. W.
McDonnell & Co., New York
BRAYSHAW, DONALD B.*
Lord, Abbett & Co., Atlanta
BRECKENRIDGE, HUNTER*
McCourtney-Breckenridge & Co., St. Louis
BREWER, ORLANDO S.*
Phelps, Fenn & Co., New York
BRICK, JOHN
Paine, Webber, Jackson & Curtis, New York
BROOKS, JOHN H.*
Putnam & Co., Hartford
BROOME, ROBERT E.*
Guaranty Trust Company, New York
BROPHY, JAMES G.
Blyth & Co., New York
BROWN, CARL C.
Laurence M. Marks & Co., New York
BROWN, HARRY
Salomon Bros. & Hutzler, Chicago
BROWN, LAWRANCE A.
Jenks, Kirkland & Grubbs, Philadelphia
BROWNE, KENNETH C.*
New York Times, New York
BRUSH, GERALD F.*
Brush, Slocumb & Co., San Francisco
BRYAN, JOHN E.
Cleveland Plain Dealer, Cleveland
BRYAN, JOHN F.
Smith, Barney & Co., New York
BRYANT, EMMONS
Blair & Co., New York
BRYCE, T. JERROLD
Clark, Dodge & Co., New York
BUECHLER, RICHARD K.
E. F. Hutton & Co., New York
BUCK, RICHARD A.*
Putnam Fund Distributors, Boston
BULLOCK, HUGH
Calvin Bullock Ltd., New York
BUNN, Jr., JOHN F.
Bioren & Co., Philadelphia
BURNS, II, EDWARD
F. Eberstadt & Co., New York
BURNS, Jr., JAMES F.
Harris, Upham & Co., New York
BUTCHER, W. W. KEEN
Butcher & Sherrerd, Philadelphia
BYRNE, EDMUND C.
Byrne & Phelps, New York
CAHN, Jr., WILLIAM M.
Henry Herrman & Co., New York

*Denotes Mr. & Mrs.

The **FIRST**

NATIONAL CITY BANK

of New York



State and Municipal Bonds

Municipal Bond Department

TELETYPE NY 1-708

Head Office:
55 Wall Street, New York

73 Branches in
Greater New York

Member Federal Deposit Insurance Corporation

Continued on page 116

Digitized for FRASER
http://fraser.stlouisfed.org/.

Tasks Confronting the IBA

By GEORGE W. DAVIS*
Partner, Davis, Skaggs & Co., San Francisco, Calif.
Incoming President, Investment Bankers Association of America

In his inaugural address, newly elected IBA President stresses the value of creating better public and political relationships, as well as improving relationships within the industry itself. Calls attention to the problem of regulating the prospectus, and advocates means be taken to encourage qualified young men to enter the industry.

The IBA has conferred the highest honor of the security industry upon me—a native son of California — in making me your President for 1956. I accept this responsibility with great humility and I assure you that the duties of the office will be properly fulfilled.

George W. Davis

Nor is this great honor mine alone. There are literally dozens of other California security dealers who share with me the real satisfaction of having the "residence address" of the IBA in our State. Already the cooperation and enthusiasm of these colleagues for the objectives of the IBA have been manifested in many ways in recent weeks—and I know that this cooperation will continue through the year.

Sixteen years ago another Californian, Jean Witter, took his oath of office as President of the IBA and performed outstanding services to this great industry. While I am, therefore, your second California President and am to be aided by the pattern of performance made by Witter, I am the first of all Presidents of the IBA to bring this organization under the purview of an "all seeing eye." Had your Nominating Committee only known, they could have called upon our beloved Dick Pontig of Blyth & Co., in San Francisco to join me in this responsibility as an Assistant Prexy, for with both of us having modified ophthalmic equipment, we could have jointly provided the IBA with a normal set of optics.

There is no better time than "right now" to convey the thanks and the approval of this great membership to Walter Schmidt for the excellent work which he has done. No IBA President has covered the responsibilities of his office more thoroughly or constructively than he. Walter was not always a Philadelphian. Years ago he worked up and down Montgomery Street selling securities and had he stayed in California I would not be carrying the California banner here.

Speaking of aides—and of California—let me pay my sincere respects to the four California Governors—Crowell, Jardine, Empey and Eaton Taylor — all of whom add their moral support to this process of induction and stand ready to assist me in any way that they can.

*Inaugural address of Mr. Davis at the 44th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 1, 1955.

The Problem of the Prospectus

I genuinely welcome the opportunity to confer and work with our new Vice-Presidents and the Board. There is much that can be done and yet each administration of the IBA can add only a small modicum of adjustment or improvement to the overall position of our industry. Some of our industry problems pertain broadly to all of us and some only to certain segments of our membership. The problem of the prospectus, for example, has been with us for 20 years and the minor modifications which have been made are of little help, particularly to the retail dealer in his relationships with the public.

At the IBA Conference, held in Washington in late October, a group of us discussed with the entire Commission and staff the matter of a simplified prospectus or circular, and we were told that something *could* be done about attaining such a device and that the compilation of implementing rules would be placed high on the agenda for the SEC. Were this condensed circular to become an accomplished fact during 1956, it would be a boon to retail dealers of this country, a Godsend to the public, and an outstanding credit to the men now administering the SEC.

From this single detail a lesson comes clearly to light—that even though 20 years may elapse before a simple and sinless method of selling securities may evolve for our membership, we must exercise patience and cooperative insistence with our associates in government office, and through better understanding of our mutual problems create a better working atmosphere. It is the function of an association such as ours to carry on year by year the effort for better relationships at the political level.

Public Relations

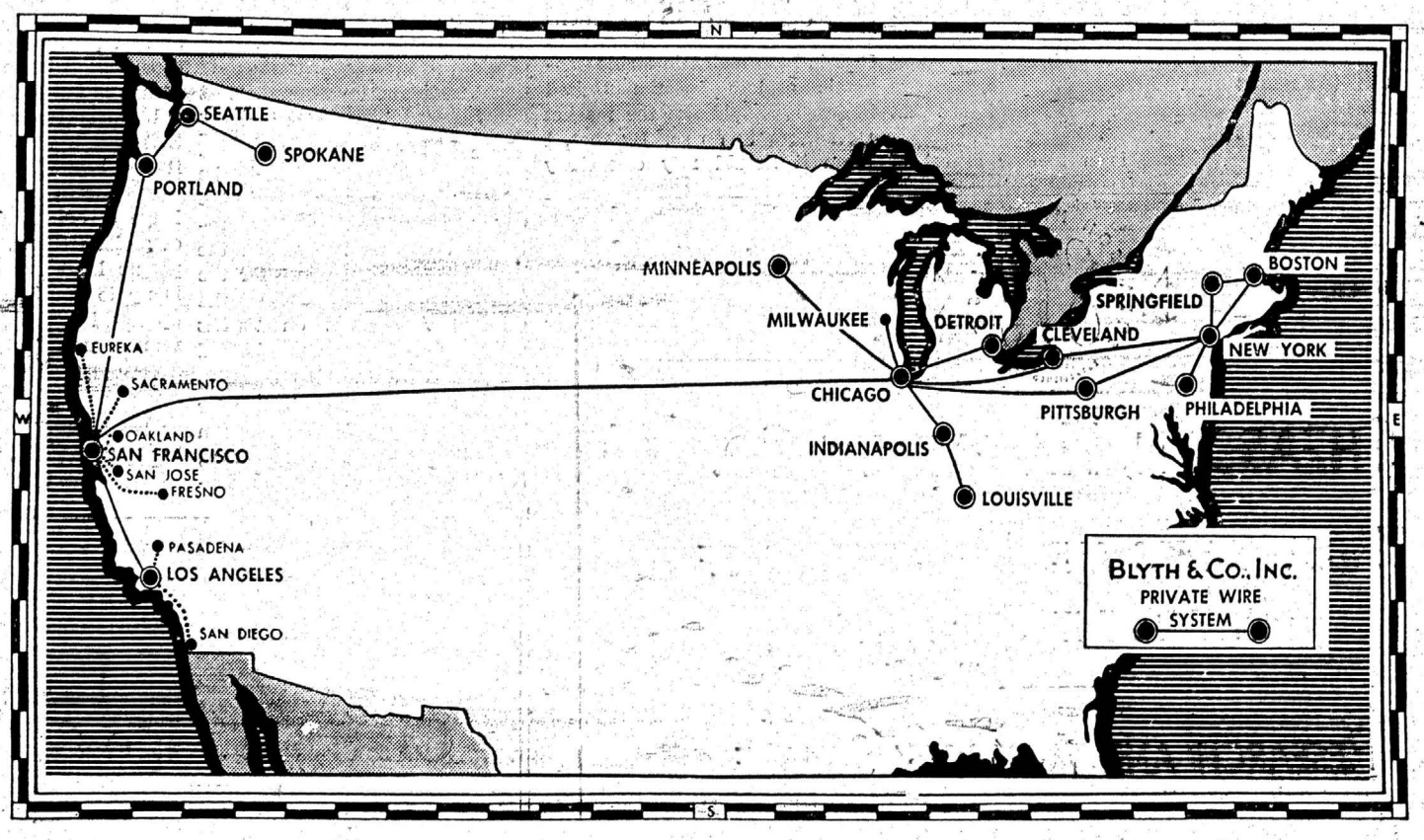
The matter of public relations is a phase of association activity which benefits all segments of our industry alike. Despite the constructive work carried on for many years there is still too high a percentage of our citizenry who do not comprehend the importance of investment banking. Since the War, some firms in our business have conducted open forums or schools, for the public. The IBA film has played a vital part in this work. Ask anyone who has been associated with these efforts and you will find unanimous approval in every way, and I do not mean solely because they have been productive of business. There is no better way to bring proper understanding of our business to Main Street than through the enlargement of such efforts. I thoroughly believe that management of our investment banking firms should give complete cooperation and encouragement to their associates in the conduct of such forums and that, while we have made a start in the promotion of such endeavors, only a start has been made and much more can be done. The goodwill of the public is vital to our business and I am concerned that we may not be doing all that we can toward fostering that essential goodwill.

One other comment along the same line. Some other industries, notably the telephone companies, encourage and urge their younger men to take active part in their own personal community activities. I think we might well do likewise.

Relations Within the Industry

As to the relationships within our industry, IBA has always been operated through the committee system. No one can deny that 10 to 15 highly trained men on a special committee can provide valuable information for the membership as a whole. This year, the men chosen for the various committees are the primary choice of the Chairmen and their qualifications for inclusion rest in their understanding of their subject

Continued on page 99



BLYTH & CO., INC.

Underwriters and Distributors of Securities

NATIONWIDE

itized for FRASER
://fraser.stlouisfed.org/

Essential Concepts of the Eisenhower Regime

In presenting herewith the talk made by Dr. Hauge before the 44th Annual Convention of the Investment Bankers Association of America at Hollywood, Fla., Nov. 28, 1955, attention is called to the fact that Part I constitutes a portion of a stenotypist's transcript of Dr. Hauge's extemporaneous remarks, while the material under caption Part II was of a prepared nature.—EDITOR

By GABRIEL HAUGE
Economic Administrative Assistant to the President

Dr. Hauge lays down as essential concepts of stable economic growth, as the Eisenhower Administration conceives it: (1) free markets are the best way to organize the production the people want; (2) incentive and reward is in the American tradition and should be encouraged; (3) by permitting one to have more does not mean that others should have less; and (4) that coercive measures of government shall not go beyond common-sense rules of the game for economic activities. Holds in discharging its obligations under the Employment Act of 1946, the Government should make use of the market mechanism. In Part II of his address he asserts that the Eisenhower Administration favors general welfare over "special interests."

Part I

To speak only of our own country, we have, I think, in recent times, been finding, in the words of Chancellor Butler of the British Exchequer that, while the winds of freedom are chilly, they are fair and bracing winds indeed. The Government of the United States in recent times has been disposed to let more and more freedom blow in through the American economy. There is nothing that succeeds like success, and this approach is a success today, as your Chairman has indicated.

Dr. Gabriel Hauge

Now, this concept of stable economic growth operating within an economy in which the maximum of freedom is permitted, is built, as the Eisenhower Administration looks upon it, on five key concepts, and I just want to go over them quickly, because my voice is still bearing the marks of the laryngitis which I inherited from my four-year-old twin sons a week ago.

The essential concepts, it seems to me, are these. **First,** I believe it is the majority, the tremendously overwhelming majority opinion in our country that free markets are the best way to organize the production the people want, and that we have to resist the inborn propensity, at least among many, to tamper and change this market system into a kind of mediocrity or, at worst, an unproductive paralysis.

Second, I believe the essential concept of incentive and reward must be guarded and recognized as something that has been in the strain of American economic development from the beginning. There is in the President of the United States, the man who sent you this message this morning, a fierce passion for equality, not the equality of equal shares for every American, but rather the equality of equal opportunity. It is not in the American tradition that every man should finish the race — the economic race — at exactly the same instant. But it is in the American tradition that every American has a right to the same position at the starting line. And it is the President's determination to fight to see that that promise has reality.

There is a further aspect of this idea: if we have an expanding economy, my more need not be your less. This controversy is the thing that has envenomed nations since time immemorial. In the cutting up of the same amount or less, then my more becomes your less, but it needn't be, it shouldn't be in America. My more need not be your less. There can be more for everybody.

And finally, when we come to government, I think this emphasis on incentive and reward means that the guide to legislation should be the old saying: "Legislate not against but along the grain of human nature." We should not seek coercive measures beyond those that are necessary for the establishment of common-sense rules of the game for economic activity; so that those who fail to live up to their obligations do not go unreminded, and, if necessary, unpunished, but that essentially if we legislate that way, then we will serve the ends of stable economic growth.

Fourth, when the Government comes to discharge its obligations under the Employment Act of 1946 to help maintain stable economic growth in the United States, it should use the market mechanism to do so. By that, I mean it should rely essentially upon the monetary-and-credit indirect approach, public-debt management and tax measures, and not the direct-control approach through price fixing, allocations, control of foreign trade, quotas, etc.

Now, we are today experiencing some of this kind of control. The Central Bank in the United States has been, over the past period, taking certain actions, presumably to achieve certain physical results in terms of the availability and cost of money; and certainly, also—and I would speculate, because I am not a part of the Central Bank—but certainly, also, to telegraph to the American financial community and business community that we are on very high ground, indeed; that we would do well as we forge on to still higher ground, to go forward steadily and surely, not obsessed by some New Era philosophy that we have solved all the problems and that we can forget all the history and experience we ever knew.

Finally, Mr. Chairman, I think that this philosophy is based upon a conviction that we must have an open system of international trade and investment. That philosophy underlies the President's program in foreign economic policy, an important element of which remains to be legislated this year. This is the Organization For Trade Cooperation, an organization which the United States would join for the purposes of administering the General Agreement on Tariffs and Trade of which the United States is a member.

Support of the Organization for Trade Cooperation is important in the interests of the United States; it is important not only as a further example of our willingness to cooperate with the members of the free world. It is important because it will provide a means whereby we can see to it that the opinion of the free world is mobilized in support of living up to the undertakings which nations have taken under the General Agreement on Tariffs and Trade.

Now, beyond these elements in this philosophy, I think that there are obligations of Government which this Administration is seeking to discharge.

First, there must be a disposition, both in the people and in their government, to be prepared to take such public steps as are necessary to help meet the costs of a system that we want to keep free and dynamic. We can't just sit around and say, "Isn't it marvelous to have a free-enterprise system?" and hope that we will do pretty well. This kind of a system has got to be believed in by the overwhelming majority of the American people or we won't continue to have it.

Therefore, I say that government has an obligation to foster programs, and to organize and administer programs, that will help meet the human costs of a system of freedom in which to get growth. I speak now of such things as social security; I speak of such things as unemployment insurance; I speak of such things as finding ways to meet the insistent demands of the families of America, on the whole, that we do something faster about our schools. I mean, further, looking at the high cost of catastrophic medical illnesses and sickness.

These are things we must work at and produce results that are consistent with the functioning of a free-enterprise and individual enterprise economy, results that will bind it and hamstring it and restrict it and reduce it to mediocrity. That is the challenge of our times in this field of social welfare. The American people have set their goals. It is up to you and me, and it is up to all Americans to help devise ways and means of satisfying those goals upon which the American people are determined, in ways that are consistent with our traditional liberties, and

Continued on page 63

SHEARSON HAMMILL & CO. ESTABLISHED 1902

SHEARSON, HAMMILL & CO.

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

RESEARCH AND ADVISORY SERVICE

NEW YORK CHICAGO MONTREAL LOS ANGELES BEVERLY HILLS PASADENA
SANTA BARBARA LA JOLLA NEWPORT BEACH WESTWOOD DALLAS HOUSTON SAN ANTONIO
BUFFALO HARTFORD MIDDLETOWN NEW BRITAIN MEMPHIS LA CROSSE BASLE (Switzerland)

EXCHANGE MEMBERSHIPS

New York Stock Exchange
American Stock Exchange
Chicago Board of Trade
Chicago Mercantile Exchange
Midwest Stock Exchange
Commodity Exchange, Inc.
Liverpool Cotton Association, Ltd.
Los Angeles Stock Exchange
Memphis Cotton Exchange
Montreal Curb Exchange
New Orleans Cotton Exchange
New York Cocoa Exchange, Inc.
New York Coffee & Sugar Exchange Inc.
New York Cotton Exchange
New York Produce Exchange

Clark, Dodge & Co.
ESTABLISHED 1845
Members New York Stock Exchange
61 WALL STREET, NEW YORK
NEWARK LONDON

Digitized for FRASER
http://fraser.stlouisfed.org/

A Busy Year for the IBA

By WALTER A. SCHMIDT*
Retiring President, Investment Bankers Association of America
Partner, Schmidt, Poole, Roberts & Parke, Philadelphia, Pa.

Mr. Schmidt reviews what has been accomplished by the organization during past year, along with problems now facing the securities industry. Discusses impending matters requiring settlement, such as the "Bank-Dealer Controversy," "variable annuities," the sale of "penny" uranium and oil stocks; and the various developments which have tended to hem in the margin of underwriting and sales profits. Sees current high level of business activity continuing for some time to come.

Walter A. Schmidt

According to tradition the President's address at the end of his tour of duty should provide a brief review of the activities of the Association. We have had a busy year and covered a lot of ground, but I shall try to give this final summary with dispatch.

Murray Hanson and I have attended the annual meetings of all of our 18 groups. We were told everywhere that these meetings have been among the best attended and among the most worthwhile over the years. On all of our group visits, with the exception of New York, Murray and I have told something of the origin and the evolution of IBA as an effective business organization, have discussed our legislative and other common problems and have summarized the more important activities of our National Committees. Bob Stevenson, Gordon Calvert and Erwin Boehmler have also attended some of the Group meetings and meetings of other Associations in various parts of the country.

The business meetings of all of the Groups clearly revealed ever-increasing aggressive educational, legislative and cooperative efforts on behalf of the members. The Central States Conference, with two days of morning, noon, afternoon and night forums and outstanding speakers, is an example.

The meeting of the New York Group had an attendance of approximately 1,500, which included top-flight representatives of a great many of our leading industries, banks and insurance companies. It must have given these guests a favorable impression of our industry. The speakers at that meeting were Vice-President Nixon (where he delivered his famous "workers' prosperity" speech), Viscount Harcourt of the British Embassy in Washington, and William McChesney Martin, Chairman of the Federal Reserve Board.

There has been some talk in the past that the IBA is just a social organization. I have observed its operations intimately during the past year and, although I don't want to make my successor apprehensive, I think you might be interested in the following few statistics.

I estimate that, on IBA work, we have called on 230 member firms; have attended 79 meetings; I have talked 61 times and have travelled slightly over 42,000 miles. I have been away from my office 110 working days; have been away from home 116 nights and Mrs. Schmidt has been away from home with me 76 nights. I would judge that, of the time spent in my office, at least one-third was devoted to IBA affairs. I can assure you, therefore, that there is much more to IBA than the social side, important and pleasant as that feature may be.

Without exception, the courtesy and hospitality which has been shown Mrs. Schmidt, Murray and me have been overwhelming. It certainly is true that wherever groups within our industry get together, you have as fine a gathering of people as is possible to find in any industry anywhere.

At this point, I would like publicly to pay my respects to Eleanor, my good wife. She has been a great help and has been very patient and understanding throughout the year.

The Work of the Committees

I, personally, and our Association and industry are deeply indebted to the members of the Executive Committee, the Governors, the Group Chairmen, the 26 National Committee Chairmen and the approximate 775 persons on the various National and Group Committees. These men are the ones really responsible for the significant accomplishments this year in the interest of the investing public and in the interest of our industry.

The Finance Committee will make its report to the Governors; however, you should know that we have lived comfortably within our budget this year and are in an over-all sound financial condition.

Our Washington and Chicago offices were consolidated in Washington late in 1954; this new office now is completely shaken down and operating smoothly. Frank Morris, who will direct economic research, and David Gordon, who will assist Bob Stevenson and Erv Boehmler, have been employed. They round out our most efficient and loyal staff. Murray Hanson has developed an *esprit de corps* and coordination which is superb. I have said many times that if our respective members each had as fine an organization as the IBA, they would be most fortunate.

I want to pay my respects also to Dudley Smith, who is retiring at the end of this year as Municipal Secretary. He has given us excellent conscientious service over the years, which we recognize, and deeply appreciate. Surely he knows he carries all of our good wishes for many more happy years, and with the satisfaction of a tough job—well done.

Our Executive Committee has held six meetings during the year; at Hollywood, White Sulphur, New York, Santa Barbara, Chicago and Washington.

Our speakers at White Sulphur were our colleague, Assistant Secretary of State Walter S. Robertson (formerly of Scott & Stringfellow, Richmond); the eminent Senator Harry F. Byrd of Virginia; Frank Pace, Jr.; Executive Vice-President of General Dynamics Company; and Governor Frank J. Lausche of Ohio. Their speeches were outstanding and acclaimed by everyone present. We are equally appreciative of the time so generously given by the speakers who are to address us at this Convention. As you know, they are the Honorable Gabriel Hauge, Administrative Assistant to President Eisenhower; Philip D. Reed, Chairman of the Board of General Electric Company; Harllee Branch, Jr., Presi-

Continued on page 100

*Presidential address of Mr. Schmidt at the 44th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 28, 1955.

A complete service for Banks, Brokers, Dealers and Institutional Investors

UNITED STATES GOVERNMENTS

MUNICIPAL BONDS

HIGH GRADE CORPORATES

STOCKS AND BONDS

FOREIGN SECURITIES

NEW YORK HANSEATIC CORPORATION

Established 1920
Associate Member American Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: WOrth 4-2300
Teletype: NY 1-40-1-2

Offices and Representatives:
Boston, Mass.
Chicago, Ill.
Philadelphia, Pa.
San Francisco, Cal.

Direct Wires to:
Boston
Chicago
Cleveland
Houston
Los Angeles
Philadelphia
Portland, Me.
Providence
San Francisco

tized for FRASER
://fraser.stlouisfed.org/

A Basis for Confidence

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

Leading industrialist lists following four reasons for his "enormous confidence in the future of our country and our company": the large and assured population growth; the Western democracies' achievement of new strength; impact of organized research and development; and our own particular brand of capitalism. This "People's Capitalism" includes benefits from large volume with small profit margins; technological advances; consumer credit; increasing leisure; and competition in lieu of the cartel.

I would like to address my remarks to the future. Although much that I shall have to say pertains to the country as a whole, my greater familiarity with the electrical industry and, of course, with the General Electric Company suggests that I deal rather more particularly with them by way of illustration. I would like to start by telling you that since World War II, General Electric Company has done three rather significant things.

Philip D. Reed

First, we have invested one-billion-two-hundred-million dollars in new and improved manufacturing facilities for our highly diversified line of products. This sum is more than twice the total amount so invested from the birth of General Electric in 1892 to the end of World War II.

Second, we have invested one-hundred - and - fifty - five million dollars in new and improved facilities for both fundamental and applied research, including 12 new laboratories. We are deeply convinced that research is the cornerstone of our progress to date and of our future opportunities.

*Summary of remarks by Mr. Reed, at the 44th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 29, 1955.

Third, we have completed a thoroughgoing company-wide reorganization of our business, most of which has been administered heretofore on a rather highly centralized basis. We now have 86 decentralized Operating Departments, each a business in itself and each headed by a General Manager with wide authority to make those important decisions upon which the success of that decentralized enterprise depends.

Overlying these Operating Departments is a Services organization, staffed with our most skilled and experienced experts in such business functions as engineering, manufacturing, marketing, accounting, finance, employee and public relations, etc. It is the duty of these Services experts, in their respective functions, to create and to keep abreast of the very latest methods, machines, materials and techniques applicable to any or all of our diversified businesses and to pass this information along from day to day to the Operating Departments. The job of these Services experts is to consult, teach, advise and appraise, never to command. These and other organizational changes have, we believe, prepared General Electric to serve America as never before in its long history with new and exciting products, competitively priced and competently serviced.

Four Main Confidence Factors

From what I have said you may rightly draw the conclusion that we in General Electric have enormous confidence in the future of our country and of our company. You may very properly ask what grounds we have for the high degree of confidence necessary to justify the very large investment in manufacturing and research facilities which we have made since 1946. The grounds are many, but I will limit myself this morning to the four principal points.

(1) **The large and assured population growth here in the United States.**

We now have some 163 million people in our country. The experts tell us that in 10 years there will be an additional 27 million Americans living here. This is almost twice the present population of Canada. They also tell us that, whereas today there are 35 million families with an income of $3,000 or more, by 1960 we will have 45 million such families, and by 1965 55 million. Translated into the needs and demands for products and services of all kinds, this increase in population and in family formation presents an extremely challenging prospect.

(2) **The Western democracies have achieved a new position of economic, military and political strength.**

A major war in the foreseeable future is unlikely. And although defense expenditures will and should continue at a high level, they will in my judgment represent a declining percentage of our growing gross national product. This means that during the next decade substantially more of our national production can be devoted to increasing our standard of living rather than to defense.

(3) **The impact of organized research and development.**

American prosperity and growth is based on innovation, in the development of new products, new markets, new methods of making and distributing goods. We are today, as a nation, spending four billions annually for research. In 1941 we spent less than one billion. I believe this expenditure will continue to grow, and it provides convincing assurances of a continued flow of new knowledge, new ideas and new products that will stimulate both investment and demand in the years ahead. And this means further growth.

(4) **The emergence of our own particular brand of Capitalism.**

Ours is quite different from the many economic systems that go by the name of Capitalism in other countries. It is what has been described as a Peoples Capitalism, in which the masses, not simply the privileged few, enjoy its fruits and benefits. Our brand of capitalism is characterized and distinguished from the others by the following six principal features:

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

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

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

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

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

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

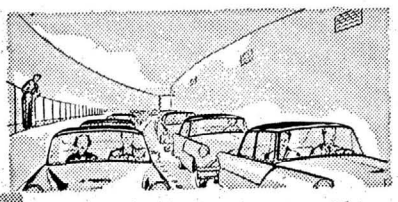
These, then, are the principal grounds for our optimism about the outlook for the American economy. But in all fairness I should add that our optimism for the foreseeable future is in no respect dimmed by the very evident purpose and endeavor of the present Administration to do those things, both legislatively and ad-

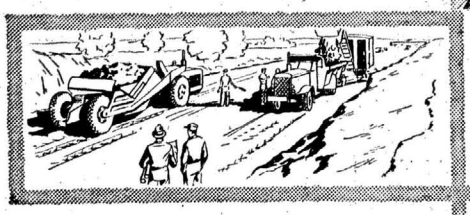
Continued on page 119

STATE, MUNICIPAL, REVENUE

BONDS

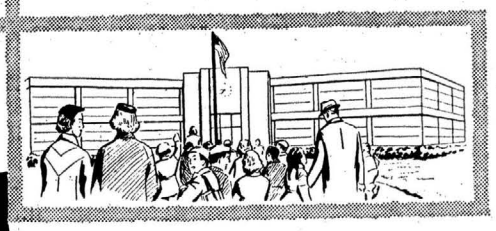
TUNNELS AND BRIDGES





TOLL ROADS

SCHOOLS



HOUSING

LEHMAN BROTHERS
One William Street, New York

FIRST OF MICHIGAN CORPORATION

Underwriters and Distributors

STATE, MUNICIPAL
and
CORPORATE SECURITIES

Members Detroit and Midwest Stock Exchanges

NEW YORK DETROIT CHICAGO

Columbus—Battle Creek—Flint
Grand Rapids—Lansing—Port Huron—Saginaw

itized for FRASER
://fraser.stlouisfed.org/

There's No Limit on Tomorrow

By THOMAS B. McCABE*
President, Scott Paper Company
Former Chairman, Federal Reserve Board

Asserting, "we are on the threshold of an era literally charged with opportunities, Mr. McCabe forecasts capital needs for the economy in the next decade will require a minimum of $160 billion in new financing. This requirement, he points out, will mean that nation must have more capitalists to afford a broader basis of stock ownership. Foresee need of a nation of individual stockholders, and stresses the importance of investment banking in accomplishing this goal.

I am sure you and I have long been convinced of the interdependence of industry and investment banking. I am convinced, too, that there will be NO LIMIT ON TOMORROW and that our future together will be more exciting, more thrilling than any of the periods of progress we have yet experienced. There will of course be periods of peaks and valleys in the long range economic picture as the forces of supply and demand continue to exert themselves. But I am confident that our people will never satisfy their desires for better living and that our technology, therefore, will never cease to accelerate and expand.

Thomas B. McCabe

And, of course, the future is foreshadowed by the past. As I glance back, my memory becomes crowded with a procession of startling industrial accomplishments . . . one vitally significant event after another. I'm sure that many of you share with me the thrill of having witnessed these miracles. Recall, if you will. It was not a great many years ago —as time is measured—when the world first began to vibrate to that deep, virile hum of the industrial revolution, and yet today, as we contemplate the potentialities of automation and other recent scientific developments, we realize that there is an industrial revolution just getting started.

We have come to realize that mass production—the mass production of Henry Ford's time—is not enough. Now, we are going further and are attempting to provide for the varied and changing desires of the consumer. As we come to recognize the need for adapting to the consumer, production has been appropriately adjusted and is now taking into account more of the needs of modern merchandising. The era of "merchandised production" has been launched.

The past ten years have been a period of unequalled significance. Despite hot wars and the nerve-wracking uncertainty of cold war, our people have attained a standard of living better than ever in the past. And we can look forward to an even higher rate of personal income with more leisure and a better life for everyone. Certainly you in the investment banking industry can take pride in the fact that your efforts in assisting industry to finance new and better production facilities have contributed significantly to this progress. You can contribute even more to the limitless expansion of tomorrow.

On Threshold of a New Era

As we focus our attention on the boundless, long-range future, we can recognize that we are on the threshold of an era literally charged with opportunities. It will take men of wisdom, strength, courage, and action to turn the vision of this new golden era into reality. If we, as partners, are to participate in that future, we must prepare now for the challenge.

First of all, in our preparation, we need a plan to guide our efforts—a big plan, big enough to spur us on. President Eisenhower established the objective when he set $500 billion in Gross National Product as the nation's goal for 1965. And if the annual increase in productivity can be raised from the current two and one-half, to three percent through the next ten years, we can reasonably shoot for a goal of, perhaps, $565 billion.

It has been calculated that in the next ten years industry will require a minimum of $160 billion in new public financing . . . **more than double the requirements of the past decade.** Need I say that, each of you, to raise his share of this new capital for industry, must **more than double** the volume of his business by 1965. Here, then, is your opportunity — and your challenge—to set your business-building plans. It's enough to startle the most conservative businessman's boots right off his desk.

The high productivity we are enjoying today—this extraordinary prosperity—is being attained in a period when the social, economic and political climate is almost ideal for further expansion. The only seriously disturbing influences are to be found in some areas of the international scene. For our people to realize the full benefit from the potentialities of our dynamic economy, it is vital that we continue to have such a healthy climate. Certainly the President has the support of the nation, and he is exerting the kind of leadership that gives confidence to the business, the public and our friends abroad.

Having spent several years in the Federal Reserve System and in close contact with government, I am naturally interested in the programs of the Federal Reserve and the Treasury, which are helping to establish sound monetary and credit policies. Improvement in current business and the strong upward trend in the nation's economy confirm the soundness of those financial programs. I know that you will join with me in commending the Federal Reserve for having kept a firm, but sensitive, rein on credit. I agree with Henry Alexander when he says, "you may make credit dear but never make it unavailable — the best way to preserve confidence is to prevent it from turning into over-confidence."

The next few months will call for further careful consideration by the monetary authorities if the economy is to function without inflation and continue to prosper. I am confident that George Humphrey and Bill Martin will continue to give us wise leadership and will exercise their authority with flexibility, firmness and competence.

New Capital Goals

Grasping the full significance of our future opportunities is a tall order. Making them into realities will call for imagination and bold planning. Industry is girding for its battle . . . but to be sure, we can't do it alone. We need your help. We are counting on you to make constructive plans now . . . plans that are big enough so you can supply that new capital we will need over the next ten years.

I can tell you now that Scott Paper Company is currently revising its goal upward. At our sales meeting in 1953 I announced a goal of $300 million of sales by 1958. This meant then that I was giving our organization the for-

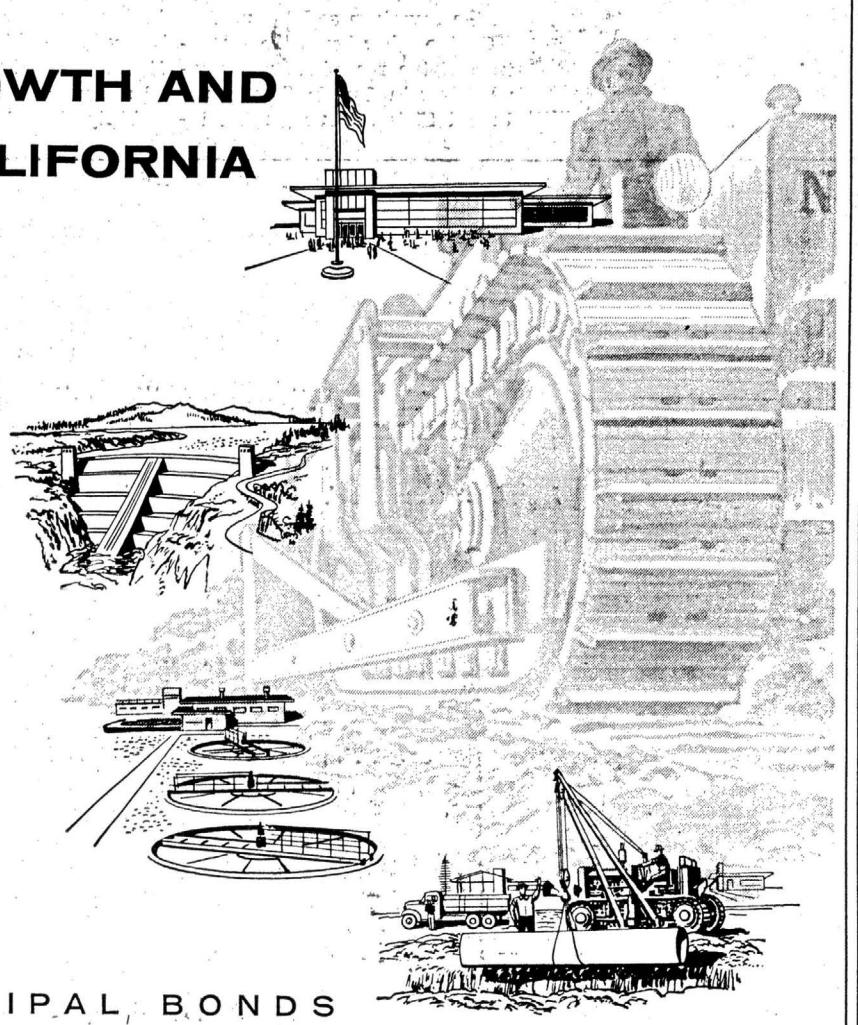
Continued on page 111

*An address by Mr. McCabe before the 44th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 1, 1955.

UNDERWRITING THE GROWTH AND CHANGING NEEDS OF CALIFORNIA

A Decade of Public Finance

Bank of America has participated in 1745 separate California State and municipal bond underwritings during the past 10 years (averaging about 1 every 2 days). Large and small projects alike have been financed for the state, its counties, cities, school districts and other public districts. Through our 570 branches we are able to maintain local relationships with thousands of California political subdivisions.



Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
MUNICIPAL BOND DIVISION • BOND INVESTMENT DEPARTMENT

Underwriters and Distributors of

STATE AND MUNICIPAL BONDS
Specializing in the General Obligations of the State of California and its Political Subdivisions

Digitized for FRASER
http://fraser.stlouisfed.org/

Economic Trends in Canada

By HON. WALTER E. HARRIS*
Minister of Finance
Government of Canada

In comparing economic trends in U. S. and in Canada, Finance Minister Harris points out, though there are similarities, Canada is experiencing a more rapid rate of growth, and her export trade is playing a larger role in this movement. Points out importance of U. S. economic stability in maintaining international stability, and holds, despite recent set-backs, there is a sound basis for Canadian recovery. Estimates 85% of Canadian investment comes from domestic sources, while Canadians are also investing abroad. Stresses economic importance of recent rapid increase in Canada's population.

To an audience made up almost entirely of former Canadians and persons who have more or less direct interests in Canada and Canadian affairs, it is natural, indeed almost inevitable, that I should talk about current economic developments and trends in Canada. It is also a convenient time to speak on this subject because we have passed the halfway mark in our fiscal year and this is a natural point from which to look backward and forward to see to what extent the views we held last April seem to require reappraisal.

Hon. W. E. Harris

The principal economic event of the past two years has been the recession of 1953-54 and the extraordinarily rapid recovery during the past 12 months. In Canada, we, like the United States, experienced this recession, but with some interesting differences. Most of you will recall that Canada almost wholly escaped the short and sharp recession which the United States went through in 1949. In that year, despite an almost 10% dip in your principal economic indicators, all that we experienced was a moderate slowing down in the rate of our expansion.

1953-54—Pause Years, in Canadian Expansion

In 1953-54 we were not quite so fortunate. 1949 had found us at the beginning, or in the midst of a number of major investment projects—oil development in Alberta, Kitimat on the Pacific Coast, and Labrador Iron Ore far up in the northeast. 1953-54 caught us at a point where oil development and expansion had levelled off (though still running at a very high level); the first major phases of Kitimat and Labrador Iron Ore had been completed and the two major oil pipe lines running east and west from Alberta had also been completed. The next project of major expanion (St. Lawrence Seaway) was not quite ready to go ahead. We were, so to speak, caught in a pause in our expansion and it was inevitable that the decline in business activity in the United States should be reflected in Canada.

The 1953-55 cycle of decline and recovery in Canada did not exactly parallel yours. We were later both in the downturn and in the upturn. In your country business activity started to slow down in mid-1953, while our downturn was not clearly evident until late in 1953. Your low point came in the first half of 1954 and rapid recovery began in the fourth quarter. Our low point came toward the end of 1954 and recovery did not begin to pick up rapidly until well into the spring of this year. In other words, we lagged four to six months behind you both on the downturn and the upturn.

On the other hand, the magnitude of the recession was somewhat less in Canada than in the United States. Your general index of production fell about 10% Ours on a comparable basis dropped about 7%. Our rate of recovery, though it started later, has already caught up with yours, and we are now about 13% above the recession lows and 7% above the 1953 high points. I believe your current figures are 3 or 4% above your previous high.

This is not the occasion to explore in detail the basis of our great resilience. Two factors, however, can be mentioned: one, that we are going through a stage when the general trend of our rate of growth and expansion is somewhat greater than yours; another, that export trade overseas and especially with Europe plays a much larger role in our economy than in yours. And Europe, to the surprise of many people, has been almost completely unaffected by the North American recession.

International Economics and U. S. Stability

Perhaps I might interject in passing that the divergence of recent economic trends in Europe and America may, as a useful by-product, contribute to somewhat more harmonious discussions in international economics. It had become the fashion to blame many, if not most, of the economic ills of the world on the alleged instability of the American economy. From 1949 to 1953 we heard a great deal about the grave effects on the rest of the world of even a 2 or 3% decline in the economic activity in the United States. "If America sneezed," we were told, "Europe caught pneumonia."

We in Canada, like many of our friends in Europe, are not likely to forego our right to criticize or disagree with particular aspects of United States economic policies. But perhaps it is not a bad thing that neither we in Canada nor our friends in Europe can now so easily blame the instability of the American economy for all the world's economic ills.

Government policy in Canada met the recession in a variety of ways. Our policies, on the whole, were neither novel nor dramatic. I have even heard them criticized as being orthodox and dull.

Canada's Easy Money Policy

We followed an easy money policy. Our 3-month Treasury Bill rate, which had been close to 2% at the peak of 1953, dropped below 1% in the first quarter of 1955. Five-year money fell from over 3½% to below 2½% and long-term rates from nearly 4% to about 3¼%. With the rapid acceleration of activity during the past six months, we have applied the monetary brakes to the extent that seemed desirable and short-term funds are now back just over the 2% level.

Fiscal operations have also played their part. After eight successive years of budgetary surpluses, we ran a deficit in 1954. It was not a large deficit, about $150,000,000 or 3½% of our total expenditures. We, nevertheless, reduced some of our tax rates moderately for 1955. The tax structure we recommended to Parliament early this year was one which was designed to produce a balanced budget in a full year at high levels of activity. We had to prepare and deliver the budget at a time when evidence of accelerating recovery was not yet clear. We produced what I regarded as a conservatively optimistic and sensible budget. I forecast a deficit on this year's operations of about $160 million. Events are turning out rather better than I expected and it now appears probable that the actual deficit for this fiscal year will be at least one-third less than I forecast.

On the expenditure side of the budget we stepped up moderately the scale of government construction in 1954, and again for 1955. We also introduced new housing legislation with a system of insured mortgages open to our chartered banks as well as to other lending institutions. As a result, residential construction, instead of declining with general business activity, actually increased, and quite sharply. At the low point of recession, new housing starts were running about 25 to 30% higher than in the same period of 1953.

In Canada we have, like you, a free economy and I would not want to give all the credit to government policy in minimizing the effects of the recession — other factors and persons played their part. I would not wish to say that our measures and timing were always perfect, but I think I can fairly say that our governmental policies during this period were sensible and moved in the right directions.

Sound Basis for Canadian Economic Recovery

Our recovery from the pause of 1953-54 has been very rapid, but appears to be soundly based. Employment is expanding to new high levels. In the winter of 1954-55, when seasonal unemployment was at its peak, its level was such as to cause real concern. However, by May, the pick-up in construc-

Continued on page 89

*An address of Finance Minister Harris before the Canadian Club Forum, New York City.

BEAR, STEARNS & Co.

Members New York Stock Exchange

NEW YORK CHICAGO

UNDERWRITERS, BROKERS and DEALERS

distributing

CORPORATE and MUNICIPAL SECURITIES

since 1836

W. E. HUTTON & CO.

Members New York Stock Exchange
and other leading exchanges

NEW YORK *CINCINNATI*

Philadelphia *Baltimore* *Boston*
Burlington, Vt. *Columbus, O.* *Dayton, O.* *Easton, Pa.*
Hartford, Conn. *Lewiston, Me.*
Lexington, Ky. *Biddeford, Me.* *Portland, Me.*

Digitized for FRASER
http://fraser.stlouisfed.org/

The Electric Utilities — Opportunity and Challenge

By HARLLEE BRANCH, JR.*
President, Edison Electric Institute; President Georgia Power Company

Spokesman for electric utilities reveals the tremendous growth of U. S. electric power, and gives estimates of the vast increase in kilowatt capacity within the next decade. Points out electric utilities offer investors a probability of enhanced income due to increase in residential electric consumption and reduced cost of producing power. Cites far-reaching technological improvements in generating and transmitting electric power, and the opportunities the industry has to use automation and atomic fuel, but also calls attention to "some unpleasant facts," such as the political activity of advocates of socialized power and Federal production of power. Finds private enterprise overcoming public power misconceptions.

Harllee Branch, Jr.

It is a great privilege to be invited to address this group. You gentlemen, representing the investment banking business of America, are an exceedingly important part of the free enterprise system. It is largely through your efforts that investment funds are made available for the creation of new business enterprises and the expansion of existing businesses. All of us who are engaged in producing goods and supplying services for the American people are grateful for the great contribution you have made, and are making, to the beneficent capitalism under which we live.

The electric utility industry is particularly appreciative of your efforts. For the past 10 years since World War II we have experienced unprecedented growth, calling for tremendous amounts of new capital. During this decade we have witnessed the greatest physical expansion in the history of our industry. We have sought not merely to meet the actual day-to-day and year-to-year electric power requirements, but to anticipate increased future requirements. We have sought to provide, and have provided, an increasing margin of reserve generating capacity over peak demands. This margin had increased from a low of 6.1% at the end of 1947 to approximately 21% at the end of 1954. Comparable gains have been made in the construction of transmission and distribution facilities.

This growth was made possible not only by the industry's accurate evaluation of the job to be done and the efficiency and boldness of its planning, but also by the cooperation of your group and the American investors who provided the necessary capital. You have always met the challenge no matter how great our requirements have been.

*An address by Mr. Branch before the 44th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 30, 1955.

Growth of Electric Utilities

At the end of 1945 the capitalization of the electric industry stood at $13,342,000,000. Nine years later, at the end of 1954, the figure had grown to $26,736,000,000, or twice as large.

Actual construction expenditures were even higher, since new capital provided only 64% of the funds required and the other 36% came from internal sources.

Long-range estimates of the growth of the electric industry indicate that we will continue to double in size every 10 years. Total electric generating capacity in our country, including government plants, is now about 115 million kilowatts. It is estimated that by 1965, our generating capacity will be about 215 million kilowatts and, by 1975, about 400 million kilowatts.

Our energy sales are expected to reach 850 billion kilowatt hours by 1965.

These figures, as fantastic as they may seem, are believed by many to be on the conservative side. For example, "Electrical World," in a survey published last Sept. 19, estimated that our installed capacity in 1965 will be 232 million kilowatts and that electric power consumption will have grown by 1965 to a trillion kilowatt hours.

It is staggering, indeed, to contemplate that when our industry reaches those astronomical figures in 1965, we will still go on to double again in another 10 years.

This forecasts a continuing need for new capital which we must call upon you and your associates to supply.

Each year for the past seven years, 1948 through 1954, new issues of electric utility securities have exceeded $1¼ billion. In three of the seven years, the new issues exceeded $1½ billion.

On the basis of estimated expansion, our construction expenditures over the next 10 years should average above $3 billion a year, ranging upward from the current rate of something over $2½ billion to about $4 billion a year by the end of the period.

However, you will be interested in knowing that, despite this expected plant expansion, our requirements for new capital are not likely to increase proportionately during the next few years since accelerated amortization and accelerated depreciation, under present tax laws, will increase the generation of internal cash. This should reduce the proportion of construction funds to be raised through new security issues to something less than the 64% figure previously referred to. In my own company, for example (and our past experience has closely followed the national pattern), we anticipate we will need to go to the securities markets for something less than 60% of our construction funds during the next three years. This should be good news to you and to the investing public since, if this trend is followed by the industry as a whole, we should be able to maintain present capitalization ratios with less dilution of existing common stocks and with growing market strength for those issues.

What Electric Utilities Offer Investor

From the standpoint of the investor, our industry offers a stability of income which I believe will be enhanced by two significant trends of recent years:

(1) Our residential consumption, which is least affected by business cycles, is tending to increase faster than the other components of our load. In 1945, for example, residential service provided 34.9% of our revenues, but in 1954 it provided 40.1%.

(2) The cost of power is a steadily diminishing element in the total operating expenses of American industrial plants. For the average industry the price of purchased power represents only 0.6% of the value of the finished products. While industrial wages, taxes and the cost of raw materials and other services have steadily risen since the end of World War II, electric power bills have remained relatively stable. This means that in the event of industrial cut-backs or retrenchment, there will be less tendency to reduce the use of industrial power. In fact, a greater use of electrically-operated machines and automatic devices might be expected to occur during such periods as alert industrialists seek ways to maintain volume and reduce expenses.

It is also a significant fact, I think a remarkable fact, that during ten years of unprecedented growth, from 1945 through 1954, when our industry's capitalization increased by more than $13 billion, or about 100%, we were nevertheless able to preserve the soundness of our financial structures and to increase dividends per share of common stock.

Moody's common stock weighted average of 24 electric companies shows: In 1945 earnings per share were $1.72 and dividends were $1.30. In 1954 earnings per share were $2.94 and dividends, $2.13. The market price of these stocks rose from an average of $26.29 in 1945 to $44.30 in 1954. Capitalization ratios remained fairly constant throughout the period, with an increase of about 4% in long-term debt, a corresponding decrease in preferred stocks, and with common stock equities virtually unchanged.

Thus, the electric companies through the exercise of business prudence and by far-sighted planning, in which they generally had the understanding acquiescence of state and Federal regulatory commissions, were able both to improve dividends and raise sufficient capital to meet the requirements of an unparalleled growth. I think this is a really outstanding achievement and I wonder

Continued on page 56

Underwriters and Distributors of Capital Issues

and Dealers in the Securities of

INDUSTRIAL CORPORATIONS
PUBLIC UTILITIES • RAILROADS
BANKS • INSURANCE COMPANIES
MUTUAL FUNDS
STATES • MUNICIPALITIES • AUTHORITIES
THE CANADIAN GOVERNMENT
PROVINCES • MUNICIPALITIES
FOREIGN GOVERNMENTS

Our Facilities are Available to
INSTITUTIONS • BANKS • CORPORATIONS
INDIVIDUALS • DEALERS

Harriman Ripley & Co.
Incorporated
63 Wall Street, New York 5, N. Y.
BOSTON • PHILADELPHIA • CHICAGO
CLEVELAND • DETROIT • READING

Underwriters and Distributors of

Corporate and Municipal Bonds
Equipment Trust Certificates
Investment Preferred Stocks
Common Stocks

Union Securities Corporation

65 Broadway, New York 6

BOSTON BUFFALO CLEVELAND
HARTFORD PHILADELPHIA SYRACUSE

itized for FRASER
://fraser.stlouisfed.org/

Report of IBA Industrial Securities Committee

Edward Glassmeyer, Chairman of the IBA Industrial Securities Committee, reveals that between Jan. 1, 1953 and June 30, 1955, $3½ billion of new industrial securities have been added to the amount previously outstanding, thus contributing to increased trading activity and more active markets in this category of investments. Points out profits of almost all groups of industrial companies have reached an all-time high, and expenditure of new plant and equipment is still near a record level, and only 6% below the peak year of 1953.

Edward Glassmeyer, Vice-President of Blyth & Co., Inc., New York City, in his capacity as Chairman of the Industrial Securities Committee of the Investment Bankers of America, released the 1955 report of the Committee at the 44th Annual Convention of the Association held at Hollywood, Fla., from Nov. 28 to Dec. 2.

The text of the Report follows:

For the purpose of this report the term "industrial corporations" includes all manufacturing companies in the United States but excludes all mining, transportation, communication, financial and real estate companies.

Edward Glassmeyer

Security offerings of industrial corporations for the first eight months of 1955 were substantially higher than for the corresponding period in 1954. Table I sets forth the division of gross proceeds among Bonds, Preferred Stock and Common Stock.

Approximately 45% of the net proceeds received by industrial corporations were applied to expansion of plant and equipment and approximately 25% were additions to working capital. It is interesting to note that only 18% of the total net proceeds were used to retire other securities. Table II sets forth the division of net proceeds as to use.

The volume of securities placed privately for the first eight months of 1955 amounted to approximately $2.2 billion which was only slightly under the corresponding figure for the same period of 1954. The total volume of private placements accounted for approximately 37% of total corporate offerings and public offerings accounted for the balance of 63%. Thus, private placements continue to account for a high percentage of corporate new issues.

Because of the large volume of new issues in recent years, it is estimated that there has been added approximately $3½ billion of new industrial securities since Jan. 1, 1953 to June 30, 1955, to the total amount of industrial securities outstanding. The effect of this additional amount upon the investment banking industry is profound, contributing to increased trading activity and more active markets.

Table III sets this forth in more detail.

Sales and profits after taxes for industrial companies reached an all-time high during the second quarter of 1955 reflecting the high level of construction activity, steel production, and auto production. First half year earnings after taxes amounted to $7.2 billion, an increase of 31% over the comparable 1954 period. It is interesting to observe that the annual rate of return after taxes on stockholders equity amounted to 13.0% in the second quarter of 1955 and compares with 11.4% for the previous quarter. Profits after taxes per dollar of sales for the second quarter of 1955 were 5.5 cents, the highest rate since early in 1951.

Table IV breaks down by industrial groups the sales and profits after taxes of industrial corporations.

The volume of past and future financing is truly related to the decisions of management to spend amounts for additional plant and equipment. In 1955 it is estimated that industrial companies will spend $11.2 billion for plant and equipment, slightly more than in 1954 and 6% below the peak year of 1953.

Expenditures for 1955, including anticipations for the second half of the year, are compared with outlays for 1954 in Table V.

In 1955, the iron and steel industries will expend approximately 15% more than in 1954. Non-electrical machinery firms are planning outlays 14% above last year while the stone, clay and glass industry is expecting to make record outlays 28% above last year. The automobile industry will spend approximately the same amount as that of the record rate in 1954. Non-ferrous metals industries expect somewhat lower outlays this year.

In the non-durable goods group, the food, textile, paper and rubber companies have stepped up their programs of expenditures over the estimate they had made earlier this year while the chemical and petroleum industries have revised their estimate downwards.

Table VI sets forth corporation expenditures on new plant and equipment by industry groups.

Although a discussion of corporate pension funds is not a precise function of this committee, nonetheless the recent trends in pension fund growth have a tremendous bearing on all securities in general, the flow of capital and markets for securities. At the end of 1954 corporate pension funds administered by banks and companies directly but excluding those administered by insurance companies, were estimated to hold $11.2 billion of assets. If this amount were projected at the average rate of growth over the past three years, by the end of 1955 pension fund assets would exceed $12½ billion. The increase in pension fund holdings of corporate securities was practically equivalent to the net increase in assets of pension funds from 1951 to 1954. Thus, most of the growth in pension funds during the last three years went into corporate stocks and bonds. Holdings of corporate bonds more than doubled, increasing by $3 billion while common stock holdings at the end of 1954 were three times the holdings at the end of 1951, reflecting a rise of $1.4 billion. It is interesting to note that government bond holdings showed little change during the three year period.

At the end of 1954, pension funds held $6 billion of corporate bonds, $2.1 billion of common stock and $2 billion of government bonds. It should be noted that common stock is carried on the books at cost which currently understates actual market value. The remaining assets were accounted for by $280 million of

TABLE I

(000's omitted)

	Jan.-Aug. 1955	Jan.-Aug. 1954	Years 1954	Years 1953
Bonds	$1,489,572	$1,242,792	$1,876,604	$2,003,756
Preferred Stock	83,791	167,059	227,854	80,788
Common Stock	658,288	126,479	163,582	168,987
Total	$2,231,651	$1,536,330	$2,268,040	$2,253,531

TABLE II

(000's omitted)

	Jan.-Aug. 1955	Jan.-Aug. 1954	Years 1954	Years 1953
Plant and Equipment	$989,381	$790,566	$1,009,494	$1,324,675
Working Capital	558,534	522,813	829,413	590,178
New Money	$1,547,915	$1,313,379	$1,838,907	$1,914,853
Retirements of Securs.	396,400	77,435	189,537	90,115
Other Purposes	242,631	120,918	205,571	212,753
Total	$2,186,946	$1,511,732	$2,234,016	$2,217,721

TABLE III*

	April-June 1955	Jan.-March 1955	Oct.-Dec. 1954	July-Sept. 1954	April-June 1954	Annual Data 1954	Annual Data 1953
New Issues	$989	$982	$739	$841	$598	$2,797	$1,887
Retirements	656	437	536	353	221	1,319	660
Net Change	$333	$545	$203	$488	$377	$1,478	$1,227

*The above figures have been computed on a basis different from the figures set forth in table II and, therefore, will not agree. The figures in table II exclude securities sold privately to foreigners and securities sold to the public by companies affiliated with the issuer.

Investment Bonds and Stocks

THE FIRST BOSTON CORPORATION

Securities of the United States Government and its Instrumentalities

State, Municipal and Revenue Securities

Bonds, Preferred and Common Stocks of Industrial, Public Utility and Railroad Corporations

Bank and Insurance Company Stocks

Bankers' Acceptances

Securities of the International Bank for Reconstruction and Development

Canadian Bonds • Foreign Dollar Bonds

Underwriter • Distributor • Dealer

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA CLEVELAND SAN FRANCISCO

GRANBERY, MARACHE & CO.

Members New York Stock Exchange and Other Exchanges

Underwriters and Distributors of Corporate and Municipal Securities

NEW YORK PHILADELPHIA

Digitized for FRASER
http://fraser.stlouisfed.org/

cash, $420 million preferred stock and $440 million of miscellaneous assets. It is interesting to note the trend of purchases and sales of common stock by pension funds, as set forth in Table VII.

It can be seen from the data in Table VII that the corporate pension fund plays a vital part in the absorption of outstanding and new security issues.

Table VIII shows the distribution of assets of corporate pension funds for each of the past four years and type of holdings.

One of the questions asked of investment bankers recently relates to the effect Federal Reserve credit restraint policies have had upon the volume of security emissions.

In the opinion of this Committee these policies have had some success in their objectives — the slowing down of a too rapid expansion of credit—designed to safeguard the economic health and stability of the economy. However, in some credit areas the borrowing totals continue to mount, prompting the decision of the Federal Reserve Board on Nov. 17th to increase the discount rate for the fourth time this year to 2½%, the highest point since the early 1930's.

Although these policies have resulted in increasing the cost of borrowed money and despite the violent fluctuations in the stock market since September, we do not know of any instance where plans for the issuance of industrial securities of any type have been deferred or abandoned.

We believe, therefore, that while credit restraint has partly accomplished its objective in some credit areas, it has not interfered with the issuance or reduced the volume of new industrial securities to provide funds for the enormous plant and equipment and working capital expenditures discussed in the foregoing sections.

It is the conclusion of this Committee that the outlook for emissions of new industrial securities in 1956 is an optimistic one. From the announced and anticipated plans for capital spending and security offerings for next year it can be predicted with fair accuracy that the market for new industrial securities will continue well through 1956 at or greater that the active pace of 1955.

Approximately all of the basic material and statistics set forth in this report were derived from various reports published by the Securities and Exchange Commission.

Respectfully submitted,

INDUSTRIAL SECURITIES COMMITTEE

Edward Glassmeyer, Chairman
Blyth & Co., Inc.
New York

John D. Baker, Jr.
Reynolds & Co.
New York

Edward F. Beatty
W. H. Newbold's Son & Co.
Philadelphia

Thomas Beckett
First Southwest Company
Dallas

Henry J. Blackford, Jr.
A. M. Law & Company, Inc.
Spartanburg

Joshua A. Davis
Blair & Co. Incorporated
New York

P. Fred Fox
P. Fred Fox & Co.
New York

David J. Harris
Fairman, Harris & Company, Inc., Chicago

Herman B. Joseph
Joseph, Mellen & Miller, Inc.
Cleveland

Gilbert W. Kahn
Kuhn, Loeb & Co
New York

Samuel N. Kirkland
Jenks, Kirkland & Grubbs
Philadelphia

Mayburn F. Landgraf
Indianapolis Bond and Share Corporation, Indianapolis

John C. Maxwell
Tucker, Anthony & Co.
New York

Frank B. Reid
Fulton, Reid & Co.
Cleveland

Edward H. Robinson
Schwabacher & Co.
New York

Julian A. Space, Jr.
Johnson, Lane, Space and Co., Inc., Savannah

Claude F. Turben
Merrill, Turben & Co.
Cleveland

George H. Walker, Jr.
G. H. Walker & Co.
New York

LeRoy A. Wilbur
Stein Bros. & Boyce
Baltimore

Walter W. Wilson
Morgan Stanley & Co.
New York

William M. Witter
Dean Witter & Co.
Chicago

Paul Wooloomes
Wulff, Hansen & Co.
San Francisco

TABLE VII
(Millions of dollars)

	1951	1952	1953	1954
Purchases of common stock	$281	$357	$429	$663
Sales of common stock	24	29	51	124
Net purchases	$257	$328	$378	$539

TABLE VIII
(Millions of dollars)

	1951	1952	1953	1954
Cash and deposits	$279	$256	$299	$280
U. S. Government securities	1,975	1,949	2,040	2,001
Corporate bonds	2,953	3,931	4,928	6,020
Preferred stock	247	305	367	420
Common stock	718	1,085	1,490	2,085
Own company	215	257	292	321
Other companies	503	828	1,198	1,764
Other assets	184	253	355	444
Total assets	$6,356	$7,779	$9,479	$11,250

TABLE IV
First Half Year 1954 and 1955
(Amounts in millions of dollars)

INDUSTRY GROUP	Sales —Half Year— 1954	Sales —Half Year— 1955	Sales Percent Change	Profits After Taxes —Half Year— 1954	Profits After Taxes —Half Year— 1955	Profits After Taxes Percent Change
Food	$20,916	$21,414	+ 2	$408	$456	+12
Tobacco	1,778	1,835	+ 3	72	82	+14
Textile mill products	5,618	6,548	+17	48	166	+246
Apparel & fin. textiles	3,233	3,322	+ 3	30	38	+27
Lumber & wood prods.	2,195	2,486	+13	56	146	+161
Furniture & fixtures	1,508	1,766	+17	24	37	+54
Paper & allied products	4,108	4,632	+13	236	284	+20
Printing & publishing	2,660	2,795	+ 5	102	110	+ 8
Chemicals	8,765	9,901	+13	585	777	+33
Petroleum Refineries	10,417	11,035	+ 6	1,063	1,141	+ 7
Prods. of petrol. & coal	374	416	+11	11	18	+64
Rubber	2,442	2,921	+20	100	125	+25
Leather	1,339	1,493	+12	21	34	+62
Stone, Clay and glass	2,931	3,470	+18	203	303	+49
Primary nonferr. metals	3,388	4,104	+21	220	341	+55
Primary iron & steel	7,077	8,669	+22	352	607	+72
Fabricated metal	6,117	6,686	+ 9	200	243	+22
Machinery (excl. elec.)	10,202	10,352	+ 1	482	522	+ 8
Electrical machinery	7,522	7,598	+ 1	235	340	+ 1
*Transportation equipt.	5,508	5,725	+ 4	200	217	+ 8
Motor vehicles & parts	11,383	14,537	+23	631	1,079	+71
Instruments, etc.	1,855	1,703	— 8	92	93	+ 4
Miscellaneous	2,129	2,203	+ 3	49	54	+10
All	$123,472	$135,602	+10	$5,517	$7,216	+31

*Excluding auto.

TABLE V

	1954	1955	% Change
Durable goods industries	$5,038,000,000	$5,365,000,000	+5
Nondurable goods industries	5,948,000,000	5,828,000,000	—2
Total	$11,038,000,000	$11,193,000,000	+1

TABLE VI
Expenditures of New Plant and Equipment by U. S. Industrial Concerns 1953-1955
(Millions of dollars)

	1953	1954	1955	1954 Jan.-March	1954 April-June	1954 July-Sept.	1954 Oct.-Dec.	1955 Jan.-March	1955 April-June	1955 †July-Sept.	1955 †Oct.-Dec.
Durable goods industries	$5,618	$5,091	$5,365	$1,201	$1,309	$1,207	$1,373	$1,063	$1,278	$1,472	$1,552
Primary iron and steel	1,210	754	871	190	200	169	195	154	211	248	257
Primary nonferrous metals	412	246	225	69	69	53	55	41	45	66	74
Electrical machy. & equip.	475	439	449	95	110	102	132	89	102	115	144
Machinery except elec.	797	694	788	160	171	165	198	158	188	214	228
*Transportation equipment	1,169	1,486	1,425	321	402	383	379	272	321	402	430
Stone, clay & glass prods.	346	361	461	78	88	80	115	88	106	125	142
†Other durable goods	1,239	1,110	1,147	288	269	255	298	260	306	303	278
Nondurable goods industries	6,260	5,948	5,828	1,368	1,550	1,438	1,592	1,186	1,517	1,603	1,522
Food and beverages	812	765	706	197	204	184	180	170	196	179	162
Textile mill products	378	331	331	81	88	75	86	77	92	81	80
Paper & allied products	409	455	492	104	117	111	124	92	120	147	132
Chemicals & allied prods.	1,428	1,130	1,032	309	292	252	277	231	230	284	287
Petroleum & coal products	2,668	2,684	2,713	530	696	682	776	490	730	766	727
Rubber products	161	131	152	32	35	29	35	30	36	42	44
§Other nondurable goods	404	451	403	115	118	104	114	96	113	104	90
Total	$11,908	$11,038	$11,193	$2,569	$2,859	$2,645	$2,965	$2,249	$2,795	$3,075	$3,074

*Including motor vehicles. †Estimates based on anticipated capital expenditures as reported by business in late July and August, 1955. †Includes fabricated metal products, lumber products, furniture and fixtures, instruments, ordnance and miscellaneous manufactures. §Includes apparel and related products, tobacco, leather and leather products, and printing and publishing.

Underwriters — Distributors
Dealers

PUBLIC UTILITY, RAILROAD
INDUSTRIAL and MUNICIPAL
SECURITIES

W. C. Langley & Co.
Members New York Stock Exchange
115 Broadway New York 6, N. Y.
Tel. BArclay 7-8800

UNDERWRITERS

DEALERS • BROKERS

Established 1868

•

Spencer Trask & Co.
25 BROAD STREET, NEW YORK 4, N. Y.
Members
New York Stock Exchange *American Stock Exchange*

ALBANY BOSTON CHICAGO GLENS FALLS
NASHVILLE SCHENECTADY WORCESTER

Digitized for FRASER
http://fraser.stlouisfed.org/

Report of IBA Railroad Securities Committee

Charles L. Bergmann, partner of R. W. Pressprich & Co., New York, as Chairman, submitted the Annual Report of the Railroad Securities Committee to the 44th Annual Convention of the Investment Bankers Association of America, held at Hollywood, Fla., Nov. 27-Dec. 2, 1955.

The text of the Report follows:

IBA Railroad Securities Committee, under chairmanship of Charles L. Bergmann, reports to 44th Annual Convention of the Association that, taking into consideration both the overstatement of railroad earnings and the reduced purchasing power of the dollar, it is difficult to justify the view that the railroad industry as a whole is doing "very well." Points out in 1955 only about $33 million of new money was raised by the railroads by sale of long-term bonds.

Charles L. Bergmann

For 1955 it is estimated that the nation's Class I railroads will report $900 million of net income. In only three other years — 1929, 1942 and 1953 —has the industry shown such a high level of net. However, the apparently near - record earnings are not so impressive when properly analyzed. First, the purchasing power of the 1955 and 1953 net income dollars is 43% less than the net income dollars of 1942 and almost 50% less than the 1929 dollars. Secondly, railroad earnings since 1952 have been overstated from 13% to 28% because of the manner in which ICC accounting regulations require the treatment of accelerated amortization on facilities acquired under certificates of necessity. The 1955 earnings may be inflated because of these accounting regulations by 25%.

In the last four and one-half years (Jan. 1, 1951-June 30, 1955) the Defense Transport Administration has certified, for emergency defense purposes, railroad facilities costing $4.7 billion of which about $3 billion is being amortized for tax purposes over a 60-month period, i.e., write-offs at the rate of 20% a year, compared with normal depreciation rates of 3% to 4%. The accelerated amortization rate, over and above the normal depreciation rate, is not included in the operating expenses of the carriers, but the resulting lower income tax payments are included. In 1953, such tax deferments amounted to $146 million, in 1954 to $149 million, and it is estimated that in 1955 the figure will be about $182 million.

Both the current inflation in the railroad income accounts and the potential deflation when the deferred taxes have to be paid are a source of concern to analysts, investors, and railroad managements. This committee has referred to this matter in each of its annual reports since 1952, but it cannot predict whether the ICC accounting regulations will be changed to provide for more orthodox practices. However, it is significant that a well known accounting firm has petitioned the regulatory body to modify its accounting regulations regarding accelerated amortization.

Taking into consideration both the overstatement of railroad earnings and the lesser purchasing power of the railroad dollar, it is difficult to justify the views expressed by certain groups that the industry as a whole is doing "very well." However, one favorable aspect is that the 50-cent net income dollars provide a substantial cushion for the industry's annual fixed and contingent charges of approximately $425 million.

Gross capital expenditures of Class I roads during 1955 are estimated at $872 million, and are substantially below the $1.1 billion of average annual expenditures over the last 10 years. The lesser amount of capital expenditures this year may be attributed in part to the 1954 decline in earnings and in part to the fact that the huge dieselization program of the postwar period is nearly completed.

As we have noted in previous reports, it has been the practice of the railroads to rely largely on retained earnings, depreciation funds, and working capital for the sums required for their additions and betterments programs. The balance of the required funds has been obtained for the most part, by the issuance of equipment trust certificates and conditional sales obligations. As a result, the amount of railroad financing has been small by comparison with the huge total of all corporate financing undertaken in our capital markets. The volume of equipment trust financing undertaken during 1955 probably will total under $200 million, less than one-half the amount sold in 1948, when the dieselization program was in full swing. However, according to a recent estimate of the AAR the backlog of freight car orders at the year-end may approximate 145,000 indicating a capital outlay over the next two years of $1.2 billion. In view of this, we would anticipate a large amount of equipment financing in 1956 and 1957.

Only about $33 million of new money was raised through the sale of long-term mortgage bonds, but the volume of refundings increased substantially over 1954. Included in the total of refundings is the largest single piece of railroad financing ever undertaken in the history of the railroad industry, namely, the $280 million First and Consolidated Mortgage bonds sold by the Baltimore & Ohio Railroad to refinance all of its underlying mortgage debt. This ambitious piece of financing was undertaken by a nationwide group of investment banking houses. Also during this year several railroad companies have sold income debentures to refund preferred stocks and certain other railroads offered to their preferred stockholders the opportunity to effect a voluntary exchange of their shareholders for income debentures. It is considered likely that these preferred stock-for-bond exchanges will be undertaken by other roads in the future.

One railroad company has just completed arrangements for the issuance of new common shares for offering to its shareholders on a rights basis. This is the first underwritten common stock financing undertaken by a Class I railroad in many years. If successful, as we believe it will be, it should be the forerunner of additional similar efforts.

In spite of the relatively low volume of railroad financing in recent years it should not be inferred that the railroad industry is not potentially a seeker of a large volume of new money. Estimates by responsible spokesmen for the industry suggest that the industry should spend from $10-$20 billion over the next 10 years in order to keep pace with the needs of our country for an adequate transportation system. Such sums seem huge for the railroads but shrink to small size by comparison with the much publicized $100 billion highway improvement program. However, the extent to which such sums can be obtained from our capital markets depends to an important degree on investor confidence in the industry's future. This, in turn, depends on the development of a greater degree of competitive opportunity and assured continuity of earning power for the railroads.

An important recent development was the decision of the ICC to incorporate in the basic rate structure the so-called Ex Parte 175 rate increases which had been granted on a temporary basis in 1952 and extended from time to time thereafter. This has removed one uncertainty regarding the prospective level of railroad gross revenues. On the other hand, the railroads are faced with increased wage demands: A number of settlements have been reached, others are still being negotiated. On the basis of the pattern indicated thus far it is estimated that the railroad wage bill may be $300-$325 million higher in 1956 than in 1955. Railroad managements do not appear to be in agreement on requesting a further rate increase to offset the wage increase and other added expenses but ultimately a petition seeking a 7% rate increase may be filed with the ICC. Such an increase, if granted without an undue time lag, and after allowing for exceptions and possible competitive concessions should offset indicated higher operating expenses.

A recent ICC release indicated that in 1954 the railroads handled less than one-half of the total volume of intercity freight traffic. This compares with about 60% of the total as recently as 1950 and 75% 25 years ago. In the same period the relative proportion handled by motor carriers has increased substantially. In order to recapture some part of the traffic which has been diverted to motor carriers, a number of railroads are promoting aggressively the so-called "piggy-back" service. It is our understanding that today 33 railroads are handling in "piggy-back service" either their own trailers on flat cars, the trailers of common motor carriers, or both. The service is not only being made available by individual railroads but also interchange arrangements between carriers are being worked out. The service is of obvious advantage to the railroads, the truckers, and the public. For the railroads it offers the means whereby an important part of the heretofore lost intercity freight traffic can be quickly recaptured. While the rates on this type of traffic are not as high as the average freight rate the operating costs, particularly terminal expenses, are substantially less. The common car-

We Make Markets

in

Over the Counter Securities

Private Wires to:

Chicago	*Glore, Forgan & Co.*
Cleveland	*Gottron, Russell & Co.*
Dallas	*Dallas Union Securities Company*
Detroit	*Baker, Simonds & Co.*
Hartford	*Coburn and Middlebrook Inc.*
Los Angeles	*Harbison & Henderson*
Philadelphia	*H. A. Riecke & Co. Inc.*
Pittsburgh	*Arthurs, Lestrange & Co.*
St. Louis	*Fusz-Schmelzle & Co.*

TROSTER, SINGER & CO.

Members: New York Security Dealers Association

74 TRINITY PLACE NEW YORK 6, N. Y.

Telephone HAnover 2-2400 Teletype NY 1-376; 377; 378

BLAIR & CO.

INCORPORATED

Business continuous since 1890

Underwriters and Distributors of Municipal, Utility, Industrial and Railroad Securities . Equipment Trust Certificates

Bank and Insurance Stock Department

44 Wall Street, New York 5, N. Y.

Telephone DIgby 4-4000 Teletype NY 1-1109

Private Wire System Connecting

New York Boston Philadelphia Chicago
Albany Buffalo Detroit Flint Grand Rapids
Kansas City Los Angeles Rochester San Francisco Toronto

itized for FRASER
://fraser.stlouisfed.org/

rier trucker utilizing this service saves wear and tear on his equipment, reduces such operating expenses as fuel, wages, highway-use taxes, et cetera, and in addition can provide a more reliable all-weather service. The public gains the advantage of a more reliable service and some relief from highway congestion.

In discussing the current status of the railroad industry stress should be laid on the high calibre of many present day managements. The adoption of budget controls and the businesslike approach to the relationship between revenues and expenditures has been reassuring to investors. Public and employee relations are being improved by comprehensive educational programs. Many managements, although thoroughly aware of the handicaps under which they labor because of outmoded regulation and transportation policies are aggressively seeking to bring about a betterment of their situation.

In spite of the forward strides of railroad management in recent years there are still many problems which require their attention. In certain instances these may require the subordination of purely selfish attitudes for the common good of the industry. In our report for 1951 we made the following comment: "Carriers in some regions are less prosperous than others elsewhere for reasons largely outside their control. The improving service which shippers and travelers demand and deserve depends in large measure on the financial capacity of carriers to improve their plants. This is a national and not a regional problem. If there is a weak link in the chain it redounds to the discredit of the entire industry. Managers of the more prosperous companies in one region should not view with detachment the problems of the less prosperous companies in another region. Rather it should be viewed as a problem to be solved by mutual effort. It may well be necessary to promote consolidations, coordination of duplicate services, overhauling of rate division practices, and special compensation for the more costly elements of service, such as terminal expense." These comments are as valid today as when originally made.

Earlier in this report we referred to the need for a greater degree of investor confidence in the future of the railroads and suggested that this depended on providing the industry with a greater degree of competitive opportunity and continuity of earning power. Both of these objectives are difficult to achieve under the twin handicaps of an outmoded regulatory philosophy and the absence of a sound national transportation policy. During recent years these problems have been the subject of intensive study by a number of public and private groups. The most recent of these was undertaken at the direction of President Eisenhower by members of his cabinet. Their findings and recommendations on certain aspects of the problem were released earlier this year and have come to be known as the "Cabinet Committee Report."

An excellent summary of the highlights of the report was made by the Transportation Association of America. The following selected quotations from this summary indicate the Cabinet Committee's appraisal of the transportation problem:

"Dynamic changes have taken place in our transport system brought about, to a large extent, by government assistance of various types. Today's traveler and shipper have available to supply their transport needs a wide selection of private and for-hire carriers. This highly competitive transportation system has eliminated the monopoly element which characterized this segment of our economy some 30 years ago.

"Government regulation of transportation has failed to keep pace with this change. In fact, regulation has been intensified despite the fact that competition has become widespread. As a result, both common carriers and the public have suffered, with the latter losing billions of dollars a year. Prompt and decisive corrective action is needed.

"Our modern, mass-production economy requires a dynamic, efficient transportation system that is dependable and which can operate at the lowest cost in the use of manpower and other scarce resources. In this role the common carriers are indispensable.

"Yet these carriers are not permitted to utilize their facilities to maximum effectiveness because of the tight rein imposed on them by government policy. Different carriers, such as railroads and trucks, while highly competitive, have economic characteristics that are virtually opposite. These carriers should have greater freedom to adapt their services in line with their economic advantages.

"When considering ways to keep our common-carrier system strong, we must recognize that these carriers are faced with large and growing competition by exempt for-hire carriers not burdened with similar public responsibilities.

"Defense needs must also be considered in any national transport policy, and common carriers must assume the major share of this burden. Unfortunately, there is no reserve of idle capacity such as existed at the beginning of World War II. Furthermore, present policy tends to weaken the financial position of those carriers on which we must place major reliance in the event of war."

The Cabinet Committee makes a number of specific recommendations. The first is for a revised statement of national transportation policy to supplant the present declaration in the Interstate Commerce Act. The other recommendations break down into three general classifications: (1) Ways of implementing the general objective of increased reliance on competitive forces in rate-making; (2) Ways of implementing the general objective of creating a modernized and financially strong common - carrier transportation system; and (3) The problem of special government rates.

Even before the report was officially released it was being branded by certain interests as a pro-railroad report. Since its release strong opposition to its recommendations has developed, notably from the American Trucking Association representing all types of motor carriers, representatives of waterway carriers and some shipper groups. The objections of the competing forms of transportation seem to be based on a fear of free competitive opportunity for the shippers' business. It is contended that this will lead to rate wars and ultimate destruction of certain forms of transportation. Actually, under the safeguards suggested in the report such fears seem unfounded and far fetched. Rather, it would appear as if the presently sheltered forms of transportation want to preserve the umbrella over their competitive head. The shipper groups who have voiced apprehension over the Committee recommendations apparently are fearful of rate discrimination against the movement of commodities in which they are interested. Here again the report would seem to have provided the necessary safeguards.

Your Railroad Securities Committee is of the opinion that the Cabinet Committee report is a pro-consumer report rather than a pro-railroad report. The end beneficiary will be the public which will have lower cost transportation made available. The report fails as a pro-railroad report because it does not deal with two of the most pressing problems which plague the railroads in their competitive effort to obtain traffic. One is the so-called "transportation tax" which is applicable to transportation charges for services rendered by common carriers but not assessable against private transportation. The second is the various forms of subsidies which exist for the advantage of certain types of transportation but not for all.

The report recognizes the effect of public aid programs and other subsidies but offers no real solution. To ask the railroads to compete for the shippers' business against these disadvantages may be likened to sending two boxers into a prize ring but asking one to fight with one hand tied behind his back. On the other hand, if the railroads can effectively compete for traffic in spite of the obvious handicaps it will certainly point up their inherent advantage as the most economical form of mass land transportation. For the good of the nation they should be given the opportunity to demonstrate to the fullest their ability to serve well. Thus, while we do not fully approve of the Cabinet Committee Report we feel it is a step in the right direction and urge that implementing legislation be enacted to accomplish the objectives.

As we have said so many times before, it is time for action rather than words.

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

Charles L. Bergmann, Chairman
R. W. Pressprich & Co.
New York

Ernest W. Borkland, Jr.
Tucker, Anthony & Co.
New York

Harold F. Carter
Hornblower & Weeks
Philadelphia

O. Paul Decker
American National Bank and Trust Co. of Chicago, Chicago

Charles L. Hewitt
Francis I. du Pont & Co.
New York

V. Theodore Low
Bear, Stearns & Co.,
New York

Samuel B. Payne
Morgan Stanley & Co.
New York

George E. Richardson
Vilas & Hickey, New York

Alfred J. Ross
Dick & Merle-Smith
New York

Samuel L. Varnedoe
Varnedoe, Chisholm & Co., Inc., Savannah

James D. Winsor, III
Yarnall, Biddle & Co.
Philadelphia

Wendell W. Witter
Dean Witter & Co.,
San Francisco

Reynolds & Co.

MAIN OFFICE: 120 Broadway, New York 5, N. Y.

- Underwriters and Distributors of Corporate Securities
- Underwriters and Distributors of State, Municipal and Revenue Bonds
- Primary Markets in Many Unlisted Securities
- Brokers in Securities and Commodities
- Investment Advisory Service
- Members New York Stock Exchange, American Stock Exchange, and Other Principal Exchanges

Offices in:
NEW YORK
BROOKLYN
ROCHESTER
SYRACUSE
PHILADELPHIA
ALLENTOWN
LANCASTER
SCRANTON
YORK
ATLANTIC CITY
EAST ORANGE
MORRISTOWN
VINELAND
WINSTON-SALEM
DURHAM
RALEIGH
SALISBURY
CHICAGO
CHICAGO HEIGHTS
MINNEAPOLIS
SAN FRANCISCO
BERKELEY
CARMEL
OAKLAND
SACRAMENTO
SALINAS
SAN MATEO
SANTA CRUZ
SANTA ROSA
STOCKTON

Correspondents in:
ALEXANDRIA
BUFFALO
DENVER
DETROIT
DES MOINES
INDIANAPOLIS
KANSAS CITY
LINCOLN
OMAHA
PITTSBURGH
ST. LOUIS
SIOUX CITY
TORONTO

gitized for FRASER
p://fraser.stlouisfed.org/

Report of IBA Governmental Securities Committee

Chairman Herbert N. Repp discusses the measures of credit restraint adopted during past year and the impact of these measures on Federal securities and Federal debt management. Concludes flexible monetary and credit policies contribute immeasurably to the continuance of a sound economy.

On Nov. 29, at the 44th Annual Convention of the Investment Bankers Association held at Hollywood, Fla., Herbert N. Repp, President of the Discount Corporation of New York, and Chairman of the Governmental Securities Committee, released the report of the committee, covering activities in its field during the past year.

Herbert N. Repp

The text of the Report follows:

The past year in the Governmental securities market has been notable for its contrast with the year before. In 1954 the policies of the Federal Reserve System and the Treasury were aimed at countering a business recession. In 1955 these agencies and others have cooperated in restraining the inflationary aspects of over-optimism in the economy and an excessive use of credit.

At our meeting here last year we described the policy of "active ease" followed during 1954 by the Federal Reserve. The arithmetical measure of this policy — the thermometer reading if you will — was the substantial volume of free reserves in the banking system when measured over a period of many weeks. We suggested that any persistent deviation in this indicator would be evidence of a change in the direction of monetary policy.

During much of 1954 free reserves averaged more than $600 million, assuring ample funds for the expansion of bank loans and investments. The result was strength in the bond market. At the same time we pointed out that a sustained uptrend in business indices might lead to a reversal of policy.

Shortly after this, when it became apparent that business no longer needed the stimulus of very easy money, there was a perceptible change in Federal Reserve policy. The volume of free reserves in the banking system was allowed to fall until by last summer they had entered the below zero level. This minus figure is now often referred to as "negative free reserves" or "net borrowed reserves"—that is, the difference between excess reserves and member bank borrowings at the Reserve Banks. These net borrowed reserves have increased until in recent weeks they have reached nearly $600 million—that is $600 million below zero.

This persistent program of reducing the availability of bank credit has had substantial effect on investment yields. The rate of return on long-term Treasury bonds has risen about 30 basis points, with AAA municipal bonds showing nearly as much change. The yield on high-grade corporate bonds has risen but to a lesser degree, which has minimized the loss taken by some investors in raising funds for other purposes. The yield on Treasury Bills, the most sensitive instrument in the investment field, has more than doubled.

The Federal Reserve brought about these changes by reducing or limiting Reserve credit at a time when the demand for such credit was increasing. The mechanism was the sale or maturity of part of its portfolio of Treasury Bills. At the same time, the Reserve System and certain of the Government agencies resorted to various further actions in an effort to head off excessive — and possibly speculative—expansion of credit.

In **January**, margin requirements were raised.

In **February**, the Treasury offered, through a refunding, a long-term 3% bond to compete mildly with private capital demands.

In **April**, margin requirements were raised again. The discount rate was increased to 1¾%. The Veterans Administration eliminated "no-no-down payment" mortgages — loans against which veterans did not even pay closing costs in cash.

In **July**, the Treasury re-opened for cash the long-term 3% bonds offered in February.

In **August**, the discount rate was raised from 1¾% to 2¼% by one Federal Reserve Bank and from 1¾% to 2% by all others. During the next few weeks a 2¼% rate became uniformly effective.

In **September**, the Federal Home Loan Banks moved to restrict new loans by savings and loan associations.

In **November**, the discount rate was raised for the fourth time, to 2½%.

The sudden illness of the President in late September and the ensuing stock market break created uncertainty as to the business future. This resulted in the credit authorities following a plan of watchful waiting for some weeks, during which the average level of "negative free reserves" showed very little fluctuation.

Nothing was done, however, to indicate a reversal of policy. Nevertheless, in the market place the relief from additional restraint caused some rise in the price of medium- and long-term bonds. The approach of 1956 also stimulated buying of bonds, in the popular belief that for political purposes money would be eased by the Federal Reserve early next year.

In recent weeks the authorities permitted strong seasonal influences to increase "negative free reserves" further and once again raised the discount rate with the aim of restoring the atmosphere of restraint that was almost lost during the October pause.

This action of the Federal Reserve System should dispel any expectation of easier money on the basis of an election. It is the opinion of your Committee that, restraint or no restraint, money market decisions most definitely will be made outside of political considerations. It seems safer to assume that each move, regardless of its popularity, will be based solely upon the System's judgment of the health of general business. Sound prosperity is the only goal toward which the System is working. It would be better, possibly, to forget politics and instead to watch the Board's really tangible actions—for example, the thermometer level at which "negative free reserves" and the actual level of discounts are being maintained. The pace of credit expansion, including consumer credit, and the story told by current business statistics, speak louder than the guesses of the market place.

Another observation on this point is that over the past several years there has developed a closer coordination of thinking and freer exchange of views among those in Government responsible for economic policy. This closer relationship should not be interpreted, however, as reflecting any change in the independence of the Federal Reserve System. Rather, the correlation of policies has come about as the result of a much more orthodox approach to economic and debt management problems by the Treasury, the Reserve Board, and the Council of Economic Advisors, each working independently.

What have been the effects of restraint during the year? For borrowers money has been available but somewhat harder to find and more expensive. Lower prices for bonds have meant that a lender must consider the loss to be taken in selling them to obtain funds to lend for other purposes. In the construction industry, where speculative symptoms appeared, there is less exuberance, and housing starts are expected to decline moderately in 1956. Consumer credit is still rising at a rapid clip but some

DICK & MERLE-SMITH

Underwriters & Distributors

State & Municipal Bonds and Corporate Bonds & Stocks

Continuing the security business of ROOSEVELT & SON founded 1797

48 Wall Street, New York 5, N. Y.

W. H. MORTON & Co.

INCORPORATED

Suite 3811, 20 Exchange Place, New York 5, N. Y.

HAnover 2-5620

Underwriters — Dealers

STATE AND MUNICIPAL BONDS

Complete Underwriting and Distribution Facilities for

Registered Offerings — Secondaries

Private Placements — Special Offerings

HORNBLOWER & WEEKS

Established 1888

BOSTON • NEW YORK • CHICAGO • DETROIT • CLEVELAND
PHILADELPHIA • PROVIDENCE • PORTLAND • BANGOR • PEORIA
ROCKFORD • CHARLOTTE • WORCESTER • DALLAS • MEMPHIS

LAIDLAW & Co.

Founded 1842

25 Broad Street, New York 4, N. Y.

BANKERS • BROKERS
DEALERS IN
MUNICIPAL SECURITIES

MEMBERS

New York Stock Exchange — *Boston Stock Exchange*
American Stock Exchange — *Midwest Stock Exchange*
Canadian Stock Exchange — *New York State Bankers Assn.*
American Bankers Association — *Investment Bankers Association*

Boston, Mass. • Bloomfield, N. J. • Princeton, N. J. • Montreal, Que.
Washington, D. C. • Oil City, Pa. • Toronto, Ont.

For Banks, Brokers and Dealers

FOREIGN SECURITIES

MODEL, ROLAND & STONE

Members New York Stock Exchange

120 BROADWAY — WORTH 4-5300
NEW YORK 5, N. Y. — TELETYPE NY 1-2525

LONDON: NORTHGATE HOUSE,
20-24 MOOREGATE, LONDON, E. C. 2.

Private Teletype to London, England

itized for FRASER
://fraser.stlouisfed.org/

marginal borrowing may have been deterred. Municipalities have become more cost conscious in planning new borrowing. In August, a threatened bunching of new issues was avoided either through cancellation or postponement of certain offerings.

Under the pressures imposed by the demand for funds and the restrictive effect of official policy, there has been a dramatic change in ownership of Government securities. During the current year the weekly reporting banks have reduced their portfolios by $7 billion and the Reserve System by $1 billion. At the same time the public debt has risen by $1 billion. At least $9 billion of Government securities, therefore, have found their way into the hands of non-bank investors. Largely because of this shift, expansion of the money supply has been contained within reasonable bounds even through bank loans were rapidly increasing.

Much of the demand for Government securities has been from non-financial corporations. With high profits, large tax accruals, and rapid amortization of plant and equipment, business concerns have been heavy buyers, chiefly of short maturities, where the increase in rate made it attractive. Additional buying of short-term securities also resulted from the temporary investment of cash raised through capital issues.

Non-bank buying at times has been strong enough to bring substantial rallies in the Treasury market, leading to questions as to whether credit policy had changed. But the fact seems to be that economic conditions have produced a group of non-bank lenders with sufficient funds to mask at times the degree of tightness of money in the banking system. One of the real accomplishments of monetary policy this year has been that the longer-term capital markets have not become disorganized, even though credit conditions in the banking system have become progressively tighter. It seems clear that the constant investment of pension funds has minimized the decline in price in the longer area, and the practice of warehousing mortgages has undoubtedly contributed to this orderliness by eliminating the necessity for mortgage buyers to sell bonds hastily. The strong stock market has facilitated raising capital by equity financing rather than by debt obligations.

The Treasury in 1955 shaped its financing operations to the restrictions imposed by credit policy and the public debt limit. It continued to extend maturities whenever possible. The most tangible accomplishment in this direction was placement during the year of $2.7 billion of 3% bonds of which $800 million were sold for cash. For the balance of its cash needs the Treasury basically relied on the short-term market. These were met by the issuance of $5 billion of Tax Anticipation Certificates and by increases in Treasury Bill offerings totaling $1.3 billion. In large part, the offerings were taken by the banks in the first instance as underwriters, and subsequently transferred through the market to non-bank purchasers as their funds became available.

Our Committee continues to support the Treasury policy of extending maturities. The experience of this year has demonstrated that it is possible for the Treasury to sell long-term bonds through both a refunding and a cash offering without harmful effects on a strong business picture if the size and timing of offerings are appropriate.

There will be opportunities to sell more long-term bonds and any such offerings might well be made by increasing the still comparatively small issue of outstanding 3s. It is likely that only through the reopening process will a long-term Government issue of representative size be established.

Looking ahead to 1956, the Treasury's financing problem, compared to recent years, is an easier one. This is the result of successful actions over the last three years in consolidating and extending maturities. Marketable issues to be refunded mature mainly in March, August, September and December. Assuming an estimate of the result of the present refunding the total is some $33 billion (excluding Tax Anticipation Certificates and Treasury Bills) nearly half of which is owned by the Reserve System.

The Federal budget for the current fiscal year promises to be in balance, at least on a cash basis. Continued high business activity and employment bolster hopes for balance even in the face of possible tax reduction.

Due largely to the heavy concentration of corporate tax payments under the Mills Plan, debt retirement will again be very substantial in the first half of the calendar year 1956 and tax anticipation borrowing will be required in the second half. This will call for at least another temporary increase in the debt limit, which returns to its statutory figure of $275 billion on June 30 next.

In conclusion, your Committee would like to re-emphasize that 1955, like the previous two years, has been one of marked change in the application of flexible monetary and credit policies. While credit has been getting progressively harder to get and more expensive, it has been, and will continue to be available for all productive purposes. We are learning once again to live with free markets and in so doing are benefiting from the moderating influences these monetary and credit policies have on the health of business. They are contributing immeasurably to the continuance of a sound and vigorous economy.

Respectfully submitted,

THE GOVERNMENTAL SECURITIES COMMITTEE

Herbert N. Repp, Chairman
Discount Corporation of New York, New York

Milton S. Bosley
National Bank of Detroit Detroit

Wendell T. Burns
Northwestern National Bank of Minneapolis, Minneapolis

Dwight W. Chapman
American Trust Company San Francisco

F. Newell Childs
C. F. Childs and Company Chicago

Robert H. Craft
American Securities Corporation, New York

James A. Cranford
The Atlantic National Bank of Jacksonville, Jacksonville

Stewart A. Dunn
C. J. Devine & Co. New York

Robert R. Gilbert, Jr.
First National Bank in Dallas Dallas

W. Wayne Glover
California Bank Los Angeles

Sheldon R. Green
The Chase Manhattan Bank New York

H. Lyman Greer
The Fifth Third Union Trust Co., Cincinnati

Hardin H. Hawes
Harris Trust and Savings Bank, Chicago

Russell A. Kent
Bank of America, N. T. & S. A. San Francisco

George B. Kneass
The Philadelphia National Bank, Philadelphia

Frederick G. Larkin, Jr.
Security-First National Bank of Los Angeles, Los Angeles

Ralph F. Leach
Guaranty Trust Company of New York, New York

Pat G. Morris
The Northern Trust Company Chicago

Robert C. Morris
Bankers Trust Company New York

Emil J. Pattberg, Jr.
The First Boston Corporation New York

Delmont K. Pfeffer
First National City Bank of New York, New York

L. Sumner Pruyne
The First National Bank of Boston, Boston

F. Brian Reuter
Mellon National Bank & Trust Company, Pittsburgh

Rudolf Smutny
Salomon Bros. & Hutzler New York

Resolution Against So-called Bricker Bill

On Nov. 30, the Board of Governors of the Investment Bankers Association of America approved a resolution expressing opposition of the IBA to the so-called Bricker Bill and similar legislation now before Congress which would permit commercial banks to underwrite certain classes of municipal revenue bond issues.

The text of the resolution follows:

"The Board of Governors of the Investment Bankers Association of America has determined to oppose legislation permitting banks which accept deposits to underwrite and deal in revenue bonds as proposed in S.2290 and S.2713. The President of the Association is therefore authorized and directed to designate such person or persons as he thinks appropriate to appear before any Congressional or other hearings on these bills or any like measures and to oppose such measures on behalf of the IBA."

Fahnestock Opens Branch

FT. LAUDERDALE, Fla.—Fahnestock & Co. has opened a branch office at 1750 East Sunrise Boulevard, under the management of Dale W. Teegarden.

Thomson & McKinnon Open Branch in Florida

NAPLES, Fla. — Thomson & McKinnon have opened a branch office at 882 Fifth Avenue under the management of Kenneth A. Wood.

BROKERS IN
STOCKS AND BONDS

UNDERWRITERS AND DISTRIBUTORS
OF
CORPORATE AND MUNICIPAL
SECURITIES

Gregory & Sons

Members New York Stock Exchange

72 Wall Street *New York 5, N. Y.*

Telephone WHitehall 3-7600
Corporate Teletype: NY 1-865 • Municipal Teletype: NY 1-1691

We have direct wires to the following cities:

ASHEVILLE BALTIMORE BEAUMONT BEVERLY HILLS BOSTON CHICAGO
CINCINNATI CLEVELAND DALLAS DETROIT FULLERTON GALVESTON
GRAND RAPIDS HOUSTON INDIANAPOLIS JOPLIN KANSAS CITY
LOS ANGELES LEESBURG LOUISVILLE NASHVILLE NEW ORLEANS
PHILADELPHIA ST. LOUIS ST. PAUL ST. PETERSBURG SAN FRANCISCO
SEATTLE UTICA

EST. 1870

DOMINICK & DOMINICK

Members New York Stock Exchange

UNDERWRITERS AND DISTRIBUTORS OF CORPORATE AND MUNICIPAL SECURITIES

14 Wall Street, New York 5

Canadian Affiliate
Dominick Corporation of Canada,
Montreal

UNDERWRITERS DISTRIBUTORS DEALERS

Corporate and Municipal Securities

Established 1919

R. S. DICKSON & COMPANY
INCORPORATED

Members Midwest Stock Exchange

CHARLOTTE NEW YORK CHICAGO

Atlanta Greenville Raleigh Richmond

Direct Wire to All Offices

gitized for FRASER
tp://fraser.stlouisfed.org/

Report of IBA Municipal Securities Committee

J. Creighton Riepe, Chairman of the IBA Municipal Securities Committee, discusses a number of topics, such as: (1) the amendment to the Uniform Commercial Code relating to negotiability of state and municipal bonds, (2) the cooperation of the Municipal Sections of the ABA and the IBA, (3) the volume of municipal financing, (4) the computation of yields on callable municipal bonds, (5) the Institute of Investment Banking, (6) intergovernmental relations, and (7) amendments to Federal Housing loan program and other pertinent Federal and state legislation.

J. Creighton Riepe, Partner of Alex. Brown & Sons, Baltimore, and Chairman of the Municipal Securities Committee, released to the 44th Annual Convention of the Investment Bankers Association of America, at Hollywood, Fla., the Annual Report of the Committee, along with the appendices attached to it.

The text of the report and the appendices follow:

An Interim Report of this Committee was submitted to our Board of Governors at its meeting in May and also at its meeting in September.

J. Creighton Riepe

Reference will be made in this our Annual Report for the current year to subjects which we believe of particular interest to the municipal field.

As the negotiability of state and municipal bonds is one of the prime elements in the valuation and marketing of such securities it is most important that the laws of our states relating to negotiability be free from any question on the subject. From time to time we have reported on the newly proposed Uniform Commercial Code. That proposed law in the form originally presented would separate negotiable instruments from municipal as well as other securities.

Uniform Commercial Code

The Municipal Law Section of the American Bar Association by resolution sought amendment to the proposed Code to protect securities issued by a government or governmental agency or unit. We also petitioned the Commissioners on Uniform State Laws and their advisors to amend the proposed Code so that upon enactment it would declare or otherwise clearly designate such securities, including those payable from a particular fund, to be negotiable instruments.

The problems involved were recognized and the Editorial Board of the Commissioners on Uniform State Laws recommended the addition of a new section; i.e., "Section 8-105," reading:

(1) Securities governed by this Article are negotiable instruments.

(2) In any action on a security the rules relating to proof of signatures, and to burden of proof after signatures are admitted or established, shall be the same as in actions on commercial paper (Section 3-307).

In view of the importance of this recommendation we quote the wording in full as unfortunately it is not included in the original "Office Draft" of the proposed Code but is set forth in a supplement. Accordingly, the recommended addition may easily be overlooked.

The proposed Code is very extensive in its coverage of subject matter. It would provide a new body of state laws governing commercial transaction and in many states would effect a substantial change. In view of the scope and complexity of the proposal and the fact that it covers matters beyond the security field, our Association has not taken a position either favoring or opposing adoption of the Code.

We wish to again go on record however, that enactment of Article 8 of the Code omitting to specify that securities governed by that Article are negotiable instruments, at least insofar as that wording is applicable to a security issued by a government or governmental agency or unit, would be seriously injurious to the issuance and marketability of such securities and would, likewise, destroy the protection which is afforded by negotiability to the investors in such securities.

It may be noted that the Executive Board of the Municipal Finance Officers Association of the United States and Canada supported last May the position taken by our organization, the Section of Municipal Law of the American Bar Association and by other organizations in order to avoid any question of negotiability of state and municipal securities.

Liaison Committees Municipal Sections of the ABA and the IBA

As advised from time time in our reports the liaison committees of the municipal sections of the American Bar Association and of our Association jointly study and screen problems relating to municipal securities financing of mutual interest to the two Associations. After due consideration the liaison committees recommend to their respective bodies action, if any, in the matters which are considered to be in the best interest of the issuing municipal bodies and investors in their securities. The activities of the two liaison committees have not only been constructive but very helpful.

Those currently serving on these two liaison committees are:

Section of Municipal Law American Bar Association

L. Eugene Marx *(Chairman)*, Bear, Stearns & Co., New York City.

William H. Hoyt, Reed, Hoyt, Taylor & Washburn, New York City.

John D. McCall, McCall, Parkhurst & Crowe, Dallas, Texas.

John N. Mitchell, Caldwell, Marshall, Trimble & Mitchell, New York City.

Robie L. Mitchell, Mitchell, Pershing, Shetterly & Mitchell, New York City.

John H. Nunneley, Miller, Canfield, Paddock & Stone, Detroit, Mich.

William A. Rose, White, Bradley, Arant, All & Rose, Birmingham, Ala.

Anthony H. Whitaker, Morgan, Lewis & Bockius, Philadelphia 9, Pa.

William F. Tempest, Secretary, Chicago, Ill.

Investment Bankers Association

John S. Linen *(Chairman)*, The Chase Manhattan Bank, New York City.

Walter W. Craigie, F. W. Craigie & Co., Richmond, Va.

Pat Morris, The Northern Trust Company, Chicago, Ill.

Dudley C. Smith, Secretary, Chicago, Ill.

Among important subjects carefully studied by these two liaison committees and concerning which definite recommendations were made last year were, as previously reported, (1) the execution of public securities, and (2) procedure intended to eliminate or lessen the damaging effects resulting from the filing of what are known as "nuisance suits."

We are working to further these recommended measures in the various states. It is recognized in each proposal that municipal dealers, although materially affected, are by no means the only ones concerned. In each case municipal officials, in collaboration with qualified municipal bond attorneys, are correspondingly concerned. They are, in fact, the logical parties to take the initiative in making recommendations to their respective legislatures.

At the Annual Meeting of the Municipal Finance Officers Association of United States and Canada held in New Orleans last May the desirability and importance of consideration of these two measures were brought to the attention of the members of that body.

On June 24 the Municipal Forum of New York at its annual meeting adopted a resolution calling for adoption by the several states of legislation against so-called "nuisance suits," such as that suggested by our Association and that of the Section of Municipal Law of the ABA.

Nuisance suits have engaged the attention of all of us. At the Spring Meeting of our Board of Governors last May, Governor

Underwriters, Brokers and Dealers in

INDUSTRIAL, RAILROAD PUBLIC UTILITY AND FOREIGN SECURITIES

BURNHAM AND COMPANY

MEMBERS NEW YORK AND AMERICAN STOCK EXCHANGES

15 BROAD STREET, NEW YORK 5, N. Y. • DI 4-1400

CABLE: COBURNHAM TELETYPE NY 1-2262

Underwriters and Distributors of

Railroad, Public Utility and Industrial Securities

State, Municipal and Public Authority Bonds

F. S. SMITHERS & CO.

Established 1857

MEMBERS

New York Stock Exchange 1 WALL STREET New York 5

American Stock Exchange RUSS BUILDING San Francisco 4

R. L. Day & Co.

ESTABLISHED 1862

MEMBERS

New York Stock Exchange *Boston Stock Exchange*

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

BOSTON NEW YORK

SPRINGFIELD HARTFORD NEW HAVEN

UNDERWRITERS AND DISTRIBUTORS

— • —

MUNICIPAL AND CORPORATE SECURITIES

•

PRIVATE PLACEMENTS

•

CORPORATE FINANCING

VAN ALSTYNE, NOEL & CO.

Members:

New York Stock Exchange *American Stock Exchange*

52 WALL STREET, NEW YORK 5

Philadelphia Office

Room 831, Western Saving Fund Building, Broad & Chestnut Sts.

tized for FRASER
//fraser.stlouisfed.org/

Volume 182 Number 5490 . . . The Commercial and Financial Chronicle

Lausche of Ohio in referring to the recommended legislation said in part:

"I received from one of the investment houses in Toledo about three weeks ago a memorandum of a model law which would in a substantial degree eliminate the nuisances and the delay of time, and the uncertainties that result from lawsuits filed challenging the issuance of bonds by governmental bodies.

"That document came to me at a time too late for me to set into motion the machinery of the legislature which might lead to the adoption of a law of that type, which, in my opinion, would, in a substantial degree, remove the anxieties and the uncertainties that come from those lawsuits, which frequently are filed solely to harass and to delay the development of an improvement out of which the bond issue is to provide the money.

"I can't over-emphasize to you what a tremendous service can be rendered by an Association of this type by acquainting the public officials of certain deficiencies in the law. . . . You men are in constant contact with the business. You know the deficiencies that exist in the law. . . .

"If I have one thought to leave with you it would be that you should not overlook the great service that you can render through your experience and your good judgment in acquainting public officials with what you feel ought to be done in the field of law to insure the investors of our country security in the issues which they purchase."

Volume

While figures reflecting the amount of new issues of state and municipal securities sold during 1955 will not be available until after the first of the coming year, some comment on the volume during the first 10 months of this year may be in order. In round figures the total of long term bonds during that period is about $4,883,659,000. This compares with $5,603,790,322 during a like period in 1954. It will be recalled that the amount of sales of new issues during 1954 was the largest in our history. The above figures were compiled from the "Bond Buyer's" monthly record of sales of such securities.

In October a new record making municipal sale was made. It was the $415 million issue of Illinois State Toll Highway Commission Bonds. This is the largest block of municipal bonds ever underwritten and offered to the investing public as a single issue.

Callable Municipal Bonds

The following letter was sent on June 9 last by our Municipal Secretary, Dudley Smith, to our members, including all main and registered branch offices. The letter is self-explanatory. It repeats recommendations made several years ago to our membership on this subject. Since then there has been an increase in the number of dealers handling municipals.

"In view of the large number of issues of municipal bonds containing optional features of one character or another and the increase in the number of dealers in such securities I was, at the recent meeting of our Municipal Securities Committee, instructed to again direct attention to:

"The importance of clearly indicating in abbreviated offering lists, individual and general, as well as in circulars, advertisements, etc., that the bond is callable, or called if that be the case; and

"The standing recommendation of our Municipal Securities Committee that the long established principle of minimum yield to the purchaser be followed, i.e., (1) Where a callable bond is selling at a discount, the yield computation is to the ultimate maturity; (2) Where a bond is callable at par and selling at a premium, the yield computation is to the first callable date; (3) Where a bond is callable at a fixed premium or variable premiums, the yield is computed in such a manner that the purchaser would receive not less than the yield indicated, should any such call privilege be exercised.

"The Committee also recommends that in any instance where there is a variance from the above method of computing yield, it be indicated in abbreviated offering lists as well as in other forms of offerings."

We urge all of our members and dealers generally to follow these recommendations.

Institute of Investment Banking

As previously reported sessions were held daily—April 4 to 8, inclusive—by the Institute of Investment Banking which operates under the sponsorship of our Association and that of the Wharton School of Finance and Commerce of the University of Pennsylvania. The Institute is conducted each year for the benefit of representatives of IBA member firms. Last year there were 191 representatives in attendance. This year the number of representatives totaled 255, an increase of 64.

Included among these sessions were two relating to municipal securities financing. On April 4 talks on the subject of Toll Road Financing (Turnpike Revenue Bonds) were delivered at a joint session of the first, second and third year classes. Engineering, legal and underwriting phases of the subject were covered in the order mentioned by Samuel P. Brown, Partner, Coverdale & Colpitts, New York; Robert Mitchell, Partner, Mitchell, Pershing, Shetterly & Mitchell, New York; and James G. Couffer, Vice-President, B. J. Van Ingen & Co., Inc., New York. Creighton Riepe, Chairman of this committee, acted as moderator.

On April 5 the second year registrants were addressed by Dr. Frederick L. Bird, Vice-President, Dun & Bradstreet, Inc., New York, on the subject of "Appraisal of Municipal Credits." At that session John F. Bunn, Jr., Bioren & Co., Philadelphia, Chairman of the Eastern Pennsylvania Group of our Association, acted as moderator.

The Commission on Intergovernmental Relations

For notation in our records for reference purposes, the Commission on Intergovernmental Relations submitted its report to the President for transmittal to the Congress on June 20 this year. It will be recalled that this Commission was established by Public Law 109, approved July 10, 1953. That act directed the Commission to examine the role of the national government in relation to the states and their political subdivisions. The report comprises 311 pages of printed matter and contains many interesting references, including:

Evolution of the American Federal System.
The Role of the States.
National Responsibilities and Cooperative Relations.
Financial Aspects of the American Federal System.
Federal Grants-in-Aid.
Intergovernmental Functional Responsibilities.
Agriculture.
Civil Aviation.
Civil Defense and Urban Vulnerability.
Education.
Employment Security.
Highways.
Housing and Urban Renewal.
Natural Disaster Relief.
Natural Resources and Conservation.
Public Health.
Vocational Rehabilitation.
Welfare.

In addition there are several appendices.

Copy of the report may be had at a nominal charge from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C.

Advertising Leadership

For a period of five years, beginning in 1950, the "Bond Buyer" conducted a municipal advertising contest which was in active support of that part of the program of our Education Committee relating to advertising securities. We published in our reports during that period, the names of various winners in this contest.

In September of this year the "Bond Buyer" announced a new program titled "Advertising Leadership." We understand that this expanded advertising program is to be devoted to the recognition and encouragement of dealers and dealer banks who, through effective advertising and promotion, are broadening the market for municipal bonds.

The "Bond Buyer" also announces a "Promotion Library" which will be maintained at its office. The library will be for reference and study of municipal bond promotion efforts by interested firms and their advertising agents. It is also pointed out that the library will include representative advertising and direct mail material which should be helpful as a guide to more effective promotion for all firms.

For information concerning the library, advertising guides, awards and rules, see the "Bond Buyer's" leaflet, an invitation to participate in its advertising leadership program.

Federal College Housing Loan Program and Federal Public Facilities Loan Program

S. 2126, known as the Housing Amendments of 1955, was passed by Congress and is now Public Law No. 345. The measure contained some very objectionable features:

Title II of the Act amended the Federal public facility loan program, which authorized Federal loans to assist local governments in providing certain essential public works or facilities where such credit is not otherwise available on **reasonable terms.** This latter condition is protective if the Federal agency is realistic in determining what shall constitute "reasonable terms."

The principal objections to the amendments in Title II of this Act were that (a) it increased authorized funds for the program from $50,000,000 to $100,000,000 to expand a Federal loan program which was already authorized to continue until June 30, 1956, and which had available authorized but unappropriated funds in a substantial amount and (b) a statement in the report of the Senate Committee on Banking and Currency, as to the interest rate contemplated by that committee on loans by the Federal government under the program, indicated the possibility of the establishment of an arbitrarily low interest rate on such loans. A proposal to create a new Federal corporation to administer the program (the "Public Facilities Credit Corporation") was not adopted.

The HHFA announced subsequent to adoption of the amendments that it has determined that the interest rate on loans which it makes under the public facility loan program will be 3¾% for loans secured by general obligation bonds and 4¼% for loans secured by revenue bonds or other types of obligations. Both of these basic rates apply to 30-year loans and will be adjusted for longer or shorter amortization periods.

The statute specifically provides that in the processing of applications for financial assistance under the public facility loan program, the Administration shall give priority to applications of "smaller municipalities" for assistance in the construction of basic public works ("including works for the storage, treatment, purification, or distribution of water; sewage, sewage treatment, and sewer facilities; and gas distribution systems") for which there is an urgent and vital need. "Smaller municipalities" is defined to mean an incorporated or unincorporated town, or other political subdivision of a state, which had a population of less than 10,000 inhabi-

Continued on page 90

Adams & Peck

Members New York Stock Exchange and American Stock Exchange

DEALERS IN

RAILROAD SECURITIES

Guaranteed Leased Line Bonds Preferred Common

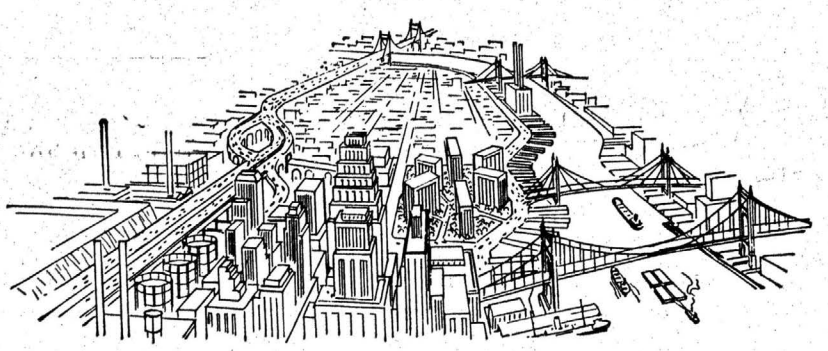
and

Unlisted Investment Stocks

120 Broadway New York 5, N. Y.

Telephone REctor 2-4949
Teletype NY 1-724

Private wire to Philadelphia



STATE, MUNICIPAL and REVENUE BONDS

Municipal Department

ALLEN & COMPANY

Established 1922

NEW YORK 4, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

Report of IBA Federal Taxation Committee

Chairman Walter Maynard says prospective tax legislation has given rise to a great deal of activity among those interested in tax problems, and in this activity the Committee has taken part. Discusses priorities in tax reform, such as the capital gains tax and the highly progressive income tax rates, and calls attention to a recent report on Profits and Income Taxation of the British Royal Commission. Urges IBA members consult their tax proposals with their Representatives in Congress.

On Nov. 28, at the 44th Convention of the Investment Bankers Association of America, Hollywood, Fla., Walter Maynard, Partner of Shearson, Hammill & Co., New York, released the Report of the Federal Taxation Committee, of which he is Chairman.

The text of this Report follows:

Nineteen fifty-five was a year in which the deliberations of Congress produced practically no changes in Federal taxation. Nevertheless, the prospect that both parties will vie with each other in a program of tax reduction in 1956 has given rise to a great deal of activity among those who are interested in tax problems, and your Committee has participated in this activity in a good many directions.

Walter Maynard

In addition, of great interest to students of tax matters was the publication in England of the report of a British Royal Commission on the Taxation of Profits and Income, which, like many past reports of similar commissions, may well in coming years have a considerable effect on opinion not only in England but in this country. This document is discussed briefly at the conclusion of this report.

Priorities in Reform

In the past the securities industry has tended to be more interested in capital gains taxation than in any other aspect of Federal taxation. This has been due in part to the fact that the industry clearly understood that the capital gains tax was probably the greatest single cause of a relatively low rate of activity in the country's security markets. Now, however, that increased general prosperity has brought about somewhat more active security markets, and thus larger personal incomes, income taxation has become more important to us. Thus, while not losing sight of the ultimate goal of obtaining elimination of the capital gains tax, we should probably in the coming year address ourselves to the more urgent question of reforming the income tax. Some action in lowering this tax is certain in the next session of Congress, and to the extent that it is lowered, the disparity between it and the capital gains tax will be diminished and therefore resistance to lowering the capital gains tax should logically also diminish.

Highly Progressive Income Taxes

The argument against highly progressive personal income tax rates, which at present reach 50% at an income level of $16,000 and go as high as 90% has several aspects. To begin with, it is only reasonable to expect that once the level of income is reached at which the Federal government takes more than half of each additional dollar earned, the taxpayer will have a strong incentive to devote a larger part of his effort to reducing his tax burden than to earning additional income. Secondly, the public at large must bear the major share of any deductible extravagance that a high-bracket taxpayer may go in for, ranging from champagne for a customer to unwise charities. This is a basically anti-social situation. Thus, there seems complete logic in our association taking the position that a ceiling on Federal taxation of earned income should be placed at 50%. It has been estimated that such a ceiling on all income (not merely earned income) would cost the Treasury something less than $1 billion per year, or about 3% of the amount it collects from all income taxation. However, it can be asserted with some confidence, based on experience in the 'Twenties, that the incentives to additional effort provided by such a limitation, plus the additional venturesome capital which it would make available in the hands of upper-bracket taxpayers, would more than make up this income loss even in the first year.

Realistically, rates of taxation exceeding 50% should be viewed for what they are—uneconomic, punitive taxes for which much of the original advocacy originated in left wing quarters influenced by Marxist teachings.

Moreover, it should be remembered that even though highly progressive income tax rates of the order of 90% are intended to punish the rich, they in fact don't accomplish this. The rich can and do escape the effects of the income tax by resort to tax-exempt securities, which at the present time are available in greater abundance and at more generous rates of return than they have been for years. What punitive rates of income tax really do is to tax the chances of the poor to become rich, and this should be repugnant to every American who believes in democracy, and freedom of economic opportunity.

Averaging Fluctuating Incomes

A second modification of present tax policies which is extremely important to an industry such as ours is that some provision should be made for averaging of incomes.

In our industry individual units are small, profits vary widely from year to year (so does salesman's compensation) and, as a consequence, a high proportion of all of the persons engaged in the industry is unfairly discriminated against in comparison with other taxpayers whose incomes are stable.

A logical remedy for this situation is for the Treasury to give taxpayers refunds to the extent that taxes actually paid over a period of years—say four years—exceed what would have been paid if the same income had been received in equal annual installments.

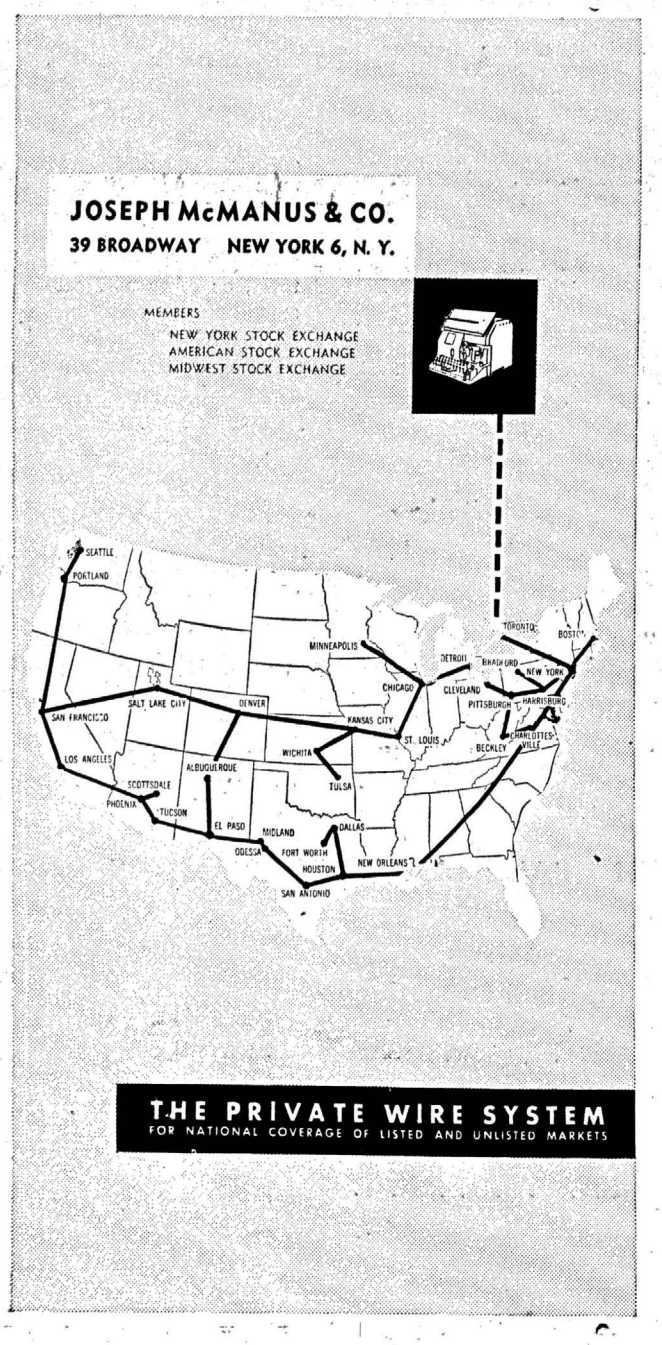
Capital Gains Tax

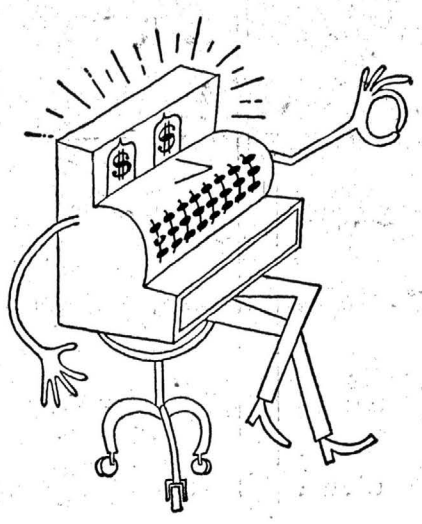
Our industry has long advocated a lower rate of capital gains tax on the basic ground that a purely voluntary, self-imposed tax at a rate as high as 25% resulted in a complete immobilization, or "locking-in," of immense amounts of potentially venturesome equity capital that might otherwise be available wherever it was needed in the economic system. In the past we have urged relief in the form of a lowered rate, a shortened holding period and a more equitable treatment of losses but our efforts have met with a great deal of resistance, on all sorts of grounds.

A New Suggestion

It would now seem wise for our program to be broadened and increased in effectiveness by the inclusion of a provision for limiting the capital gains tax to a reasonable proportion—say 3%—of the value of the property sold.

To illustrate what is meant, let us take the case of two holders of duPont stock. Both see it selling at $250 and both conclude that this is somewhat too high and that an investment elsewhere would be preferable. Let us assume that one of these investors bought his stock at $220 per share. For him the capital gains tax which he would pay in the event of a sale would be $7.50. This would be equal to 3% of the proceeds of his sale of the stock and might not therefore be a deterrent to sale. Let us then assume that the other potential seller had bought his stock at $50 per share. **His** potential tax liability would thus be $50 per share, or 20% of the sum represented by the market price of the stock. If he were to sell, only 80% of the proceeds would be available for reinvestment. We all know that in





machine that OK's ads—

Advertising is still a job for people—people of very special skills—experts in research, media, copy, art, publicity, mechanical production. But the people at AF-GL have never become so "expert" as to forget that the client's cash register is the final judge of everything they do. They work for its "OK" more than for any other.

We—and our clients—have been thriving on that philosophy for over 80 years.

AF-GL

Albert Frank-Guenther Law, Inc.

Advertising • Public-Financial Relations

131 Cedar Street, New York 6, N. Y.

PHILADELPHIA • BOSTON • WASHINGTON • CHICAGO • SAN FRANCISCO

Digitized for FRASER
http://fraser.stlouisfed.org/

actual practice a potential seller faced with a transfer tax at this ruinous rate in fact doesn't sell—in other words, he is permanently "locked-in."

If, on the other hand, the capital gains tax were limited to an amount representing not more than say 3% of the value of the property sold, the cost of making a sale in the foregoing cases would be equated, and incidentally the government would collect a tax from both holders instead of only one.

The drafting of an amendment to the tax laws embodying this principle would be extremely simple. The basic maximum rate of 25% would be unchanged, there would be no administrative problems, and the yield to the Treasury from the capital gains tax would without doubt be materially increased.

Tax-Free Exchanges

The principal practical objection that our industry has to the capital gains tax is that it operates as a transfer tax. This objection would be largely met if a provision were made under which holders of property could sell and within a reasonable time buy other property without becoming liable to the capital gains tax. Our laws already contain provisions for tax-free exchanges of owner-occupied dwellings, and it should not be unduly difficult to extend these provisions to other forms of investment property. Such a provision would also help to meet the objections of those who feel that when capital gains are spent as income, they should be taxed at the same rates as other income.

Other means of accomplishing the same ends are possible, such as the inventorying of securities and permitting tax-free exchanges within the inventory. The main point which we should continually hammer home is that the capital gains tax in its present form is a highly damaging one to a growing economy, that its revenues are extremely small in relation to the harm it does and that, in any event, there are other effective means of collecting these revenues with much less harmful effects.

Double Taxation of Corporate Dividends

It will be recalled that the new tax code embodies a provision for a credit of 4% of dividends of domestic corporations. The tax laws of Canada provide for a similar credit, but the amount is 20%. The Canadians are entirely satisfied with the working of this provision of their law, and we should advocate a further increase in this credit. The dividend credit is a favorite subject of attack by leftwingers. However, the logic of this credit is unassailable, its economics are sound and its principle was embodied in the British tax laws throughout the period of Socialist domination in that country, and was endorsed by the Royal Commission referred to above.

Jenkins-Keogh Bill

One of the gross discriminations of present tax laws is that employees of corporations, including officers, may have set aside for them on a tax-deferred basis substantial pension reserves. On the other hand, self-employed persons, including members of partnerships, have no such benefits. The Jenkins-Keogh Bill which was introduced at the last session of Congress on a bi-partisan basis as H. R. 9 and 10, would make provision for self-employed persons to set aside such reserves in trust funds on a limited basis. Up to 10% of income not to exceed $7,500 per year has been proposed. A considerable sector of our industry operates in partnerships, and we should work for the elimination of this inequity by supporting this bill.

Tax Avoidance

One of the great problems faced by the drafters of tax laws is that of tax avoidance (a different thing from tax **evasion**). The present Administration, in drafting legislation to close loopholes, has taken particular care to see that the normal workings of business were not interfered with. However, it can be expected that as long as tax rates are as punitive as at present, the wits of the tax avoiders will continue to be pitted against the taxing authorities, and this year the tax avoiders received comfort from the Supreme Court when in the long contested "Jack Benny" case, the Court ruled that a transaction entered into for the purpose of diminishing tax liabilities was legal if it conformed to the letter of the tax laws.

Radcliffe Report

At the beginning of this report reference was made to the Royal Commission on the Taxation of Profits and Income headed by Lord Radcliffe. Reports of similar commissions in the past have been highly influential in shaping opinion; the famous Beveridge Report, which laid the foundation for our present system of social security and our doctrine of full employment, is a case in point. The Radcliffe Report addresses itself to reform of taxation of profits and income, including capital gains and double taxation relief. On the subject of capital gains, the majority of the Commission supported the present British position that capital gains should not be taxed, and made the interesting point that in the very long run all capital gains of individuals are in fact taxed via estate taxes. In fact, it was suggested that the simplest and least harmful possible solution to the problem of obtaining additional revenues from capital gains was merely to raise estate taxes. The minority, on the other hand, asserted that capital gains should be taxed, but agreed that it would be impossible, if not undesirable, to tax capital gains at the same rate as ordinary income.

It is interesting to note that the Commission actually considered the levy of a true tax on capital gains, i.e., a tax levied on the basis of periodic revaluations regardless of whether or not a sale or realization has actually taken place. Thus, the minority of the Commission once more ran headlong into the fact that the capital gains tax is not really a tax on capital gains but in effect a transfer tax.

On balance, the Radcliffe Report thus supports the position of our Association and our industry in the matter of capital gains taxation.

Conclusion

In conclusion it should be remembered that in the coming year the irresponsible elements of both political parties will view tax reduction in entirely political terms and will support various proposals, regardless of their long range effect on our economy, which in their opinion will produce the maximum effect at the ballot box. Each member of our Association should make sure therefore, that his representatives in Congress are made fully aware of any of our proposals which he fully believes are in the best interest of the community as a whole.

Respectfully submitted,

THE FEDERAL TAXATION COMMITTEE

Walter Maynard, Chairman
Shearson, Hammill & Co.
New York

Francis A. Cannon
The First Boston Corporation, New York

Albert O. Foster
Foster & Marshall
Seattle

Thomas Graham
The Bankers Bond Co., Inc.
Louisville

Benjamin H. Griswold, III
Alex. Brown & Sons
Baltimore

James E. Hogle
J. A. Hogle & Co.
Salt Lake City

James M. Hutton, Jr.
W. E. Hutton & Co.
Cincinnati

Stewart R. Kirkpatrick
Kirkpatrick-Pettis Co.
Omaha

John P. Labouisse
Howard, Weil, Labouisse, Friedrichs & Company, New Orleans

James C. Lancaster
Union Planters National Bank
Memphis

Harold M. Martin
Murphy Favre, Inc.
Spokane

James K. Miller
Schoellkopf, Hutton & Pomeroy, Inc., New York

George A. Newton
G. H. Walker & Co.
St. Louis

Edward P. Prescott
Prescott, Shepard & Co., Inc.
Cleveland

Ralph W. Simonds
Baker, Simonds & Co.
Detroit

Richard J. Stern
Stern Brothers & Co.
Kansas City

Carl N. Stutz
The White-Phillips Company, Inc., Davenport

Mark Sullivan, Jr.
Auchincloss, Parker & Redpath, Washington

Frank C. Trubee, Jr.
Trubee, Collins & Co.
Buffalo

Gus B. Walton
Walton & Company, Inc.
Little Rock

JHA

SYMBOL OF SERVICE...

for Brokers and Dealers in Western Securities

SALT LAKE CITY DENVER
LOS ANGELES SPOKANE

J. A. HOGLE & CO.

Private Wire Service Coast to Coast

Estab. 1915 ★ Members New York Stock Exchange

50 BROADWAY, NEW YORK

Los Angeles	Spokane	Salt Lake City	Denver
Beverly Hills	San Diego	Ogden	Butte
Long Beach	Riverside	Idaho Falls	Missoula
Reno	Provo	Pocatello	Boulder

ALL MARKETS ON ONE CALL

★ ★ ★

COMPLETE BROKERAGE SERVICE
TO
DEALERS, BROKERS AND DEALER BANKS
IN
RAILROAD, PUBLIC UTILITY, INDUSTRIAL AND FOREIGN BONDS
MUNICIPAL, STATE AND REVENUE BONDS
LISTED AND UNLISTED PREFERRED AND COMMON STOCKS

★ ★ ★

MABON & CO.

Over Sixty Years of Brokerage Service

MEMBERS
NEW YORK STOCK EXCHANGE
AMERICAN STOCK EXCHANGE

115 Broadway, New York 6 • Telephone REctor 2-2820

Bell System Teletype NY 1-2152

Digitized for FRASER
http://fraser.stlouisfed.org/

Report of IBA Aviation Securities Committee

William Barclay Harding, Chairman of the Aviation Securities Committee of the Investment Bankers Association, in a report to the 44th Annual Convention of the Association, furnishes recent data on both the Aircraft Manufacturing and the Aviation Transportation Industries. Reveals increased public financing in these fields, and a consistent rise in air transportation stocks during 1955. Proposes Congress amend bankruptcy laws to enable airlines to issue equipment trust certificates as is done by the railroads.

The Aviation Securities Committee of the Investment Bankers Association, whose Chairman is William Barclay Harding, Partner of Smith, Barney & Co., of New York, released its Annual Report to the 44th Annual Convention of the Association held at Hollywood, Fla., from Nov. 27 to Dec. 2, 1955.

The text of the Report follows:

No report was presented at the meeting in November of last year due to the fact that in June, 1954 we published a study entitled "Local Service Air Transportation and Metropolitan Helicopter Services" and in December, 1954 we distributed a study entitled "The Aircraft Manufacturing Industry."

Wm. B. Harding

This year's report contains certain statistical data for 1953, 1954 and 1955. In addition it notes various trends in the volume of business, profits, financing and stock prices, and discusses other factors which may affect future developments. The report will deal first with the aircraft manufacturing industry and then with the air transportation industry.

Aircraft Manufacturing Industry

Volume of Business: The aircraft manufacturing industry showed slight gains in the volume of business done in 1954 compared with 1953. The 15 largest aircraft companies reported sales of $6.7 billion in 1954, a 2% increase from the $6.6 billion reported in 1953. In their latest interim reports for 1955, these same 15 companies showed sales of $4.4 billion, an 8% increase from the $4.1 billion reported for the corresponding period of 1954. (See Table 1).

Military expenditures account for nearly 90% of the sales of the prime contractors in the industry. Variations in these expenditures are, of course, dependent on international and domestic political factors which are extremely difficult to predict. In the absence of more tangible factors on which to base estimates, most informed observers project a continuation of military expenditures at or about current levels.

The accompanying table is the latest public release of military spending for the procurement of aircraft and missiles:

Defense Department Spending for Procurement of Aircraft and Guided Missiles

(in millions)

Fiscal Year	Total Aircraft and Guided Missiles	Aircraft	Guided Missiles	Guided Missiles As A % of Total
1956*	$7,957.0	$7,260.0	$697.0	8.8%
1955	8,607.0	8,038.0	569.0	6.6
1954	8,838.0	8,334.5	503.5	5.7
1953	7,711.5	7,416.5	295.0	3.8
1952	5,057.3	4,888.4	168.9	3.3
1951	2,633.5	2,412.5	21.0	0.8

*Estimates. SOURCE: Defense Department.

This table does not include research and development expenditures for airpower or various expenditures made by the Atomic Energy Commission and other agencies which can be partially attributable to the aircraft industry. The table clearly shows the increasing importance of guided missiles. Missiles now account for about 9% of military expenditures for procurement compared with 1% in fiscal 1951 and 4% in fiscal 1953. Some industry leaders believe that expenditures for guided missiles may reach 50% of miltary spending for airpower within ten years. Such a development would naturally change the complexion of the industry.

The table portrays actual spending rather than contractual obligations. It indicates that military expenditures in fiscal 1955 declined almost 3% from the totals in fiscal 1954, with a further 8% reduction from 1955 to take place in fiscal 1956. These figures are in sharp contrast to the increased sales of the 15 major aircraft manufacturers. There are several reasons for this apparent discrepancy between the increased sales of the aircraft manufacturers and the decreased expenditures by the Defense Department.

(1) The timing of government expenditures is often different from the crediting of sales by the aircraft manufacturers. To illustrate, generally when the finished article is delivered (under fixed price contracts) sales are credited —which may be one year later than the date of the progress payment. The new policy of the Defense Department to attempt to reduce progress payments from 90% of costs to 75% of costs on new contracts has recently had the effect of showing declines in government expenditures. However, this merely allows government expenditures for aircraft to dip temporarily, while sales of the industry remain unaffected. When the 75% figure has been reached, government expenditures and sales of the industry should again assume their previous relationship. It should be noted, however, that if expenditures are not increased when the level of progress payments becomes stabilized, sales of the aircraft manufacturers will probably show a temporary decline.

(2) The volume of commercial sales of certain aircraft manufacturers has expanded considerably during the last year.

(3) Prime contractors with heavy production commitments frequently subcontract subassemblies to other manufacturers with excess capacity. In such instances, both the prime contractor and the subcontractor reflect the same production items in their sales figures. To the extent that this duplication occurs, industry sales figures may be over-stated.

Over the past two years, the airlines have placed large orders for aircraft of the type now in use and deliveries of such aircraft may be expected to continue for at least two years. Within the last three months, initial airline orders for turboprop and turbojet aircraft have caused a marked increase in the backlogs of the commercial aircraft manufacturers. Over the next five to ten years, dollar sales of commercial transports should continue to increase, with the result that the ratio of commercial sales to military sales may change importantly. Only four of the 15 largest manufacturers of aircraft—and their subcontractors — are likely to participate in the coming airline re-equipment program, however. It should be noted that selling aircraft to the airlines involves enormous risks, and relatively few manufacturers have shown a willingness to take them.

The market for private and executive-type aircraft continues good and continuing growth of sales of aircraft in this category is expected, barring unforeseen economic developments. The dollar volume of civil aircraft for individuals and corporations has been running about 75% ahead of last year. While the sales volume measured in the number of planes sold is quite large, the dollar value is rather small with the result that this business accounts for only about 1% of industry sales.

Earnings: Earnings of the aircraft manufacturers in the last few years have increased somewhat faster than sales. This is especially true for 1954. The lapse of the excess profits tax reduced the tax load from generally maximum tax rates of 70% to 52% and was largely responsible for the 59% increase in earnings of the 15 largest aircraft manufacturers in 1954. So far in 1955, earnings have increased 11% from the corresponding period of 1954—the result of an 8% increase in sales and a 5% increase in pretax profit margins. (See Table 1).

Price Movements of Aircraft Manufacturing Stocks: In 1951 and 1952 the stocks of the aircraft manufacturers did about as well as the general market. (See Table 2) Beginning in 1953, however, the aircrafts consistently and overwhelmingly bettered the performance of the general market until February, 1955. In February, aircraft stocks began a sharp three months slide which in several cases cut 30% or more from the highs obtained in February.

Limitations of Profits: Besides the volume of sales in the future, one of the most important questions pertaining to the aircraft manufacturing industry as a whole is whether the industry will be able to retain the earnings it has reported in the past.

Renegotiation is the chief means of eliminating excessive profits. Nearly one-half of the major companies have been renegotiated through their 1951 fiscal year. An additional one-quarter have been renegotiated through fiscal 1952. So far, it is believed that only 3 of the 15 largest aircraft companies have been found by the Renegotiation Board to have earned excessive profits. However, the high profit years of 1953 and 1954 still have to be settled by the Renegotiation Board. Since there are a large number of imponderable factors used by the Board in its determinations, the results of renegotiation proceedings are impossible to predict.

In addition to renegotiation, there are various Congressional investigations in process the objectives of which are at least partly concerned with the level of profits in the aircraft industry. Again, results of these investigations cannot be foreseen.

Public Financing of Aircraft Manufacturers: The total of new public financing of aircraft manufacturing companies has increased very sharply in the last year, although the aggregate amount of public financing has been small in relation to the sales volume of the industry.

	1953	1954	1955 (9 Months)
Bonds or Debentures	------	------	------
Convertible Debentures	$1,500,000	$2,000,000	$70,000,000
Preferred Stock	------	------	------
Common Stock	1,460,556	6,497,449	6,901,145
Total	$2,960,556	$8,497,449	$76,901,145

SOURCE: The Investment Dealers Digest.

The aircraft manufacturing industry has, in the past, been able to increase its volume of business greatly without raising any significant amounts of new capital. This has been possible because of government financing of inventories by means of large progress payments, government construction of facilities, government provided machinery, retained earnings and bank loans.

The increase in public financing in 1955 (See Table 3) may be attributable in part to the change in Defense Department policy regarding progress payments. Secondly, the large amounts of money needed for research plus large expenditures for development of

Our Steadfast Policy for over 45 years

To create and maintain the largest and closest markets possible in high-grade securities, suitable for meeting specific objectives of institutional investors.

Financial institutions are invited to avail themselves of our services.

SALOMON BROS. & HUTZLER

Dealers and Underwriters of High-Grade Securities
Members New York Stock Exchange

SIXTY WALL STREET, NEW YORK 5, N. Y.

Boston Philadelphia Cleveland Chicago
San Francisco Dallas West Palm Beach

UNDERWRITERS AND DISTRIBUTORS

STATE, MUNICIPAL AND REVENUE BONDS

GOODBODY & CO.

Established 1891

Direct Wires to Our 30 Branch Offices

115 Broadway, New York 6 One North LaSalle Street, Chicago 2

tized for FRASER
://fraser.stlouisfed.org/

new types of commercial transports have contributed to the increase in cash requirements of some manufacturers. Despite these two factors, only two of the 15 largest manufacturers engaged in public financing in the first nine months of 1955. (Two other major companies have financed in the last quarter.) The remaining companies have chosen to meet their requirements in other ways, such as borrowing or retaining earnings.

In 1953 the method of financing was divided about equally between convertible debentures and common stock. In 1954 common stock accounted for about three-quarters of the total (due largely to a common stock offering by one manufacturer). Through Sept. 30, 1955 over 90% of the new capital raised by the aircraft manufacturing industry was through the sale of convertible debentures.

Air Transportation Industry

Volume of Business: During the last three years the airline industry has continued the growth evident since its inception in the 1920's. The 1954 volume of all U. S. scheduled airlines was $1.4 billion, an 11% increase from 1953's volume of $1.3 billion. Since 1946, the total revenues of U. S. scheduled airlines have increased 204%. In 1954 the airlines of the U. S. surpassed in passenger miles all the railroad coach travel in the country, except for big-city commuting. Of the six largest carriers of intercity passenger traffic in 1954, four were airlines. Transatlantic air travel is now about equal to the passenger movement by steamship.

Year	Revenues of U.S. Sched. Airlines (000,000)	Index (1946=100)
1954	$1,412	304
1953	1,272	274
1952	1,132	244
1951	990	213
1950	818	176
1949	760	164
1948	634	147
1947	574	124
1946	464	100

SOURCE: Air Transport Facts & Figures.

In the first nine months of 1955, revenues increased about 15% from the corresponding period of 1954.

This growth trend is expected to continue with the introduction of faster aircraft such as the Lockheed turboprop and the Boeing and Douglas jet transports. The latter will travel from New York to London in 6 hours and New York to Los Angeles in 4½ hours.

Airlines now carry about 80% of the passengers of all common carriers in trips of 500 miles or more. Such a large percentage of the business at first suggests saturation of the long haul market. However, air transportation is likely to continue to grow faster than the rate of population growth since: (1) All common carriers together carry only about 12% of inter-city transportation, and air transportation with its speed advantages may be able to attract increasing amounts of passenger traffic of a type now going by automobile; (2) It is estimated that less than 10% of the people in the U. S. have ever flown, and flying is becoming more commonplace with each succeeding generation; and (3) Increased speed stimulates travel.

New Areas for Expansion: Two large markets as yet largely untapped are the air cargo and short haul passenger markets. So far, there have been no cargo aircraft capable of competing on a price basis with the surface carriers in the carriage of cargo. The air cargo now being carried consists largely of items of high unit cost and small size, items for which transportation costs are relatively unimportant, or items for which fast transportation is essential. While air cargo transportation is expected to show steady growth, it will be many years before the development of large cargo planes will enable the air transportation industry to develop fully this huge and still relatively untapped market.

The short haul air travel market is also expected to develop gradually. The time requirements of traveling to and from the airport greatly reduce and sometimes eliminate the advantages gained from fast service from airport to airport. It will, therefore, require aircraft that can operate economically and also rise vertically (or operate from very short runways) to develop the short haul market. The helicopter services which have been established in three metropolitan centers in the U. S. have attracted a great deal of interest. But the helicopter is still an expensive vehicle to operate and expansion of the metropolitan services has been limited by the need for subsidy. While the efficiency of the helicopter is improving with development, many observers feel that a radically different type of vehicle will be needed to provide short haul air transportation at reasonable cost.

In the past, civil developments of aircraft have largely followed military developments because only the military services can afford the tremendous costs of developing new aircraft. There is an active military interest in vertical rising and steep gradient aircraft and this is expected to lead to some interesting commercial developments in this category during the next 10 years.

Earnings in the Airline Industry: From 1950 through 1954, airline net earnings did not increase as rapidly as revenues. Reported net operating income of the "Big Four" carriers fell from more than 16% of revenues in 1951 to less than 11% in 1954. This was largely due to the increased burden of depreciation charges, inasmuch as the cash earnings of the industry have just about matched the increase in revenues.

Revenues, Expenses and Earnings of the "Big Four"

	Revs.	Net Opr. Income	As % of Revs.	Deprec.	As % of Revs.	Net Opr. Inc. Plus Deprec.	As % of Revs.
				($ figures in millions)			
1954	$789.1	$84.2	10.7%	$91.2	11.5%	$175.4	22.2%
1953	713.0	74.7	10.5	77.5	10.8	152.2	21.3
1952	625.6	81.0	12.9	58.5	9.3	139.5	22.2
1951	534.0	87.0	16.3	42.0	7.9	129.0	24.2
1950	418.4	56.7	13.6	40.2	9.6	96.9	23.2

SOURCE: Annual Reports.

The importance of depreciation to airline earnings is worthy of special note. The foregoing table shows that in 1954, depreciation for the "Big Four" airlines was 10% larger than net operating income.

As aircraft have become larger and more efficient, the airlines have tended to lengthen the period over which an airplane is depreciated. With the advent of the jet transport costing around $6 million, serious consideration is being given to further lengthening the depreciation period. All airlines do not charge off depreciation on the same basis, and depreciation charges also may vary widely in individual cases depending on whether an airline is at the beginning or at the end of a re-equipment program. These variations not only make comparisons of airline earnings somewhat complicated but also make forecasting difficult.

Price Movements of Air Transportation Stocks: For the three years up to June of 1954 airline stocks did not perform as well as the industrial average. Beginning in the second half of 1954, however, the stocks of the airline companies rose very sharply to a level in June 1955 about double the level in June 1954. (See Table 2)

Route Cases: It is clear that the air transportation route system of the United States has been undergoing a major readjustment which will affect the fortunes of many carriers. In general, the smaller trunk lines and regional carriers appear to be benefiting by the reallocation of routes at the expense of the larger carriers. The ability of the smaller carriers to take full advantage of the new routes will depend in large measure on their abili[illegible] to finance the acquisition of flight equipment comparable to that being acquired by the large carriers, with the time of acquisition being an important competitive factor.

Although some important route cases are still pending, it seems likely that the present route readjustment period may soon be over. With the evident determination of the CAB, under the chairmanship of Ross Rizley, to clean up the long-standing backlog of route cases, it is anticipated that most of the remaining cases will be decided within the next six to nine months.

Some observers have been concerned that the new route allocations may introduce an era of intense competition between the certificated carriers which will affect the economic status of the industry. This could be the case under unfavorable business conditions, and also if the industry should over-estimate its growth potentialities and purchase more equipment than is actually needed. At the present time, however, the airlines are primarily concerned with trying to provide enough capacity to meet the growing demand for air transportation.

Rates: Non-luxury coach service, at reduced rates, was originally introduced seven years ago by one of the regional carriers. But it has been adopted by the larger carriers and expanded during this past summer. Coach service now accounts for about one-third of the passenger traffic for the domestic trunk lines and international carriers. Undoubtedly the expansion of coach service by the major carriers has been intended, in part, to meet the competition of the non-scheduled, non-certificated carriers, as well as that which might be expected from the smaller or regional carriers on new routes allocated to them by the CAB. However, traffic growth has been greatly stimulated by what, in effect, is a 25% reduction from first-class fares, and it is understood that, through a combination of high load factors and high-density seating, profit margins on coach flights have been maintained at levels roughly comparable to those on first-class flights.

The trend toward lower fares is expected to continue as larger and more efficient transports are introduced during the next five to ten years.

Certification of Local Service Carriers: In May, 1955, the President signed into law a bill giving local service airlines permanent operating authority. Prior to that time, local service airlines without exception operated under temporary certificates of three to seven years duration. As a result of the grass roots support of these local service airlines, Congress passed a new law making permanent all terminal stops of presently authorized airlines, along with half of the intermediate points now in use. This new law will undoubtedly make the financing by these carriers easier, since the permanency of the carriers' operating authority is no longer in question.

Public Financing of Air Transportation Companies: Table 4 shows that the total amount of public financing in the air transportation industry in 1953 was $4.9 million, in 1954 $.3 million and in the first nine months of 1955 $5.8 million. Except for an issue by a company set up to finance the purchase of aircraft to be used by an airline, the financing during this three year period has been almost 100% with common stock. There has been very little financing in this industry relative to what would be expected of an industry with its growth characteristics. This is due to the fact that the airlines have generally been able to meet their capital needs from retained earnings and depreciation supplemented by bank borrowings. The airlines are now faced with a very definite problem, however, in that the new transports which are being ordered in quantity are so expensive that many companies are unable to finance their purchase in the usual manner. Additional resources are required.

The large insurance companies have recently been actively interested in seeking to supply the capital requirements of the large air carriers. It has been 17 years since the passage of the Civil Aeronautics Act, and since its passage no certificated air carrier has defaulted on its obligations. It has been demonstrated that transport aircraft are generally good security for loans. Against this background the insurance companies have recently shown a willingness to enter into contracts of up to 40 years duration to finance major airline equipment purchases with interest rates on money taken down ranging generally from 3¾% to 4% and stand-by fees, when present, approximating ½ of 1%.

The total needs of the carriers for capital to finance equipment purchases in the next 5 to 10 years have been variously estimated at from $1 to $3 billion. Some of it will come, as in the past, from depreciation and retained earnings. How much will be supplied by short-term borrowings or by loans negotiated with insurance companies is a matter of conjecture.

Undoubtedly the investment banking industry will be called on to raise capital by public offerings of securities for those carriers that are deficient in permanent capital. However, investment bankers cannot compete with in-

Continued on page 102

Hallgarten & Co.

Established 1850

New York

Chicago **London**

Underwriters and Distributors
of
Investment Securities

Carl M. Loeb, Rhoades & Co.

42 WALL STREET NEW YORK 5, N. Y.

itized for FRASER
p://fraser.stlouisfed.org/

Report of IBA Canadian Committee

In report to the 44th Annual Convention of the IBA, Chairman J. Henry Ratcliffe, finds Canada's relative economic growth since end of the War has been at a more rapid pace than that of U. S. Says most impressive characteristic has been the high rate of capital investment.

The Canadian Committee of the Investment Bankers Association of America, whose Chairman is J. H. Ratcliffe, Chairman of Executive Committee and President of McLeod, Young, Weir & Company, Ltd., of Toronto, submitted a report to the 44th Annual Convention of the Association at Hollywood, Fla., in which the Committee reviewed the relative economic progress of Canada since the end of the War.

The text of the Report follows:

Sometimes it is more impressive to look at the broad outline of a picture rather than the details. Canada's progress over the postwar period seems to give a broader picture of accomplishment than a resume of what has happened in the last 12 months. It is proposed therefore to highlight in this report a few of the more important developments in Canada since the war ended.

J. H. Ratcliffe

The relative growth of the United States and Canada during that time is shown in the following comparisons:

	U. S. %	Canada %
Population	Up 18	Up 27
Gross National Product	Up 64	Up 233
Priv. Capital Investm't	Up 74	Up 243
Personal Income	Up 70	Up 101
Corporate Profits (after taxes)	Up 33	Up 54

The most impressive characteristics of the Canadian economy during this period have been the very high rate of capital investment resulting in widespread development of our natural resources, large industrial expansion and a broad housing development. Our Gross National Product in dollars has more than doubled, from approximately $12 billion in 1946 to an estimated $26¼ billion in 1955. In the same period the value of our mineral production more than trebled, from $502 million in 1946 to an estimated $1,650 million in 1955. The number of manufacturing establishments in the same time increased by one-third while the gross value of manufactured products more than doubled.

Since 1946 Canada's population has increased by over 3¼ millions, or about 27%, to 15,600,000. The increase is due partly to natural increase and partly to a selective and enlightened immigration policy. During this period the labor force has been virtually fully employed. The number of persons with jobs has increased by approximately 21%. The volume of physical production is estimated to have increased by 42% so that a substantial gain in output per person and a "real" improvement in the standards of living have resulted.

Obviously these tremendous advances could not have taken place without enlightened government policies designed to facilitate and to assist this broad economic expansion.

Canada's taxation program is designed to obtain the large sums required for heavily increased expenditures for national defense and for welfare, to provide incentives to attract capital investment for the development of natural resources and the expansion of manufacturing capacity.

Canada has no capital gains tax. There are generous provisions for the recovery of capital costs, particularly in the development of mineral, oil and natural gas properties. New mines are exempt from income tax for the first three years of operation plus a six months' tuning-up period. Investors are afforded some relief from the incidence of double taxation of corporate profits by an allowance of 20% of the dividend income received from tax-paying Canadian corporations as an income tax credit. Canadian corporations currently pay income tax at the rate of 47%, a reduction of 2% from the rate in effect last year and one which compares favorably to the current United States corporation tax rate of 52%.

Despite these favorable features and the great increase in government expenditures during the postwar period Canada's net debt position has been reduced by over 13% since 1947 as a result of budget surpluses in eight of the past nine years. The current budget included some taxation relief to corporations and individuals and forecast a deficit of $160 million for the fiscal year. Since it was brought down there has been a sharp increase in economic activity. The prospects are that as a result of higher tax receipts than originally forecast the anticipated deficit may be considerably lessened. Canada's fiscal policies have been such as to create confidence in investors, domestic and foreign.

Capital Investment

The postwar years have seen the highest and most sustained rate of private and public investment in capital assets in the history of the country. Canadians have been spending over 21% of the Gross National Product throughout the postwar period in new capital assets of which 17.6% has been spent by private sources other than government. This latter figure compares with 14.6% in the United States. From 1946 to 1954 capital expenditures amounted to nearly $36 billion. An estimated $5,954 million will be added this year.

Despite a widely held view that Canada's postwar expansion has been financed largely by foreign investors 85% of this outlay has been Canadian capital. The major portion of the $6,250 million of foreign money which financed the balance of this large capital outlay came from new United States' investments and the reinvested earnings of U. S. controlled companies in Canada, and the remainder mainly from the United Kingdom and continental Europe. During the same period Canada has increased her long term investments abroad by over $1.5 billion.

Canada has always welcomed investors from abroad. Government policies are designed to aid and protect them and allow the free repatriation of principal, interest and dividends. There is a feeling in some quarters, now becoming rather vocal, that foreign corporations that establish wholly-owned subsidiaries in Canada should, as a matter of good public relations, make available some portion of the equity to Canadian investors. Primarily this feeling stems from the fact that certain manufacturing industries in Canada are almost entirely in the hands of wholly-owned subsidiaries of foreign corporations (mainly U. S.). It is almost impossible for a Canadian investor to participate directly in such Canadian industries as rubber, electrical equipment, automobiles, chemicals, electronics and others. Formerly, a reasonable solution would have been to list the stocks of the parent companies in Canada and let the Canadian investor participate in this manner. This is not so effective today because of the 20% dividend credit referred to earlier in this report, which applies only to stocks of Canadian companies. Some prominent United States' companies, such as Standard Oil of New Jersey, Ford Motor Company, Du Pont, The Texas Company, Sears, Roebuck and Goodyear have successfully solved the problem by making a portion of the equity capital of the Canadian subsidiary available to Canadian investors. Others might well adopt a similar policy.

The vast capital investment program of the postwar period has virtually transformed Canada's economy. Some of the more important developments are:

Oil

Since 1947 when the Leduc field was discovered in Alberta over $2 billion have gone into oil development in Western Canada. During this period over 5,000 producing oil wells have been drilled; crude oil reserves have increased from about 72 million barrels to an estimated 3 billion dollars and production from 20,000 barrels to a current rate of approximately 400,000 barrels per day. Though Canada's oil requirements have increased 168% in this time domestic production is now accounting for about 65% of requirements compared with 8% in 1947. Refinery capacity has been increased from 246,000 barrels per day in 1946 to 556,000 barrels in 1954, and by mid-1956, when present refinery expansion plans are completed it will be over 700,000 barrels daily. To transport western crude oil to market two major pipelines have been built, the Interprovincial pipeline, 1,770 miles in length from Edmonton, Alberta, to Sarnia, Ontario, and the Trans Mountain pipeline, 740 miles in length from Edmonton to Vancouver and Seattle on the Pacific coast.

Natural Gas

Associated with the development of crude oil reserves in Western Canada has been the dis-

Continued on page 60

Servicing
Brokers and Dealers
Since 1878

ASIEL & CO.

Members New York Stock Exchange
Members American Stock Exchange

11 Wall Street — New York 5, N. Y.

Telephone HAnover 2-5000 — Teletype NY 1-1110 & NY 1-1111

INDUSTRIAL, PUBLIC UTILITY, RAILROAD
and MUNICIPAL SECURITIES

LAURENCE M. MARKS & CO.

Members New York Stock Exchange
American Stock Exchange (Associate)

49 Wall Street, New York 5, New York

Telephone HAnover 2-9500 — Teletype N. Y. 1-344

Nationwide Facilities for the Distribution of Investment Securities

With 62 offices from coast to coast, and more than 400 representatives, Francis I. duPont & Co. offers an effective, nationwide organization for the distribution of both corporate and municipal securities.

FRANCIS I. DUPONT & CO.

Members New York Stock Exchange
Principal Security & Commodity Exchanges

INVESTMENT DEALERS • UNDERWRITERS • DISTRIBUTORS
BROKERS IN SECURITIES AND COMMODITIES

Main office One Wall Street, New York 5, N. Y.

Telephone Digby 4-2000 — *Teletype* NY 1-1181

Chicago, Ill.
Wilmington, Del.
* * *
Akron, Ohio
Bakersfield, Cal.
Beverly Hills, Cal.
Cedar Rapids, Iowa
Charlotte, N. C.
Cleveland, Ohio
Dallas, Texas
Danville, Ill.
Decatur, Ill.
Elmira, N. Y.
Enid, Okla.
Fort Dodge, Iowa
Fort Lauderdale, Fla.
Fort Worth, Texas
Fresno, Cal.
Galesburg, Ill
Kankakee, Ill.
Kansas City, Mo.
Kewanee, Ill.
Los Angeles, Cal.
Memphis, Tenn.
Miami, Fla.
Miami Beach, Fla.
Milwaukee, Wis.
Minneapolis, Minn.
Newark, N. J.
New Orleans, La.
Oklahoma City, Okla.
Omaha, Neb.
Pasadena, Cal.
Peoria, Ill.
Philadelphia, Pa.
Quincy, Ill.
Rochester, N. Y.
Sacramento, Cal
St. Joseph, Mo.
St. Louis, Mo.
San Francisco, Cal.
Sikeston, Mo.
Sioux City, Iowa
Springfield, Ill.
Storm Lake, Iowa
Streator, Ill.
Terre Haute, Ind.
Washington, D. C.
West Palm Beach, Fla.
White Plains, N. Y
Wichita, Kansas

tized for FRASER
://fraser.stlouisfed.org/

Report of IBA Public Utilities Securities Committee

Harold H. Young, Chairman of the IBA Utilities Securities Committee, reports, despite rise in the cost of money, the financial requirements of utility companies have been supplied with undue strain or special incident, and there has been no substantial drop in refunding activities. Finds all classes of securities of utilities in demand, particularly common stocks. Gives data regarding past years of utilities financing.

The 1955 Report of the Public Utilities Securities Committee of the Investment Bankers Association of America was presented at the 44th Annual Convention of the Association, held at Hollywood, Fla., by Harold H. Young, partner of Eastman, Dillon & Co., New York City, as Chairman of the Committee.

The text of the Report follows:

The year just passed is one in which financial requirements of utility companies have been supplied without undue strain or special incident. Fluctuations in the cost of money for the utility companies have been related almost entirely to the ups and downs of the general money market and not primarily to any influences especially involving utility companies alone.

Harold H. Young

Sales of mortgage bonds represent the least of the worries of the utility companies and there is no let-up in sight for the demand for good public utility mortgage bonds. This is partly because of today's pattern of savings. Individuals are buying large amounts of life insurance. Retirement income plans are popular. Many corporations are setting up pension funds for their employees. Consequently, insurance companies and the banks which act as trustees for savings and pension funds have big sums of money coming into their hands to invest every month. They buy large amounts of bonds and, of course, public utility bonds are very popular in this connection.

Rates of interest fluctuate from time to time and there has been a firming of rates in the last year. However, the difference in rates has not been serious enough to dampen sales prospects although, as we will note later, there has been a substantial drop in refunding activities.

The Irving Trust Company in New York, which monthly puts out an excellent summary of utility financing, noted that as of Oct. 29, 1954 the average yield to maturity of triple A utility bonds was 2.87%; that of double A utility bonds was 2.95% and for A bonds 3.08%. One year later, as of Oct. 31, 1955, they reported 3.11% for triple A, 3.16% for double A and 3.28% for A bonds. Their monthly report at the end of August, 1955, showed modestly higher rates than prevailed in the October figures which were cited. As of Aug. 31, the averages were 3.14% for the triple A; 3.26% for the double A and 3.42% for the A bonds. In other words, rates have eased somewhat from the high points attained in the summer.

We are interested to note that utility companies show no tendency to succumb to a temptation to make maximum use of bond financing because of its low cost. In fact, much has been done in recent years to strengthen and improve capital structures of the utility companies. Quite independent of pressure from regulatory authorities, many companies have built up their common stock equities while debt ratios have been either reduced or held at reasonable levels.

Preferred stock financing continues to be in amounts very much less than the bond financing. However, it is interesting to note that, again referring to the Irving Trust reports, the rise in cost of preferred money has not been as much as that of bond money. As of the end of October, 1954, the Irving Trust found Group 1 preferreds yielding 3.85%; Group 2, 4.00% and Group 3, 4.18%. The corresponding yields as of Oct. 31, 1955, were 3.96% for Group 1 preferreds, 4.06% for Group 2 preferreds and 4.24% for Group 3.

Historically, the buyer of preferred stocks was the private investor who was attracted by high yields. Thirty years ago the going rate on preferreds was about 7%. In more recent years this rate has declined greatly and after a while the average return on preferred stocks became so low as to discourage further interest on the part of most private investors. Therefore, the demand has become more institutional. However, one problem as to preferred stocks in the portfolios of institutions is the possibility of a change in the general level of interest rates which will give rise to substantial decline in market value.

Many institutional buyers stress the point that they may purchase a bond at the wrong phase of the money market and see prices decline subsequently but at least their investment is restored at the maturity of the bond. On the other hand, they may purchase a preferred stock at the wrong time and because there is no obligation to retire the preferred, they may never see their money intact again. This line of approach has led to demands from some institutional investors for sinking funds on preferred stocks. A satisfactory sinking fund gives a preferred stock some of the attributes of a long-term debt. For a time some of the utility companies provided these funds but, more recently, there has been a definite unwillingness to do this, particularly as preferred stocks seem to be absorbed in reasonable amounts by buyers not insistent upon any sinking fund. The utility companies, in general, object to these funds as adding to their problems of raising capital. A willingness to provide these funds might increase somewhat the amount of preferred stock money available as many institutions shy away from any purchase of utility preferred stocks at the present time. Others like the higher rates available as against those on bonds and are fairly regular buyers.

As to the market for utility company common stocks, we find that in the year which has closed average yields have declined modestly and there has been a slight upturn in price-earnings ratios. Using the monthly compilations of C. A. Turner of Chicago, we find a reported average yield for utility common stocks in late October, 1954, of 4.9% and a year later the figure was 4.7%. In the same period the average price-earnings ratio went up from 15.3 to 15.4. In intervening months average yields declined to as low as 4.5% and the average price-earnings ratio was as high as 16.6. Public utility stocks were not immune in the sell-off in the market in late September. Some stocks which had been carried to rather high levels by enthusiasm over the so-called "growth areas" receded in price even before the drop attending the news of the President's illness.

As compared with the situation in immediately preceding years, yields this year reached new low levels and price-earnings ratios, new highs. This has given rise to the question as to whether these stocks have been getting too high and as to whether they should continue to be bought. Yields were lower in many instances in 1946 but that very fact has contributed to the questioning attitude because in 1946 the market turned around and utility stocks subsequently sold on a much higher yield basis.

There are a number of factors in the situation which support a belief that we are in a period when utility common stocks will yield lower returns than those to which we were accustomed a few years ago. In the first place, the buying of these stocks has been of an investment nature. People seeking speculative profits in the generally good market of recent years have not been likely to turn to utility stocks as the media for their operations. As a matter of fact, there has been a noticeable trend in many instances to the sale of industrial or other speculative issues to purchase utility stocks in the belief that these utility stocks would not decline as far or as fast in a weak market as more volatile issues.

Many institutions, which have not previously been buyers of common stocks, have come into the market and utility stocks have often been among the issues they have favored. For example, it is only in recent years that New York life insurance companies, New York savings banks and savings banks in several other states could, under state laws, buy common stocks. In some cases there may have been no change in legislation but there have been changes in investment policy which have brought certain institutions into the common stock market as new buyers. Pension funds take substantial blocks of stock off the market.

Through the educational program of the investment community, new common stock buyers have been created among individuals, as well. When an investor makes an initial purchase, it is often the stock of a utility company in his own area as that seems to be the type of enterprise which is most familiar and most appealing.

The question of how much lower yields can go than they have gone this year depends, in considerable measure, on the

Continued on page 58

DISCOUNT CORPORATION OF NEW YORK

DEALERS IN

UNITED STATES GOVERNMENT SECURITIES

BANKERS ACCEPTANCES

FIFTY-EIGHT PINE STREET

NEW YORK 5, N. Y.

Underwriters, Distributors and Dealers in Corporate and Municipal Securities

HIRSCH & CO.

Members New York Stock Exchange and Other Exchanges

25 BROAD STREET, NEW YORK 4, N. Y.

Telephone: HAnover 2-0600 Teletype: N.Y. 1-210

1636 Eye St., N.W., Washington 6
Tel: National 8-2545

Keyser Building, Baltimore 2
Tel: Lexington 9-7861

LONDON, ENGLAND — *Representatives' Offices:* GENEVA • AMSTERDAM

Direct Wire Service — New York, Washington and Baltimore

Established 1856

H. HENTZ & CO.

Members New York Stock Exchange and other leading stock and commodity exchanges

Main Office
60 BEAVER STREET, N. Y. C., BO 9-8420

New York City Branches
Sherry Netherland Hotel (PL 1-2220) & 1430 Broadway (PE 6-5775)

CHICAGO DETROIT PITTSBURGH MIAMI BEACH CORAL GABLES HOLLYWOOD, FLA.
BEVERLY HILLS, CAL. GENEVA, SWITZERLAND AMSTERDAM, HOLLAND
BUENOS AIRES, ARGENTINA

•

Underwriters and Distributors of Corporate Securities

itized for FRASER
://fraser.stlouisfed.org/

Report of IBA Nuclear Industry Committee

New committee, set up by the IBA last year and headed by William S. Hughes, reports on the implications of the International Conference held in Geneva, along with the recent trends and developments in the field of nuclear industry. The report comments on the current uranium stock speculation and the corrective measures sought by the NASD and the SEC. Recommends a statement of policy by the IBA with respect to "penny" stocks.

The Nuclear Industry Committee, which was set up as one of the permanent national committees of the Investment Bankers Association in the past year, under the Chairmanship of William S. Hughes, President of Wagenseller & Durst, Inc. of Los Angeles, Calif., delivered its first annual report to the Convention of the Association at Hollywood, Florida.

William S. Hughes

The text of this Report follows:

The year 1955 may well be regarded in the future as marking the second phase in the history of nuclear energy. The International Conference at Geneva held on the tenth anniversary of the first large scale detonation of the atomic bomb in Japan was dedicated to the commercial and civil applications of nuclear energy. More than 1,400 scientists and engineers attended, and some 1,100 papers were submitted, about half of which were provided by the United States delegation. Some 800 reporters covered the Conference and publicized throughout the world the progress being made in "Atoms for Peace."

Earlier in the year the Atomic Energy Commission had taken an important step in providing for the release of restricted information to corporations and individuals who had a legitimate interest in the commercial development of nuclear energy. In the five months through October, 1955, 476 permits had been issued by the AEC giving access to previously classified data. These permits were issued to a veritable cross section of American business. Included, for example, were a number of utilities, companies in steel, petroleum, rubber, automotive, aircraft and other heavy industries, as well as insurance companies, banks, universities, and private research laboratories.

Although the nuclear industry has not yet had a direct effect on civilian life, nevertheless it is already a very large industry both in terms of present and planned investment, employment and the number of individual corporations concerned in it. For example, atomic project employment is now estimated at some 140,000, of which the AEC itself accounts for only 6,000. About 60,000 are engaged in the construction work and some 75,000 are employed in the operation of nuclear projects. Our leading corporations are playing a substantial role in nuclear operation and research. One major industrial company now employs about 16,000 in its nuclear and associated activities. Furthermore, these operations are producing substantial profits. In addition to fees of some $2 million net annually for the operation of AEC facilities, profits are also realized from its direct activities in uranium mining and milling, in metallurgy and other divisions of its regular business which contribute to its nuclear business.

The Geneva Conference

The International Conference on peaceful uses of atomic energy under the auspicies of the United Nations appears, in retrospect, as the most dramatic technological development of our century, whether it is judged by its scientific value or by its even more striking political, economic and social implications. Here for the first time, some 2,000 representatives from 72 nations met to discuss many hitherto highly censored and top secret phases of atomic fission and whose open discussion even with representatives of neutral powers a few short months earlier would have faced the informant with probable criminal charges and severe penalties. Approximately 450 papers were read by their authors, comprising most of the great names in world science in the field of atomic fission.

The participating nations seemed to divide into four main groups. The first group, consisting of the United States, the United Kingdom, and the U.S.S.R., already possess major nuclear programs and contributed the bulk of the information furnished during the meeting. The second category includes Canada and those western European nations who either possess reactors or are about to build them. The third category of participants consists of countries who have reached only the initial planning stage for such programs, and the fourth, those somewhat more backward nations who are studying the application, if any, of atomic energy to their own economies. The United States, the United Kingdom and the U.S.S.R. competed with one another in a wide subject range, with a concentration of interest in reactors for power and research. The three leaders seemed anxious to outdo each other in the public competition. The second group asked for detailed information that would help it in its relatively more elementary approach to the problems involved. The third group was confirming its ideas on the types of reactors to select and to build. The fourth category concentrated on the various methods of establishing a primary atomic energy program.

The American delegation of 350 furnished the most elaborate exhibits, and surpassed the others in information and workmanship, including many working models and mockups. Senator Anderson, head of the Joint Congressional Committee on Atomic Energy, helped to establish the atmosphere of free interchange of ideas in his statement, "The time has come to rethink our whole security policy on power reactor information toward the end of making more of it available for study and use by industry."

This spirit seemed infectious and scientists in countries within and without the iron curtain appeared to feel the natural human urge to compete with their fellow scientists in adequate disclosure.

The British put particular emphasis on the trade fair aspect of the meeting, quoting prices and scheduling dates of delivery for their relatively modest plant, the Calder Hall.

The Russians impressed the meeting more by their scientific excellence than by concrete application. Their delegation of 79 scientists was of special interest to their western conferees who remarked on the close resemblance of scientific thinking and the close approximation of conclusions reached without any interchange of ideas from the outside. Those countries whose conventional fuel supplies are relatively limited, and for whom this new and vital source of raw materials is peculiarly important, inclined to stress relatively short-term cost comparisons of atomic power with conventional power.

Smaller countries, in weighing the enormous boom which might be conferred on them by this new, vast source of energy, were privately apprehensive of becoming "atomic colonies" of one or other of the three great powers. They seemed worried politically of the effect at home of incurring relatively large obligations which might bind them politically, as well as economically, and restrict their jealously guarded freedom.

One vexing problem was raised when foreign customers, shopping for power reactors, asked about when they could expect a supply of fuel. Answering this question is politically most delicate because the power reactors which use uranium are, of necessity, potential producers of plutonium, the material for atomic weapons. Therefore, when power reactors are exported with their prepared fuels, the means are automatically created for enabling other countries to build stockpiles which could be used for the atomic bomb. Countries could, of course, require that the fuel be returned after use to enable the original exporter to extract the plutonium and return fresh fuel after reprocessing, but, if this were required politically, the additional cost involved in shuttling highly radioactive elements back and forth across the world could raise the probable costs of the plants above a competitive price level. The solutions of such problems as these must be made at the highest policy levels of government.

One of the great surprises at the Conference appeared on the

Continued on page 96

We Have An Interest In

CAVITRON CORP.

Com., Pfd. & Units

INQUIRIES INVITED

INGALLS & SNYDER

Members New York Stock Exchange
Members American Stock Exchange

100 BROADWAY NEW YORK 5, N. Y.

COrtlandt 7-6800 — Bell System Teletype NY 1-1459

Specialists in

United States Government Securities

State and Municipal Bonds

C. J. DEVINE & CO.

48 Wall Street, New York 5 HAnover 2-2727

Chicago • Boston • Philadelphia • Washington • Pittsburgh
Cleveland • Cincinnati • St. Louis • San Francisco

UNDERWRITERS and DISTRIBUTORS of CORPORATE SECURITIES

RIGHTS

HOMER O'CONNELL & CO.

INCORPORATED

120 BROADWAY, NEW YORK 5, N. Y.

Telephone DIgby 4-0770 *Bell System Teletype* NY 1-1896

SHELBY CULLOM DAVIS & CO.

Members New York Stock Exchange

Underwriters and Dealers in

INSURANCE STOCKS
CORPORATE AND MUNICIPAL BONDS

Oldest Specialists (with Predecessor Firm) in Insurance Stocks. Serving Dealers and Institutions since 1927.

110 WILLIAM STREET, NEW YORK 38, N. Y.

Telephone BEekman 3-0626 • *Teletype* NY 1-384

"IN THE HEART OF THE INSURANCE DISTRICT"

Digitized for FRASER
http://fraser.stlouisfed.org/

Report of IBA Oil and Natural Gas Securities Committee

Committee, under the chairmanship of W. C. (Decker) Jackson, Jr., President of the First Southwest Company, Dallas, Texas, presented to the 44th Convention, a detailed report on the developments and the current situation in the industry, both in the United States and Canada. Discusses recent and proposed legislation affecting the industry and comments on the threat of atomic energy as a competitor to oil and gas producers.

W. C. (Decker) Jackson, Jr., President of the First Southwest Company of Dallas, Texas, Chairman of the Oil and Natural Gas Securities Committee of the Investment Bankers Association of America, released to the 44th Annual Convention at Hollywood, Fla., a comprehensive and detailed report on developments in the industry during recent years.

The Committee's Report, in part, follows:

It was not until approximately 1913 that the old, inefficient distillation process for separating crude oil into its more usable component parts was supplemented by cracking processes using high heat and pressure. Now, as a result of research and the application of chemical engineering principles, this division has been transformed from a purely refining operation into a highly technical manufacturing process.

W. C. Jackson, Jr.

The motivating force behind this evolution can readily be found in the problems which have plagued this division for years. Refining profits are largely subject to price factors beyond the division's control. Crude oil costs are determined mainly by the amount of new discoveries and artificial production control, while prices for refined products fluctuate with changing market conditions. Refining costs have little effect on prices. Moreover, although crude oil prices are relatively stable because of production control measures, refining profit margins are constantly changing and seldom remain highly favorable for more than relatively short periods.

Consequently, refining operations have not made so favorable a contribution to total profits, and, to meet this situation, the industry is continually endeavoring to develop more efficient processes to obtain an increased yield of the more valuable products and better utilization of by-products. As a result of persistent research, important advances have been made both in the cracking. or decomposition, of crude oil and its components and in the development of complementary processes for the synthetic production of motor and aviation fuel. In both cases, the successful application of catalytic agents has permitted reactions formerly considered impossible.

The textile, solvents, explosives, plastics, and many other industries are beneficiaries of the developments which have been made in the manufacture of synthetic products from oil hydrocarbons, which differ in molecular structure from coal-tar hydrocarbons and therefore differ in the products which can be synthesized from them.

Commercial catalytic cracking as practiced today is a comparatively recent development. Although requiring a larger capital investment, catalytic cracking has the advantage of affording greater refining flexibility and larger yields of higher quality products.

It is interesting to note that crude refinery runs at the end of World War II were approximately 4,000,000 barrels per day. At the present time, crude refinery runs are at the rate of 7,600,000 barrels per day. In 1954, the total capacity of all refineries was 8,440,000 barrels per day and in 1955—8,640,000 barrels per day.

Inventories in 1955 of all products, excluding Number 2 Burn Oil, were below inventories as of the same period in 1954.

Refiners in 1954 laid particular emphasis on upgrading refinery operations, for the purpose of obtaining higher quality products. Thus, refinery capacity of the industry as a whole was increased by only about 2.4% in 1954. Expenditures, estimated in excess of $800 million, in 1954 were mainly for catalytic cracking and catalytic reforming facilities.

The ratio of catalytic cracking facilities to crude capacity of refiners continues to rise, reaching approximately 38% in 1954, up from 33% a year earlier. Refiners will continue to emphasize greater use of catalysts. The octane race continues unabated. Refiners in 1955 and 1956 may begin making 100 octane gasoline, since higher compression ratios are indicated for 1956 automobiles. The ratio of premium gasoline made in proportion to regular is expected to increase.

Catalytic reforming capacity was more than doubled in 1954, and a further sharp rise is indicated for 1955; a new round of additions to catalytic reforming capacity of refineries is expected in 1956. This equipment is needed to reform various stocks, such as naphtha, into high octane gasoline.

Continuing progress in reducing costs may pave the way for increased use of alkylate in motor fuel. Currently, this product is going primarily into high octane aviation gasoline. Polymerization remains an important process in maintaining octane levels in the refining process. The basic purpose of all the foregoing is to obtain higher value products in greater quantity from the barrel of crude. Greater use of new methods, such as hydrogen treating, can be expected.

As a rule, a large refinery must undergo almost constant modernization to keep it on a highly competitive basis. Thus, large amounts of money probably will continue to be put into refining facilities and these operations promise to become even more flexible and efficient.

Because of its increasing technicality, refining in recent years has tended to become concentrated in large plants. Major refiners, owning 100,000 barrels daily or more of throughput capacity, held about 81% of industry capacity at the start of 1955, or slightly more than a year earlier. However, the small independents planned to increase their capacity by more than 6% in 1955, against an estimated rise of less than 1% for the majors.

In 1954, 29 old refineries were shut down, with a capacity aggregating over 250,000 barrels daily. Early in 1955, there were 305 operating refineries in the United States, against 330 in 1954, 401 in 1945 and 448 in 1940.

From time to time, with the change in location of crude oil resources, refinery locations have been changed. For instance, until recently there has never been any appreciable capacity in the Middle West. Now this capacity amounts to a total of 95,000 barrels per day, distributed as follows: 45,000 barrels in Minneapolis; 30,000 barrels in North Dakota; and 20,000 barrels in Duluth-Superior. This growth of capacity is, of course, due to the development and production of Canadian and Williston Basin crude.

Indices of price spreads are not strictly representative, as prices vary by locality and by company. An index measures margins between the value of all the products derived from a barrel of crude oil and the cost of the barrel of crude. To obtain an accurate index, it is necessary to weight the various products by the percentage that each product bears to the total. A schedule showing gross profit margins of oil refiners is appended hereto as Exhibit "A."

The products price is a weighted average of the four main products in nine refinery markets. Studies with respect to average costs of gathering, transporting, and processing crude oil indicate that a price spread of around $0.75 a barrel, on the basis of the figures used, is required for break even operations, making no allowance for interest on the capital investment. It should be kept in mind that profit margins of individual refineries will vary greatly, depending on the efficiency of plant, the ratio of catalytic cracking facilities, and flexibility provided by reforming and other up-to-date equipment.

Refiners have to contend not only with a varying and uncontrolled price spread, but also with the necessity for balancing the yields of different products with respect to demand. Over a period of years, considerable change has taken place. For example, the substantial increase in gasoline demand required a stepping up of

Continued on page 112

WERTHEIM & CO.

Members New York Stock Exchange

NEW YORK

Underwriters of

CORPORATE SECURITIES

• • •

Distributors of

INVESTMENT SECURITIES

• • •

MUTUAL FUNDS

BARRETT HERRICK & CO., INC.

35 WALL STREET

NEW YORK 5, N.Y.

Philadelphia, Pa. *St. Louis, Mo.* *Springfield, Mass.*
Syracuse, N. Y. *Washington, D. C.* *Rochester, N. Y.*
Arlington, Va. *Providence, R. I.* *Bethlehem, Pa.*
Kansas City, Mo.

KIDDER, PEABODY & CO....

What is your trading problem?

Our large and experienced Trading Departments may be helpful to you. Why not let us know *your* trading requirements?

- Makes primary markets in an extended list of all types of corporate securities.
- Through a nation-wide wire system provides broad institutional and dealer coverage—*and costs you less.*
- Provides facilities for skillful handling of large blocks without disturbing existing street markets.

Address
Mr. Alfred J. Stalker,
Mgr., Dealer Relations
Department.

Kidder, Peabody & Co.
FOUNDED 1865
Members New York and American Stock Exchanges
17 WALL STREET, NEW YORK 5, N. Y.
Boston Chicago Philadelphia San Francisco

Underwriters and Distributors
Industrial, Public Utility and
Railroad Securities
Municipal Bonds

Bank and Insurance Stocks

Unlisted Securities

LAIRD, BISSELL & MEEDS
MEMBERS NEW YORK AND AMERICAN STOCK EXCHANGES
120 BROADWAY, NEW YORK 5, N. Y.
Telephone BArclay 7-3500 *Bell Teletype NY 1-1248-49*

DU PONT BUILDING
WILMINGTON, DEL.

PHILADELPHIA NATIONAL BANK BLDG.
PHILADELPHIA, PA.

44 WHITNEY AVE.
NEW HAVEN, CONN.

BASEL
SWITZERLAND

160 W. BROADWAY
SALEM, N. J.

Digitized for FRASER
http://fraser.stlouisfed.org/

Report of IBA Investment Companies Committee

Chairman Walter L. Morgan discusses legislative activities, the problem of Variable Annuities, taxes and other matters relating to or affecting Investment Companies. Says a growing spirit of cooperation has developed within the Investment Company industry.

On Dec. 1, at the 44th Annual Convention of the Investment Bankers Association of America, held at Hollywood, Fla., Walter L. Morgan, President of the Wellington Company of Philadelphia, as Chairman, released the report of the Investment Companies Committee.

The text of the Report follows:

There have been a number of interesting developments in the investment company field during the past year which your Committee feels might be a matter of interest to the members of the Investment Bankers Association of America.

Walter Morgan

It might be noted that the sales of open-end investment company shares are continuing at a high level; for the 10 months ended Oct. 31, 1955 sales were $1,008,569,000 — more than for any previous full year. For the 12 months ended Oct. 31 sales were as follows:

Oct. 31, 1955	$1,208,000,000
Oct. 31, 1954	776,000,000

Included in these figures are substantial increases in purchases of open-end company shares being made through monthly purchase plans which, for the 10 months ended Oct. 31, 1955 amounted to about $112,000,000. Redemptions are lower and for the 10 months of 1955 amounted to $382,000,000 — 5.3% of October assets, compared with 6.2% last year. Total assets of all members of the National Association of Investment Companies amounted to $8,492,496,000 on September 30 this year, representing an increase of $1,194,902,000 over the 1954 year-end total. It would seem clear that investment companies thus have not only grown to represent a very important segement of the financial scene, but also represent a source of continuing and increasing business to IBA membership.

This continued growth of investment companies has enabled them to expand, increase and improve management facilities and contacts. We believe the investment management organizations of our leading investment companies, with their statistical, research and field personnel, with their economic and business contacts, compare favorably in depth and ability and accomplishments with other leading financial institutions.

Legislative Efforts

During the past year there were several developments of importance in dealings with legislative bodies. The chairman of the National Association of Investment Companies appeared before the Fulbright Public Hearings to investigate the role of institutional investors in the stock market. Investment companies are now cooperating further with the Fulbright Committee by agreeing to furnish for the 20 largest funds data on purchases and sales of portfolio stocks for the past three years and for selected earlier periods. The Fulbright Committee has also asked for data on sales and repurchases of investment company shares for similar periods. All of this information is to be furnished only on a composite basis by the National Association of Investment Companies which has negotiated with the staff of the Fulbright Committee to reduce the required information to a point that will provide the maximum information with the minimum amount of work load and expense for investment companies and their sponsors.

Securities and Exchange Commission Rule No. 134, as finally enacted, and which governs so-called tombstone advertising for all new issues, contains express permissive language to enable investment companies to describe their particular type of business.

Last January the Securities and Exchange Commission adopted amendments to its Statement of Policy governing literature used by investment companies. Certain of these amendements had been advocated by investment companies through the National Association of Securities Dealers Investment Companies Committee, while certain restrictive amendments were adopted over the objections of this Committee. Since that time negotiations are continuing between the NASD Committee and the SEC in an effort to obtain relief from these restrictive amendments.

Variable Annuities

Perhaps the most significant current development affecting the securities business is the problem of variable annuities. Stripped of technicalities we believe variable annuities are, for all practical purposes, a security, and in fact an investment account, which, if approved, could be offered to the investing public by thousands of insurance salesmen without regard to Federal or state securities regulations and with a decided tax advantage over outright ownership of common stocks.

I am glad to report that there has been well directed and active cooperation among the different segments of the financial industry to delay legislation which would authorize the sale of variable annuities. Perhaps the most significant development in the last year is the position taken by the Board of Governors of the National Association of Securities Dealers as released on Oct. 13, 1955. Copies of this release have been mailed to all NASD members, and additional copies are available from the NASD upon request. In essence, the Board of Governors of the National Association of Securities Dealers recommends that that Association take the lead to effect or bring about suitable regulation of the proposed variable annuity type of contract by the Securities and Exchange Commission, either under current statutes, or if this is not possible to institute proper enabling legislation before the Congress to bring about the desired result, that the NASD call the attention of Congress and the Treasury Department to the inequitable tax situation that would exist if the current tax status of life insurance companies is permitted to expand to the new variable annuity business; and to recommend to NSAD members that acting in their own behalf they should take whatever action is necessary to prevent enabling legislation in their states until such time as the Federal Government acts. In furtherance of this objective it should be noted that the National Association of Securities Dealers has sent copies of the action of the Board of Governors to all NASD members.

Extremely important, also is the report of the Variable Annuities Committee of the National Association of State Securities Administrators which has taken the position that:

(1) Variable annuities fall within the broad definition of securities under the various state laws.

(2) Since state laws require registration of securities before any offerings to the public, variable annuities should also be required to register.

(3) The 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.

(4) If the legislatures of the various states would permit creation of variable annuities, this committee believes that in the public interest they should be required to be under the same Federal and state regulations as other securities. The committee recommends that this regulation should go beyond the full disclosure concept and require at least as much regulation as that imposed upon investment companies.

This committee of the State Securities Commissioners is filing a copy of its conclusions with the Securities and Exchange Commission, with the Securities Commissions of the various states, and with the Sub-committee of the Life Insurance Associations which will make a report on the variable annuity subject at the insurance convention being held in New York beginning Nov. 28.

An informal committee of representatives of various investment companies has been active in opposing legislation in New Hampshire, New York, Texas, Maryland, New Jersey and the District of Columbia. At this writing legislation has been defeated or abandoned in New York, Texas, Maryland and New Hampshire; it is still pending in New Jersey, where a determined effort is being planned to pass this legislation before the end of the year. In the District of Columbia a variable annuity type of company has been organized. It is presumed, however, that legislative action or clearance by Insurances Commissioners would be required to make these variable annuities saleable in most of the states. Furthermore, the SEC has been asked to rule whether this company is subject to their jurisdiction.

In this connection, it might be interesting to point out that an informal working committee from the investment companies industry has filed with the Securities and Exchange Commission a brief prepared by counsel which holds to the position that securities sold to the public in the form of a variable annuity would properly be subject to the jurisdiction of the Securities and Exchange Commission, or appropriate regulatory authorities in the various states. Counsel for the Investment Bankers Association of America has read and approved this brief, as presented to the Securities and Exchange Commission. Copies of the brief have been filed with the counsel of the different financial organizations or associations. Our committee recommends that the cooperation of the Investment Bankers Association of America in this matter be continued and

Continued on page 57

INVESTMENT SECURITIES

L. F. ROTHSCHILD & CO.
ESTABLISHED 1899
MEMBERS
NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE
AND OTHER LEADING EXCHANGES
120 BROADWAY, NEW YORK 5, N. Y.
TELEPHONE: REctor 2-4600 BELL TELETYPE NY 1-471
BOSTON CHICAGO PHILADELPHIA ROCHESTER MONTREAL

STOCK & BOND
BROKERAGE SERVICE
for Banks, Brokers and Dealers
HARDY & Co.
Members New York Stock Exchange
Members American Stock Exchange
30 Broad St. New York 4
Telephone DIgby 4-7800 Teletype NY 1-733
MAIN ST. & MEETINGHOUSE LANE
SOUTHAMPTON, L. I., N. Y.

PERSHING & Co.
MEMBERS
NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE
CHICAGO BOARD OF TRADE
120 BROADWAY, NEW YORK 5, N. Y.
Private Wires
ATLANTA BEVERLY HILLS BOSTON BUFFALO
CHICAGO DETROIT HARTFORD LOS ANGELES
PITTSBURGH PROVIDENCE SAN FRANCISCO
ST. LOUIS WHEELING YOUNGSTOWN

Digitized for FRASER
http://fraser.stlouisfed.org/

Report of IBA State Legislation Committee

Chairman Paul L. Mullaney reviews amendments to State securities acts during current year, and calls attention to study of State securities regulation being made by the Harvard Law School, under a grant from the Merrill Foundation. Discusses Variable Annuities and the stand regarding them taken by the IBA. Urges adoption of model law relating to gifts of securities to minors.

Paul L. Mullaney

On November 29th, at the Forty-fourth Annual Convention of the Investment Bankers Association of America, held in Hollywood, Florida, the State Legislation Committee of the Association, whose Chairman is Paul L. Mullaney, President of Mullaney, Wells & Company, Chicago, Illinois, released its Annual Report for 1955.

The text of the Report follows:

The state legislatures have been in regular session this year in 45 states. There have been many important developments in state legislation affecting the investment banking industry, some of which are summarized below:

I

State Securities Act

(a) Amendments to State Securities Acts This Year

Amendments have been adopted this year to the securities acts of the following 20 states:

Arizona; California; Colorado; Florida; Illinois; Indiana; Iowa;

Michigan; Minnesota; Nebraska; New Mexico; North Carolina; North Dakota;

Oregon; Ohio; South Dakota; Tennessee; Texas; Vermont; Wisconsin.

We are pleased to report that complete new securities acts have been adopted this year in Texas, Tennessee and New Mexico. Work had been underway in these three states for more than five years to obtain adoption of new securities acts.

In **Texas**, a complete new securities act, which made many major improvements and eliminated several problems, became effective Sept. 1, 1955. The members of the Legislation Committee of the Texas Group, who did an outstanding job in their work on the new Act, are: Mr. Charles C. Pierce (Rauscher, Pierce & Co., Dallas), Chairman; Mr. Hal H. Dewar (Dewar, Robertson & Pancoast, San Antonio); Mr. Wilbur E. Hess (Fridley, Hess & Frederking, Houston), and Mr. Edward Rotan (Rotan, Mosle & Co., Houston). The Committee received the support and cooperation of Governor Allan Shivers, Secretary of State Al Muldrow, Assistant Secretary of State Roger Tyler, Securities Commissioner Jay Wilson, Mr. Edward Austin (Austin, Hart & Parvin, San Antonio), Chairman of the NASD Legislative Committee for District 6, and Mr. Paul Fagan (Secretary NASD District 6).

In **Tennessee**, a complete new securities act, based upon the IBA model law of the notification type with some modifications, became effective July 1, 1955. Work on the new law was carried out by Mr. Ralph Owen (Equitable Securities Corporation, Nashville), a member of this Committee, Mr. Gus Halliburton (Equitable Securities Corporation, Nashville), and Mr. Beverly Landstreet, 3rd (Clark, Landstreet & Kirkpatrick, Inc., Nashville), Chairman of the Legislation Committee of the Southern Group, in close cooperation with Mr. Robert F. Miller, Manager of the Blue Sky Division of the Tennessee Department of Insurance and Banking.

In **New Mexico**, a complete new securities act became effective June 10, 1955. This new Act embodies the IBA model law of the notification type, except that it provides a qualification procedure for mining and oil securities and for investment fund shares. This bill is the result of work with the Securities Commissioner of New Mexico and Mr. William Mee (Minor & Mee, Santa Fe), the former Securities Commissioner of New Mexico now engaged in the securities business.

In **North Carolina**, several major amendments to the North Carolina Securities Act were adopted to bring some of its basic provisions into accord with the IBA model laws. These amendments were the result of fine work by a special committee of the Securities Dealers of the Carolinas, including Mr. Glenn E. Anderson (Carolina Securities Corporation, Raleigh), Chairman; Mr. Reid Martin (R. S. Dickson & Co., Raleigh); Mr. Charles Vance, Jr. (Vance Securities Corp., Greensboro), and Mr. Marshall Johnson (McDaniel Lewis & Co., Greensboro), Chairman of the Legislation Committee of the Southeastern Group, in cooperation with North Carolina Secretary of State Thad Eure.

We commend the members referred to above for the service which they have performed for the industry and investors in their successful work on state securities acts. Special thanks are also due the state officials referred to above with respect to the new acts in Texas, Tennessee and New Mexico and the amendments in North Carolina, because those officials sponsored or actively supported adoption of the new acts and amendments.

In **Washington**, a bill to provide a complete new Washington Securities Act was defeated in the legislature. IBA members had cooperated with the Washington Securities Commissioner in work on the bill. Mr. Sherman Ellsworth (Wm. P. Harper & Sons & Company, Seattle) and Mr. Lyle Wilson (Pacific Northwest Company, Seattle) are due particular credit for their work on the bill. We hope that efforts for adoption of the new act will be renewed in the next session of the Washington legislature.

In **Ohio**, a bill was introduced in the legislature to amend the securities act so that dealers who in Ohio engage only in transactions with certain "sophisticated" buyers would not be required to register as dealers in Ohio; but no action was taken on this bill.

In **Illinois**, the Securities Commissioner proposed a long list of amendments to the securities act, some of which were objectionable. After discussion with members of the Legislation Committee of the Central States Group, under the Chairmanship of Mr. Gilbert H. Osgood (Blunt Ellis & Simmons, Chicago), the Securities Commissioner eliminated several of the most objectionable proposals but a number of amendments were adopted, including some that were objectionable along with a few that were desirable.

(b) Offers to Sell and Solicitation of Offers to Buy Securities Prior to State Registration

In the last annual report of this Committee we recommended that where necessary state securities acts be amended, in accord with amendments last year to the federal Securities Act of 1933, to permit registered dealers and salesmen to make oral and certain written offers to sell securities and solicitation of offers to buy securities (for which a registration statement shall have been filed under the federal Act) prior to state registration of those securities.

We are pleased to note that amendments adopted this year authorized (or enable the administrator to authorize) pre-registration offers to sell securities and solicitation of offers to buy securities for which a registration statement shall have been filed under the federal Securities Act of 1933 in Illinois, Michigan, New Mexico, North Carolina, Minnesota, Ohio, South Dakota, Tennessee and that the new Texas Securities Act permits the distribution of certain advertising material prior to state registration of the securities described therein.

The amendments to permit such activities in Minnesota and South Dakota were the result of work by Mr. Leo Quist (Harold E. Wood & Co., St. Paul), Chairman of the Legislation Committee of the Minnesota Group, Mr. Ira D. Owen (Allison-Williams Company, Minneapolis), Chairman of the Minnesota Group, and Mr. Willys P. Jones (Allison-Williams Company, Minneapolis), a member of the Legislation Committee of the Minnesota Group.

(c) Exemption for Sales by Registered Dealers in the Secondary Market—Kansas

In **Kansas**, dealers have encountered problems under the Securities Act because it exempts sales in the secondary market only on application to the Corporation Commission for exemption for a specific security and under the rules of that Commission the exemption for a security (1) has extended only to the dealer who applied for it, (2) has been effective only for one year and (3) has required a showing that the securities were issued under the authority of the laws of Kansas or some other state. This year, through the efforts of dealers under the leadership of Mr. Walter I. Cole and Mr. Harry Beecroft (Beecroft, Cole & Company, Topeka), the rules have been revised (1) to extend the exemption obtained by a dealer for a security to all registered dealers in Kansas, (2) to permit a simplified application for renewal of the exemption and (3) to modify the requirement as to a showing that the securities were issued under authority of the laws of some state. It is hoped that the Kansas Securities Act may be amended or revised within the next few years to provide a more satisfactory exemption for sales by registered dealers in the secondary market.

(d) Harvard Law School Study of State Securities Regulation

A study of state securities regulation is being made at the Harvard Law School under a grant from the Merrill Foundation. This study will include a draft of a new uniform state securities act to be submitted to the National Conference of Commissioners on Uniform State Laws and the American Bar Association for approval. A second draft of the proposed uniform state securities act prepared under this study was made available the latter part of August. That draft contained many objectionable provisions, both technical and substantive, but we understand that many of the objectionable provisions will be eliminated from the third draft which should be available in a few weeks. Accordingly, we urge that, in any state where the Harvard draft is being considered as a basis for a new securities act, the third draft be used. It is expected that a report on the study and a final draft of the proposed state securities act will be published in 1956.

(e) Proposed New Securities Acts —1955

In **Virginia**, a drafting committee for the Virginia Code Commission prepared a draft of a complete new Virginia Securities Act to be submitted to the Virginia legislature in 1956 as part of a complete new Corporation Code. The preliminary draft of the proposed new act circulated for comment among Virginia dealers included several objectionable provisions, but practically all of the objectionable provisions were eliminated in a revised draft.

Continued on page 103

Bacon, Stevenson & Co.

Members New York Stock Exchange
Members American Stock Exchange

MUNICIPAL BONDS

39 Broadway, New York 6, N. Y.

Telephone DIgby 4-4100

What dealers say—about this Service...

(Names on request)

1 "We want to take this opportunity to tell you how very much our customers like the Watching Service. They think it is the finest thing they ever had, and we find it very helpful in getting new business and keeping old accounts well pleased."

2 "I want to tell you that we have come to consider your Watching Service as a most valuable asset to our organization."

120 dealers in unlisted securities are now using this service with profit. You can too. Ask for booklet, "How Dealers Increase Business Thru the Ira Haupt & Co. Watching Service."

IRA HAUPT & CO.

Members New York Stock Exchange and other principal exchanges

111 Broadway, New York 6, N. Y.

Rights - Scrip - Warrants

REORGANIZATION SECURITIES

McDONNELL & Co.

MEMBERS
New York Stock Exchange
American Stock Exchange

120 BROADWAY, NEW YORK 5
Tel. REctor 2-7800

BRANCH OFFICES:
Buhl Building, Detroit, Mich. 254 Park Avenue, New York
Berkeley-Carteret Hotel, Asbury Park, N. J.

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 37

The Electric Utilities— Opportunity and Challenge

whether the average investor has fully appreciated it.

Some Recent Developments

There are some recent developments which I should like to mention at this time because they seem to me to have a considerable bearing on the outlook for electric utility securities.

In the first place, I should like to call attention to far-reaching technological improvements which have been effected in the art of generating and transmitting electric power. The average fuel conversion efficiency of our steam-electric plants has been greatly increased in recent years. In 1945, 1.30 pounds of coal were required, on the average, to produce a kilowatt hour of electricity. In 1954, the figure was only 0.99 of a pound—a reduction of about 24%. Our newer plants do even better than that, and Philadelphia Electric Company now has under construction a generating plant which is expected to use only three-fifths of a pound of coal per kilowatt hour of generation.

Transmission lines operating at 330,000 volts are now in use. A double circuit line of this type is estimated to have a capacity more than eight times as great as that of a double circuit 132,000 volt line, which is a type now widely used.

The use of automatic substations, billing machines, computing machines and other devices has enabled our industry to take advantage of automation in multiplying the productivity of our employees.

No other industry, I think, will be able to use automation in more places or with greater advantage than ours. For example, in 1930 the number of employees of the electric industry was 286,000; and in 1954 the number was 307,000. This comparatively small increase (less than 10%) occurred during a period in which the production of electricity quadrupled. This greatly increased productivity per employee permitted the industry to effect important economies while giving the employees substantial benefits in the form of higher wages and more attractive working conditions.

As you know, private enterprise has been permitted to participate in atomic research and development only about a year and is still under considerable burdens and restrictions, but already private enterprise, employing private funds, has plans definitely under way to construct 900,000 kilowatts of electric generating capacity using atomic materials for fuel. These developments will involve an investment of over $225,000 million. That our industry and its allies have committed themselves to go forward on such a scale constitutes a tribute not only to the alertness and courage of the investor-owned electric companies but also a tribute to the vigor of the whole American free enterprise system and its ability to meet any challenge. It is the best possible answer to the gloomy prophets who only a short time ago were saying that our economic and political systems had outlived their usefulness—and to the socialists and parlor pinks who still preach that only government is big enough to cope with the problems and measure up to the promises of the atomic age.

You may have felt some concern as to the possible effect of atomic developments on existing public utility investments. I do not believe there is any ground for apprehension. Atomic materials will merely serve as another source of fuel, one which is expected to lower generating costs. The portion of a modern electric power system which is likely to be affected are the steam boilers, which represent only about 12% of the plant account of the average electric utility. Even this 12% is not expected to be obsoleted and written off. It will remain in service for its normal life, serving as peaking capacity even when atomic plants take over base loads. In an expanding system the 12% will become a constantly diminishing fraction and will finally vanish, as I have said, only after the boilers have served their normal life.

Some Unpleasant Facts

Up to this point I have given you what I hope is an accurate, if perhaps optimistic, picture of the industry to which you have contributed so much and in which you are, in a very real sense, our partners. In the interest of complete candor and fairness I am now obliged to inform you of some unpleasant facts.

I refer to the continued political activity of the advocates of socialized power. This activity has assumed different forms in different places. This is the sort of piecemeal approach the advocates of socialized power have found most advantageous in allaying suspicions and winning support. Sometimes their proposals have been advanced as modest requests for government aid in the face of under-development or disaster; and sometimes under the pretense of seemingly legitimate governmental activity in the fields of interstate commerce and national defense. Their maneuverings have almost always been accompanied by noisy denials of any intention to compete with or destroy investor-owned enterprises. But, as their plans have grown in magnitude and boldness, they have inexorably crowded out or proscribed privately-financed operations as in Tennessee and Nebraska. This result has not been avoided merely because of the innocent intentions of the people in government and in business who have supported these programs.

To indicate the diversity of the socialized power program and the extent to which it has been aided by public and business apathy and by political timidity, I need only mention (1) the Dixon-Yates and Clark Hill episodes; (2) the recent opinion of the Attorney General of the United States construing the Preference Clause of the Flood Control Act of 1944 in such manner as to give a virtual monopoly of Federal reservoir power to cooperatives, municipalities and other public agencies; (3) the continued harassment of electric utilities by so-called "investigative" committees of Congress such as the Chudoff, Flood Control, and the Monopoly subcommittees and others; (4) the extension of the preference principle to include the purchase of surplus power from government atomic energy installations as well as hydroelectric plants; and (5) the nation-wide campaign now shaping up to enlist support for TVA revenue-bond legislation without adequate provision for keeping financial control of this agency in the hands of Congress, and without requiring any return on or reimbursement of the public's $1½ billion investment in TVA power facilities. In this connection, I should also mention the continued tax discriminations and other subsidies which a 20% minority of our people, served by government-financed or government-operated power organizations, now enjoy at the expense of the 80% served by the investor-owned utilities. This privileged class pays no Federal income tax as a part of their electric bills and little if any local taxes, whereas 23 cents of every dollar paid by the customers of our electric companies goes to the support of government. Our investors also pay income taxes on dividends and interest amounting roughly to another two cents.

I have mentioned these discriminations against 80% of the people of the United States, in favor of a privileged 20%, because your interests and those of the investing public seemed to me to demand it; and also because I wanted to tell you that the electric industry is more aggressively, fearlessly and cohesively opposing these encroachments today than ever before in its history. Also the public is more aware of what is involved and therefore more ready to support us as is revealed in addresses and in editorial comments from large and small newspapers all over America.

Signs of Changing Attitude

Here are some very heartening sings:

(1) The Dixon-Yates episode revealed for the first time the brazen and grasping purpose of the TVA advocates to hold on to their electric power subsidies at the expense of the rest of the nation. This was a real achievement, I think.

(2) The investor-owned electric industry has dramatically demonstrated its continuing willingness and ability to build large hydroelectric developments wherever economically justified. The Hell's Canyon proposal of the Idaho Power Company; the Alabama Power Company's proposed development of the Coosa and Warrior Rivers; and the Pacific Northwest Power Company's proposal to construct two additional developments on the Snake River below Hell's Canyon, together with numerous other smaller and less spectacular hydo projects, now give the lie to the claim that Federal development is necessary because private enterprise can't or won't do the job.

(3) The willingness and ability of the industry to enter into partnership arrangements with the government for hudroelectric developments on a joint participation basis has also been demonstrated by the Trinity River and John Day proposals.

(4) The tenacity and courage with which the electric companies have continued their fight to develop the Niagara Falls site has up to now, at least, prevented a giveaway of that project to the subsidized power interests.

More important than any of the other hopeful signs I have mentioned, however, are the evidences of a growing willingness on the part of utility managements to stand up and fight for the rights of their companies and their customers, and an increasing public awareness of certain basic facts which have been long overlooked or else obscured in our struggle against the socialization of the electric industry.

One of the basic misconceptions now on the way to being corrected is the oft-asserted postulate that only the government should develop our waterways

ORIGINATORS — UNDERWRITERS — DISTRIBUTORS

OF

NEW JERSEY MUNICIPAL

AND

AUTHORITY REVENUE OBLIGATIONS

Boland, Saffin & Co.

Established 1920

20 PINE ST. NEW YORK 5, N. Y.

TELEPHONE WHITEHALL 3-3414

Bell System Teletype—NY 1-535

Over a Half Century of Efficient and Economical Service

AS TRANSFER AGENT

in

NEW YORK, N. Y. AND JERSEY CITY, N. J.

We afford economies and other advantages to underwriters, distributors, corporations and their stockholders.

Write for our free booklet setting forth the Current Federal and State Stock Original Issue and Transfer Tax Rates.

REGISTRAR AND TRANSFER COMPANY

50 CHURCH STREET New York 7, N. Y. BEekman 3-2170

Established 1899

15 EXCHANGE PLACE Jersey City 2, N. J. HEnderson 4-8525

THE NATIONAL STATE BANK 1812 NEWARK, N. J.

STATE and MUNICIPAL BONDS

★ ★ ★

NATIONAL STATE BANK

FOUNDED 1812

810 Broad Street, Newark 1, New Jersey

Telephones—Newark-MI 3-4000—New York City BA 7-5928 Tele. NK 348

Member Federal Deposit Insurance Corporation

WR

serving **successful** municipalities throughout the nation!

Jersey City, Houston, Washington Suburban Sanitary District, Regional Planning Commission of Cuyahoga County (Cleveland), and the City of Tacoma . . . all use our uniquely complete financial consulting services.

For almost a quarter century we have provided governmental units with experienced counsel in new financing, revenue financing, reorganization of existing debt structure, over-all financial planning and financial public relations.

To learn more about our services and how we link municipality with underwriter and investor we invite your inquiry.

WAINWRIGHT & RAMSEY Inc.

Consultants on Municipal Finance

70 Pine Street • New York 5, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

because they are a natural resource. Our coal and oil reserves, our iron and copper deposits, and our forests and fields are also natural resources; and whereas the electric industry uses only the energy of falling water, neither detracting from its quantity nor altering its physical characterists, the developers of most of our other natural resources are compelled to draw upon and deplete original reserves. A public, which has no intention of seeing these other important and basic industries come under the paralyzing control of bureaucracy, is finally realizing that there is even less reason for the electric industry to be governmentalized, and that to permit it to become so means only a smoothing of the road for the ultimate socialization of all industry.

The public is also beginning to see that there are no mystical qualities of abundance or cheapness inherent in electric power from government facilities. Admiral Ben Moreell, Chairman of the Task Force on Water Resources and Power of the Hoover Commission, who I think has done more than any other person to debunk this notion, said recently: "There is no logical reason for the popular appeal of the public power issue. Actually the cost of electric power to the average householder is about 1% of his family budget. A reduction of only 3% in his tax bill would pay for all of his power"; and he added: "Technically and financially there is no present nor prospective need for Federal power activities. There is no lack of ability on the part of private power to finance and install needed generating, transmission and distribution facilities . . . the construction of Federal power projects as so-called 'yardsticks' to control the rates charged by investor-owned utilities is a 'phony.'"

There is also a growing realization at the grass-roots level that the electric industry belongs not to a few monied interests but to millions of Americans from every walk of life. A few weeks ago, when it was announced that the common stock of the Ford Motor Company would be sold to investors, this step was universally applauded as a change from private to public ownership. On this basis, our industry is the most public of all business enterprises. The public utility industry has about three and a half million direct stockholders. Sixty percent of the industry's debt securities are owned indirectly by life insurance policyholders numbering another 90 million people. These same policyholders, through their life insurance investments, have provided not less than 25% of the industry's total capital funds. Pension funds, investment trusts, educational foundations and the like have further increased the pubic ownership of our industry.

Finally, and most importantly, the average man-in-the-street is getting sick and tired of paying the power bills of other people in more favored states and regions!

In closing, I would like to ask that you, who are so closely associated with us, join now in our efforts to give these basic facts the widest possible publicity. I am sure you feel a responsibility toward the investors, both individual and institutional, who own nearly $27 billion of our industry's outstanding securities. Many of them are your clients and have purchased this industry's securities as a result of your efforts. In joining with us to fight socialized power, you not only will help to preserve an industry you have helped to create, but you will be safeguarding all American industry from the blight of socialization. We welcome your aid!

Continued from page 54

Report of IBA Investment Companies Committee

that the IBA lend its full support to all of the foregoing efforts.

Prudent Man Developments

During the past year the states of Kentucky, Arkansas, and West Virginia (within certain limits) have amended their statutes to include specifically investment company shares. Efforts in the District of Columbia, the State of New York, and other jurisdictions will be continued.

Taxes

Following negotiations of the Tax Committee of the National Association of Investment Companies with the Treasury Department, a rule of convenience was adopted under which, among other things, investment company shareholders are allowed the full exclusion and dividend credit under the new tax law where more than 75% of the gross income of the investment company is derived from dividends of domestic corporations.

Our industry is continuing its efforts to have capital gain dividends paid by investment companies taxed to shareholders as capital gains and not as income in the various states that have personal income tax laws. A total of 26 states and the District of Columbia tax such capital gains as income if they are paid in cash, and 19 states tax them as income, even though paid in stock. Much work, therefore, remains to be done.

Public Information Activities

Through its Public Information Committee, our industry is engaging in several activities to bring about a better and more widespread understanding of the investment company business. This program under the guidance of the committee and Mr. Edward B. Burr, Director of Public Information, is making excellent progress in placement of articles in such magazines as "Forbes"; "Readers' Digest"; "Good Housekeeping"; "Redbook"; "U. S. News and World Report"; "Lifetime Living" and others. Nearing completion is a film for television use made possible through the cooperation of the U. S. Treasury Department, Department of Justice, and the National Association of Investment Companies. Frequent informative press releases are being sent out regularly to all daily newspapers in U. S. cities of over 25,000 population and to many other selected weekly and suburban papers, and all major financial magazines.

A booklet "Investing Made Easy" was published in March, 1955. A large demand has resulted in three separate printings of over 125,000 copies. As a result of widespread distribution of this booklet, 45 television stations in 25 cities have asked for a 5-minute script on investment companies built around the booklet, and 56 radio stations have asked for a special script suitable for their use.

The Public Information Committee is continuing its participation in the Joint Committee on Education, along with the IBA, NASD and the Stock Exchanges. This committee is continuing a very detailed shareholder survey in an effort to find out pertinent information about the shareholders of investment companies. This committee also has agreed to cooperate with the New York Stock Exchange in its efforts to survey investors in all types of common stocks in an effort to determine, as precisely as can be done, the number of our citizens who are owners of common stocks.

Time does not permit for a discussion of the many other activities being carried on by this Public Information Committee of the National Association of Investment Companies and its excellent staff, but the report of the committee might be of interest to the members of the IBA, and can be obtained from the Association offices, 61 Broadway, New York 6.

In closing, we should like to say that the activities recounted in this report are evidences of the growing spirit of cooperation that has developed within the investment company industry over the years in matters affecting the public interest and the interests of the industry itself. This cooperative spirit and enlightened industry leadership should prove invaluable to deal with any problems that lie ahead, and to work even more closely with the other segments of the financial industry toward a common goal — the spreading of equity ownership among the American public.

Respectfully submitted,

INVESTMENT COMPANIES COMMITTEE

Walter L. Morgan, Chairman
The Wellington Company
Philadelphia

Edward S. Amazeen
Coffin & Burr, Incorporated
Boston

Herbert R. Anderson
Distributors Group, Incorporated, New York

Curtis H. Bingham
Bingham, Walter & Hurry, Inc.
Los Angeles

Hugh Bullock
Calvin Bullock Ltd.
New York

Roy W. Doolittle
Doolittle & Co.
Buffalo

Charles F. Eaton, Jr.
Eaton & Howard, Incorporated, Boston

John F. Egan
First California Company
San Francisco

Paul A. Just
Television Shares Management Corporation, Chicago

Philip F. McLellan
Fifty State Street Company
Boston

Robert L. Osgood
Vance, Sanders & Company
Boston

Amory Parker
The Parker Corporation
Boston

Harry I. Prankard, 2nd
Lord, Abbett & Co.
New York

Myron F. Ratcliffe
Bache & Co.
Chicago

Charles M. Werly
Putnam Fund Distributors, Inc., Boston

Specialists in

Foreign Securities

Foreign Investments

Arnhold and S. Bleichroeder Inc.

INVESTMENT SECURITIES

Associate Members American Stock Exchange

30 Broad Street, New York 4, N. Y.

Telephone WHitehall 3-9200 Teletype NY 1-515

Underwriters, Distributors and Dealers

*

CORPORATE AND MUNICIPAL SECURITIES

*

UNLISTED TRADING DEPARTMENT

Lee Higginson Corporation

NEW YORK

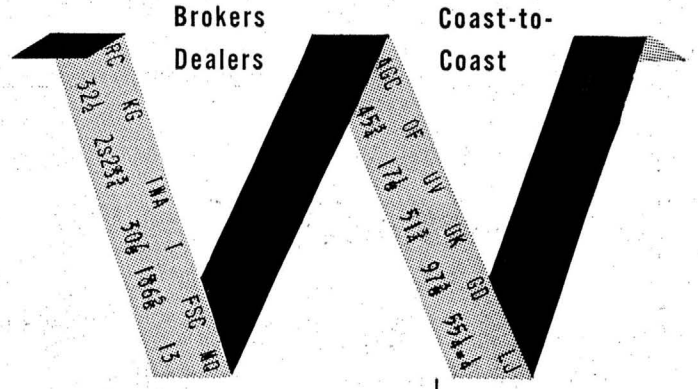
BOSTON CHICAGO

MEMBERS

American Stock Exchange (Associate)
Boston Stock Exchange *Midwest Stock Exchange*

Underwriters
Brokers
Dealers

38 Offices
Coast-to-Coast



Walston & Co. Inc.

Members New York Stock Exchange

NEW YORK PHILADELPHIA SAN FRANCISCO LOS ANGELES LUGANO (SWITZERLAND)

MONEY

GARVIN, BANTEL & CO.

MEMBERS NEW YORK STOCK EXCHANGE
MEMBERS AMERICAN STOCK EXCHANGE

COLLATERAL LOANS
SERVICING BANKS, BROKERS & DEALERS

120 BROADWAY
NEW YORK 5

TELEPHONE BARCLAY 7-6440 TELETYPE NY 1-17

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 51

Report of IBA Public Utilities Committee

trend of the market as a whole. However, we may not necessarily have seen the minimum levels by any means. Utility common stocks have appeal because of the fact that they hold promise of higher earnings and higher dividends over a period of time so many buyers are interested in them despite prevailing low current returns, feeling that these may be higher at some later date.

Turning to the financing records of the recent months we find that although the amount of public utility security offerings declined $448,454,000 or 14% in the first nine months of 1955 over the similar period in the preceding year, the bulk of this loss was in refundings which dropped $428,000,000.

Should interest rates decline again in some substantial amount a new wave of refundings would probably be touched off as the utility companies watch the markets alertly and are quick to take advantage of any possible opportunities to get capital at more advantageous prices.

Total new money offerings of all types showed little change at $2,467,447,000 and common stock offerings actually registered a gain of more than $57,000,000 or 13.8% to counteract the decline in bond and preferred stock financing. An interesting development during the period has been the substantial increase in all three categories in offerings through subscription at the expense of both public and private sales, and both negotiated and competitive bidding sales in 1955 were only one-half the total of such sales in 1954. The figures as compiled by Ebasco Services, Inc. are shown in table I.

Discussing the question of the outlook for the utility business as distinct from the markets for utility securities, we can speak with enthusiasm and reassurance. It is scarcely necessary to point out that the dynamic growth of the public utility industry persists and with it the challenge to investment bankers to continue meeting the capital requirements necessity for expanding operations. It is of interest to note that at the beginning of the current year, installed name-plate generating capacity of the electric industry was reported at 102,520,000 kilowatts and that there were 40,653,000 electric customers connected. This shows an increase of 105% in capacity and 44% in customers since the end of World War II. Net property investment during these nine years similarly increased 123% to $22,132 million and electric revenues last year were 107% above 1945. The gas and telephone industries also reported good growth during the period. Details are shown in table II.

It would certainly appear that utility business trends will continue to be very favorable. In the electric industry we find that the number of customers continues to increase and that the average usage per customer is also growing. In the domestic field there are many appliances which are large consumers of power which still have relatively low saturations. New and attractive appliances are being developed from time to time. Progress is being made toward popularization of the heat pump, especially in the southern part of the country where winters are not extreme. This one item alone, if installations ever become widespread, will give a tremendous impetus to sales of electricity.

More power continues to be sold to industrial customers as there is a constant urge to make every possible use of labor-saving machinery. Competition as between commercial customers contributes to higher sales in this category because installation of air-conditioning, modern lighting or other new equipment by one enterprise makes it almost necessary that competitors take similar steps in order to hold their share of the business.

The gas business continues to expand and this is particularly true as to the space-heating business in parts of the country where gas is not only the most desirable fuel from an operating standpoint but also a cheap fuel. In many areas there is a long waiting list of applications for space-heating service which cannot be cared for until pipeline capacities are increased. The need for finding off-peak loads to balance the heating business has led to campaigns to increase industrial and other uses for gas during the warm months.

There is brisk competition in many parts of the country between the electric and gas companies for the domestic cooking and hot water heating load. In this the gas companies are at a little disadvantage in that they do not have in the gas field strong and aggressive manufacturers of equipment and appliances such as there are in the electric field. The electric equipment manufacturers make a big contribution toward sales by their national advertising programs and the gas people do not have similar help. Nevertheless, in many instances there is an operating cost differential in favor of gas which is exploited by the more alert gas distributors.

Telephone installations continue at a high rate and as these companies clean up their backlogs of orders, they are undertaking more active promotion of different types of service and also are seeking to get installations of new types of equipment for which either an installation charge or a rate differential is asked.

With every indication of business increasing in the various divisions of the utility field, it is obvious that plant construction must also continue at a high level. This raises the question of whether financing will also hold up at the volume which has been prevailing. A large amount of new money must be raised in the months ahead but some companies report less pressure in this regard than they have been feeling. One important difference is that because of the volume of new plant added in the last few years, depreciation charges have increased greatly and internal cash is being generated in many companies at a much more rapid rate than previously. Accordingly, some companies feel that their trips to the money market may become a little less frequent.

Our report up to this point has been on a cheerful note and the question may well be raised whether there is anything negative to talk about. We must report that regulation is not always on a favorable or friendly basis and it is necessary to be alert to watch regulatory trends. If the power to tax is the power to destroy, then how much more so is the power to regulate? Though we do not quarrel with the concept of controlling monopolies, we nevertheless believe it is obvious that an enlightened regulatory climate must prevail if the public utility industry is to attract the capital needed to meet the insistent demand for greater service. To the extent that restrictive policies act to curtail the free flow of investment funds into the utilities, they affect the growth of the whole community and become, therefore, the concern of all of us.

Utility regulation follows a confused pattern. Though authority of some sort is vested in public service commissions in all but two of the states, it differs widely in the several jurisdictions. It may encompass a variety of powers from setting up standards of safety and service to controlling the issuance of securities, but most important, in 42 states, it includes the power to regulate the rates to consumers and the rate-of-return to investors. Even in this fundamental matter, the statutory stipulation is rarely more than that "rates shall be just and reasonable." Determination of rate base is generally left to the commission with no more limitation than that "a fair return on the fair value shall be allowed," and the basis varies from "original cost" to "reproduction cost," from "fair value" to "prudent invest-

TABLE I

Segregated as to Purpose

(000's omitted)

	—Jan. 1 to Sept. 30— 1955	1954	Change
Total Refundings	$229,972	$658,144	—$428,172
Total Divestments	66,910	49,500	— 17,410
New Money:			
Long-Term Debt	1,777,193	1,802,153	— 24,960
Preferred Stock	217,011	286,981	— 69,970
Common Stock	473,233	416,000	+ 67,238
Total New Money	$2,467,447	$2,505,139	— $37,692
Total Financing	$2,764,333	$3,212,792	—$448,454

Segregated by Type

(000's omitted)

Competitive Bidding	$901,665	$1,822,427	—$920,762
Negotiated Sales	374,869	673,563	— 299,194
Subscription:			
Competitive Bidding	52,643	124,580	— 71,932
Negotiated Sales	156,043	104,977	+ 51,069
No Underwriting	842,402	171,371	+ 671,031
Total Subscription	$1,051,093	$400,928	+$650,168
Private Sales	437,278	315,874	+ 121,334
Total Financing	$2,764,338	$3,212,792	—$448,454

NOTE: The large increase in sales by subscription not underwritten is a reflection of financing by American Telephone & Telegraph Co. Electric and gas utilities showed a decline of $4,296,000 in this category during the period.

TABLE II

	—As At Dec. 31— 1954	1945	Increase %
Customers:	(in thousands)		
Electric Utilities	40,653	23,142	44
Gas & Pipe Line	27,400	19,977	37
Bell System	43,150	22,446	92
Independent Tel. Systems	6,130	2,859	114
Net Property Investment:	(in millions of $)		
Electric Utilities	22,132	9,923	123
Gas & Pipe Line	10,050	3,700	172
Bell System	11,330	3,650	210
Independent Tel. Systems	1,795*	610*	194

*Gross plant investment.

UNDERWRITERS and DISTRIBUTORS
of
INVESTMENT SECURITIES

DOOLITTLE & CO.
Established 1919
MEMBERS NEW YORK STOCK EXCHANGE
LIBERTY BANK BUILDING • BUFFALO 2, N. Y.

Branches
70 Niagara St., Buffalo 2, N. Y.
21 Pine St. at Main, Lockport, N. Y.

New York City Wires
Direct private wires to Tucker, Anthony & Co. Goldman, Sachs & Co.

HAMLIN & LUNT

BROKERS AND DEALERS
IN
LISTED and UNLISTED SECURITIES

Complete Trading Facilities • Retail Distribution

MARINE TRUST BUILDING, BUFFALO 3
Telephone: WAshington 4035
Bell Teletype BU 145

2 WALL STREET, NEW YORK 5
Telephone: BEekman 3-7022
Rochester, N. Y. • Norwich, N. Y.

Direct wire to Pershing & Co., New York

MEMBERS NEW YORK STOCK EXCHANGE • ASSOCIATE MEMBERS AMERICAN STOCK EXCHANGE

UNDERWRITERS AND DISTRIBUTORS
OF
INVESTMENT SECURITIES
Public Utility Railroad
Industrial Municipal

SCHOELLKOPF, HUTTON & POMEROY, INC.

63 Wall Street, New York 5
BOwling Green 9-2070
Teletype NY 1-2827

70 Niagara Street, Buffalo 2
Washington 8060
Teletype BU 122

Private Wire Between Offices

itized for FRASER
://fraser.stlouisfed.org/

ment" or "consideration of all the elements." In the past five years, public service commissions and the courts have rendered decisions on 221 utility rate cases. The interpretative custom of the agency in each of its findings, the procedures and hearings, and the arbitrariness or fairness of the regulations are of primary importance in determining whether the climate is for favorable growth or relative stagnation of the utilities concerned.

In a recent study prepared by the public accounting firm of Arthur Anderson & Co., the compiler discerns a trend on the part of the authorities to give more consideration to money market factors and cost-of-capital in determining allowable rates of return. He notes that substantial weight has recently been given to current common stock capital costs developed from price-earnings and price-dividend ratios and cost of flotation studies. A growing number of cases have been decided on the basis of calculated earnings needed to sustain existing capital structures and provide for new money at going market rates. If this trend persists, the expert opinion of investment bankers should be sought by the authorities.

Inasmuch as our fraternity must consider the regulatory climate in fulfilling the function of raising capital for the pressing needs of the utility industry, your committee believes that the Investment Bankers Association is fully justified in bringing its influence to bear upon the development and administration of regulatory law wherever it seems necessary. Through its own members and others of the I.B.A., it is hoped that a close liaison with utility managements will be established and some sort of a reporting service organized to keep the Committee advised as to all important developments in the regulatory field. In this manner, the Association can become vocative and exert its influence toward the maintenance of conditions conducive to capital investment in the utility industry.

In order to expand the regulatory study and keep it up-to-date, your Committee earnestly solicits the assistance of all I.B.A. members who may have an interest or connection in the utility industry and urges that they develop the habit of communicating their information to the Chairman. In that connection it is often possible to make representations of the position of the investor and we hope to do more along this line in the year ahead. We bespeak the cooperation of all members of the Association in bringing to the attention of the Committee any spots in which the position of investors may have been adversely affected and where expressions of protest in their behalf might be helpful.

The other matter of concern is that of trends toward public power projects. People who engage in any form of private enterprise and, more especially, people in the investment banking business would do well to keep posted on the public power problem and lose no opportunity to stress to members of Congress and others, the unfairness and the questionable economics of continued appropriations for public power projects. So much has been spoken and written about some of the individual situations that we feel no need to go into a detailed discussion here about such matters as the Dixon-Yates project, the development of Hells Canyon and other matters which have had thorough airings. We would certainly say that proponents of public power seem to push their cause with religious, fanatical fervor and that people identified with private enterprises will do well to take the same time and effort to support the private investor utility industry as one of the first lines of defense for private enterprise as a whole.

Respectfully submitted,

PUBLIC UTILITIES COMMITTEE

Harold H. Young, Chairman
Eastman, Dillon & Co.
New York

Clarence W. Bartow
Drexel & Co., New York

H. Theodore Birr, Jr.
First California Company
San Francisco

Elwood D. Boynton
Hallgarten & Co., New York

Carl C. Brown
Laurence M. Marks & Co.
New York

William M. Cahn, Jr.
Henry Herrman & Co.
New York

Richard W. Clarke
Richard W. Clarke Corporation, New York

Edward J. Costigan
Edward D. Jones & Co.
St. Louis

Warren H. Crowell
Crowell, Weedon & Co.
Los Angeles

Carl H. Doerge
Wm. J. Mericka & Co., Inc.
Cleveland

E. Richard Drummond
Pierce, White and Drummond, Inc., Bangor

R. Winfield Ellis
Blunt Ellis & Simmons
Chicago

Titus W. Fowler
Merrill Lynch, Pierce, Fenner & Beane, New York

Edwin B. Horner
Scott, Horner & Mason, Inc.
Lynchburg

Thomas M. Johnson
Johnson, Lane, Space & Co., Inc., Savannah

Hudson B. Lemkau
Morgan Stanley & Co.
New York

Milton F. Lewis
Ira Haupt & Co.
New York

Wallace M. McCurdy
Thayer, Baker & Co.
Philadelphia

George L. Perin
The First Boston Corporation
New York

William C. Porter
Dittmar & Company
San Antonio

Albert E. Schwabacher, Jr.
Schwabacher & Co.
San Francisco

G. Edward Slezak
Loewi & Co.
Milwaukee

James C. Wheat, Jr.
J. C. Wheat & Co.
Richmond

Carlton P. Wilson
Robert W. Baird & Co., Incorporated, Milwaukee

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Mrs. Mildred A. Drane and Curtiss T. Kneale are now affiliated with King Merritt & Company, Inc., Woodruff Building.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John W. Hamilton has joined the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Form Inv. Shares Co.

DENVILLE, N. J. — Allan S. Warden is engaging in a securities business from offices at 17 Morris Avenue under the name of Investors Shares Company.

Form Atlantic Secs.

BOSTON, Mass. — Atlantic Securities Corporation has been formed with offices at 80 Federal Street, to engage in a securities business. Officers are Charles R. Yoken, President and Treasurer; Fay Fisher, and Sylvia C. Yoken.

With Chace, Whiteside

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George D. Ryan has become associated with Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, members of the Boston Stock Exchange.

Chicago Inv. Women Party

CHICAGO, Ill. — Investment Women of Chicago will hold their Annual Christmas Festival at the Chicago Bar Association, 29 South La Salle Street, on Wednesday, Dec. 14, 1955, at 5:30 p.m.

Spector, Levine Opens

WASHINGTON, D. C.—Spector, Levine Company has been formed with offices at 1700 K Street, N.W. to engage in a securities business. Partners are Clarence A. Levine and Sidney Spector. Mr. Levine was previously with A. W. Benkert & Co., Inc. and J. E. Call & Co.

Harry Pon Adds

(Special to THE FINANCIAL CHRONICLE)

AZUSA, Calif. — Howard R. Thornhill has been added to the staff of Harry Pon, 711 North Azusa Avenue.

Joins Bailey Staff

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—George B. Peck has joined the staff of Bailey & Company, 1722 Chester Avenue.

UNDERWRITERS, DISTRIBUTORS and DEALERS

• CORPORATE AND MUNICIPAL SECURITIES

EMANUEL, DEETJEN & CO.

Members NEW YORK STOCK EXCHANGE • AMERICAN STOCK EXCHANGE MIDWEST STOCK EXCHANGE • COMMODITY EXCHANGE, INC.

120 Broadway • New York 5, N. Y.

Telephone DIgby 9-0777 Teletype NY 1-1973

R. H. Johnson & Co.

ESTABLISHED 1927

INVESTMENT SECURITIES

64 WALL STREET NEW YORK

Boston Troy

Harrisburg Scranton Allentown

At Your Service . . .

SINGER, BEAN & MACKIE, Inc.

40 Exchange Place New York 5

HAnover 2-6270 NY 1-1825 & 1-4844

FIRM TRADING MARKETS IN OVER 300 STOCKS

Direct Wires to
Fewel & Co., Los Angeles
Reynolds & Co., Philadelphia
Arthur M. Krensky & Co., Inc., Chicago

American Securities Corporation

Underwriters and Distributors

of

INVESTMENT SECURITIES

American Securities Corporation

NEW YORK

BOSTON PHILADELPHIA HARTFORD CHICAGO

Established 1928

We Offer a

COMPREHENSIVE INVESTMENT AND DEALER SERVICE

in

ALL CLASSES OF BONDS AND STOCKS

including

PUBLIC UTILITY—RAILROAD—INDUSTRIAL FOREIGN ISSUES

We Are Particularly Adapted to Service Firms With Retail Distribution

Your Inquiries Solicited

P. F. FOX & CO.

120 BROADWAY, NEW YORK 5, N. Y.

Telephone REctor 2-7760 Teletypes NY 1-944 & NY 1-945

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 50

Report of IBA Canadian Committee

covery of large natural gas fields. Natural gas reserves are now estimated at over 15 trillion cubic feet. Prior to 1947 they were negligible. Plans are now well advanced to utilize this vast new reservoir by constructing two pipelines, one from the Peace River district of Alberta to Vancouver and the U. S. border where it will serve the northwestern states and the other, the 2,200 mile Trans-Canada line from southern Alberta to the major industrial areas of Ontario and Quebec.

Iron Ore

Canada is now fast becoming a major iron ore producer. In 1946 its iron ore production was unimportant. Since that time vast new reserves have been developed in northwestern Ontario and on the Quebec - Labrador border. Shipments in 1954 were over 7,300,000 tons and for the first nine months of 1955 show a further increase of 132% above that for the corresponding 1954 period. The completion of the St. Lawrence Seaway and certain large scale development plans in northwestern Ontario will result in further very large increases within the next few years.

Uranium

Canada will soon be one of the world's largest producers of uranium due to the discovery and development of large deposits of uranium ores in northern Saskatchewan and Ontario. Mr. W. J. Bennett, President of Atomic Energy of Canada Limited, a Crown Company, states that uranium production by the end of this year will be 8 times what it was at the end of the war and by the end of 1958 will be 30 times as great. He estimates that the gross value of uranium output in Canada in that year will be about $180 million.

Water Power

Cheap power is the mainspring of today's industrial development. Canada is fortunate in possessing large water power resources. Since 1946 installed generating capacity has increased 62% from 10.3 million h.p. to 16.7 million h.p. Projects having a total capacity of more than 3 million h.p. are now under construction or planned for construction within the next few years. These include in part such major developments as Aluminum's Kitimat project in British Columbia with an ultimate capacity of 2.4 million h.p., Ontario Hydro's plant at Queenston with an ultimate capacity of 1.5 million h.p., the St. Lawrence River power project (part of the Seaway development) with an ultimate capacity of 2.4 million h.p. (to be shared by Ontario and New York State), and the Quebec Hydro's Bersimis River project with an ultimate capacity of 1.2 million h.p. Long term plans for two additional giant developments involve the Hamilton River in Labrador and the Atlin Lake-Taku River project in northern British Columbia and the Yukon. Each is estimated to be capable of developing over 4 million h.p.

In addition to these major developments expansion has also taken place in other areas of economic activity. From 1946 to 1954 nickel production increased by 67%; copper by 64%; zinc by 60%; gold by 54%; pulp by 46%; lumber by 44%; steel ingot by 38% and cement by 95%. In addition, construction contracts awarded increased by 224%, motor vehicle shipments by 108%, retail sales by 116% and labor income by 125%.

Manufacturing activity was widened by the establishment of new industries for the production of many lines not previously made in Canada, including electronic equipment, aircraft, petrochemicals, plastics, diesel motors, chemical processing equipment, pipeline pumping and control equipment, and many others.

The Bond Market

The large capital investment program has brought a similar expansion to Canada's bond and stock markets during the postwar period. The broadly publicized Victory Loan campaigns during war time expanded the potential bond-buying public tenfold. Many of these purchasers have since become regular bond and stock buyers. The successful efforts of the Canadian investment industry to retain their interest is one of the reasons which has enabled Canadians to finance 85% of the

SALES OF NEW CANADIAN GOVERNMENT, MUNICIPAL AND CORPORATION BONDS DURING THE FIRST 10 MONTHS OF 1955 AND 1954

	1955	1954
Government of Canada	$4,205,000,000	$5,370,000,000
Government of Canada guaranteed	----------	200,000,000
Provincial	185,347,000	204,032,000
Provincial guaranteed	161,816,000	165,695,000
Municipal	223,945,906	189,362,316
Corporation	458,802,500	517,744,500
	$5,234,913,406	$6,646,833,816
Less: Short-term financing (less than 1 year)	3,510,500,000	3,420,000,000
	$1,724,413,406	$3,226,833,816
Of the above, the following amounts have been sold in New York:		
Provincial	----------	62,800,000
Provincial guaranteed	----------	6,300,000
Municipal	40,113,000	25,728,000
Corporation	27,450,000	78,020,000
	$67,563,000	$172,848,000

SOURCE: A. E. Ames & Co. Limited.

GOVERNMENT OF CANADA TREASURY BILLS
Distribution of Holdings
(Month-end figures in millions of dollars)

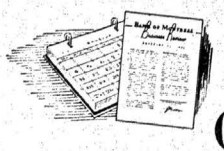
End of	Total Outstanding	HELD BY Bank of Canada	HELD BY Chartered Banks	HELD BY Others	Per cent of total Outstanding held by others
1954—Jan.	650	335	282	33	5.1
Feb.	650	325	278	47	7.2
Mar.	650	301	292	57	8.8
Apr.	650	315	287	48	7.4
May	650	310	266	74	11.4
June	650	256	303	91	14.0
July	675	165	361	148	21.9
Aug.	695	134	401	161	23.2
Sept.	715	94	431	190	26.6
Oct	740	161	371	207	28.0
Nov.	760	219	361	180	23.7
Dec.	780	168	360	252	32.3
1955—Jan.	810	115	464	231	28.5
Feb.	850	149	433	268	31.5
Mar.	890	165	435	290	32.6
Apr.	940	221	382	337	35.9
May	980	200	424	356	36.3
June	1,020	296	376	348	34.1
July	1,055	276	412	367	34.8
Aug.	1,075	241	418	416	38.7
Sept.	1,100	234	363	503	45.7

SOURCE: Bank of Canada Statistical Review.

GOVERNMENT OF CANADA
Statement of Revenue, Expenditure and Public Debt
(Millions of Dollars)

Fiscal Years March 31	Revenue	Expenditure	Surplus Deficit(—)	Gross Public Debt: Unmatured Funded debt	Gross Public Debt: Other Liabilities	Gross Public Debt: Total	Less Active assets	Net debt	Increase or decrease(—) In net debt
1947	3,007.9	2,634.2	373.6	16,542.0	1,156.2	17,698.2	4,650.4	13,047.8	—373.6
1948	2,871.7	2,195.6	676.1	15,957.4	1,239.9	17,197.3	4,825.7	12,371.6	—676.1
1949	2,771.4	2,175.9	595.5	15,585.0	1,365.4	16,950.4	5,174.3	11,776.1	—595.5
1950	2,580.1	2,448.6	131.5	15,188.1	1,562.7	16,750.8	5,106.1	11,644.6	—131.5
1951	3,112.5	2,901.2	211.3	15,026.8	1,896.5	16,923.3	5,490.1	11,433.3	—211.3
1952	3,980.9	3,732.9	248.0	14,695.4	2,562.3	17,257.7	6,072.4	11,185.3	—248.0
1953	4,360.8	4,337.3	23.5	14,810.5	3,108.0	17,918.5	6,756.8	11,161.7	— 23.5
1954	4,396.3	4,350.5	45.8	14,576.2	3,347.0	17,923.2	6,807.3	11,115.9	— 45.8
1955	4,123.5	4,275.4	—151.9	14,496.4	3,455.1	17,951.5	6,688.4	11,263.1	147.2

NOTE: The surplus or deficit on Budgetary Account is equivalent to a corresponding decrease or increase in the Net Debt position. For 1955 the Net Debt reflects a budgetary deficit of $151.9 million, less an adjustment of $4.7 million in respect of prior years' transactions, resulting in an increase of $147.2 million in the Net Debt.
SOURCES: Public Accounts of Canada; Budget Speech and Budget Papers.



A monthly report on the
Canadian Economy

If you are expansion-minded . . . and interested in Canada . . . you will want to be on the mailing list for the B of M's monthly Business Review—an up-to-the minute brief of Canadian economic trends. Address any of our U. S. offices or our Head Office in Montreal.

"MY BANK" TO 2 MILLION CANADIANS B of M

BANK OF MONTREAL
Canada's First Bank Coast-to-Coast

New York . . . 64 Wall Street San Francisco . . . 333 California Street
Chicago: Special Representative's Office, 141 West Jackson Blvd.

HEAD OFFICE: MONTREAL
625 Branches Across Canada • Resources Exceed $2,500,000,000

SAVARD & HART INC.
Members of The Investment Dealers' Association of Canada
230 Notre Dame St. West, Montreal
40 Exchange Place, New York - HA 2-0575
SHERBROOKE — TROIS-RIVIERES — QUEBEC — SOREL

SAVARD & HART
Members: Montreal Stock Exchange
Canadian Stock Exchange
Toronto Stock Exchange
Orders executed on all Canadian Exchanges at regular commission rates or traded in New York in United States Funds.
40 Exchange Place, New York City, HAnover 2-0575
Bell System Teletype NY 1-2339
170 Westminster Street, Providence, R. I., DExter 1-1760
MONTREAL - QUEBEC - TROIS-RIVIERES - SHERBROOKE
CHICOUTIMI - ST. JOHNS, P. Q.

Greenshields & Co (N.Y.) Inc
Specializing in Canadian Government, Provincial, Municipal and Corporate Securities
64 Wall Street
Telephone: WHitehall 3-9525 *Teletype:* NY 1-3708

Canadian Affiliate

Greenshields & Co Inc
Business established 1910
Montreal Toronto Quebec Sherbrooke Ottawa

Digitized for FRASER
http://fraser.stlouisfed.org/

postwar expansion. Canada's capital markets in 1955 have been active and have supplied a large proportion of the funds needed to finance the expansion of existing industries and the development of new resources.

Bond markets today respond quickly to Central Bank monetary policy. The Bank of Canada pursued an easy money policy throughout the latter part of 1954 and intensified this policy in February when the rediscount rate was reduced from 2% to 1½%. This reduction came at a time when interest rates were hardening in the United States and renewed threats of inflation in the United Kingdom had resulted in the Bank of England raising the rediscount rate there to 4½%. As a result the Government of Canada long term borrowing cost which in January had been about ⅜ to 1% higher than the corresponding U. S. borrowing cost was by the middle of August approximately the same. This policy assisted business to recover from the mild recession which had been experienced in 1954, and also operated to slow down the capital inflow into Canada which in turn was in a large measure responsible for the reduction of the premium on the Canadian dollar in relation to the U. S. dollar from about 3½% in January to zero in late October.

A further result of this policy was that practically no borrowing was done by Canadian issuers in the U. S. market. The total of new Canadian issues marketed in the United States for the first 10 months of 1955 was only $67.5 million as compared with $172.8 million in the same period of 1954.

By midsummer business was estimated to be operating at about 9% ahead of a year ago and the bank reversed its policy by raising the rediscount rate in early August to 2%. A further increase to 2¼% was made on Oct. 12. Consequently rates have hardened. For example, yields on Government of Canada long-term bonds have increased from 2.81% in mid-April to 3.10% by mid-October.

The total volume of Canadian Government, provincial, municipal and corporation bond financing for 1955 will show a considerable decrease as compared with 1954. This is due almost entirely to a reduction in the amount of Government of Canada issues for refunding purposes. Provincial government financing is down slightly. Municipal borrowing has increased by about 15% and corporation bond issues dropped from $517 million to $458 million. More equity capital was raised than in the preceding year, much of it by rights to shareholders.

Treasury Bill Market

Until June, 1954 Canada had no true short /date money market. At that time the Bank of Canada instituted weekly sales of Treasury Bills to dealers and banks. This new development has now had over a year in which to prove its value as a means of providing investors with an opportunity to profitably employ temporary cash balances. During this time holdings of Government of Canada Treasury Bills by others than the Bank of Canada and the chartered banks have increased almost sevenfold; from $74 million in May, 1954 to $503 million in September, 1955. During the same time outstanding Treasury Bills have increased by about 70%. The percentage of total outstanding Treasury Bills now held by others has increased from 11.4% to over 45%. Further broadening of this market is to be expected and it is confidently anticipated that these short-term securities will play an ever increasing part in channelling funds which might otherwise remain idle into productive uses to the benefit of the whole economy.

Stock Market

The Canadian stock market as measured by the Toronto Stock Exchange Industrial Averages moved from 385.9 on Jan. 3, 1955 to a high of 455.9 on Sept. 23. As of Nov. 15 the average stood at 436.8. This movement reflected the high level of business prevailing in Canada this year and followed very closely the course pursued by the United States stock market. The two economies are so closely allied that both the United States and the Canadian stock market usually parallel each other in the major swings though the trends may diverge for a short period. The September

Continued on page 62

Canadian Business: 1955 vs. 1954

	Period	1954	1955	% Chge.
Index of Industrial Production: (1935-1939 = 100)	August	246.7	269.8	+ 9.4
Pulp & Paper:				
Newsprint production (tons)	1st 9 Mos.	4,435,983	4,590,118	+ 3.5
Pulp production (tons)	1st 9 Mos.	7,000,492	7,328,822	+ 4.7
Lumber production (M. bd. ft.)	1st 7 Mos.	4,247,700	4,784,300	+12.6
Steel:				
Steel ingot production (tons)	1st 10 Mos.	2,562,383	3,620,481	+41.3
Motor vehicles shipments (units)	1st 9 Mos.	300,706	370,279	+23.1
Building:				
Cement production (bbls.)	1st 7 Mos.	13,126,616	13,928,624	+ 6.1
Construction contracts awarded	1st 9 Mos.	$1,572,516,800	$2,267,023,900	+44.2
Dwelling units started (units)	1st 9 Mos.	84,327	102,627	+21.7
Oil & Gas:				
Crude petroleum production (bbls.)	1st 7 Mos.	51,384,343	69,245,284	+34.8
Oil pipe line net deliveries (bbls.)	1st 8 Mos.	105,656,052	136,080,176	+28.8
Natural gas production (M. cu. ft.)	1st 7 Mos.	71,245,531	82,442,121	+15.7
Mining:				
Iron ore shipments (tons)	1st 9 Mos.	4,988,633	11,611,717	+132.8
Coal production (tons)	1st 8 Mos.	9,099,336	8,567,238	— 5.8
Nickel production (tons)	1st 8 Mos.	104,329	118,059	+13.2
Copper production (tons)	1st 8 Mos.	197,670	211,046	+ 6.8
Zinc production (tons)	1st 8 Mos.	239,062	280,416	+17.3
Lead production (tons)	1st 8 Mos.	147,164	138,884	— 5.6
Gold production (fine oz.)	1st 8 Mos.	2,843,991	2,985,717	+ 5.0
Agriculture: Farm cash income	1st 6 Mos.	$1,060,700,000	$1,030,800,000	— 2.8
Labor: Labor income	1st 7 Mos.	$6,819,000,000	$7,087,000,000	+ 3.9
Electric Energy Output (kwh.)	1st 7 Mos.	39,286,000	44,151,000	+12.4
Carloadings Revenue Freight (cars)	1st 10 Mos.	3,049,754	3,395,816	+11.3
Retail Trade: Total Retail Sales	1st 8 Mos.	$7,725,074,000	$8,145,175,000	+ 5.4
Chartered Banks:				
Savings deposits in Canada	At Sept. 30	$5,585,000,000	$6,333,000,000	+13.4
Current loans in Canada	End of Sep.	$3,770,000,000	$4,139,000,000	+ 9.8
Notes in circulation	End of Sep.	$1,585,300,000	$1,666,100,000	+ 5.1

SOURCE: Dominion Bureau of Statistics; Bank of Canada Statistical Summary; Newsprint Association of Canada Monthly Report; Canadian Pulp and Paper Association Monthly Report.

CANADA'S FOREIGN TRADE
(Excluding gold)
(Millions of dollars)

	Exports						Imports						
	To U. S. A.		To U. K.		To		From U. S. A.		From U. K.		From		Total Imports
	Amount	%	Amount	%	Others	Total	Amount	%	Amount	%	Others	Total	& Exports
1947	1,056.6	37.6	753.7	26.8	1,001.5	2,811.8	1,974.7	76.7	189.4	7.4	409.8	2,573.9	5,385.7
1948	1,522.2	48.9	688.7	22.1	899.1	3,110.0	1,805.8	63.5	299.5	11.4	531.6	2,636.9	5,743.9
1949	1,524.0	50.4	709.3	23.5	789.1	3,022.4	1,951.9	70.7	307.4	11.1	501.9	2,761.2	5,783.6
1950	2,050.5	64.9	472.5	15.0	634.1	3,157.1	2,130.5	67.1	404.2	12.7	639.5	3,174.2	6,331.3
1951	2,333.9	58.9	635.7	16.0	993.8	3,963.4	2,812.9	68.9	421.0	10.3	850.9	4,084.8	8,048.2
1952	2,349.0	53.9	751.0	17.2	1,256.0	4,356.0	2,977.0	73.9	359.8	8.9	693.7	4,030.5	8,386.5
1953	2,463.1	59.0	668.9	16.0	1,040.6	4,172.6	3,221.2	73.5	453.4	10.3	708.2	4,382.8	8,555.4
1954	2,367.4	60.0	658.3	16.7	921.2	3,946.9	2,961.3	72.3	392.5	9.6	739.4	4,093.2	8,040.1
1954, 7 mos.	1,339.8	60.9	342.9	15.6	517.7	2,200.4	1,743.3	72.9	239.1	10.0	409.0	2,391.4	4,591.8
1955	1,430.9	59.1	450.3	18.6	539.0	2,420.2	1,923.6	74.5	216.4	8.4	442.1	2,582.1	5,002.3

BALANCE OF TRADE
(Millions of dollars)

	1947	1948	1949	1950	1951	1952	1953	1954	Seven Months 1954	Seven Months 1955
With U. S. A.	—918.1	—283.6	—427.8	—80.0	—479.0	—627.9	—758.2	—594.0	—403.6	—492.7
With U. Kingdom	+564.3	+389.2	+401.8	+68.3	+214.7	+391.3	+215.5	+265.8	+103.8	+233.9
With Others	+591.6	+367.5	+287.2	— 5.5	+142.8	+562.1	+332.5	+181.9	+108.9	+ 96.9
All Countries	+237.8	+473.1	+261.2	—17.2	—121.5	+325.5	—210.2	—146.3	—190.9	—161.9

Source: Dominion Bureau of Statistics.

BELL, GOUINLOCK & COMPANY
LIMITED
ESTABLISHED 1920
25 KING STREET WEST, TORONTO

UNDERWRITERS AND DISTRIBUTORS OF
CANADIAN GOVERNMENT, MUNICIPAL
AND CORPORATE SECURITIES

AFFILIATES
BELL, GOUINLOCK & CO. INCORPORATED — 64 WALL STREET — NEW YORK
LEGGAT, BELL, GOUINLOCK LIMITED — MEMBERS MONTREAL STOCK EXCHANGE — MONTREAL

BONDS STOCKS

MARKETS maintained in all classes of Canadian external and internal bond issues.
Stock orders executed on the Montreal and Toronto Stock Exchanges, or net New York markets quoted on request.

DIRECT PRIVATE WIRES TO TORONTO, MONTREAL, WINNIPEG, CALGARY, VANCOUVER, AND VICTORIA
BELL SYSTEM TELETYPE NY 1-702-3

DOMINION SECURITIES CORPORATION
Associate Member American Stock Exchange
40 EXCHANGE PLACE, NEW YORK 5
Telephone WHitehall 4-8161
Canadian Affiliate — Member Toronto, Montreal and Canadian Stock Exchanges
Boston, Philadelphia, London, Eng., Calgary, Ottawa
Toronto, Montreal, Winnipeg, Vancouver, Halifax

Canadian Securities

Complete facilities for Canadian Stock and Bond trading.
MEMBERS OF:—
Toronto Stock Exchange
Montreal Stock Exchange
Canadian Stock Exchange
Calgary Stock Exchange
Vancouver Stock Exchange
Winnipeg Stock Exchange
Winnipeg Grain Exchange
JAMES RICHARDSON & SONS
ESTABLISHED 1857
Executive Offices—Winnipeg
22 Offices from Montreal to Victoria

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 61

Report of IBA Canadian Committee

break in the United States market was duplicated in the Canadian market and the Canadian market has also shared in the recent recovery.

Foreign Trade

Canada's economy is very dependent on export markets. In recent years Canada's export trade has represented about 22% of national income as compared with about 2½% for the United States. With 15,600,000 people Canada is the world's third largest trader and in sixth place among the world's industrial powers. Canada is therefore vitally interested in any, and all, efforts to free world trade and eliminate restrictions upon it. A substantial decline in world trade would seriously affect the general prosperity of the country. Since World War II Canada's trade position has become more closely linked with the United States which now takes 59% of Canada's exports and supplies 74.5% of Canada's imports.

Unfortunately for Canada this means that in the last three years Canadians have purchased an average of over $650 million more goods per annum from the United States than they have sold to the United States. In the first seven months of 1955 Canada's trade deficit with the United States amounted to $492 million. This is a matter of grave concern to Canadians and some day, if not rectified, may prove disastrous to U. S. investors who own $10 billion of Canadian investments.

Thus far Canada has been able to bridge this gap by using a relatively small trade surplus with the United Kingdom and others, augmented substantially by the inflow of foreign capital which has averaged over $400 million per annum from the United States alone is postwar years. In addition to the trade deficit mentioned above, Canada now has an obligation to pay interest and dividends on approximately $10 billion of Canadian investments held by U. S. citizens. Obviously this would be difficult if not impossible of accomplishment if the capital inflow should cease—worse if the tide should begin to run the other way—unless at that time the U. S. is purchasing more goods from Canada than Canada is purchasing from the United States. Canadians have difficulty in comprehending why 165 millions of Americans do not consume as many goods of Canadian origin as 15,600,000 Canadians do of American goods. In other words, one Canadian today buys more U. S. goods than 13 Americans buy from Canada. Canadians would be perfectly happy to settle for a 1-to-10 ratio.

Canada's major trade problem at the present time, and one which is shared by the United States, is the marketing of a wheat surplus. Though the increasing industrialization of the country and further development of natural resources during the postwar period have made Canada less dependent upon agriculture than heretofore, nevertheless agriculture still contributes a larger share of Canada's Gross National Product than any other industry and the general prosperity of the country depends to a considerable degree upon the prosperity of the farmer. The successful marketing of the surplus wheat crop therefore is of the utmost importance. The forecast this year is for a crop of about 498 million bushels. Adding to this a net carry-over of 311 million bushels, after providing for domestic requirements and August shipments, brings the balance for export as of Sept. 1 last to about 809 million bushels. Canada's share of international wheat exports in recent years has averaged about 312 million bushels though last year it was only 251 million bushels. No real solution of this problem appears to be in sight.

In addition to a wheat marketing problem some lines of Canadian industry have also had a difficult time during recent years.

ANNUAL TOTAL PRIVATE AND PUBLIC DOMESTIC INVESTMENT FINANCED BY CANADIAN-OWNED CAPITAL
1946-1954
(Millions of Dollars)

	1946	1947	1948	1949	1950	1951	1952	1953	1954	Total
Total private and public domestic investment	1,703	2,489	3,175	3,502	3,815	4,577	5,285	5,841	5,507	35,894
Less: Estimated investment by foreign-owned capital	86	10	318	454	707	804	913	1,040	976	5,308
Total private and public domestic investment financed by Canadian-owned capital	1,617	2,479	2,857	3,048	3,108	3,733	4,372	4,801	4,531	30,586
Percentage	95.0	99.6	90.0	87.0	81.5	82.4	82.7	82.2	82.3	85.2
Total Canadian long-term investments abroad (Note) (at year ends)	2,685	3,217	3,271	3,564	3,578	3,697	3,967	4,127	4,200	

NOTE: Excludes investments of insurance companies and banks and subscriptions by the Government of Canada to International Monetary Fund and International Bank for Reconstruction and Development.
SOURCE: Dominion Bureau of Statistics.

LONG-TERM CANADIAN GOVERNMENT BOND YIELDS

Mid-Month		Canada (1)	United States (2)	Yield Spread
1954	Jan.	3.56	2.63	.93
	Feb.	3.44	2.54	.90
	Mar.	3.25	2.42	.83
	Apr.	3.07	2.39	.68
	May	3.05	2.46	.59
	June	3.09	2.44	.65
	July	3.00	2.33	.67
	Aug.	2.97	2.38	.59
	Sept.	2.95	2.45	.50
	Oct.	2.92	2.45	.47
	Nov.	2.96	2.53	.43
	Dec.	2.95	2.52	.43
1955	Jan.	2.99	2.63	.36
	Feb.	2.82	2.63	.14
	Mar.	2.84	2.65	.19
	Apr.	2.81	2.76	.05
	May	2.88	2.73	.15
	June	2.87	2.75	.12
	July	2.89	2.84	.05
	Aug.	3.02	2.98	.04
	Sept.	3.08	2.90	.18
	Oct.	3.10	2.78	.32

(1) Canada 2¾% due June 15, 1967/68. (2) United States 2½% due Dec. 15, 1963/68. SOURCE: Bank of Canada Statistical Summary.

RELATIONSHIP BETWEEN CANADA'S TOTAL PRIVATE AND PUBLIC DOMESTIC INVESTMENT AND GROSS NATIONAL PRODUCT
(Millions of Dollars)

Private and Public Domestic Investment—	1946	1947	1948	1949	1950	1951	1952	1953	1954	1946-1954	1955 Estimate
Non-Government Outlays—											
New residential construction	371	503	637	742	801	781	786	1,061	1,166	6,851	1,290
New non-residential construction	443	599	818	903	1,026	1,260	1,554	1,706	1,676	9,985	1,836
New machinery and equipment	584	1,016	1,230	1,323	1,389	1,769	1,916	2,073	1,711	13,011	1,733
Total Non-Government Outlays	1,398	2,121	2,685	2,968	3,216	3,810	4,256	4,840	4,553	29,847	4,859
Government Outlays—											
New residential construction	42	34	31	27	44	40	49	23	12	293	37
New non-residential construction	263	334	459	500	495	654	883	875	849	5,312	962
New machinery and equipment	---	---	---	7	60	73	106	103	93	442	96
Total Government Outlays	305	368	490	534	599	767	1,029	1,001	954	6,047	1,095
Total Private and Public Domestic Investment	1,703	2,489	3,175	3,502	3,815	4,577	5,285	5,841	5,507	35,894	5,954
Gross National Product	12,026	13,768	15,613	16,462	18,203	21,450	23,255	24,449	24,041	169,267	26,250
Total Private and Public Domestic Investment as a per cent of Gross National Product	14.2	18.1	20.3	21.3	21.0	21.3	22.7	23.9	22.9	21.2	22.7

SOURCE: Dominion Bureau of Statistics.

Canadian Investment Securities

A. E. Ames & Co.
Limited
UNDERWRITERS AND DISTRIBUTORS

A. E. Ames & Co.
Members Toronto and Montreal Stock Exchanges
OFFICES IN 14 CITIES IN CANADA AND ENGLAND

A. E. Ames & Co.
Incorporated
New York • Boston

BUSINESS ESTABLISHED 1889

RSC
ROYAL SECURITIES CORPORATION
Limited
Business Established 1903
Underwriters and Distributors
Canadian Government, Municipal
Public Utility and Industrial Issues

ROYAL SECURITIES COMPANY
Members:
Montreal Stock Exchange — Canadian Stock Exchange
The Toronto Stock Exchange

244 St. James Street West, Montreal 1, Canada
Toronto Halifax Saint John Quebec Ottawa Hamilton
Winnipeg Calgary Edmonton Vancouver Charlottetown St. John's, Nfld.

A memo to banks brokers dealers

Canadian Affiliate
W. C. Pitfield & Co., Limited
Montreal Toronto
Calgary Cornwall Edmonton
Halifax Moncton Ottawa
Saint John Vancouver Victoria
Winnipeg

W. C. Pitfield & Co., Inc.
30 Broad Street, New York 4
Telephone: HAnover 2-9250 *Teletypes:* NY 1-1979 NY 1-3975
COAST TO COAST WIRE SERVICE

Digitized for FRASER
http://fraser.stlouisfed.org/

This is particularly true of the textile industry, the coal mining industry, farm equipment and certain lines of consumer durables and capital goods industries, the position of which in the Canadian market itself has been rendered difficult by United States and European competition. Thus far the Canadian Government has stoutly resisted the pleas of these industries for further tariff protection and has indicated that their survival depends on the achievement by them of cost reductions sufficient to enable them to maintain their position under highly intensified competitive conditions.

Conclusion

Canada's rich store of relatively untapped natural resources now being developed more rapidly than ever before by new methods of transportation and new technical knowledge, her favorable political and business climate, her rapidly growing population and burgeoning manufacturing industries, all make Canadian securities popular with both the domestic and foreign investor.

She will not be immune from the growing pains and maladjustments that accompany rapid expansion and technological changes but if her products are given fair access to the markets of the world investors in her future will be richly rewarded.

Respectfully submitted,

CANADIAN COMMITTEE

J. Henry Ratcliffe, Chairman
McLeod, Young, Weir & Co., Ltd., Toronto

Frederick B. Ashplant, Vice-Chairman
F. B. Ashplant & Co.
New York

Stanley E. Nixon, Vice-Ch'man
Dominion Securities Corp., Ltd., Montreal

Arnold B. Massey, Sec.-Treas.
Mills, Spence & Co., Ltd.
Toronto

Ralph D. Baker
James Richardson & Sons
Winnipeg

W. T. K. Collier
Collier, Norris & Quinlan Ltd.
Montreal

Andrew G. Curry
A. E. Ames & Co., Inc.
New York

C. G. Fullerton
A. E. Ames & Co., Ltd.
Toronto

James A. Gairdner
Gairdner and Co., Ltd.
Toronto

Percy R. Hampton
Bell, Gouinlock & Co., Ltd.
Toronto

W. H. R. Jarvis
McLeod, Young, Weir, Inc.
New York

Edward S. Johnston
Wood, Gundy & Co., Inc.
New York

Peter Kilburn
Greenshields & Co Inc
Montreal

George P. Rutherford
The Dominion Securities Corp., New York

W. Pearson Scott
Wood, Gundy & Co., Ltd.
Toronto

Arthur S. Torrey
W. C. Pitfield & Co., Ltd.
Montreal

Douglas B. Weldon
Midland Securities Corp. Ltd.
London

Continued from page 32

Essential Concepts of the Eisenhower Regime

which will keep our economy free and dynamic and growing.

Second, the Government has a responsibility, under the Employment Act of 1946, which this Administration wholeheartedly endorses, of seeking to foster stability in the growth of our economy. Within that obligation, the question of budget policy is obviously important, and so also is that of credit and public-debt-management policy.

Third, the Government has a responsibility for keeping the economy dynamic. Here we have responsibilities to try and help, with methods that are consistent with our general philosophy, to achieve goals still unachieved in the fields of education and health; in working out ways in which we give reality to our statement that we believe in equality of opportunity for every American; in support of research. And here I mean favorable tax treatment for private concerns, and also by a proper amount of Government support out of tax money for the kind of research that would be negligently provided for, tardily provided for, if that were not to be forthcoming.

And I think further that the Government has an obligation in keeping the economy dynamic, to see to it that no group in this country be permitted to seize hold of Government to try to freeze some situation for its benefit. Government must be devoted to resisting that kind of pressure, from whatever source, in the interests of all the American people. If it doesn't, we will find this economy of ours so trussed up, so bound up, that our rate of economic advance will be such that we no longer can be the economic core of the whole free world coalition.

Mr. Chairman, I would like now to address myself to a subject that grows out of what I have been saying, and, for this purpose, with your permission, I would like to hold a little more directly to my text which I said I had already distributed.

PART II

During the war Dwight Eisenhower was known as The G.I's General. After three years as the nation's Chief Executive he can fairly be called The People's President.

The affection and regard in which he was held by wartime G.I.'s and in which he is held today by his fellow-citizens reflect the President's own deep and wide-ranging concern for them and their families. His oft-declared guide to policy making as President is the simple question: What is best for 166 million Americans? The general welfare comes first. The general interest is paramount. Special interests and special pleading have found no welcome.

This plain truth dooms to failure the concerted effort now being made by some to stigmatize the President's labors in behalf of peace and prosperity and justice for all the American people, as a conspiracy to serve unnamed "special interests." I, for one, am fully prepared to leave the job of dealing with that sort of buncombe to the intelligence of the straight-thinking families of America.

Consider, for example, the economic record of the Eisenhower Administration in the nation's service—in discharging its responsibilities under the Constitution to "promote the general welfare."

(1) More Americans are at work today, producing more, earning more, spending more, investing more and building more than ever before in our history. *General welfare or special interests?*

(2) Under the Eisenhower Administration working men and women are enjoying the unprecedented combination of higher wages, lower taxes and a stable cost of living — all at the same time. *General welfare or special interests?*

(3) Under the Eisenhower Administration the millions upon millions of Americans who have savings bank accounts, savings bonds, building and loan shares, life insurance policies and pension rights are no longer seeing the value of their savings shriveled by inflation. *General welfare or special interests?*

(4) Under the Eisenhower Administration the existing shackles of direct controls on wages and prices were promptly thrown off in order to release the energies of American workers and businessmen so that they might achieve their best record of production and earnings. *General welfare or special interests?*

(5) Under the Eisenhower Administration the Employment Act of 1946 has been a cardinal guide to policy making, with special emphasis upon the injunction in the Act to promote maximum employment, production and purchasing power ". . . in a manner calculated to foster and promote free competitive enterprise. . . ." *General welfare or special interests?*

(6) Under the Eisenhower Administration the American people

Continued on page 64

Midland Securities CORPN. LIMITED

MEMBERS: The Investment Dealers' Association of Canada

Canadian Government, Municipal and Corporation Securities

The Midland Company LIMITED

MEMBER: The Toronto Stock Exchange

Stock orders executed on all Exchanges

Toronto, Ontario: 50 King Street West
London, Ontario: Huron & Erie Building
Sault Ste. Marie, Ontario: 110 March Street
Montreal, Que.: 215 St. James Street West

Private Wire to Eastman, Dillon & Co., New York

McLEOD, YOUNG, WEIR & COMPANY
LIMITED

DEALERS IN GOVERNMENT, MUNICIPAL AND CORPORATION SECURITIES

50 King Street West
Toronto, Canada
Telephone: EMpire 4-0161

276 St. James Street West
Montreal, Canada
Telephone: HArbour 4261

Ottawa Winnipeg London Hamilton Vancouver
Calgary Kitchener Quebec Sherbrooke New York

McLEOD, YOUNG, WEIR & RATCLIFFE

MEMBERS OF THE TORONTO STOCK EXCHANGE MONTREAL STOCK EXCHANGE
CANADIAN STOCK EXCHANGE

STOCK ORDERS EXECUTED ON ALL EXCHANGES

50 King Street West, Toronto, Canada—EMpire 4-0161

NESBITT, THOMSON AND COMPANY, INC.

25 Broad Street, New York City 4
Telephone HAnover 2-8875
Teletype NY 1-4358

140 Federal Street, Boston 10
Telephone HAncock 6-3355

Dealers in
Canadian Government, Municipal
Public Utility & Industrial Issues

Orders executed on all Canadian Stock Exchanges or at net New York prices

Affiliated with
NESBITT, THOMSON AND COMPANY
Limited
AND
THOMSON & CO.
MEMBERS
MONTREAL STOCK EXCHANGE
TORONTO STOCK EXCHANGE
CANADIAN STOCK EXCHANGE

MONTREAL QUEBEC TORONTO OTTAWA HAMILTON LONDON, ONT. KITCHENER
WINNIPEG REGINA SASKATOON CALGARY EDMONTON LETHBRIDGE
VANCOUVER VICTORIA SAINT JOHN, N. B. FREDERICTON MONCTON

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 63

Essential Concepts of the Eisenhower Regime

have seen a restoration of fiscal integrity which this year promises a balanced Federal budget and a present end to the increase in the public debt. *General welfare or special interests?*

(7) Under the Eisenhower Administration the largest tax reduction in our history was enacted and of its $7.4 billion in benefits nearly two out of every three dollars went directly to individuals. *General welfare or special interests?*

(8) Under the Eisenhower Administration Congress completed in 1954 a monumental revision of our Federal tax laws. The new statute permits a forward step toward the Administration's goal of increasing manyfold the number of Americans owning shares in our growing business enterprises by reducing the discriminatory double taxation of dividend income. The new law also removes a major obstacle to further modernization of our industrial plant and to the creation of more and better jobs by permitting more realistic depreciation accounting for tax purposes. Among other desirable reforms, the new law provides for increased deductions for medical expenses, special tax relief for working mothers, a materially improved tax status for retired people, and a more favorable tax treatment of farm expenses for soil conservation purposes. *General welfare or special interests?*

(9) Under the Eisenhower Administration scandal and corruption in the Bureau of Internal Revenue have been put to an end and integrity has again been restored to the collection of Federal taxes. *General welfare or special interests?*

(10) Under the Eisenhower Administration the Department of Health, Education and Welfare was established to give these vital concerns of our people permanent representation in the President's cabinet. *General welfare or special interests?*

(11) Under the Eisenhower Administration 10 million additional Americans, including farmers and farm workers, have been brought into the social security program and retirement benefits for all have been increased. *General welfare or special interests?*

(12) Under the Eisenhower Administration unemployment insurance coverage has been extended to 4 million additional workers and, as a result of the President's initiative, 34 states have already increased maximum weekly benefits. *General welfare or special interests?*

(13) Under the Eisenhower Administration the minimum wage was increased. *General welfare or special interests?*

14) Under the Eisenhower Administration government has maintained a high standard of fair play and honest impartiality in labor disputes, a fact that has helped to make the last three years one of the most remarkable periods of labor peace in our history. *General welfare or special interests?*

(15) Under the Eisenhower Administration a broad program is for the first time being formulated to help any American community blighted by chronic unemployment to help itself attain a better share of the nation's good times. *General welfare or special interests?*

(16) Under the Eisenhower Administration forward-looking programs have been presented to Congress, and will be presented again, to help meet such pressing problems as the shortage of classrooms and the high cost of medical care. *General welfare or special interests?*

(17) Under the Eisenhower Administration the inherited farm program, on the verge of total collapse from the weight of over $7 billion of unmarketable surpluses which it helped generate, is being vigorously and conscientiously rebuilt. We cannot rely on the human catastrophe of war or the natural catastrophe of drought to bail out the nation's farm program. Moving from a war-expanded footing to a more nearly peacetime basis has made some painful readjustments in agriculture unavoidable. The transition will be speeded by full operation of the Agricultural Act of 1954, by the surplus disposal legislation passed by Congress, and by new measures to be proposed in a special Presidential message early in January. The Administration will unrelentingly pursue this task until production is again brought into line with markets at prices that will reward the farmer fairly for his work. *General welfare or special interests?*

(18) Under the Eisenhower Administration a 15-point Rural Development program has been launched to attack on an organized basis for the first time the problem of helping our 1½ million farm families with incomes of less than $1,000 a year to better their position. *General welfare or special interests?*

(19) Under the Eisenhower Administration the first peacetime independent government agency was created by Congress for the sole purpose of advising, assisting and protecting small business enterprises. *General welfare or special interests?*

(20) Under the Eisenhower Administration the government in 1953 sold the Inland Waterways Corporation. It thereby ended its competition with American citizens in this respect, made specific provision for continued service to them, and, in the process, obtained a sales price big enough to recover the previous 14 years of operating losses that had been made up out of Federal tax money. Similarly, under special legislation enacted by the Congress in 1953, the Administration has sold 25 government-owned synthetic rubber plants for $272 million, showing a profit to the Treasury over the depreciated book value of the plants of $158 million. *General welfare or special interests?*

(21) Under the Eisenhower Administration a plan has been advanced to equip this nation for the first time with a first rate interstate highway system adequate to meet the needs of our millions of car owners as well as the pressing requirements of defense and economic development. *General welfare or special interests?*

(22) Under the Eisenhower Administration local groups—public and private—have been encouraged to help supply the nation's electric power needs which will at least double in the next decade. In addition to being right in principle, this partnership approach is common sense because the record shows that there simply are not enough Federal tax dollars forthcoming to finance regional Federal power monopolies and at the same time provide for all the pressing national needs which can be paid for only out of the Federal treasury. It makes sense, for example, that the citizens of Memphis do what they now find they can do—finance construction of a new steam power plant of their own rather than have the TVA build a plant with money raised from Federal taxpayers all across the land. It makes sense, too, for an investor-owned, taxpaying public utility company, on the basis of a unanimous decision of the Federal Power Commission, to build three dams on the Snake River in Idaho to develop eventually more power than would be forthcoming from a single high dam at Hell's Canyon which Congress has twice refused to authorize and which would cost the nation's taxpayers at least $400 million. The Eisenhower partnership policy thus means more power sooner, financed increasingly through local public or private borrowing of the people's savings rather than out of Federal taxes. *General welfare or special interests?*

(23) Under the Eisenhower Administration the genius and drive of private enterprise have been brought in directly to hasten the development of the peaceful uses of atomic energy in order more swiftly and surely to make the atom a force for good for all the people. *General welfare or special interests?*

(24) Under the Eisenhower Administration Congress passed the Submerged Lands Act which, when upheld by the United States Supreme Court, resolved at last the "tidelands" issue. The result has been the extension of America's oil frontier to the Continental Shelf, the creation of thousands of jobs, and the generation of a rich flow of revenue to both Federal and state treasuries. *General welfare or special interests?*

(25) Under the Eisenhower Administration enforcement of the anti-trust laws is today both vigorous and fair-minded. In the year ended Sept. 30 last, the Justice Department started 52 antitrust actions, nearly half again as many as were started in the last comparable period before the President took office. *General welfare or special interests?*

This highlighting of its economic record shows that the Eisenhower Administration is unswervingly dedicated to serving the general welfare. It is giving the American people government with both a heart and a head. It is an Administration whose leader's iron refusal to play politics with the people's prosperity has truly brought to our land a New Era of Good Feeling.

President Eisenhower has denounced no group in our society as greedy, as sinister or as a "special interest" bent solely on its own ends at the expense of others. Nor has he favored any group. He has constantly urged the cooperation of all to the end of national well being. The economic consequences of creating this new national atmosphere have been enormous for good for all our people. The high standard of conduct which the President has set is a marker against which to measure discussion of public issues. We would all do well to follow his example.

L. G. BEAUBIEN & Co.
LIMITED
UNDERWRITERS AND DEALERS
Specialists in Securities Originating in the Province of QUEBEC
Government, Municipal, Corporation, School Commissions, Parishes and Fabriques, Religious Institutions.
221 NOTRE DAME STREET, WEST
MONTREAL 1
Quebec Ottawa Trois-Rivières
St. Hyacinthe Shawinigan Falls Sherbrooke
Paris Brussels

BRAWLEY, CATHERS & COMPANY
Members
Investment Dealers' Association of Canada
Toronto Stock Exchange
•
CANADIAN
GOVERNMENT-MUNICIPAL-CORPORATION
SECURITIES
•
CANADIAN BANK OF COMMERCE BUILDING
EMPIRE 3-5821
TORONTO

Collier Norris & Quinlan
MEMBERS
MONTREAL STOCK EXCHANGE
CANADIAN STOCK EXCHANGE

Collier Norris & Quinlan
Limited
MEMBERS
The Investment Dealers' Association of Canada
Montreal
507 Place d'Armes
HArbour 2201
Toronto
320 Bay Street
EMpire 8-2984

Underwriters and Distributors of Canadian Government, Municipal and Corporation Securities
Members of The Investment Dealers' Association of Canada, The Toronto Stock Exchange
BANKERS BOND CORPORATION
LIMITED
Business Established 1912
44 KING STREET WEST, TORONTO, CANADA
KITCHENER LONDON HAMILTON

itized for FRASER
http://fraser.stlouisfed.org/
Reserve Bank of St. Louis

INVESTMENT BANKERS ASSOCIATION OF AMERICA

OFFICERS 1955-1956

President

George W. Davis
Davis, Skaggs & Co.,
San Francisco

Vice-President

Andrew M. Baird
A. G. Becker & Co. Incorporated,
Chicago

Vice-President

Robert H. Craft
American Securities Corporation,
New York

Vice-President

John C. Hagan, Jr.
Mason-Hagan, Inc.,
Richmond, Va.

Vice-President

William C. Jackson, Jr.
First Southwest Company,
Dallas

Vice-President

Delmont K. Pfeffer
The First National City Bank
of New York, New York

tized for FRASER
://fraser.stlouisfed.org/
eral Reserve Bank of

IBA GOVERNORS

William M. Adams
Braun, Bosworth & Co., Incorporated, Detroit

Gustave A. Alexisson
Granbery, Marache & Co., New York City

Warren D. Arnold
F. S. Moseley & Co., Boston

J. Murrey Atkins
R. S. Dickson & Co., Inc., Charlotte, N. C.

Ralph D. Baker
James Richardson & Sons, Winnipeg

Thomas Beckett, Jr.
First Southwest Company, Dallas

Harry Beecroft
Beecroft, Cole & Co., Topeka

Orlando S. Brewer
Phelps, Fenn & Co., New York City

James R. Burkholder
Almstedt Brothers, Louisville

J. Douglas Casey
A. C. Allyn and Company Incorporated, Chicago

Harold H. Cook
Spencer Trask & Co., New York City

Walter J. Coughlin
Coughlin and Company, Denver

Gordon Crouter
DeHaven & Townsend, Crouter & Bodine, Philadelphia

Warren H. Crowell
Crowell, Weedon & Co., Los Angeles

Lester H. Empey
American Trust Company, San Francisco

Thomas W. Evans
Continental Illinois National Bank & Trust Company of Chicago

Charles N. Fisher
Singer, Deane & Scribner, Pittsburgh

Robert W. Fisher
Blyth & Co., Inc., New York City

W. C. Hammond, Jr.
White, Weld & Co., Boston

Waldo Hemphill
Waldo Hemphill & Co., Seattle

Bert H. Horning
Stifel, Nicolaus & Company, Incorporated, St. Louis

J. Earle Jardine, Jr.
William R. Staats & Co., Los Angeles

William T. Kemble
Estabrook & Co., Boston

William D. Kerr
Bacon, Whipple & Co., Chicago

Quitman R. Ledyard
Equitable Securities Corporation, Nashville

James J. Lee
W. E. Hutton & Co., New York City

Richard H. Martin
Pacific Northwest Company, Portland

Walter Maynard
Shearson, Hammill & Co., New York City

Donald E. McFarland
Kalman & Company, Inc., Minneapolis

William H. Morton
W. H. Morton & Co., Incorporated, New York City

Paul L. Mullaney
Mullaney, Wells & Company, Chicago

Chapin S. Newhard
Newhard, Cook & Co., St. Louis

Ludlow F. North
Robert W. Baird & Co., Incorporated, Milwaukee

Lee H. Ostrander
William Blair & Company, Chicago

Alfred Rauch
Kidder, Peabody & Co. Philadelphia

James E. Roddy
Scharff & Jones, Inc., New Orleans

Walter A. Schmidt
Schmidt, Poole, Roberts & Parke, Philadelphia

Joseph W. Sener
John C. Legg & Company, Baltimore

Robert O. Shepard
Prescott, Shepard & Co., Inc., Cleveland

Rudolf Smutny
Salomon Bros. & Hutzler, New York City

Eaton Taylor
Dean Witter & Co., San Francisco

gitized for FRASER
p://fraser.stlouisfed.org/

Pictures Taken at 1955 IBA-Convention

At Hollywood Beach Hotel, Florida

George W. Davis, *Davis, Skaggs & Co.*, San Francisco; Joseph T. Johnson, *The Milwaukee Company*, Milwaukee; Laurence M. Marks, *Laurence M. Marks & Co.*, New York; Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston; T. Jerrold Bryce, *Clark, Dodge & Co.*, New York City; Ewing T. Boles, *The Ohio Company*, Columbus; Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia

New Jim Daisy Initiates: Andrew M. Baird, *A. G. Becker & Co., Incorporated*, Chicago; Sydney C. Duffy, *Blyth & Co., Inc.*, New York; William C. Jackson, Jr., *First Southwest Company*, Dallas; Delmont K. Pfeffer, *First National City Bank*, New York; Robert O. Shepard, *Prescott, Shepard & Co., Inc.*, Cleveland; Theodore von Glahn, *Salomon Bros. & Hutzler*, New York City

Mrs. George Barnett, New York City; Mr. & Mrs. Delmont K. Pfeffer, *First National City Bank*, New York

Mr. & Mrs. George W. Davis, *Davis, Skaggs & Co.*, San Francisco

Mr. & Mrs. Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia

Mr. & Mrs. George P. Rutherford, *Dominion Securities Corporation*, New York; Mr. & Mrs. Irving H. Campbell, *Bell, Gouinlock & Company Limited*, Toronto

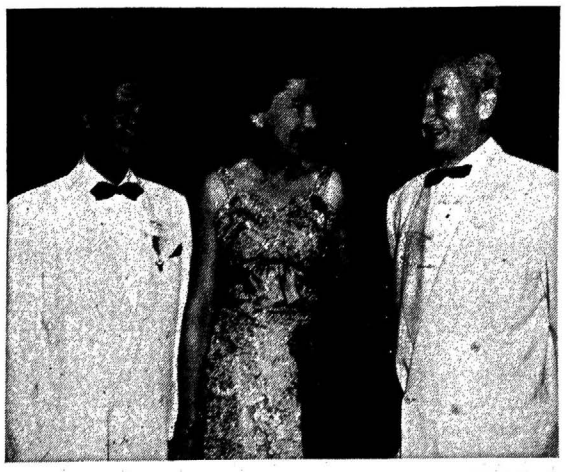
Mr. & Mrs. Sidney L. Sholley, *Keystone Company of Boston*, Boston; J. Ernest Savard, *Savard & Hart Inc.*, Montreal; Mrs. John Swaney, Boston

Public Service Securities Committee

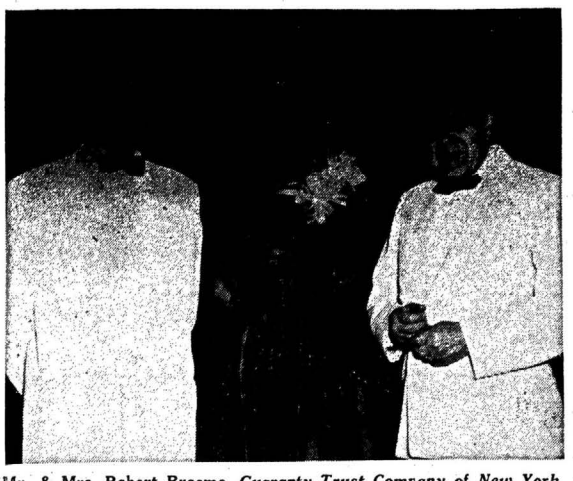
Oil & Natural Gas Committee

gitized for FRASER
tp://fraser.stlouisfed.org/

Paul E. Youmans, *Bosworth, Sullivan & Company, Inc.*, Denver; James M. Powell, *Boettcher and Company*, Denver



Mr. & Mrs. Rudolph Smutny, *Salomon Bros. & Hutzler*, New York City; W. S. Hildreth, *Peoples National Bank*, Charlottesville, Va.

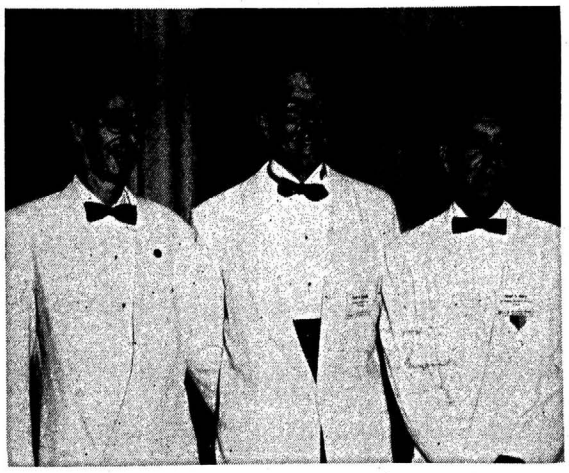


Mr. & Mrs. Robert Broome, *Guaranty Trust Company of New York*, New York; John S. Linen, *Chase Manhattan Bank*, New York

Shelby Cullom Davis, *Shelby Cullom Davis & Co.*, New York; B. F. Houston, *Dallas Union Securities Company, Dallas;* Patricia Churchill; Charles L. Churchill, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.

Mr. & Mrs. George B. Kneass, *Philadelphia National Bank*, Philadelphia; Mr. & Mrs. Frank L. Newburger, Jr., *Newburger & Co.*, Philadelphia

Edwin L. Gilroy, *First Securities Company of Chicago*, Chicago; Mary Lincoln, *Investment Bankers Association*, Washington, D. C.; Charles M. Miller, *Mullaney, Wells & Company*, Chicago



Lex Jolley, *The Robinson-Humphrey Company, Inc.*, Atlanta, Ga.; Joseph Morris, *The Robinson-Humphrey Company, Inc.*, Atlanta, Ga.; Frank A. Chisholm, *Varnedoe, Chisholm & Co., Inc., Savannah*, Ga.

Harry A. McDonald, *McDonald Moore & Co.*, Detroit; *Camille McDonald*, Chicago; Charles C. Pierce, *Rauscher, Pierce & Co., Inc.* Dallas

Industrial Securities Committee

Membership Committee

gitized for FRASER
tp://fraser.stlouisfed.org/

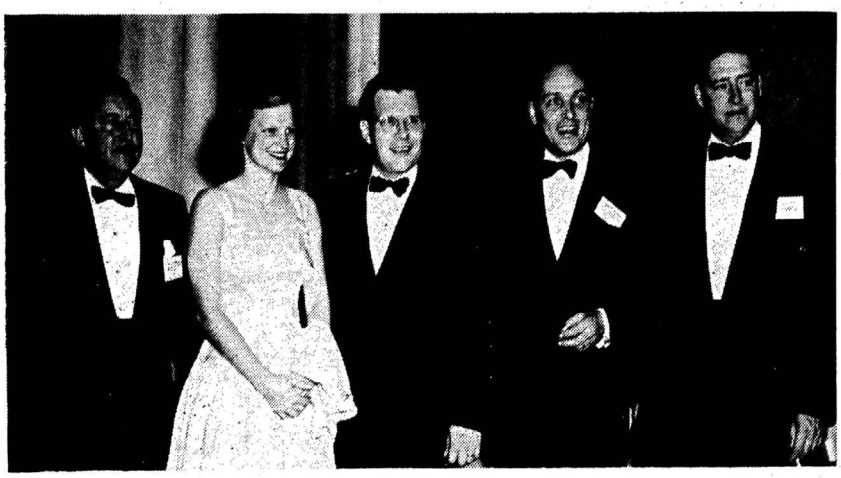
Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle, Inc.*, Kansas City, Mo.; S. Whitney Bradley, *Eaton & Howard, Incorporated*, Boston; John H. Edwards, *R. J. Edwards, Inc.*, Oklahoma City

Mr. & Mrs. Irving J. Rice, *Irving J. Rice & Company, Incorporated*, St. Paul, Minn.

Mr. & Mrs. Thomas A. Larkin, *Goodbody & Co.*, New York; Douglas R. Hansel, *Shields & Company*, New York; Erwin W. Boehmler, *Investment Bankers Association of America*, Washington, D. C.

Mr. & Mrs. Robert O. Shepard, *Prescott, Shepard & Co., Inc.*, Cleveland; Mr. & Mrs. Henry R. Hallowell, *Hallowell, Sulzberger & Co.*, Philadelphia; Mr. & Mrs. Wallace M. McCurdy, *Thayer, Baker & Co.*, Philadelphia

Edward Glassmeyer, *Blyth & Co., Inc.*, New York; Mr. & Mrs. William H. P. Townsend, *E. W. Clark & Co.*, Philadelphia; Murray Hanson, *Investment Bankers Association*, Washington, D. C.; Max A. Hewitt, *Jones, Kreeger & Hewitt*, Washington, D. C.



Arthur R. Robinson, *Anderson & Strudwick*, Richmond, Va.; Mr. & Mrs. Charles A. Parcells, Jr., *Charles A. Parcells & Co.*, Detroit; Gilbert H. Wehmann, *White, Weld & Co.*, New York; Gordon B. Whelpley, *Goldman, Sachs & Co.*, New York

Mr. & Mrs. J. W. Speas, *Norris & Hirschberg, Inc.*, Atlanta; Rucker Agee, *Sterne, Agee & Leach*, Birmingham; Lex Jolley, *The Robinson-Humphrey Company, Inc.*, Atlanta; H. W. Clark, *Clark, Landstreet & Kirkpatrick, Inc.*, Nashville

Federal Taxation Committee

Group Chairmen's Committee

tized for FRASER
://fraser.stlouisfed.org/
eral Reserve Bank of S

Mr. & Mrs. Graham Jones, *Cooley & Company*, Hartford; Hudson B. Lemkau, *Morgan Stanley & Co.*, New York

Mr. & Mrs. Fuller A. Harrington, *Harrington & Co.*, Jackson, Miss.; Gus Halliburton, *Equitable Securities Corporation*, Nashville, Tenn.

Mr. & Mrs. Arthur Wiesenberger, *Arthur Wiesenberger & Co.*, New York

William D. Croom, *First Securities Corporation*, Durham, N. C.; Lloyd B. Waring, *Kidder, Peabody & Co.*, Boston; Allan Weintraub, *Bear, Stearns & Co.*, New York; Mrs. & Mr. Edmund C. Byrne, *Byrne and Phelps, Inc.*, New York

Joseph F. Lockett, Jr., *Townsend, Dabney & Tyson*, Boston; Hugh W. Long, *Hugh W. Long and Company, Inc.*, Elizabeth, N. J.; Mr. & Mrs. O. Paul Decker, *American National Bank and Trust Company of Chicago*; Jerome C. L. Tripp, *Tripp & Co., Inc.*, New York

Addison Arthurs, *Arthurs, Lestrange & Co.*, Pittsburgh; Lawrence Illoway, *Aspden, Robinson & Co.*, Philadelphia; Ted Stokes, *Stokes & Co.*, Philadelphia; Freeman Grant, *Thackara, Grant & Company*, Philadelphia; Charles V. Thackara, *Thackara, Grant & Company*, New York City

Mr. & Mrs. Edward S. Lewis, Jr., *Lewis & Company*, Jackson, Miss.; Mrs. E. B. Wulbern, Jacksonville, Fla.; Walter H. Weed, Jr., *Union Securities Corporation*, New York; *Hazood Clarke, Johnson, Lane, Space & Co., Inc.*, Atlanta

Syndicate Committee

Mr. & Mrs. W. Linton, *Delaware Fund, Inc.*, Philadelphia; Frank C. Trubee, *Trubee, Collins & Co.*, Buffalo; Townsend Rogers, *Trubee, Collins & Co., Buffalo*

gitized for FRASER
tp://fraser.stlouisfed.org/

Mr. & Mrs. E. J. Altgelt, Jr., *Harris Trust & Savings Bank,* New York; Mr. & Mrs. Philip F. McLellan, *Fifty State Street Company,* Boston; Walter Maynard, *Shearson, Hammill & Co.,* N. Y. C.

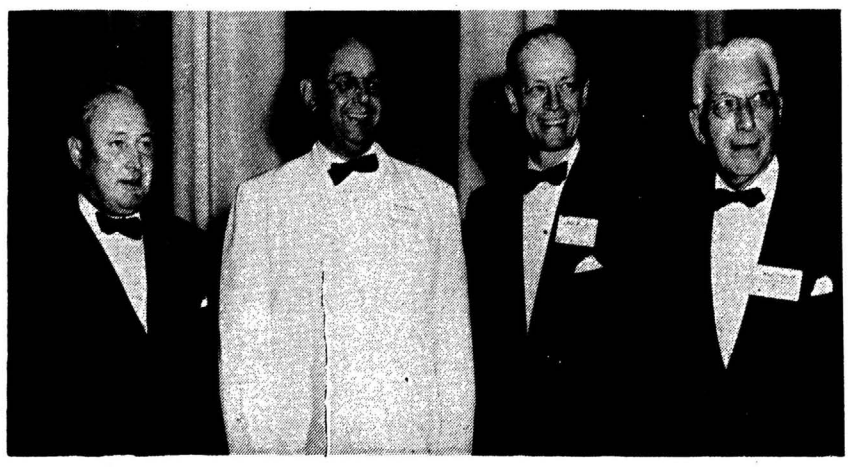
Mr. & Mrs. Albert O. Foster, *Foster & Marshall,* Seattle; John J. Clapp, Jr., *R. W. Pressprich & Co.,* New York; Mr. & Mrs. J. Creighton Riepe, *Alex. Brown & Sons,* Baltimore

Mr. & Mrs. J. Hollis Austin, *J. W. Tindall & Company,* Atlanta; V. Theodore Low, *Bear, Stearns & Co.,* New York; Mr. & Mrs. J. Murrey Atkins, *R. S. Dickson & Co., Inc.,* Charlotte, N. C.

Mr. & Mrs. Robert Rowe, *Stroud & Company, Incorporated,* Philadelphia; Mr. & Mrs. Sidney S. Blake, *H. M. Byllesby and Company, Incorporated,* Philadelphia

Theodore Weicker, Jr., *E. F. Hutton & Company,* New York City; Mr. & Mrs. John Latshaw, *E. F. Hutton & Company,* Kansas City, Mo.; Richard K. Buechler, *E. F. Hutton & Company,* New York City; Mr. & Mrs. John C. Schutz, *Chiles-Schutz Company,* Omaha

Mr. & Mrs. Andrew M. Baird, *A. G. Becker & Co., Incorporated,* Chicago; Mr. & Mrs. Gordon L. Calvert, *Investment Bankers Association,* Washington, D. C.; Alfred J. Stalker, *Kidder, Peabody & Co.,* New York



E. Jansen Hunt, *White, Weld & Co.,* New York City; Hans A. Widenmann, *Carl M. Loeb, Rhoades & Co.,* New York City; Arthur W. Curtis, *A. G. Becker & Co., Incorporated,* Chicago; William F. Weed, *First of Michigan Corporation,* Detroit

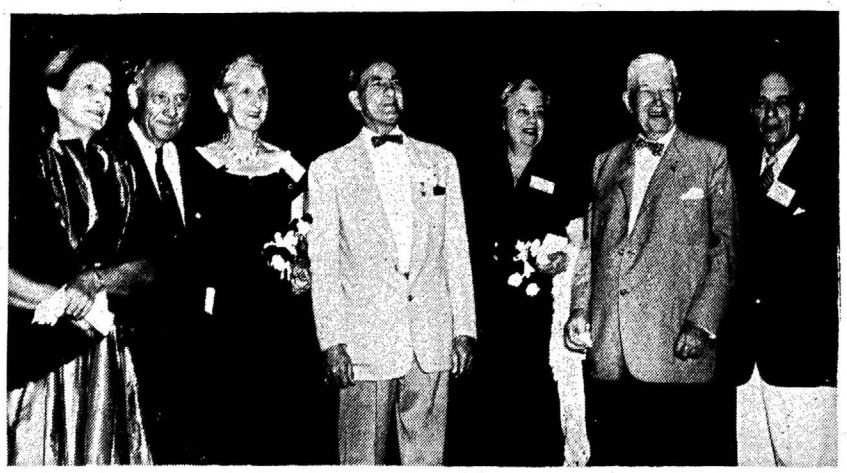
Mr. & Mrs. Alfred R. McBride, *Wright, Wood & Co.,* Philadelphia; John E. Fricke, *Bache & Co.,* Philadelphia; Robert E. Daffron, Jr., *Harrison & Co.,* Philadelphia; Harry A. Jacobs, *Bache & Co.,* New York City

gitized for FRASER
p://fraser.stlouisfed.org/

Francis X. Coleman, Gregory & Sons, New York; Mrs. John W. Ahearn, Boston; Robert B. Harkness, *Dwinnell, Harkness & Hill, Incorporated,* Boston; John W. Ahearn, *Rockland-Atlas National Bank,* Boston

F. D. Farrell, *City National Bank & Trust Co.,* Kansas City, Mo.; Mr. & Mrs. David H. Callaway, Jr., *First of Michigan Corporation,* New York; Roald A. Morton, Blue List Publishing Co., New York City; Mr. & Mrs. Robert V. Wehrheim, *Philadelphia National Bank,* Philadelphia

Mr. & Mrs. E. M. Bancroft, *Stranahan, Harris & Company,* Toledo; Mr. & Mrs. William N. Murray, Jr., *The Illinois Company Incorporated,* Chicago; Walter H. Stohl, *Fidelity Union Trust Company,* Newark, N. J.

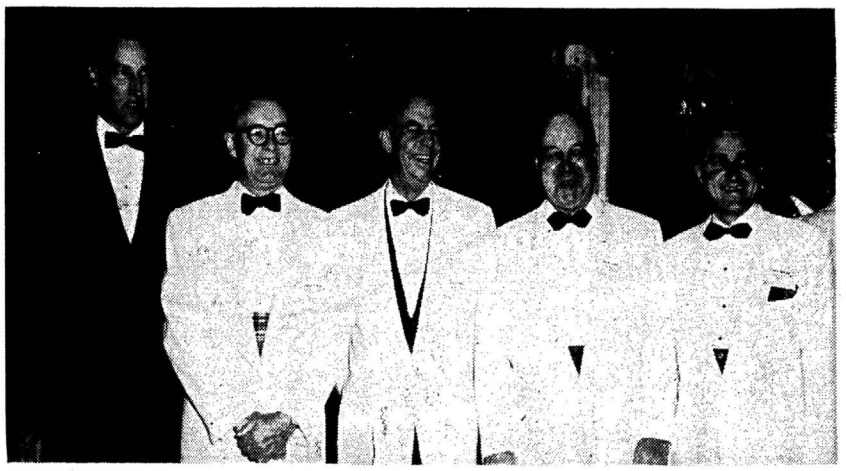


Mr. & Mrs. Fred Morgan, Coral Gables, Fla.; Mr. & Mrs. Harry Theis, *Albert Theis & Sons, Inc.,* St. Louis; Mr. & Mrs. Kelton E. White, *G. H. Walker & Co.,* St. Louis; Ralph Fordon, *Fordon, Aldinger & Co.,* Detroit

Mr. & Mrs. Frank C. Carr, *John Nuveen & Co.,* Chicago; Mr. & Mrs. George J. Gruner, *John Nuveen & Co.,* New York City

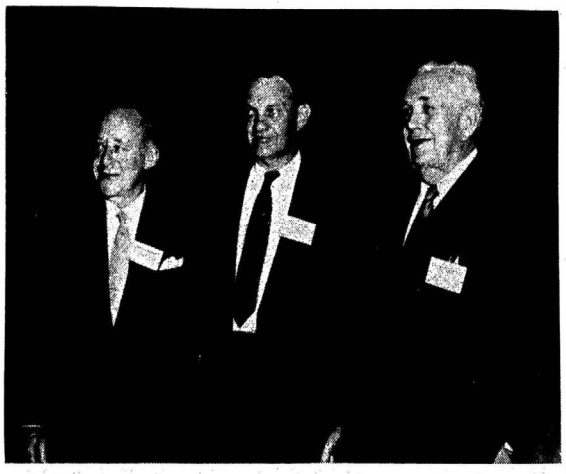
Mr. & Mrs. Frederick Johnson, *Barcus, Kindred & Co.,* Chicago; Mr. & Mrs. Lockett Shelton, *Republic National Bank,* Dallas; Hagood Clarke, Jr., *Atwill and Company,* Miami Beach, Fla.

Mr. & Mrs. Edwin B. Horner, *Scott, Horner & Mason, Inc.,* Lynchburg, Va.; Mr. & Mrs. Frederick T. Seving, *Butcher & Sherrerd,* Philadelphia; Mr. & Mrs. Miles A. Watkins, *Stubbs, Smith & Lombardo, Inc., Birmingham,* Alabama



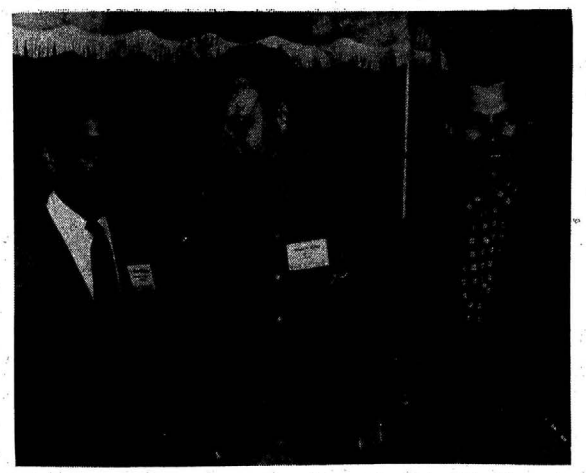
Morton Jenks, *Jenks, Kirkland & Grubbs,* Philadelphia; Lawrence A. Brown, *Jenks, Kirkland & Grubbs,* Philadelphia; John L. Blake, *Eaton & Howard, Incorporated,* Boston; J. B. Sanford, Jr., *White, Hattier & Sanford,* New Orleans; C. Evan Davenport, *Jack M. Bass & Company,* Nashville

Digitized for FRASER
http://fraser.stlouisfed.org/

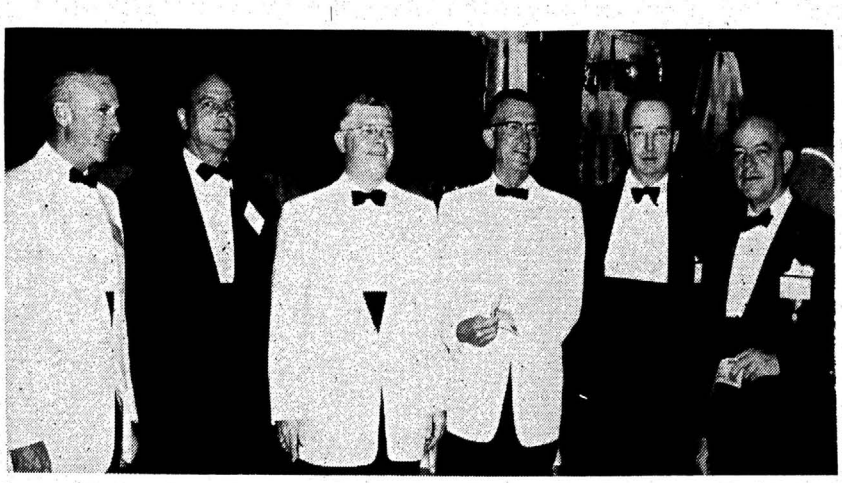


Arthur J. Neumark, *H. Hentz & Co.*, New York; Carroll H. Little, *C. H. Little & Co.*, Jackson, Tenn.; W. N. Estes, *C. H. Little & Co.*, Jackson, Tenn.

Mr. & Mrs. Anthony E. Tomasic, *Thomas & Company*, Pittsburgh; Mr. & Mrs. Robert V. Wehrheim, *Philadelphia National Bank*, Philadelphia



G. William Raffensperger, *Raffensperger, Hughes & Co., Incorporated*, Indianapolis; Richard B. Walbert, *Blyth & Co., Inc.*, Chicago; William J. Roberts, *Glore, Forgan & Co.*, Chicago



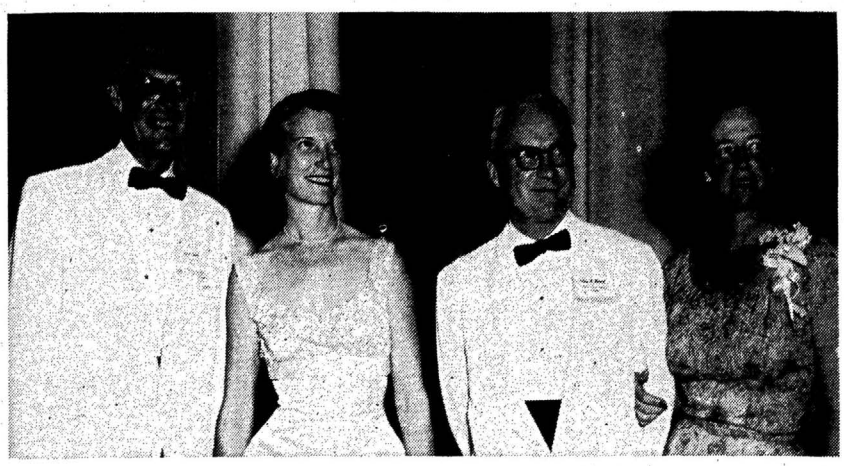
Homer O'Connell, *Homer O'Connell & Co., Inc.*, New York City; William M. Cahn, Jr., *Henry Herrman & Co.*, New York City; Milton F. Lewis, *A. G. Becker & Co. Incorporated*, New York City; Edward S. Lewis, Jr., *Lewis & Company*, Jackson, Miss.; Charles L. Hewitt, *Francis I. du Pont & Co.*, New York City; Carr Payne, *Cumberland Securities Corporation*, Nashville

Lester H. Empey, *American Trust Company*, San Francisco; Mrs. Fred D. Stone, Jr., New York; Harold J. Schluter, *First National Bank of* Chicago; Mrs. Lester H. Empey; Fred D. Stone, Jr., *Marine Trust Company of Western New York*, New York City; Robert H. Cook, *B. J. Van Ingen & Co. Inc.*, Miami, Fla.

Herbert I. Shaw, *Vance, Sanders & Company*, New York City; LeRoy Wilbur, *Stein Bros. & Boyce*, Baltimore

Walter C. Nester, *M. A. Schapiro & Co., Inc.*, New York City; Chandler Robbins, *M. A. Schapiro & Co., Inc.*, New York City

F. Pennington Kemp, *W. L. Lyons & Co.*, Louisville, Ky.; W. L. Lyons, Jr., *W. L. Lyons & Co.*, Louisville, Ky.

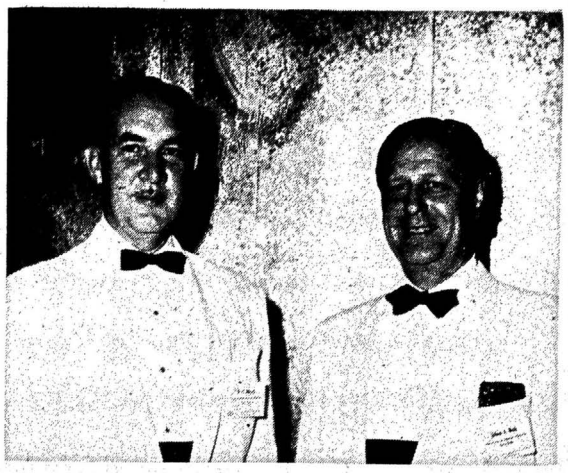


Mr. & Mrs. Carl H. Doerge, *Wm. J. Mericka & Co., Inc.*, Cleveland; Mr. & Mrs. John M. Maxwell, *The Northern Trust Company*, Chicago

James N. Russell, *Gottron, Russell & Co., Inc.*, Cleveland; Mr. & Mrs. Robert Krumm, *W. H. Morton & Co., Incorporated*, New York; Mr. & Mrs. J. M. Maxwell, *The Northern Trust Company*, Chicago

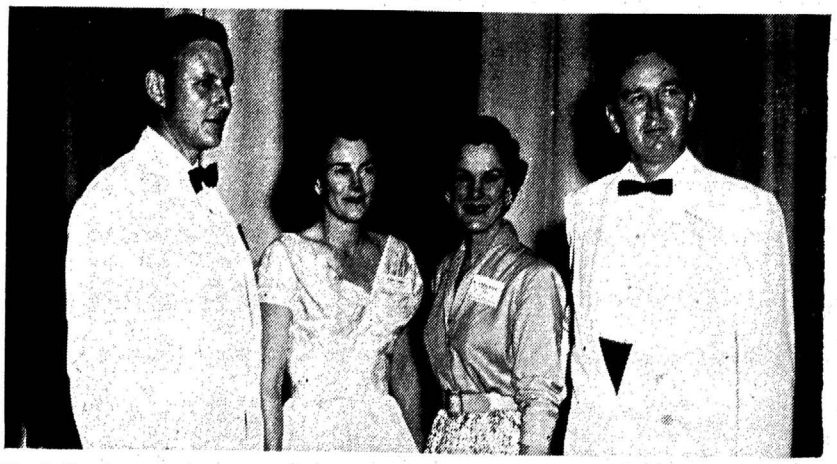
itized for FRASER
://fraser.stlouisfed.org/

Mr. & Mrs. Bayard Dominick, *Dominick & Dominick*, New York City; T. Jerrold Bryce, *Clark, Dodge & Co.*, New York City



Hal Murphy and Edwin L. Beck, *Commercial & Financial Chronicle*, New York

Edward L. Warren, *J. P. Morgan & Co. Incorporated*, New York City; Albert Woll, *Hayden, Stone & Co.*, Boston



Mr. & Mrs. Lewis V. Coleman, *North American Securities Co.*, San Francisco; Mr. & Mrs. J. Nathan McCarley, Jr., *McCarley & Company, Inc.*, Asheville, N. C.

Mr. & Mrs. Coleman E. Trainor, *Peoples National Bank*, Charlottesville, Va.; Mr. & Mrs. E. H. Cassell, *C. F. Cassell & Co., Inc.*, Charlottesville, Va.

Mr. & Mrs. F. Newell Childs, *C. F. Childs and Company*, Chicago; Mr. & Mrs. James A. Cranford, *Atlantic National Bank of Jacksonville*, Jacksonville, Fla.; Mr. & Mrs. Robert M. Gardiner, *Reynolds & Co.*, New York

Malcolm S. Prosser, *Seattle First National Bank*, Seattle; Frank H. Morse, *Lehman Brothers*, New York; Brainerd H. Whitbeck, *First Boston Corporation*, New York; F. Brian Reuter, *Mellon National Bank, & Trust Co.*, Pittsburgh

W. Marshall Schmidt, *Drexel & Co.*, Philadelphia; Mr. & Mrs. Powhatan M. Conway, *The Bankers Bond Co., Inc.*, Louisville; Allen M. Terrell, *Girard Trust Corn Exchange Bank*, Philadelphia; Herbert R. Anderson, *Distributors Group, Incorporated*, New York; John L. Ahbe, *Distributors Group, Incorporated*, New York

R. S. Abernethy, Jr., *Interstate Securities Corporation*, Charlotte, N. C.; Glenn E. Anderson, *Carolina Securities Corporation*, Raleigh, N. C.; Donald W. Hayden, *Baumgartner, Downing & Co.*, Baltimore; William D. Croom, *First Securities Corporation*, Durham, N. C.; E. R. Jones, *E. R. Jones & Co.*, Baltimore; W. Olin Nisbet, Jr., *Interstate Securities Corporation*, Charlotte, N. C.

gitized for FRASER
tp://fraser.stlouisfed.org/

Mr. & Mrs. Hunter Breckenridge, *McCourtney-Breckenridge & Co.*, St. Louis; Mr. & Mrs. Eugene D. Vinyard, *Central Investment Company of Texas*, Dallas

Douglas B. Weldon, *Midland Securities Corpn. Ltd.*, Toronto; Cecil W. McBride, *Midland Securities Corpn. Ltd.*, Toronto; Mr. & Mrs. Martin G. Kent, *Equitable Securities Canada, Limited*, Toronto

Mr. & Mrs. William A. Forrester, Jr., *Merrill Lynch, Pierce, Fenner & Beane*, New York; Forrester A. Clark, *H. C. Wainwright & Co., Boston*

Chester W. Viale, *L. F. Rothschild & Co.*, New York City; Mr. & Mrs. Fred W. Hudson, *Ball, Burge & Kraus*, Cleveland; Mr. & Mrs. John R. Hughes, *Royal Securities Corporation Limited*, Montreal; Harry L. Gassard, *Investment Dealers Association of Canada*, Toronto

Mr. & Mrs. Ira D. Owen, *Allison-Williams Company*, Minneapolis; Mr. & Mrs. William N. Edwards, *William N. Edwards & Co.*, Ft. Worth, Texas; Leonard A. Murray, *Piper, Jaffray & Hopwood*, St. Paul, Minn.; Mr. & Mrs. L. M. McCague, *National Company of Omaha*, Omaha, Neb.

Mr. & Mrs. Frank L. Lucke, *Laidlaw & Co.*, New York

Mr. & Mrs. William C. Jackson, Jr., *First Southwest Company*, Dallas; Thomas Beckett, Jr., *First Southwest Company*, Dallas

Mr. & Mrs. Harrison C. Frost, *Hayden, Miller & Co.*, Cleveland

Mr. & Mrs. Edward J. Jennett, *First National Bank of Chicago*, Chicago; Harold J. Schluter, *First National Bank of Chicago*, New York; Theodore C. Henderson, *T. C. Henderson & Co., Inc.*, Des Moines, Iowa; John F. Bolger, *Shillinglaw, Bolger & Co.*, Chicago

Mr. & Mrs. Warren D. Arnold, *F. S. Moseley & Co.*, Boston; Mr. & Mrs. George P. Rutherford, *Dominion Securities Corporation*, New York; Mr. & Mrs. Arthur F. Humphrey, Jr., *Hulme, Applegate & Humphrey, Inc.*, Pittsburgh

tized for FRASER
://fraser.stlouisfed.org/
eral Reserve Bank of St

Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York; Peter K. Grunebaum, *New York Hanseatic Corporation*, New York

Mr. & Mrs. Arthur S. Torrey, *W. C. Pitfield & Company, Ltd.*, Montreal

Frank B. Bateman, Palm Beach, Fla.; Mrs. Olive Whipple, Jacksonville, Fla.; Joshua A. Davis, *Blair & Co., Incorporated*, New York

Mr. & Mrs. Stewart A. Dunn, *C. J. Devine & Co.*, New York; George R. Waldmann, *Mercantile Trust Company*, New York; Malcolm F. Roberts, *Garrett-Bromfield & Co.*, Denver

Mr. & Mrs. Irving J. Rice, *Irving J. Rice & Company, Incorporated*, St. Paul; Russell Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Mr. & Mrs. Jerome F. Tegeler, *Dempsey-Tegeler & Co.*, St. Louis

James C. Ward, *Third National Bank*, Nashville, Tenn.; Mr. & Mrs. Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Mr. & Mrs. Frederic C. Beil, Jr., *Beil & Hough, Inc.*, St. Petersburg, Florida

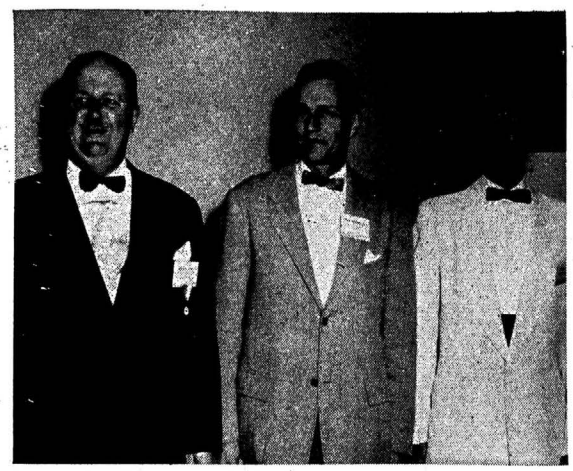
Juliene H. Collins, *Julien Collins & Company*, Chicago; Edward Hopkinson, Jr., *Drexel & Co.*, Philadelphia; Mr. & Mrs. Walter L. Morgan, *Wellington Company*, Philadelphia; Mr. & Mrs. Joseph W. Sener, *John C. Legg & Company*, Baltimore

Mr. & Mrs. Monroe V. Poole, *George B. Gibbons & Co.*, New York; Mr. & Mrs. W. Wayne Glover, *California Bank*, Los Angeles

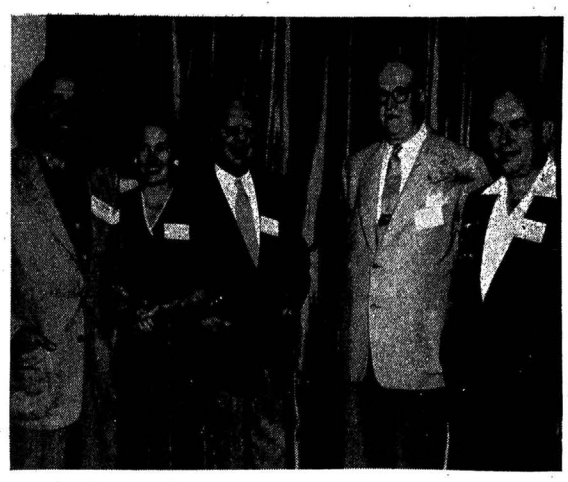
Gustave Alexisson, *Granbery, Marache & Co.*, New York; John F. Bunn, Jr., *Bioren & Co.*, Philadelphia; Mr. & Mrs. Charles N. Fisher, *Singer, Deane & Scribner*, Pittsburgh

Digitized for FRASER
http://fraser.stlouisfed.org/

Hugh E. Paine, Jr., *Abbott, Proctor & Paine,* New York City; William Gregory III, *Gregory & Sons,* New York City; Eugene M. Reese, *Newhard, Cook & Co.,* St. Louis; John La Grua, *Barr Brothers & Co.,* New York City



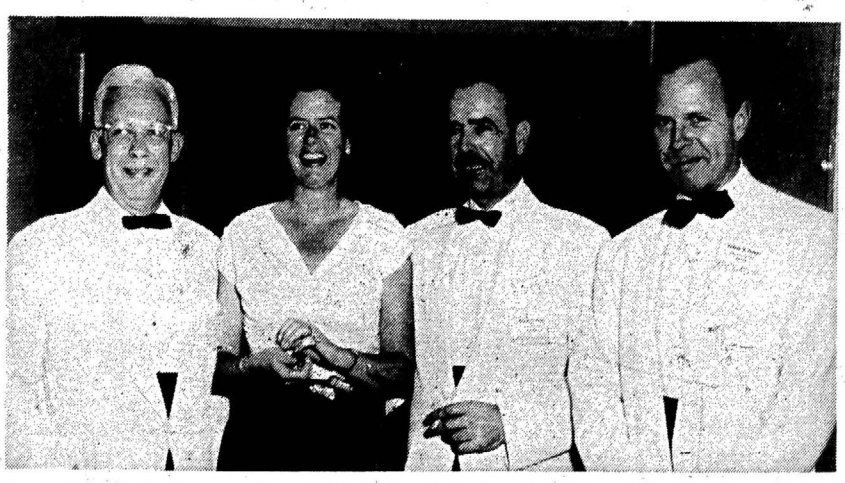
Walter H. Weed, Jr., *Union Securities Corporation,* New York City; Ralph Hornblower, Jr., *Hornblower & Weeks,* New York City; William G. Kurtz, Jr., *Fidelity Philadelphia Trust Company,* Philadelphia



Mr. & Mrs. James D. Hannaford, *Dawson Hannaford, Inc.,* New York; Ralph D. Baker, *James Richardson & Sons,* Winnipeg; W. T. K. Collier, *Collier, Norris & Quinlan, Ltd.,* Montreal; Fremont W. Robson, *F. B. Ashplant & Co.,* New York

Mr. & Mrs. John J. Reed, *Straus, Blosser & McDowell,* Chicago; Frederick W. Straus, *Straus, Blosser & McDowell,* Chicago; Lloyd E. Lubetkin, *Seligman, Lubetkin & Co.,* New York; Francis X. Coleman, *Gregory & Sons,* New York

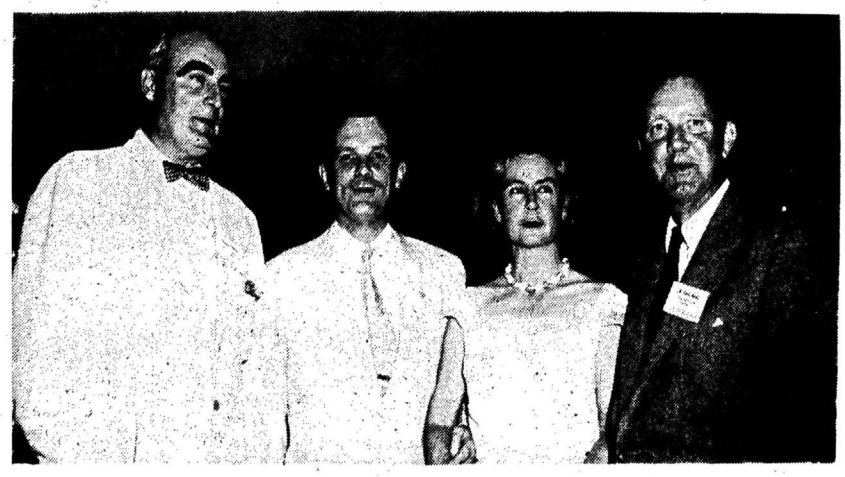
Mr. & Mrs. Sewell Watts, *Baker, Watts & Co.,* Baltimore; Hans A. Widenmann, *Carl M. Loeb, Rhoades & Co.,* New York; Mr. & Mrs. Charles B. White, *Chas. B. White & Co.,* Houston; Claude Crockett, *Crockett & Co.,* Houston



Mr. & Mrs. John L. Kenower, *Kenower, MacArthur & Co.,* Detroit; William A. Devlin, *Reynolds & Co.,* New York City; Frederick H. Steiwer, *Alex, Brown & Sons,* New York City

Jack R. Staples, *Fulton, Reid & Co.,* Cleveland; Mr. & Mrs. Arthur P. Quinn, *Quinn & Co.,* Albuquerque, New Mexico; Robert W. Ewing, *A. E. Masten & Co.,* Wheeling, W. Va.

Mr. & Mrs. Arthur Horton, *Penington, Colket & Co.,* Philadelphia; Mr. & Mrs. James C. Warren, *A. M. Kidder & Co.,* New York; Mr. & Mrs. W. Linton Nelson, *Delaware Distributors, Inc.,* Philadelphia



George J. Gillies, *A. C. Allyn and Company, Incorporated,* New York; Mr. & Mrs. James J. Lee, *W. E. Hutton & Co.,* New York; W. Carroll Mead, *Mead, Miller & Co.,* Baltimore

gitized for FRASER
http://fraser.stlouisfed.org/

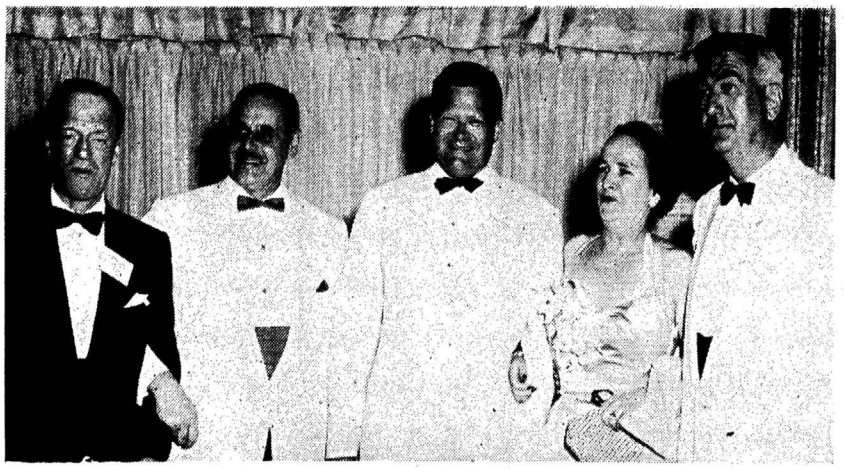
Mr. & Mrs. Herbert V. B. Gallagher, *Yarnall, Biddle & Co.*, Philadelphia

Mr. & Mrs. Eugene Treuhold, *L. F. Rothschild & Co.*, New York; George K. Coggeshall, *Schoellkopf, Hutton & Pomeroy, Inc.*, New York

Eaton Taylor, *Dean Witter & Co.*, San Francisco; Joseph H. King, *Union Securities Corporation*, New York City

Alfred B. Averell, *Bache & Co.*, New York City; Mr. & Mrs. Milton G. Hulme, *Glover & MacGregor, Inc.*, Pittsburgh; H. Grady Wells, Jr., *Andrews & Wells*, New York

Mr. & Mrs. George Martin, *International Bank*, New York; Edwin L. Gilroy, *First Securities Company of Chicago;* Mr. & Mrs. John Knox, *Federal Land Banks*, New York City



J. Ernest Savard, *Savard & Hart, Inc.*, Montreal; D. H. Vermette, *Savard & Hart, Inc.*, Montreal; Winston L. Molander, *Northwestern National Bank of Minneapolis;* Mrs. John C. Hagan, Richmond, Va.; Harold E. Wood, *Harold E. Wood & Co.*, St. Paul

Mr. Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York; Mr. & Mrs. Hugh W. Long, *Hugh W. Long and Co., Inc.*, Elizabeth, N. J.; Mr. & Mrs Bertram M. Goldsmith, *Ira Haupt & Co.*, New York

Andrew Beaubien, *L. G. Beaubien & Co. Ltd.*, Montreal; Robert E. Clark, *Calvin Bullock, Ltd.*, New York City; Russell D. Bell, *Greenshields & Co. Inc.*, Montreal; Bradshaw Firstbrook, *Greenshields & Co. (N. Y.) Inc*, New York City; William D. Kerr, *Bacon, Whipple & Co.*, Chicago

H. Frank Burkholder, *Equitable Securities Corporation*, Nashville; Henry B. Tompkins, *The Robinson-Humphrey Company, Inc.*, Atlanta; O. B. Wood, Jr., *Southern Securities Corp.*, Savannah, Ga.; Merritt Coleman, *Allen & Company*, New York City

Digitized for FRASER
http://fraser.stlouisfed.org/

George C. MacDonald, *McLeod, Young, Weir, Incorporated,* New York; Mr. & Mrs. J. Henry Ratcliffe, *McLeod, Young, Weir & Company, Ltd.,* Toronto

Carel W. van Heukelom, *Television Shares Management Corporation,* Chicago; Mr. & Mrs. Belmont Towbin, *C. E. Unterberg, Towbin Co.,* New York

William F. Weed, *First of Michigan Corporation,* Detroit; J. Emerson Thors, *Kuhn, Loeb & Co.,* New York; John C. Fitterer, *Kuhn, Loeb & Co.,* New York

Mr. & Mrs. P. Fred Fox, *P. F. Fox & Co.,* New York; Mr. & Mrs. William D. Prosnitz, *Halle & Stieglitz,* New York City; Samuel H. Rosenberg, *Asiel & Co.,* New York

John C. Hecht, *Dempsey-Tegeler & Co.,* Los Angeles; Mr. & Mrs. Albert C. Purkiss, *Walston & Co., Inc.,* New York; Edward H. Robinson, *Schwabacher & Co.,* New York

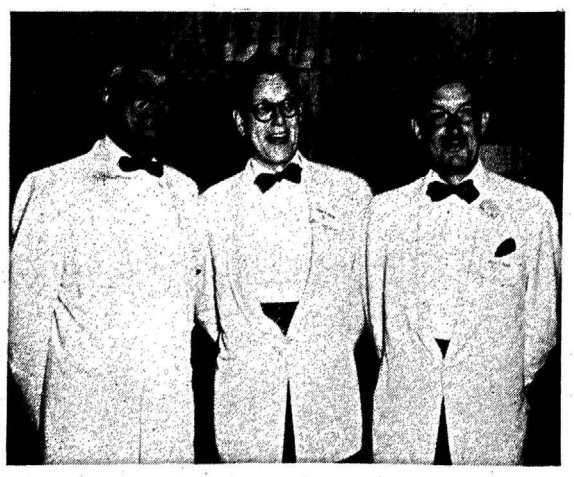
David M. Wood, *Wood, King & Dawson,* New York; Mr. & Mrs. Frank T. Kennedy, *C. J. Devine & Co.,* New York; Craig de V. Simpson, *Bankers Trust Company,* New York

Mr. & Mrs. Blancke Noyes, *Hemphill, Noyes & Co.,* New York; Mr. & Mrs. Jansen Noyes, Jr., *Hemphill, Noyes & Co.,* New York

Shelby Cullom Davis, *Shelby Cullom Davis & Co.,* New York City; Denton D. Hall, *R. L. Day & Co.,* New York City; Mrs. Walter Morse; Kenneth C. Ebbitt, *Shelby Cullom Davis & Co.,* New York; Frank H. Morse, *Lehman Brothers,* New York; Walter E. Morse, *Lehman Brothers,* New York; Foreground (left to right) John H. Stafford, *Lee Higginson Corporation,* New York; Mrs. John W. Reno, New York

Edward Burns II, *F. Eberstadt & Co., Inc.,* New York; Andrew G. C. Sage II, *Lehman Brothers,* New York City; Mr. & Mrs. James P. Stearns, *Ball, Burge & Kraus,* Cleveland, Ohio; Bernard B. Knopp, *First National Bank of St. Paul,* St. Paul, Minn.; H. Frank Burkholder, *Equitable Securities Corporation,* Nashville

itized for FRASER
://fraser.stlouisfed.org/



Calvin M. Cross, *Hallgarten & Co.*, New York; Elwood D. Boynton, *Hallgarten & Co.*, New York; William F. Howell, *Hallgarten & Co.*, New York

Mrs. Robert Craft, New York; Mr. & Mrs. Delmont K. Pfeffer, *First National City Bank of New York*

Charles S. Barrington, *Harry Downs & Co.*, New York City; Kenneth A. Kerr, *Central Republic Company*, New York City; James M. Pigott, *Central Republic Company*, Chicago

John McG. Dalenz, *Calvin Bullock, Ltd.*, New York; Mr. & Mrs. Howard Finney, *Bear, Stearns & Co.*, New York; Alfred R. McBride, *Wright, Wood & Co.*, Philadelphia

Charles M. Miller, *Mullaney, Wells & Company*, Chicago; Mr. & Mrs. C. G. Kaufman, *Rodman & Renshaw*, Chicago; Frank R. Warden, *Central National Bank & Trust Company*, Des Moines

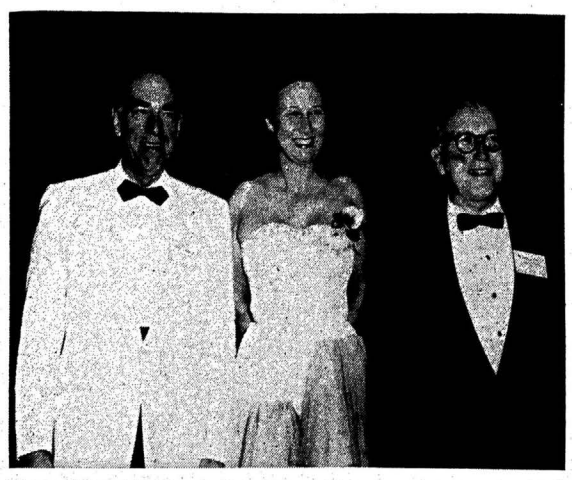
Mr. & Mrs. Edward S. Amazeen, *Coffin & Burr, Incorporated*, Boston; Mr. & Mrs. J. Earle Jardine, Jr., *William R. Staats & Co.*, Los Angeles; William C. Hammond, Jr., *White, Weld & Co.*, Boston

Cecil W. McBride, *Midland Securities Corpn. Ltd.*, Toronto; Mr. & Mrs. William D. Pettit, *Knickerbocker Shares, Inc.*, New York; Mr. & Mrs. Pat G. Morris, *The Northern Trust Company*, Chicago

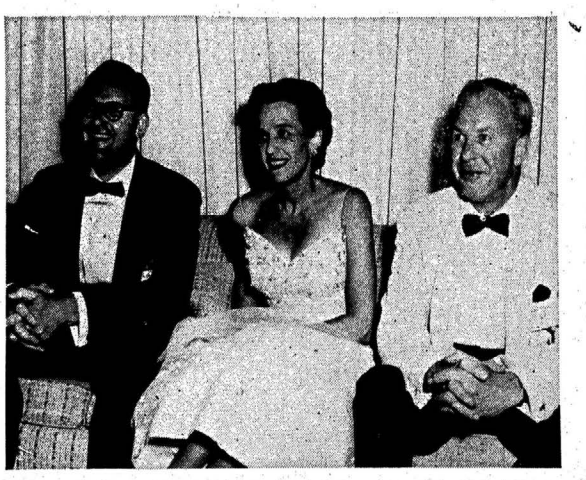
P. Scott Russell, *Glore, Forgan & Co.*, New York City; Mr. & Mrs. Paul O. Frederick, *Baxter, Williams & Co.*, New York; Charles M. Baxter, Jr., *Baxter, Williams & Co.*, Cleveland; Mr. & Mrs. Arthur P. Nauman, *Nauman, McFawn & Co.*, Detroit

Mr. & Mrs. Kenneth J. Howard, *J. A. Hogle & Co.*, New York City; Mr. & Mrs. Roscoe C. Ingalls, Jr., *Ingalls & Snyder*, New York; Mr. & Mrs. H. W. Putnam, *Association of Stock Exchange Firms*, New York City

igitized for FRASER
ttp://fraser.stlouisfed.org/



Charles F. Eaton, Jr., *Eaton & Howard, Incorporated,* Boston; Mrs. Warren Crowell, Los Angeles; Francis S. King, *The First Boston Corporation,* Boston



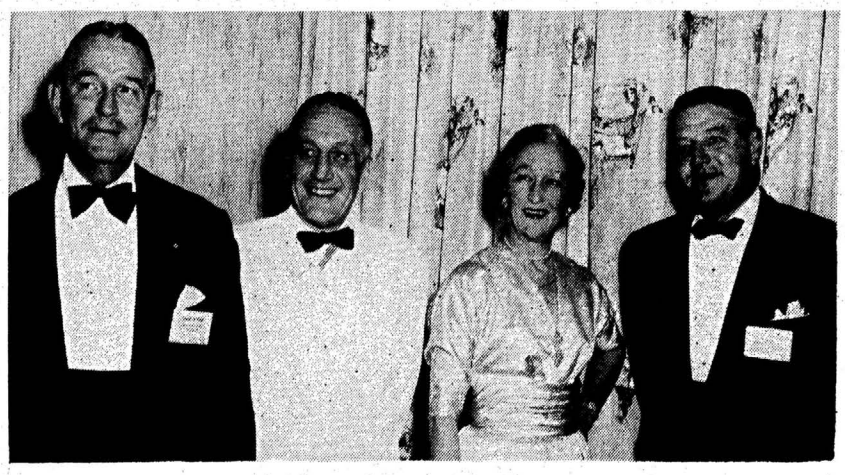
Raymond Stitzer, *Equitable Securities Corporation,* New York City; Mrs. Albert C. Purkiss, New York City; Edgar J. Loftus, *W. C. Langley & Co.,* New York City

Elmer F. Dieckman, *Glore, Forgan & Co.,* New York; Charles F. Glore, Jr., *Glore, Forgan & Co.,* Chicago; Raymond W. Pyle, *Schoellkopf, Hutton & Pomeroy, Inc.,* New York

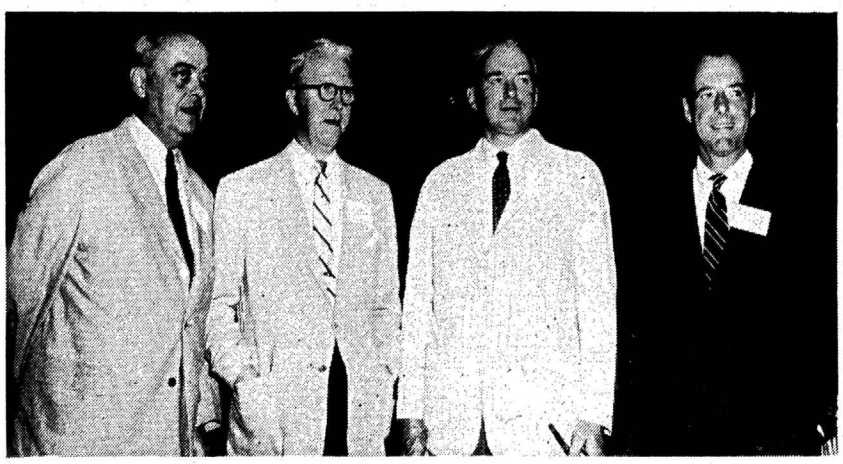
Mr. & Mrs. Ray Condon, *B. J. Van Ingen & Co. Inc.,* Chicago; Matthew J. Hickey III, *Hickey & Co., Inc.,* Chicago; Charles M. Miller, *Mullaney, Wells & Company,* Chicago; Edward F. Hoban, *McMahon & Hoban, Inc.,* Chicago

Mr. & Mrs. Gilbert White, *R. D. White & Company,* New York City; Alfred G. Wilson, *Newburger, Loeb & Co.,* New York City; Frank S. Bennett, *Cutter, Plummer & Bennett,* New York City; Benjamin F. Peyser, *Newburger, Loeb & Co.,* New York City

Mr. & Mrs. G. Keith Funston, *New York Stock Exchange;* Mr. & Mrs. Warren H. Crowell, *Crowell, Weedon & Co.,* Los Angeles



Harold H. Cook, Allan C. Eustis, Jr., and Mr. & Mrs. Brittin C. Eustis, *Spencer Trask & Co.,* New York City



Thomas B. Gannett, *Hornblower & Weeks,* Boston; George T. Flynn, *Hornblower & Weeks,* New York City; Francis B. Bowman, *Chase Manhattan Bank,* New York; William J. Lawlor, Jr., *Hornblower & Weeks,* Chicago

Robert L. Hatcher, *Chase Manhattan Eank,* New York; Mr. & Mrs. Sheldon R. Green, *Chase Manhattan Bank,* New York; Andrew K. Marckwald, *Discount Corporation of New York,* New York; Mr. & Mrs. Thomas A. Larkin, *Goodbody & Co.,* New York

gitized for FRASER
p://fraser.stlouisfed.org/

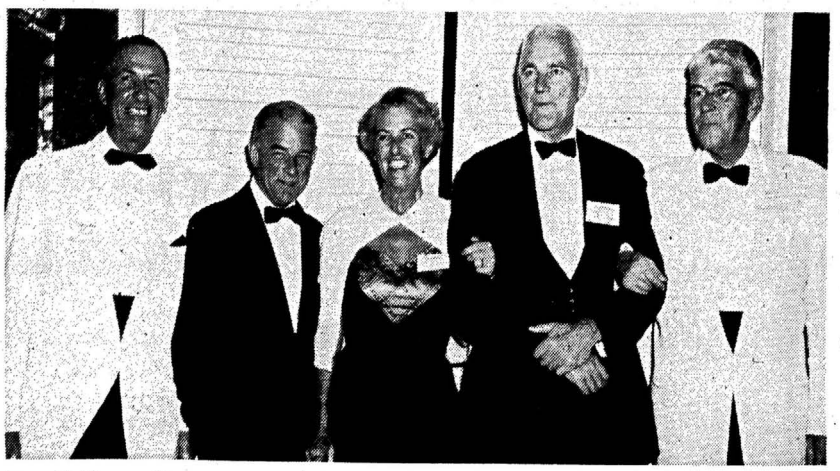
Mr. & Mrs. Gordon Crouter, and Walter T. De Haven, *De Haven & Townsend, Crouter & Bodine,* Philadelphia

James S. Abrams, *Allen & Company,* New York City; Mr. & Mrs. Maurice Meyer, Jr., *Hirsch & Co.,* New York City

Jack M. Bass, Jr., *Jack M. Bass & Company,* Nashville; W. W. Keen Butcher, *Butcher & Sherrerd,* Philadelphia

George J. McLiney, *George K. Baum & Company,* Kansas City, Mo.; Mr. & Mrs. Henry Stravitz, *Swiss American Corporation,* New York City; Mr. & Mrs. L. Paul Close, *Rambo, Close & Kerner, Inc.,* Philadelpia

Mr. & Mrs. Curtis H. Bingham, *Bingham, Walter & Hurry, Inc.,* Los Angeles; Henry J. Simonson, Jr., *National Securities & Research Corporation,* New York; Mrs. & Mr. David Gillmor, Jr., *National Securities & Research Corporation,* New York; Mrs. Henry J. Simonson



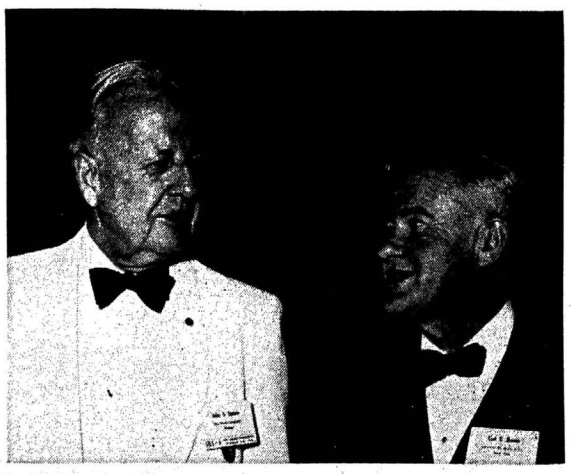
Evans G. Morgan, *The Hanover Bank,* New York City; Mr. & Mrs. Welles Laud-Brown, *The Bankers Trust Company,* New York; Russell Welles, *The Hanover Bank,* New York; Buford Scott, *Scott & Stringfellow,* Richmond, Va.

Mrs. Peter M. Flanigan, New York City; Julian K. Roosevelt, *Dick & Merle-Smith,* New York City; Mr. & Mrs. Alfred Ross, *Dick & Merle-Smith,* New York; Mr. & Mrs. Dooley Sedlmayr, *Merrill Lynch, Pierce, Fenner & Beane,* New York

Gordon E. Heffern, *National City Bank of Cleveland,* Cleveland; *Thomas L. Anglin, Mackall & Coe,* Washington, D. C.; Mr. & Mrs. Robert M. Clark, *Blunt Ellis & Simmons,* Chicago; Charles S. Werner, *Wertheim & Co.,* New York City

Mr. & Mrs. Lewis F. Lyne, *Mercantile National Bank,* Dallas, Texas; Mr. & Mrs. J. Bradley Green, *Guaranty Trust Company,* New York City; Mr. & Mrs. D. A. Stoddard, *Guaranty Trust Company,* New York City

Digitized for FRASER
http://fraser.stlouisfed.org/



John S. Loomis, *The Illinois Company, Incorporated,* Chicago; Carl C. Brown, *Laurence M. Marks & Co.,* New York City

W. Neal Fulkerson, Jr., *Bankers Trust Company,* New York City; George Wanders, *The Bond Buyer,* New York City

Mr. & Mrs. Russell Ergood, *Stroud & Company, Incorporated,* Philadelphia; Harry B. Snyder, *Yarnall, Biddle & Co.,* Philadelphia

Mr. & Mrs. Leon Lees, Jr., *Ira Haupt & Co.,* New York City; Mrs. Russell Siefert, Kansas City, Mo.; Bert H. Horning, *Stifel, Nicolaus & Company, Incorporated,* St. Louis; Leo L. Quist, *Harold E. Wood & Co.,* St. Paul; Edde K. Hays, *Central Republic Company,* Chicago

Milton S. Emrich, *Julien Collins & Company,* Chicago; Mr. & Mrs. Newman L. Dunne, *Robert W. Baird & Co. Incorporated,* Milwaukee; Mr. & Mrs. Charles F. Matton, *Wachovia Bank & Trust Company,* Winston-Salem, N. C.; Harley A. Watson, *Eldredge & Co., Inc.,* New York

Mr. & Mrs. Marshall H. Johnson, *McDaniel Lewis & Co.,* Greensboro, N. C.; Mr. & Mrs. James W. Davant, *Paine, Webber, Jackson & Curtis,* Minneapolis

Mr. & Mrs. Sidney J. Mohr, Jr., *Thornton, Mohr and Farish,* Montgomery, Ala.; Mr. & Mrs. Arthur P. Nauman, *Nauman, McFawn & Co.,* Detroit

George P. Kenny, *Wilis, Kenny & Ayres, Incorporated,* Richmond; Laurence H. Lyons, *Allen & Company,* New York City; Arthur C. McCall, *Alester G. Furman & Co., Inc.,* Greenville, S. C.; Mark A. Smith, *F. W. Craigie & Co.,* Richmond, Va.; Frank A. Chisholm, *Varnedoe, Chisholm & Co., Inc.,* Savannah; John Swaney, *Keystone Company of Boston,* Boston

E. G. Smith, *Nesbitt, Thomson and Company, Limited,* Montreal; Andrew Raymond, *Nesbitt, Thomson and Company, Inc.,* New York; H. Stanley Krusen, *Shearson, Hammill & Co.,* New York; Homer O'Connell, *Homer O'Connell & Co., Inc.,* New York; James M. Heller, *Shearson, Hammill & Co.,* New York; Richard F. Abbe, *Shearson, Hammill & Co.,* New York

itized for FRASER
://fraser.stlouisfed.org/

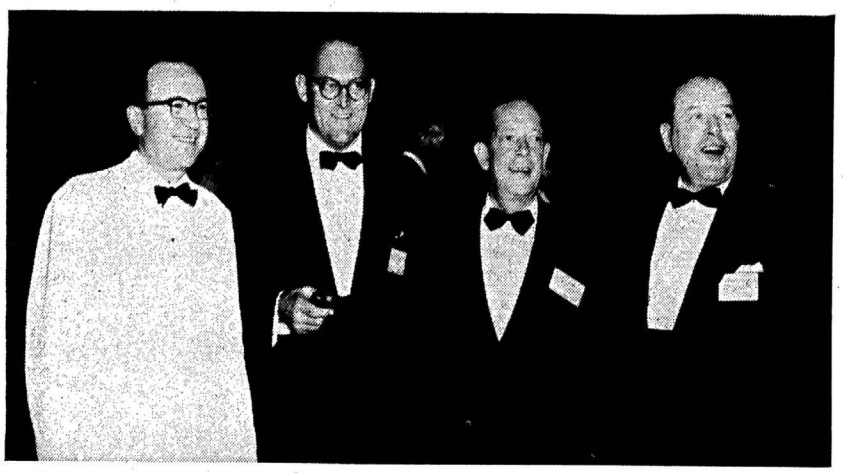
Mr. & Mrs. Theodore Von Glahn, *Salomon Bros. & Hutzler*, New York City; Gerald P. Peters, *Peters, Writer & Christensen, Inc.*, Denver

Mrs. Edward B. Wulbern, Jacksonville, Fla.; William W. Mackall, *Mackall & Coe*, Washington, D. C.; Henry C. Evans, *Stein Bros. & Boyce*, Baltimore, Md.

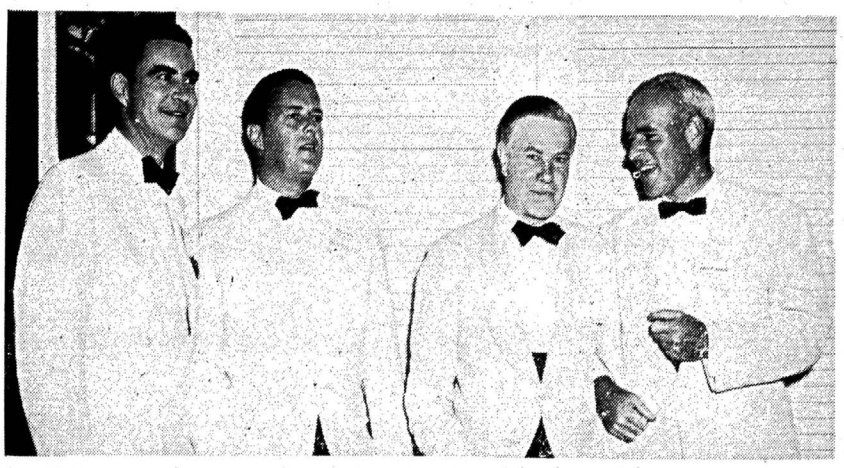
John J. Quail, *Quail & Co.*, Davenport, Iowa; Bernard J. Van Ingen, Jr., *B. J. Van Ingen & Co., Inc.*, New York City; Lloyd B. Hatcher, *White, Weld & Co.*, New York City

Mr. & Mrs. Arleigh P. Hess, *Woodcock, Hess & Co., Inc.*, Philadelphia; Mr. & Mrs. Samuel K. Cunningham, *Cunningham, Schmertz & Co., Inc.*, Pittsburgh

Mr. & Mrs. Walter J. Coughlin, *Coughlin & Company*, Denver; Mr. & Mrs. Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.



Stephen G. McKeon, *Chas. W. Scranton & Co.*, New Haven, Conn.; Orin T. Leach, *Estabrook & Co.*, New York; Gerald B. West, *Stone & Webster Securities Corporation*, New York; Edward C. Gray, *New York Stock Exchange*

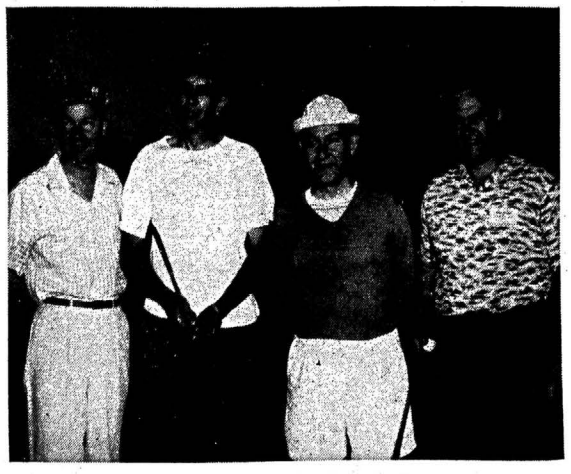


Paul W. Waterman, Jr., *Security First National Bank of Los Angeles*, Los Angeles; Philip K. Bartow, *Wood, Struthers & Co.*, New York; A. Halsey Cook, *First National City Bank*, New York; Andrew K. Marckwald, *Discount Corporation of New York*, New York City

Mr. & Mrs. David R. Dattels, *Dattels & Company, Ltd.*, Kitchener, Ont., Canada; Oliver J. Troster, *Troster, Singer & Co.*, New York; Mr. & Mrs. Albert M. Schmelzle, *Fusz-Schmelzle & Co., Inc.*, St. Louis

Avery Rockefeller, Jr., *Dominick & Dominick*, New York City; Robert A. Powers, *Smith, Barney & Co.*, New York; Wilfred L. Goodwyn, Jr., *Goodwyn & Olds*, Washington, D. C.; J. Raymond Smith, *Weeden & Co.*, New York City

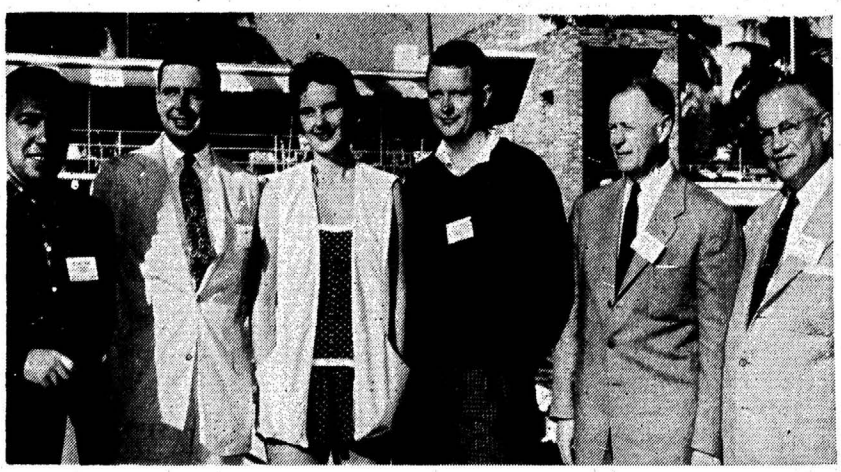
Digitized for FRASER
http://fraser.stlouisfed.org/



J. W. Ahearn, *Rockland-Atlas National Bank,* Boston; William R. Laudy, *Starkweather & Co.,* New York; J. F. Bunn, Jr., *Bioren & Co.,* Philadelphia; Walter H. Stohl, *Fidelity Union Trust Company,* Newark, N. J.

John R. Hughes, *Royal Securities Corporation Limited,* Montreal (President of *Investment Dealers Association of Canada);* Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke,* Philadelphia (President of the *Investment Bankers Association of America)*

Walter C. Lyklema, *A. C. Allyn and Company, Incorporated,* Chicago; Arthur E. Goodwin, Jr., *Rowles, Winston & Co.,* Houston; Theodore C. Henderson, *T. C. Henderson & Co., Inc.,* Des Moines, Iowa



R. Stuart Dickson, *R. S. Dickson & Co., Inc.,* Charlotte, N. C.; Henry J. Blackford, Jr., *A. M. Law & Company, Inc.,* Spartanville, S. C.; Mr. & Mrs. Coleman E. Trainor, *Peoples National Bank,* Charlottesville, Va.; Roderick D. Moore, *Branch, Cabell & Co.,* Richmond, Va.; H. Wilson Arnold, *Arnold & Crane,* New Orleans

(The St. Louis Room) Arthur A. Christophel, *Reinhold't & Gardner,* St. Louis; Grace Carver, St. Louis; Harry Theis, *Albert Theis & Sons, Inc.,* St. Louis; Kelton E. White, *G. H. Walker & Co.,* St. Louis; Hunter Breckenridge, *McCourtney-Breckenridge & Co.,* St. Louis; Albert M. Schmelzle, *Fusz-Schmelzle & Co., Inc.,* St. Louis

Mr. & Mrs. Lee W. Carroll, *Lee W. Carroll & Co.,* Newark, N. J.

Mrs. Frank L. Newburger, Jr., Philadelphia; John L. Gaerste, *Cooley & Company,* Hartford

Mr. & Mrs. Graham Walker, *Joseph McManus & Co.,* New York

Warren H. Crowell, *Crowell, Weedon & Co.,* Los Angeles; Mr. & Mrs. Richard C. Noel, *Van Alstyne, Noel & Co.,* New York; James A. Russell, *Van Alstyne, Noel & Co.,* New York; Wickliffe Shreve, *Hayden, Stone & Co.,* New York

Matthew B. Pilcher, *Mid-South Securities Co.,* Nashville; Hugh D. Carter, Jr., *Courts & Co.,* Atlanta; Einar Nielsen, *J. C. Bradford & Co.,* Nashville; Quitman R. Ledyard, *Equitable Securities Corporation,* Nashville

gitized for FRASER
://fraser.stlouisfed.org/

Edward Starr III, *Drexel & Co.*, Philadelphia; W. L. Dempsey, *Drexel & Co.*, Philadelphia; Gordon Crouter, *De Haven & Townsend, Crouter & Bodine*, Philadelphia

William H. Gregory III, *Gregory & Sons*, New York City; William H. Gregory, Jr., *Gregory & Sons*, New York City; Francis X. Coleman, *Gregory & Sons*, New York City

Henry M. Fishman, *Goodbody & Co.*, Miami; Alfred J. Ross, *Dick & Merle-Smith*, New York; William Anderson, Jr., *Equitable Securities Corporation*, Nashville

Mr. & Mrs. Arthur S. Friend, *Folger, Nolan-W. B. Hibbs & Co., Inc.*, Washington, D. C.; Harry Beecroft, *Beecroft, Cole & Co.*, Topeka, Kansas; Mr. & Mrs. Philip J. Rhoads, *First National Bank & Trust Company*, Oklahoma City

Karl P. Herzer, *R. L. Day & Co.*, New York City; Mr. & Mrs. Donald B. Brayshaw, *Lord, Abbett & Co.*, Atlanta; Mr. & Mrs. C. Pharr Duson, Jr., *Rotan, Mosle & Co.*, Houston; Robert E. Moroney, *Moroney, Beissner & Co.*, Houston

Herbert Shaw, *Vance, Sanders & Company*, New York; Edgar M. Norris, Greenville, S. C.

Sam Winslow, *Winslow, Douglas & McEvoy*, New York City; Tubby Clark, *Winslow, Douglas & McEvoy*, New York City

Mr. & Mrs. James W. Wolff, *Zuckerman, Smith & Co.*, New York; John W. Reno, *Carl M. Loeb, Rhoades & Co.*, New York

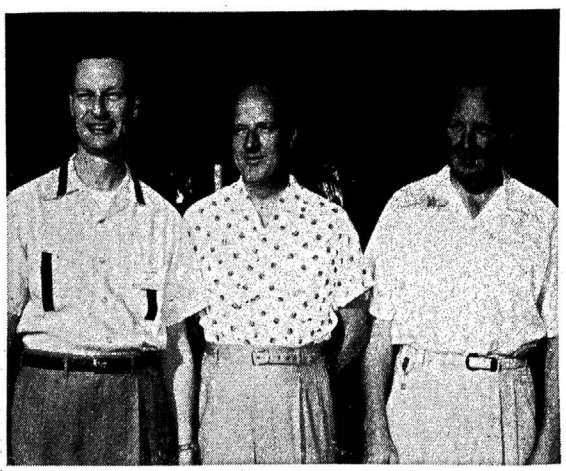
Dean P. Guerin, *Eppler, Guerin & Turner*, Dallas; John W. Turner, *Eppler, Guerin & Turner*, Dallas; Mrs. H. W. Arnold, New Orleans; Mr. & Mrs. Edward D. Muir, *Muir Investment Corp.*, San Antonio

Albert D. Putnam, *Putnam & Co.*, Hartford, Conn.; Jay Gould, *Burns Bros. & Denton, Limited*, Toronto; Mr. & Mrs. C. Edward Howard, *Piper, Jaffray & Hopwood*, Minneapolis

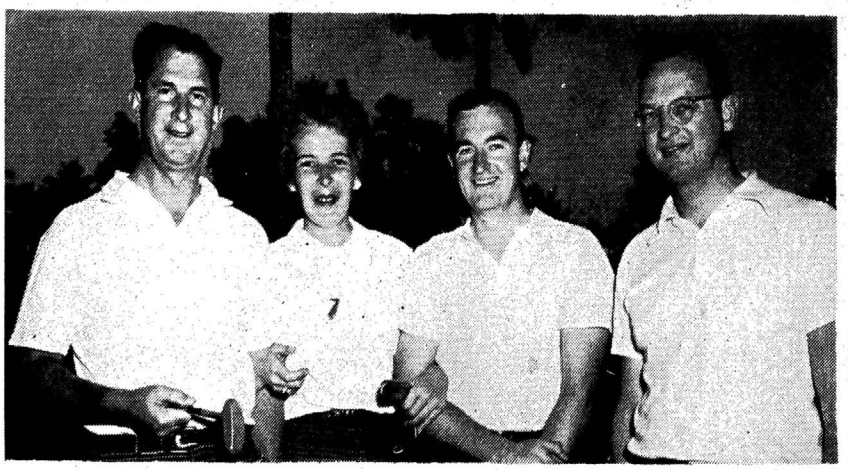
Digitized for FRASER
http://fraser.stlouisfed.org/

James Russell, *Van Alstyne, Noel & Co.*, New York City; Robert C. Hill, *Hill Richards & Co.*, Los Angeles; William R. McGill, *Lehman Brothers*, New York

Arthur W. Curtis, *A. G. Becker & Co., Incorporated*, Chicago; Preston McNurlen, *F. S. Moseley & Co.*, Chicago; C. Comstock Clayton, *Clayton Securities Corp.*, Boston



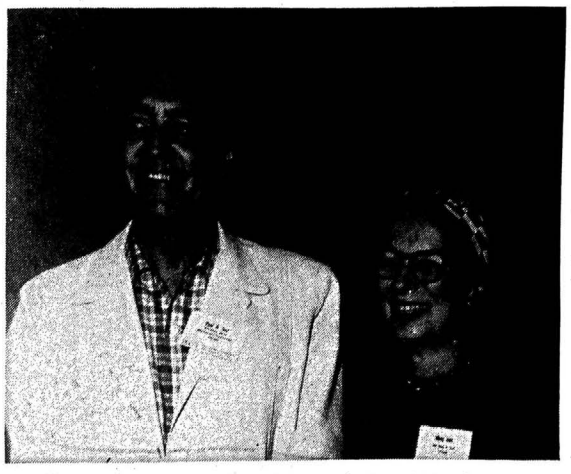
James G. Brophy, *Blyth & Co., Inc.*, Chicago; Glenn L. Milburn, *The Small-Milburn Company, Inc.*, Wichita; John F. Egan, *First California Company*, San Francisco



Thomas Mann, *Glore, Forgan & Co.*, New York; Mrs. E. H. Cassell; Robert Brauns, *McDonnell & Co.*, New York; E. H. Cassell, *C. F. Cassell & Co., Inc.*, Charlottesville, Va.

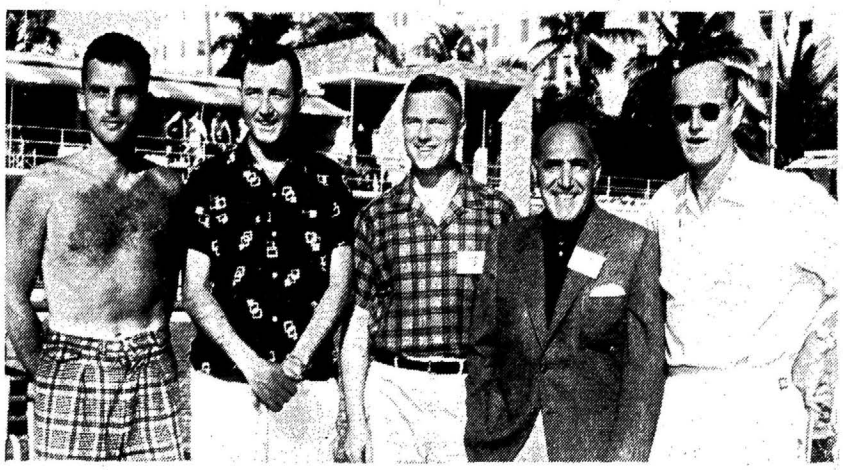
Eugene Lynn, *Wertheim & Co.*, New York City; Mrs. John Hilson, New York City; Mr. & Mrs. John C. Hagan III, *Mason-Hagan, Inc.*, Richmond, Va.

Mr. & Mrs. William S. Hughes, *Wagenseller & Durst, Inc.*, Los Angeles; Hugh Bullock, *Calvin Bullock, Ltd.*, New York City

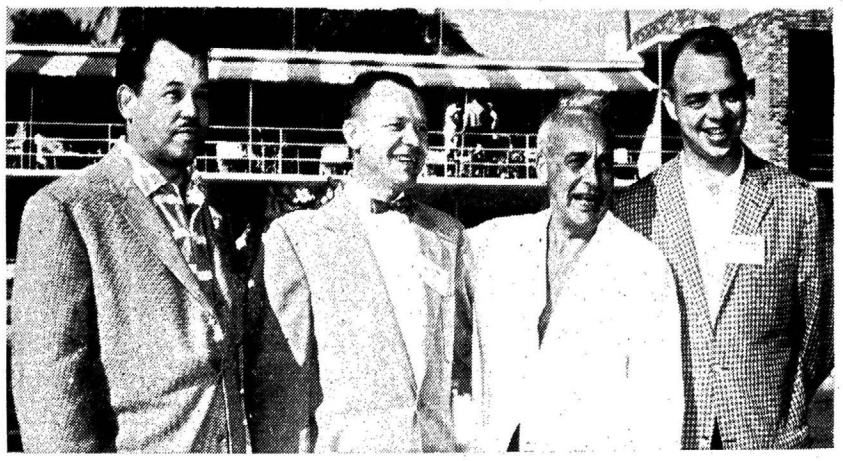


Mr. & Mrs. Paul A. Just, *Television Shares Management Corporation*, Chicago

J. E. Fricke, *Bache & Co.*, Philadelphia; Bertram M. Wilde, *Janney & Co.*, Philadelphia; T. C. Sheaffer, *Wurts, Dulles & Co.*, Philadelphia

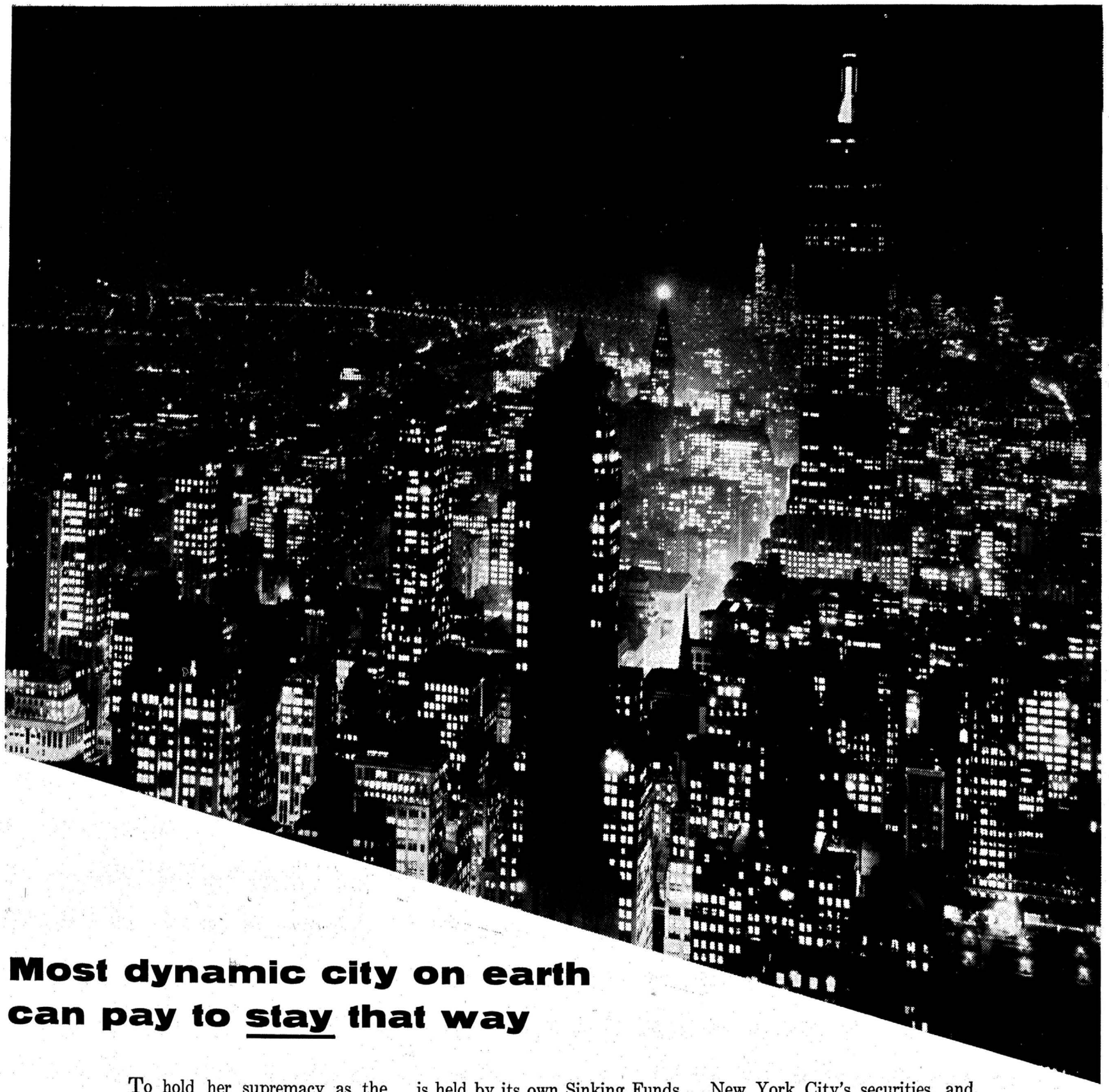


Bowen Blair, *William Blair & Company*, Chicago; Joseph Wise, *Dean Witter & Co.*, New York; William M. Witter, *Dean Witter & Co.*, Chicago; John Raiss, *Burnham and Company*, New York; F. W. Pershing, *Pershing & Co.*, New York



Samuel P. Johnson, *Southwestern Securities Company*, Dallas; T. Fritz Stewart, *Southwestern Securities Company*, Dallas; Arthur L. Baney, *E. R. Jones & Co.*, Baltimore; Beverly W. Landstreet III, *Clark, Landstreet & Kirkpatrick, Inc.*, Nashville

gitized for FRASER
p://fraser.stlouisfed.org/



Most dynamic city on earth can pay to stay that way

To hold her supremacy as the magnificent capital of American civilization, New York City *does* run to big budgets, and a big debt. *She can afford it.* She is thrifty, but she cannot be miserly. Let's look behind the billions.

New York City's debt was incurred *mainly* for revenue-producing purposes. Unique among American cities, New York has no substantial hidden, overlapping debts. The City's *net* tax-supported debt is only about 10% of its vast taxable resources, which are greater than those of *all* the New England *States* combined!

Over *half* of the City's total debt is held by its own Sinking Funds and Retirement Systems. The realty tax rate is lower than that of many other prominent cities. Realty collections in recent years have exceeded 95% of the tax levies. New capital commitments for New York City are recommended only with extreme caution by a capable Planning Commission and with the final approval of the Board of Estimate.

The Chase Manhattan Bank, through its Bond Department, has long carried on a continuing, thorough study of New York City's fiscal operations and condition. We maintain an active position in New York City's securities, and recommend them for consideration as intrinsically diversified, sound investments. Interest on the obligations of New York City is exempt not only from Federal income taxation, but from New York State taxes as well.

THE
CHASE
MANHATTAN
BANK

HEAD OFFICE: 18 Pine Street, New York 15
Member Federal Deposit Insurance Corporation

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 36

Economic Trends in Canada

tion brought about a rapid decline in the number of people without jobs and seeking work, and this improvement continued and broadened throughout the succeeding months. In the past three months the number of persons without jobs and seeking work has been less than 2½% of the total civilian labor force.

Employment opportunities have grown continually faster in 1955 than the labor force. Our labor force during the past year increased by 170,000, or about 3%, but the number employed is up more than 200,000, or nearly 4%.

This large decline in the number of unemployed in a period of greater than normal growth in the labor force is evidence of the exceptionally high rate of activity in Canada this year.

Investment, which has been one of the main driving forces in the post-war period, has again expanded in 1955 after the moderate decline of 1954. Not only were investment intentions raised for 1955, but the mid-year survey of investment indicates that total capital expenditures will be some 5% higher than originally forecast. There has been a sharp renewal of increased investment in manufacturing. This is related particularly to our rising level of exports of pulp and paper and nonferrous metals. Capital outlays in the paper products group of industries are expected to be 73% higher than in 1954, and in nonferrous metals group 53% higher. Increased investment in mining, quarrying and oil wells will run to 28%, in housing to 13% and in institutions to 20%. For the aggregate, the main increase is in construction rather than in machinery and equipment, which it is estimated will be only 1% above last year.

The Canadian International Trade Situation

Exports and imports have both expanded during 1955 by more than 10%—and we are still running a trade deficit with the United States of over $600 million a year. Our increase in exports has been in the non-agricultural field, with the major gains in base metals, lumber, chemicals, iron ore, primary iron and steel and newsprint. Shipments of iron ore for the first eight months of 1955 were more than $50 million compared with $15 million for the same period of 1954. Exports of primary and semi-finished steel rose from $20 million in 1954 ao $45 million in 1955. Similarly, crude petroleum exports have increased from $4 million in 1954 to $18 million in 1955. The largest absolute increase has been in forest products, which are $120 million higher for the first eight months of 1955.

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

Wheat and wheat flour, our major agricultural export, is very slightly down from last year, a small increase in the value of wheat exports being a little more than offset by the decline in flour exports.

Canada and the U. S. Wheat Situation

The wheat problem as it exists today is not just a product of the temporary generosity of nature. The roots of the problem go much deeper than this. They lie in the national policies of a number of countries. Basically, the large stocks of wheat have arisen because of world acreage expansion. This acreage expansion has been the result of national policies of subsidies and tariff protection. The consequence of acreage expansion has been higher production. The estimated production for 1955 is not far short of 7½ billion bushels compared with about 6 billion bushels for the average of 1935 to 1939.

United States wheat production has increased proportionately over pre-war figures considerably more than world production; and the building up of very substantial unsold surpluses has resulted. The ways and means by which the United States reduces these surpluses is of serious, indeed, vital interest to us.

In Canada we have a central selling agency for wheat, the Canadian Wheat Board, but we do not subsidize the wheat producer. The wheat grower in Canada receives an initial price on delivery and eventually a final payment which represents the net price received by the Wheat Board after meeting all costs of storing, handling, transporting and selling the crop.

The Canadian wheat producer is fully prepared to compete on equal terms in the world wheat market. He has confidence in the quality of his product and his technical efficiency in producing it. However, it is quite another thing to compete with wheat grown in other countries where it is heavily protected by either high tariffs or high subsidies, or both.

The problem of the Canadian wheat producer will only be solved with the removal of these high artificial barriers which now restrict, directly and indirectly, our access to the world wheat market. But I can only repeat—wheat production is the principal source of cash income of the great majority of our western farmers and we, as a Government, are bound to be greatly influenced by anything so vital to them and to our national economy.

The Canadian Exchange Situation

During the past six months the Canadian dollar has moved closer to a position of parity with the U. S. dollar. Last January the premium on the Canadian dollar was about 3½¢ but by the end of March this had declined to about 1½¢. The Canadian-U. S. exchange rate remained fairly constant from this point until about a month ago, at which time the American dollar strengthened rather rapidly and on Oct. 19 our two currencies were quoted at parity with each other for the first time since March 1952. Our policy has been, and continues to be, to allow our exchange rate to be determined by the normal play of economic forces without official intervention except to ensure orderly conditions in our foreign exchange markets.

We have witnessed this year a very sharp increase in the rate of economic activity, all the more striking in contrast with the somewhat sluggish performance of 1954. Although our rate of activity is high, there appears to be no ground for assuming any change of direction in the predictable future. We have re-established the upward movement in investment and we can look for continuing strength in consumer spending based on rising labor income. In the export field, apart from wheat, there are no adverse clouds on the present horizon. We have as well the substantial and underpinning of consumer demand by family allowances, old age security, and un-

Continued on page 90

Wood, Gundy & Co., Inc.

14 Wall Street, New York 5

105 West Adams Street, Chicago 3

Affiliated with

Wood, Gundy & Company
Limited

TORONTO MONTREAL WINNIPEG VANCOUVER LONDON, ENG.
QUEBEC SAINT JOHN OTTAWA HAMILTON LONDON, ONT.
HALIFAX KITCHENER REGINA EDMONTON CALGARY VICTORIA

Burns Bros. & Denton, Inc.

37 Wall Street, New York 5

Tel.: DIgby 4-3870 *TWX:* NY 1-1467

UNDERWRITING — DISTRIBUTING — TRADING

Canadian Securities

Affiliated with:

Burns Bros. & Denton
Limited
Members: The Investment Dealers' Association of Canada

Burns Bros. & Company Limited
Members: The Toronto Stock Exchange

Toronto • Montreal • Ottawa • Winnipeg

Underwriters and Distributors

Government of Canada Bonds — Provincial and Municipal

Treasury Bills — Debentures

Corporate Bonds and Shares

Statistical information on Canadian Securities supplied promptly on request. Orders executed on the Toronto Stock Exchange through our affiliate Member Corporation.

Direct private wire with Goldman, Sachs & Co.
30 Pine Street, New York

EQUITABLE SECURITIES CANADA
LIMITED

Members: The Investment Dealers' Association of Canada

220 BAY STREET — TORONTO, CANADA

Telephone: EMpire 6-1141

Mills, Spence & Co. Inc.
Canadian Investment Securities
115 BROADWAY NEW YORK 6, N.Y.
affiliated with

Mills, Spence & Co.
Limited
Investment Securities
TORONTO MONTREAL WINNIPEG

Milner, Spence & Co.
Members Toronto Stock Exchange
TORONTO

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St

MATTHEWS & COMPANY
Established 1909
★
Members:
Toronto Stock Exchange
The Investment Dealers' Association of Canada
★
220 Bay Street Toronto, Ontario EMpire 4-5191
Direct Wire Connections with thirty principal cities in the United States of America

Dealers in
Canadian Government, Municipal and Corporation Stocks and Bonds
Mutual Fund Shares
DATTELS & COMPANY LIMITED
Members Investment Dealers' Association of Canada
47 King Street West Kitchener, Ontario
Telephone 3-5251

DAWSON, HANNAFORD INC.
25 Broad Street
New York 4, N. Y.
BOwling Green 9-5177
DAWSON, HANNAFORD LIMITED
507 Place d'Armes Montreal Marquette 2385
50 King Street West Toronto EMpire 6-9271
Underwriters and Distributors
Government, Provincial, Municipal and Corporation Securities
DAWSON HANNAFORD & CO. LTD.
Members
Montreal, Toronto and Canadian Stock Exchanges

J. Bradley Streit & Company
LIMITED
♦
Members:
The Toronto Stock Exchange
Canadian Stock Exchange
Calgary Stock Exchange
Edmonton Stock Exchange
Winnipeg Grain Exchange
♦
80 RICHMOND ST., W.
TORONTO
Phone: EMpire 8-4831

Continued from page 89

Economic Trends In Canada

employment insurance, and these were, I am sure, important factors in minimizing the recession in 1954.

The Longer-Term Economic Prospects

For anything but the immediate short run, it is, of course, most difficult to make any useful prediction. We have, however, recently appointed a Royal Commission to examine our longer term economic prospects and to take a careful look at the probable developments of the next 25 or 30 years. Already it has had a stimulating effect in focussing attention on the direction in which we are moving, or should move. A considerable part of the Canadian post-war development has centered around the discovery of new mineral resources and the development of other natural resources, particularly the resources of the forest and the resources of water power. The large amount of investment in resource development is one of the reasons why Canadian investment has absorbed a higher percentage of gross national product in the post-war period than has the U. S. investment. For the period 1946 to 1954, 18% of Canadian gross national product was devoted to domestic investment compared with 14% in the United States.

Eighty-five percent of this investment has been financed from our own domestic savings, but we have also benefitted from and welcomed a heavy flow of investment from outside our country. Most of this foreign investment has come from the United States, but we have been glad to see a considerable renewal of investment in Canada from the United Kingdom and from several European countries. We, on our part, have also been investing money abroad in substantial volume, both directly and through various international agencies.

While we welcome our close economic ties with the United States, we are convinced that our interests cannot be limited to North America. We live by world trade, and that is why we have devoted so much effort and money to helping to restore the fabric of a multilateral and friendly trading world.

Increase in Canadian Population

The new opportunities which our development is creating is one of the reasons behind the more rapid rate of increase in the Canadian population than in the population of the United States. In the period 1946 to 1955 Canadian population has increased by 27% compared with an increase of 17% in the population of the United States for the same period. It is becoming commonplace in Canada to think in terms of a population of 25,000,000 in the not very distant future. The addition of 10,000,000 more Canadians to our present population of 15,000,000, offers prospects of a market large enough to support a greatly increased number and variety of industries, operating at high levels of technical efficiency. And the further prospect of having next door to us possibly 50,000,000 more Americans, with steadily rising standards of living, is an irresistible long term bullish factor.

We on the North American continent are always on trial — we must must go on proving to the world that our economic system is sound and that it offers unequalled opportunities to our peoples. All of us believe this to be so—but for that reason we must be sure that no action either of us takes is detrimental to the wellbeing of the other.

Continued from page 45

Report of IBA Municipal Securities Committee

tants at the time of the last Federal census.

Title III of the Act amended the Federal college housing loan program, by providing:

(a) That loans may be made under the program for "other educational facilities" (as defined in the amendment);

(b) For an increase in the amount of the authorized funds for loans from $300,000,000 to $500,000,000 (subject to release by the Bureau of the Budget); and

(c) That such loans may be made with a life up to 50 years at an interest determined under a formula which currently would fix the rate at about 2¾%. Loans by the Federal government would be made at that rate when loans cannot be obtained from other sources "upon terms and conditions equally as favorable."

It would seem that no comment is necessary to bring into focus the socialistic character of this provision. As our Committee pointed out last Spring, this amendment would force our Federal government into the securities business and private industry out. Our government had to pay 3¼% for a 35-year loan in 1953 and 3% for a 40-year loan earlier this year. Both issues are full faith and credit obligations of the United States. The Housing & Home Finance Agency is, however, now authorized by the above mentioned law to loan this money to colleges for periods ranging up to 50 years at about 2¾%. These loans are usually payable only from the revenues received by colleges from dormitory rentals.

Our Municipal Securities Committee filed statements opposing the objectionable provisions of the measure with a subcommittee of the Senate Banking and Currency Committee and with the House Banking and Currency Committee. The Chairman of the Committee also appeared and stated objections to these provisions at a round-table discussion before the Senate Banking Committee. Letters summarizing the objectionable provisions of this bill were sent to all IBA members on June 3 and on June 29—while the bill was pending before Congress.

Albert Cole, Housing Administrator, recommended against the adoption of the above mentioned objectionable features in the amendment.

The Hoover Committee in its report on lending agencies recommended "That the authorization of the Housing and Home Finance Agency to lend money for public works except as they are necessary for public housing projects be repealed" and "That the program of loans for college housing be terminated."

Nevertheless, the measure as finally adopted contained the objectionable features referred to above. Upon signing the measure, President Eisenhower expressed several objections and stated:

"In the matter of the college housing program . . . the reduction made by the bill in the interest rate to an artificially low level will curtail, if not completely eliminate, the availability of private investment funds which have

CANADIAN
GOVERNMENT AND MUNICIPAL BONDS
CORPORATION BONDS AND STOCKS
TRADING DEPARTMENT
call
EMpire 3-7218
WISENER AND COMPANY
LIMITED
73 King Street West • Toronto, Canada
Telephone EMpire 6-5251
Members Investment Dealers' Association of Canada

W&W INC
Canadian Securities
Watt & Watt
Incorporated
Member National Association of Security Dealers, Inc.
70 Pine Street, New York 5, N. Y.
WHitehall 4-3262
Affiliate of Watt & Watt
Toronto
MEMBERS
Toronto Stock Exchange
Montreal Stock Exchange
Winnipeg Grain Exchange
Investment Dealers Assn. of Canada
PRIVATE WIRES TO
Toronto
Montreal
Buffalo
and Winnipeg
Bell System Teletype N.Y. 1-374

Digitized for FRASER
http://fraser.stlouisfed.org/

begun to flow toward college housing. The result would be that instead of more capital being available for this kind of loan there will be substantially less in the aggregate.

"It is my hope that the defects in the Act will be corrected by the Congress at the earliest opportunity in the light of further study and of actual experience in its administration."

We sincerely hope that these objectional provisions in the law will be corrected during the next session of Congress.

Brief reference to the following bills pending in Congress will be found in the Appendix to this Report, No. 1:

(1) Federal Highway Program.

(2) Federal Financial Assistance for Construction of Public Elementary and Secondary School Facilities.

(3) Federal Mortgage Insurance for Marketing Facilities for Perishable Agricultural Commodities.

(4) Federal Loans and Grants for Irrigation and Related Projects.

(5) Tax Exemption for dividends of Investment Companies Derived from Tax-Exempt Obligations.

Court Decisions and Legislation in the States

Also appended to this Report are brief references to various court decisions rendered and legislation enacted in the states during the year. There were several of importance and interest to the municipal trade in both categories. Your attention is directed to those decisions and enactments—Court Decisions, Appendix 2 and State Legislation, Appendix 3.

Respectfully submitted,

MUNICIPAL SECURITIES COMMITTEE

J. Creighton Riepe, Chairman
Alex. Brown & Sons
Baltimore

LeRoy H. Apgar
Harriman Ripley & Co., Inc.
New York

E. M. Bancroft
Stranahan, Harris & Co.
Toledo

Henry M. Beissner
Moroney, Beissner & Co.
Houston

Clarence F. Blewer
Blewer, Glynn & Co.
St. Louis

Willard S. Boothby, Jr.
Eastman, Dillon & Co.
Philadelphia

Merle J. Bowyer
Braun, Bosworth & Co. Incorporated, Detroit

Orlando S. Brewer
Phelps, Fenn & Co.
New York

Richard G. Egan
Mannheimer-Egan, Inc.
St. Paul

Lester H. Empey
American Trust Company
San Francisco

Milton S. Emrich
Julien Collins & Company
Chicago

Charles N. Fisher
Singer, Deane & Scribner
Pittsburgh

Ford T. Hardy
Merrill Lynch, Pierce, Fenner & Beane, New Orleans

John G. Heimerdinger
Walter, Woody & Heimerdinger, Cincinnati

Chester W. Laing
John Nuveen & Co.
Chicago

James C. Lancaster
Union Planters National Bank
Memphis

Joseph M. Luby
Barret, Fitch, North & Co.
Kansas City

John K. Marshall
Foster & Marshall
Spokane

William N. Murray, Jr.
The Illinois Company, Inc.
Chicago

Ray L. Robinson
Garrett-Bromfield & Co.
Denver

Robert O. Shepard
Prescott, Shepard & Co., Inc.
Cleveland

Mark A. Smith
F. W. Craigie & Co.
Richmond

Franklin Stockbridge
Security-First National Bank of Los Angeles, Los Angeles

Fred D. Stone, Jr.
The Marine Trust Company of Western New York, New York

Allen M. Terrell
Girard Trust Corn Exchange Bank, Philadelphia

Robert S. Weeks, Jr.
F. S. Moseley & Co.
Boston

Edward B. Wulbern
Pierce, Carrison, Wulbern, Inc
Jacksonville

APPENDIX 1

Reference to Certain Federal Legislation

References are made in this Appendix to certain measures pending in the U. S. Congress of interest to the municipal field. For more complete information reference should be made to the bills relating to the subject.

Federal Highway Program

On May 25, 1955, the Senate passed the "Federal-Aid Highway Act of 1955" (S. 1048). This bill contained no provisions for financing the Federal funds for the highway program, but it would authorize an aggregate of $12,250,000,000 in Federal-aid grants over the fiscal years 1957-1961, inclusive, as follows:

(1) For the Interstate Highway System (including extensions thereof through urban areas) there would be authorized:

Amount	Fiscal Year
$1,000,000,000	1957
1,250,000,000	1958
1,500,000,000	1959
2,000,000,000	1960
2,000,000,000	1961

These funds would be apportioned among the states under a formula in section 2(a) of the bill, and the Federal share of any project on the Interstate Highway System would be 90% of the total cost thereof, plus an additional percentage in certain states containing unappropriated and unreserved public lands and non-taxable Indian lands (under present law the Federal Government pays 60% and the states 40% on projects on the Interstate Highway System).

(2) In each of the five fiscal years there would be appropriated $900,000,000 to be available as follows:

(a) $400,000,000 for projects on the Federal-aid primary system.

(b) $300,000,000 for projects on the Federal-aid secondary system.

(c) $200,000,000 for projects on the Federal-aid primary highway system in urban areas and for projects on approved extensions of the Federal-aid secondary system within urban areas.

These funds for the primary, secondary and urban systems would be apportioned among the states in accordance with formulas set forth in section 4 of the Federal-Aid Highway Act of 1944. The Federal Government would pay 50% of the total cost of any project and the state would pay the second 50% (this would continue the present 50-50 formula for these systems).

The bill does not authorize any credit to states for toll roads which have been or are subsequently built. Present law forbids collection of tolls on highways constructed with Federal-aid funds.

On July 21, 1955, the House Committee on Public Works reported favorably without amendment H. R. 7474 to amend and supplement the Federal-Aid Road Act. This bill would have financed the program by amending excise tax provisions of the Internal Revenue Code of 1954 to raise the rates of excise taxes applicable to motor fuel, tires, and inner tubes, and trucks and buses, and to provide a new tax on camelback. In general, this bill would have authorized (1) the appropriation of an aggregate of $24,000,000,000 over the 13 fiscal years 1957-1969, inclusive, for the Interstate Highway System with the Federal share 90% and the state share 10% of the total cost of any project and (2) an appropriation of $725,000,000 for the fiscal year ending June 30, 1957 (and declares that it is the intent of Congress to progressively increase the annual authorization by a total of not less than $25,000,000 for each fiscal year through the fiscal year ending June 30, 1969) for projects

Continued on page 92

F. S. MOSELEY & CO.

ESTABLISHED 1879

MEMBERS

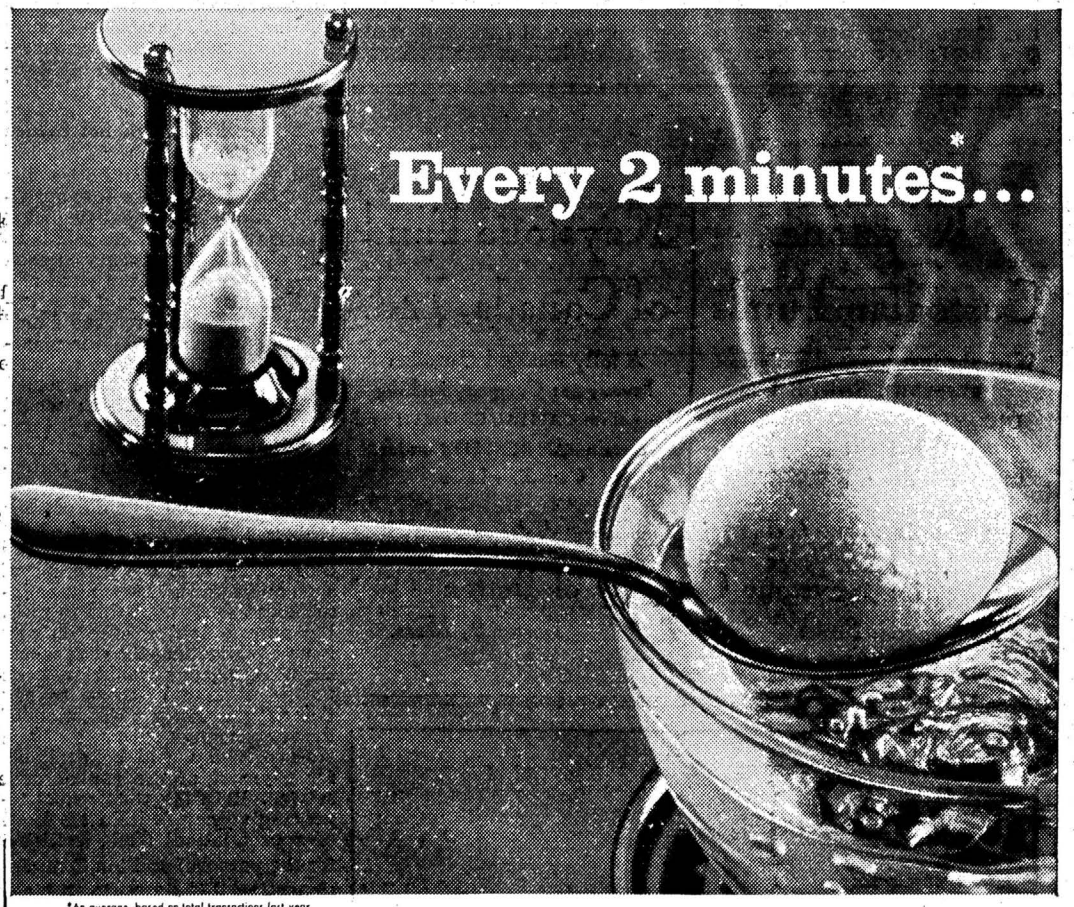
New York Stock Exchange — *American Stock Exchange*
Boston Stock Exchange — *Midwest Stock Exchange*

Underwriters and Distributors of

CORPORATE AND MUNICIPAL SECURITIES

COMMERCIAL PAPER

BOSTON • NEW YORK • CHICAGO • INDIANAPOLIS
PHILADELPHIA • SPRINGFIELD • WORCESTER



*An average, based on total transactions last year

. . . a seller makes a sale, a buyer makes a buy

in the big high-speed Government bond market at the

Continental Illinois

Here's something you ought to know when you want to buy—or sell—a block of Governments.

- Right here at the Continental Illinois you have one of the largest, readiest, primary markets in the world.
- When you phone us to *sell*, the chances are the sale will be made before you hang up.
- When you phone us to *buy*, the chances are we've got what you want "in stock" ourselves, or are within arm's reach of it.

Such speed offers many advantages to you.

This service is used freely by our customers. Why don't *you* use it too?

Phone us collect, State 2-9000.

CONTINENTAL ILLINOIS NATIONAL BANK
and Trust Company of Chicago
Member Federal Deposit Insurance Corporation

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 91

Report of IBA Municipal Securities Committee

on the Federal-aid primary highway system ($326,250,000), the Federal-aid secondary system ($217,500,000) and for projects on extensions of these systems within urban areas ($180,250,000) with the Federal share 50% and the state share 50% of the total cost of any project. This bill was debated and voted on in the House, but it failed to pass the House.

President Eisenhower's Federal Highway Program, embodied in bills introduced in both the House and the Senate, would finance the program by authorizing a new Federal Highway Corporation to issue bonds which would not be guaranteed by the United States and would not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than the Highway Corporation.

Federal Financial Assistance for Construction of Public Elementary and Secondary School Facilities

Although hearings were conducted in both the Senate and the House on proposals to provide for Federal financial assistance for the construction of public elementary and secondary school facilities, it was not until July 28 that the House Committee on Education and Labor reported favorably H. R. 7535 to provide such assistance. No further action was taken on this bill by the House and no bill on this subject has yet been reported in the Senate, but it appears that H. R. 7535 will be the basis for further action by Congress in 1956.

H. R. 7535 would provide the "School Construction Assistance Act of 1955" to be administered by the Commissioner of Education. The bill would provide three general types of Federal assistance.

(1) Title I would authorize appropriation of $400,000,000 in each of the four fiscal years beginning July 1, 1956 for payments to state educational agencies for assistance *on a grant basis.* Funds would be allotted among the states on the basis of school age population. Payments to a state educational agency could not exceed 50% of the total cost of constructing the projects to receive Federal assistance in that state. Thus, Federal grants would have to by matched by state and local funds on a state-wide basis. It would be permissible for some projects in a state to receive Federal funds amounting to more than 50% of construction costs of those projects; but Federal Assistance could not exceed 50% of the total cost of constructing all the projects receiving Federal assistance within that state.

Title II would authorize the Commissioner to purchase obligations of local educational agencies where such agencies are unable, as evidenced by a public offering of such obligations, "to obtain the funds necessary to finance the cost of construction of the school facilities involved from other sources upon reasonable terms and at the interest rate applicable to obligations purchased under this Title." Obligations purchased under this Title would be required to be repaid within 30 years and would bear interest at a rate equal to the quarterly rate which the Secretary of the Treasury shall specify as applicable to the calendar quarter during which obligations are purchased by the Commissioner, plus ⅜ of 1% (the quarterly rate would be determined by the Secretary of the Treasury by estimating the average yield to maturity, on the basis of daily closing market bid quotations of prices during the month preceding such calendar quarter, on all outstanding marketable obligations of the United States having a maturity date of 15 or more years from the first day of such month and by adjusting such estimated average yield to the nearest ⅛ of 1%). There would be established as a revolving fund a "School Bond Purchase Fund," to be available for four fiscal years beginning July 1, 1956, with authorization for an initial appropriation of $300,000,000 and such additional sums as may be necessary thereafter, but with the limitation that the aggregate principal amount of obligations purchased under this Title shall not exceed $750,000,000.

Title III would authorize the Commissioner to enter into agreements with state school financing agencies (the bill contemplates only a single such agency in each state) under which the state and the Commissioner would each advance to a "basic reserve fund" an amount equal to ½ the maximum annual debt service on obligations issued by the state school financing agency. There would also be established for each issue of obligations a "supplemental reserve" established through collection each year of ¼ of 1% of the original principal amount of each issue of obligations as part of the payment for use of the facilities constructed with the proceeds of such obligations. If there were insufficient funds available to meet the annual debt service on any issue of obligations the state school financing agency would draw on the supplemental reserve to pay the deficit. After exhaustion of the supplemental reserve the basic reserve fund would be available for payment of the annual debt service. Both the state school financing agency (within the limit of appropriations made available for the purpose) and the Commissioner would agree to replace amounts withdrawn from the basic reserve fund. Federal advances could be made under this title only with respect to obligations issued in the period July 1, 1956-June 30, 1960, in an aggregate principal amount not to exceed $6,000,000,000.

The House Committee on Education and Labor stated in its report that "The committee believes that with emergency Federal assistance as provided under H. R. 7535 the backlog of needed classrooms can be overcome in a 4-year period after which the states and local school districts will be in a position to meet their needs without further Federal assistance."

Section 315 of the bill would amend section 5136 of the Revised Statutes to permit banks to deal in and underwrite obligations of state school financing agencies if a reserve fund shall have been set up under Title III for such obligations (if such obligations are eligible for investment by such banks for their own accounts and the amount of such securities which the bank holds must not exceed 10% of its paid-in unimpaired capital stock, plus 10% of its unimpaired surplus fund).

Federal Mortgage Insurance for Marketing Facilities for Perishable Agricultural Commodities

H. R. 4054 would provide the "Marketing Facilities Improvement Act" to assist municipalities and political subdivisions of states, public agencies, and instrumentalities of one or more states or municipalities, public corporations and boards, and private enterprise in the creation and development of modern and efficient public wholesale markets for the handling of perishable agricultural commodities. It would create a marketing facility mortgage insurance fund of $25,000,000,000. It would authorize the Secretary of Agriculture to insure eligible mortgages on a market facility, provided that the aggregate amount of principal obligations outstanding at any one time on all mortgages insured under the Act, and on all mortgages with respect of which commitments to insure have been made, shall not exceed $100,000,000. The amount of any insurance contract made under the Act could not exceed an amount equivalent of 85% of the total cost of the market facility. Requirements for an eligible mortgage include requirements that the mortgage have a maturity not to exceed 40 years from the date it is insured and that it shall bear interest at not to exceed 4% per annum on the amount of the principal obligation outstanding at any one time. For insurance under the Act the Secretary would collect from the mortgagee an initial charge of ½ of 1% of the principal obligation of the mortgage and annually thereafter a charge of ½ of 1% of the principal obligation remaining unpaid at the time the charge becomes due.

H. R. 4045 was reported favorably without amendments by the House Committee on Agriculture on July 30, 1955. The Committee report stated that the bill "embraces the same principle of mortgage insurance that has been employed with great success in the Federal housing program."

This bill is pending on the House calendar.

Federal Loans and Grants for Irrigation and Related Projects

H. R. 5881 would supplement the Federal reclamation laws by authorizing Federal financial assistance by loan, grant or both to an organization for a "project" for "(i) any complete irrigation undertaking or distinct unit of such an undertaking or a rehabilitation and betterment program for an existing irrigation project, authorized to be constructed pursuant to the Federal reclamation laws and (ii) similar undertaking proposed to be constructed by an organization." Any organization desiring to avail itself of the benefits provided in the Act would submit a proposal to the Secretary with respect to the construction of a project. An eligible organization would be a state or a department, agency, or political subdivision thereof or a conservancy district, irrigation district, water users' association, an agency created by interstate compact, or similar organization which has capacity to contract with the United States under the Federal reclamation laws. Federal financial participation in any project in the form of a loan, a grant, or a combination of both could not exceed $5,000,000. The Act would authorize the appropriation of such sums as may be necessary, but not to exceed $100,000,000 to carry out the provisions of the Act.

Contracts under the Act must set out a plan of repayment by the organization of (1) the sums lent it in not more than 50 years from the date when the principal benefits of the project first become available; (2) interest, at the average rate, as determined by the Secretary of the Treasury, paid on the long-term interest-bearing marketable securities of the United States outstanding at the beginning of the fiscal year preceding the date on which the contract is executed, on that pro rata share of the loan which is attributable to furnishing irrigation benefits in each particular year to land held in private ownership by any one owner in excess of 160 irrigable acres; and (3) in the case of any project involving an allocation to domestic, industrial, or municipal water supply, or commercial power produced as an element of the project and incidental to its full development, interest on the unamortized balance of an appropriate portion of the loan at a rate as determined in (2) above.

H. R. 5881 passed the House on May 26, 1955. It passed the Senate with amendments on July 28 and was sent to conference to resolve the differences between the House and Senate. The bill was still in conference when Congress adjourned and retains that status

Keystone Custodian Funds

With the investment objectives of
RESERVES: Series B-1
INCOME: Series B-2, B-3, B-4, K-1, S-1 and S-2
GROWTH: Series K-2, S-3, S-4

Keystone Fund of Canada, Ltd.

A fully managed Canadian Investment Company seeking long-term CAPITAL GROWTH and certain TAX BENEFITS under Canadian Laws

Prospectus from your local investment dealer or

The Keystone Company of Boston
50 Congress Street Boston 9, Mass.

BULLOCK FUND
CANADIAN FUND
DIVIDEND SHARES
NATION-WIDE SECURITIES

CALVIN BULLOCK
Ltd.
Established 1894

Boston Los Angeles
Chicago Philadelphia
Denver St. Louis
New York San Francisco
London — Montreal

EATON & HOWARD BALANCED FUND

EATON & HOWARD STOCK FUND

Managed by

EATON & HOWARD
INCORPORATED

24 Federal Street BOSTON — BOSTON *ESTABLISHED 1924* — Russ Building SAN FRANCISCO

Prospectuses from your Investment Dealer or the above.

Digitized for FRASER
http://fraser.stlouisfed.org/

for further action at the next session of Congress.

Tax Exemption for Dividends of Investment Companies Derived from Tax-Exempt Obligations

H. R. 5211 would exempt from Federal income taxes dividends paid by regulated investment companies whose income was derived entirely from tax exempt governmental obligations.

This bill was referred to the House Ways and Means Committee, but no action was taken on the bill by that Committee.

To Encourage Investment in School Bonds and Other Tax Exempt Government Bonds

H. R. 5212 would amend the seventh paragraph of Section 5136 of the Revised Statutes (12 U. S. C., sec. 24) by adding at the end thereof the following new sentence: "The limitations and restrictions herein contained as to dealing in, underwriting, and purchasing securities shall not apply to securities of any regulated investment company, as defined in section 851 of the Internal Revenue Code of 1954, which invests solely in obligations exempt from Federal income tax under section 103 (a) of such code."

This bill was referred to the Committee of Banking and Currency of the House. No action was taken on the bill by that Committee.

APPENDIX 2

Court Decisions

As stated in the report, references are made in this appendix to certain court decisions in the states, handed down during the year, considered of general interest to the municipal trade or of special significance locally. The following comments are based upon the Committee's understanding of the situations and are for reference purposes only. Counsel should be consulted in each instance for specific information.

CALIFORNIA

City and County of San Francisco v. Ross. The City and County of San Francisco had voted a general obligation bond issue for the purpose of providing off-street parking facilities. The City proposed to use a portion of these proceeds for the purpose of acquring land which would then be leased to a private corporation which would in turn construct a garage thereon and operate the same. The court held that this was not a proper public purpose for the reason that under the plan proposed there would be no control by the public agency over the rates charged by the private operator.

FLORIDA

Decision by the Supreme Court of Florida on Feb. 4, 1955 in Leedy, Wheeler & Alleman, Inc., et al. vs. Okaloosa County, Fla. The court in this case concluded that fiscal advisors for the County could recover a fee for services as fiscal advisers under their contract with the County after they had purchased the bonds of the County at competitive bidding. The opinion in this case was included as an appendix in the Interim Report of the Committee.

City of Orlando v. State, The Florida Constitution provides that no bonds of political subdivisions of the state can be issued until they are approved at an election of free-holders held for that purpose. The court had previously construed this provision to apply to any bond payable from an ad valorem tax on real estate, i.e. the type of bond known as a "general obligation." It was necessary to hold an election even where the bond was payable from special assessment liens. The Supreme Court of Florida has recently ruled in the named case that bonds issued to finance improvements, payable from special assessment liens on the abutting property benefited by such improvements, would not have to be approved at a free-holder election. The theory was that the general taxing power of the city was in no manner pledged or obligated to pay the certificates nor to guarantee the making up or payment of deficits.

GEORGIA

The Supreme Court of the State of Georgia handed down a decision in September holding that the Georgia Rural Roads Authority Act is valid and constitutional. This Act authorized the issuance of up to $100 million in revenue bonds.

IDAHO

Davis, et al., as a bond holders committee representing holders of dormitory revenue bonds of 1950 of Northern Idaho College of Education, v. Moon, Treasurer of the State of Idaho. In 1950 the Idaho State Board of Education acting as the Board of Trustees of Northern Idaho College of Education issued and sold dormitory revenue bonds and a dormitory was constructed with the proceeds therefrom. The building is the property of the State of Idaho. Net incomes from the dormitory and other dormitories of the college were pledged in payment of the bonds. In 1951 the state legislature did not make an appropriation for operation of the college and the college ceased operation as such. Consequently, from the summer of 1951 until about Sept. 1, 1955, the college did not have any students and did not derive any revenue from the dormitory constructed from proceeds of the bond issue or from its other dormitories. In 1955 the state legislature changed the name of the college and appropriated funds for operation of the college. The legislature by a separate act created a "Dormitory Bond Redemption Fund" in the State Treasury and appropriated $100,000 to be disbursed by the State Treasurer in accordance with the provisions of the act. This act directs the State Treasurer, upon notification that available monies are insufficient to pay interest due upon bonds which have not matured and principal on matured bonds, to transmit, from the Dormitory Bond Redemption Fund, to the paying agent funds sufficient to pay such obligations. Bonds retired from payments by the Dormitory Bond Redemption Fund shall be delivered to the State Treasurer and held for future reimbursement from sources pledged for payment of the bonds. The State Treasurer refused to honor a claim of the bank as paying agent and to transmit to the bank the money for payment of certain bonds and the accrued interest. The plaintiffs petitioned the Supreme Court of Idaho for an alternative writ of mandate compelling the defendant as State Treasurer to transmit to the bank as paying agent sufficient money to pay the principal and interest in conformity with the act or show cause why she should not do so. The Supreme Court issued the alternative writ but the Supreme Court on Nov. 2, 1955 denied the motion to quash and made the alternative writ permanent.

The principal objection by the State Treasurer was that the act creating the Dormitory Bond Redemption Fund was unconstitutional in that it loans the credit of the state to individuals and corporations and was not for a public purpose. The Supreme Court pointed out that the furtherance of education is universally regarded as a public purpose, and that the act was not invalid merely because the obligation of the state is moral rather than mandatory or because a private individual or organization may benefit thereby.

KENTUCKY

A decision by the Kentucky State Court of Appeals affirmed an opinion by the Franklin County Circuit Court which held invalid a 1954 Kentucky Law which was designed to circumvent the constitutional debt limit by creating a Kentucky Highway Authority which would be empowered to issue revenue bonds for construction and improvement of roads which would be leased to the State Highway Department. Under the plan the State Highway Department would have turned over to the Authority the roads to be improved and the improved roads would have been leased back to the state for sufficient rentals to retire the bonds. Rentals would have been paid from an earmarked portion of the state's gasoline tax. The Court of Appeals held that the act was invalid because it would permit commitment of the state to a debt in excess of the constitutional limit, and the court particularly noted that the lease would be for a period of years with an absolute agreement on the part of the Department of Highways to pay the rental out of such revenues as may be available to it. The invalidated law had no connection with the Kentucky Toll Road Enabling Act under which the state is building a turnpike.

The Kentucky Court of Appeals declared unconstitutional a 1954 amendment to the State Turnpike Enabling Act, which amendment would have permitted delays of up to two years in jury trial land condemnation suits. The 1954 amendment would have permitted the state to file an affidavit in circuit court to compel the court to delay a jury determination of land value for as long as two years, or until the road was completed, whichever was soonest. The Court of Appeals held that the amendment violated the state Constitution section guaranteeing citizens a speedy jury trial. This decision does not affect the validity of the Kentucky Turnpike Act, the validity of which had previously been upheld.

OKLAHOMA

Matlock v. Board of County Commissioners of Wagoner County (Okla.) No. 36608, opinion rendered Feb. 15, 1955. This case upheld constitutionality of county separate school improvement bond act and held U. S. Supreme Court opinion on desegregation does not affect this act.

City of Tulsa v. Williamson, Attorney General (Okla.), 276 P. (2d) 209, held that purchase by city of collection of American history and art for purpose of maintaining such collection in a museum constitutes the purchase of a "public utility" within constitutional provision authorizing an indebtedness upon approval of electorate for purpose of purchasing or constructing public utilities, and therefore municipality had right, by proper vote at legal election, to issue bonds for purpose of purchasing such collection for such purpose.

King v. City of McAlester (Okla.), 273 P. (2d) 139, held that under requirements of Section 27, Article 10 of the Constitution of Oklahoma, when the question of issuance of bonds for city improvements is submitted at a special election called for such purpose and at the election an additional related proposition also is submitted, if the bond issue question receives a majority of the votes cast upon such question but less than a mathematical majority of all votes cast in such special election, the bond issue carried by a majority vote although it did not receive a majority of all votes cast in the election.

TEXAS

In McKinney et al. v. Blankenship et al., plantiffs sought an injunction to restrain the allocation or expenditure of public free school funds for integrated schools. The Supreme Court of Texas affirmed the decision of the trial court denying the injunction. The Supreme Court concluded (1) that Section 7 of Article VII of the Constitution of Texas is unconstitutional and void to the extent that it requires segregation of white and negro students in the public schools and (2) that public funds could be used in paying

Continued on page 94

Incorporated Investors

Established 1925

A mutual fund with a portfolio of securities selected for possible long-term GROWTH of capital and income.

Incorporated Income Fund

A mutual fund whose prime objective is to return as large an INCOME as obtainable without undue risk of principal.

A prospectus on each fund may be obtained from investment dealers or

THE PARKER CORPORATION

200 Berkeley St., Boston, Massachusetts

NEW YORK 61 Broadway — CHICAGO 120 S. LaSalle St.

LOS ANGELES 453 S. Spring St. — DALLAS Mercantile Securities Bldg.

LYNCHBURG, VIRGINIA 16 Vista Avenue

COFFIN & BURR

INCORPORATED

Founded 1898

BOSTON

NEW YORK HARTFORD PORTLAND

BANGOR

MEMBERS—BOSTON STOCK EXCHANGE
AMERICAN STOCK EXCHANGE (ASSOCIATE)
MIDWEST STOCK EXCHANGE

Purchasing and Distributing

State, Municipal, Corporation, Railroad and Public Utility Securities

National Distributor

NEW ENGLAND FUND

Organized 1931

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 93

Report of IBA Municipal Securities Committee

salaries of teachers in integrated schools.

VIRGINIA

Shelton v. Hanover County School Board. Section 140 of the Constitution of Virginia and Code Section 22-221 provided for segregated schools. Voting for a school bond issue was on July 14, 1953 prior to the decision of the United States Supreme Court holding segregated schools to be unconstitutional. Judge Bazile, in the Circuit Court of Hanover County (Va.), on May 13, 1955, concluded to enjoin the school board from issuing the bonds because (1) under the decision of the U. S. Supreme Court schools will have to be operated as non-segregated schools and (2) it would be illegal to use the proceeds from the bond issue for non-segregated schools when the bond issue was approved with the belief that proceeds would be used for the construction of segregated schools.

We understand that the School Board of Hanover County has appealed this decision.

WASHINGTON

The Supreme Court of Washington held invalid the immediate possession law which was enacted in 1951 to expedite highway projects. The invalidated law sought to give the state the right to take possession of property after a short period of negotiation with the owner. The price to be paid by the state was to be determined eventually in a jury trial, but meanwhile the highway project could be started. The court held, in effect, that the procedure violated the state constitution because a jury trail must precede acquisition of contested land.

WISCONSIN

A decision by the Supreme Court of Wisconsin on April 5 held unlawful a proposed plan involving the Richmond School District whereunder a school building company was to borrow money, build a school and lease it to the school district. The district was to make annual payments under a 25-year lease to retire the loan. The company was empowered to take the building if payments were not made. The court concluded that any plan giving the lender a mortgage and title to state land was illegal under the Wisconsin Constitution.

A recent decision by the Supreme Court of Wisconsin upheld the constitutionality of a plan whereby quasi-public building corporations will finance the construction of public buildings to be leased to the state. Private building corporations are established by the state with state officers in charge, but the corporations are not state agencies so that obligations of the private corporations are not considered debts of the state, thereby permitting circumvention of state constitutional restrictions against incurring state debt. The corporations will hold title to the completed buildings which are located on state owned land and will rent the buildings to the state. The court held that this case is distinguished from the case referred to in the preceding paragraph because no state property could be foreclosed if the building corporation failed to meet payments, the corporation alone would be liable and neither the general revenues nor any property of the state becomes subjected to the creditors' claims.

APPENDIX 3

State Legislation

The legislatures of most of our states were in session during the year. Referred to below are some of the enactments affecting municipal financing, considered of general interest to the municipal trade or of special significance locally. The comments are based upon the Committee's understanding of the legislation. For complete information reference should be made to the full text of the measures.

CALIFORNIA

An Act adopted in California (Assembly Bill No. 2839) amended Section 1194.5 of the Insurance Code to allow insurance companies to make excess funds investments in bonds issued by any state, city, county, or city and county of any state, or by any department or board of such city, county, or city and county, etc., payable solely out of the revenues from a revenue producing utility, facility, or activity owned, controlled, or operated by the issuer of such bonds. This Act removes the necessity of referring to the Savings Bank Code for investments by insurance companies in bonds of the above political subdivisions.

An Act (Assembly Bill No. 3690) revises Section 53651 of the Government Code which refers to bonds eligible as collateral to secure county and local public deposits. The Act, in effect, provides for the use of any general obligation or revenue bond of a California district. The Act also specifies that New Housing Authority Bonds are eligible to secure county and local public deposits.

The State Building Construction Act of 1955 allows the State Board of Public Works to issue either non-negotiable certificates or revenue bonds to pay for the construction of certain state buildings. The building will be leased by the state agency for a period not exceeding 20 years and the lease will be of an amount sufficient to repay the certificates or the revenue bonds, plus interest. The certificates will be issued, in effect, to the Department of Finance and paid for by that Department with investable funds available in any of its investment accounts. The revenue bonds will be offered at public sale. The acquisition and construction of public buildings under this Act must be specifically approved by the state legislature and the state legislature also must provide whether certificates or revenue bonds (but not either or both) may be used to finance the construction. The authority to issue certificates and revenue bonds shall terminate after the 1959 regular session of the legislature.

An Act (Senate Bill No. 1996) amending the Metropolitan Water District Act allows the Metropolitan Water District to issue bonds in an amount up to 50% of the unpaid special taxes due the District from annexed territory, or 1% of the assessed value, whichever is less. The bonds issued shall mature in not over 12 years and may be issued on the authority of an ordinance adopted by vote of three-fourths of the total vote of the Board of Directors. (There is no public vote requirement for the issuance of these bonds.) Representatives of the municipal bond business in Los Angeles appeared before a special group composed of members of the Board of Directors and staff of the Metropolitan Water District and opposed vigorously this method of raising money. After extended discussion, during which the Municipal dealers and a representative of O'Melveny & Myers presented a united front in opposition, the District, because of their peculiar internal problems, decided nevertheless to pursue this course.

An Act (ACA No. 17) authorizes the sale of $200,000,000 State of California Construction Bonds, not less than $60,000,000 of which will be spent for major building construction, equipment, and site acquisition for state colleges. Another Act (SCA No. 11) authorizes the sale of $100,000,000 State of California bonds in extension of the State School Building Aid Program. Both of these Acts require ratification by the voters of the state.

The Municipal Securities Committee of the California Group reported that:

(1) A constitutional amendment was submitted to remove the power of the state to levy a property tax, but that amendment was opposed by the Committee and was defeated.

(2) A bill to have the state take over the liability for the bonds of the Golden Gate Bridge and highway district and to operate the Golden Gate Bridge passed the Senate, but this bill was vigorously opposed by the Committee and it did not pass the Assembly.

(3) A number of bills were introduced to permit the use of lease-purchase financing by municipalities and the Committee opposed such proposals. A bill authorizing such financing passed the legislature but was vetoed by the Governor.

FLORIDA

An Act amending Section 75.09 of the Florida Statutes, effective May 26, 1955, prohibits proceedings in any court, without leave of the Supreme Court of Florida, questioning the validity of any final decree validating bonds, certificates or other obligations of counties, municipalities, taxing districts, or other political districts, subdivisions, agencies or public bodies of the state, or any proceedings authorizing the issuance thereof. The Act would confer original jurisdiction upon the Supreme Court of Florida over application for leave to file such proceedings for injunctive or other relief in connection therewith. If an application is granted by the Supreme Court to institute an action, or to file a pleading as a defense to an action, questioning the validity of such a final decree, obligation or proceeding, the Act further provides that the order of the Supreme Court shall provide for the person or the party making such application to file with the clerk of the court in which such action or pleading is to be filed a bond to indemnify the public body which authorized the obligation called in question for all damages and expenses caused such public body in any manner by the institution of such action, or the filing of such pleading as a defense to an action, in the event that such applicant is not successful in such action or defense.

IOWA

A bill introduced in the Iowa legislature would have authorized municipalities to acquire "projects" which were defined to mean "any land and any building or other improvement thereon, and all real and personal properties deemed necessary in connection therewith, whether or not now in existence, which shall be suitable for the use of any industry for the manufacturing, processing, or assembling of any agricultural or manufactured products." The bill would have authorized municipalities to lease any such projects to others for such rentals and upon such terms and conditions as the governing body may deem advisable and to issue revenue bonds for the purpose of defraying the cost of acquiring any such project and to secure the payment of such

FIDUCIARY TRUST CO. OF N.Y. HUDSON FUND INVESTMENT ADVISER

HUDSON FUND, INC.

A mutual, open-end, diversified investment company with full management discretion.

Information and prospectus from your investment dealer or mail coupon to

TELEVISION SHARES MANAGEMENT CORP.
135 S. LaSalle St. Chicago 3, Ill. 115 Broadway New York 6, N.Y.

NAME_____
ADDRESS_____
CITY_____

TELEVISION-ELECTRONICS FUND, INC.

Have You Considered

ELECTRONICS

as an Investment Medium?

You can invest in a diversified group of electronics securities through the shares of

TELEVISION-ELECTRONICS FUND, INC.

Get the booklet-prospectus about the Company from your investment dealer or mail coupon to

TELEVISION SHARES MANAGEMENT CORP.
135 S. La Salle St. Chicago 3, Ill. 115 Broadway New York 6, N.Y.

NAME_____
ADDRESS_____
CITY_____

For INCOME . . .

THE KNICKERBOCKER FUND 1936

KNICKERBOCKER FUND

A Mutual Fund investing for *income* consistent with long-term *growth*

For GROWTH . . .

CAPITAL VENTURE FUND INC.

CAPITAL VENTURE FUND

A Mutual Fund investing in Atomic, Electronic and other Companies selected for GROWTH.

For Prospectus and other information about Knickerbocker Fund or Capital Venture Fund, write:

KNICKERBOCKER SHARES, INC. 20 Exchange Pl., N. Y. 5

WELLINGTON WF FUND

A BALANCED MUTUAL INVESTMENT FUND

FOUNDED 1928

prospectus from PHILADELPHIA 3, PA.

Mutual Investment Funds

National Securities Series

- *Bond Series*
- *Balanced Series*
- *Preferred Stock Series*
- *Income Series*
- *Stock Series*
- *Dividend Series*
- *Growth Stocks Series*

Information Folder and Prospectus on Request

NATIONAL SECURITIES & RESEARCH CORPORATION
Established 1930
120 Broadway, New York 5, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

bonds. This bill did not pass the Iowa legislature.

MICHIGAN

A constitutional amendment adopted in Michigan, effective May 4, 1955 (Section 27 of Article 10), implemented by Public Acts 74 and 151 of 1955 will permit school districts to finance a larger school building program than has been possible under the constitutional tax restrictions previously in effect. (1) The amendment permits school districts to issue bonds payable from general ad valorem taxes without limitation as to rate or amount provided such bonds mature in not less than 25 years from date of issue (the maximum life of school bonds in Michigan is 30 years). The amendment makes the 15 mill constitutional tax limitation inapplicable on school bonds issued during the period from May 4, 1955 to July 1, 1962 if such bonds mature in not less than 25 years. (2) The amendment authorizes the state of Michigan to loan money to school districts in an aggregate amount not to exceed $100,000,000 under certain conditions. In any calendar year when a school district is required to levy more than 13 mills on its state equalized valuation for the payment of principal and interest for all bonds issued prior to May 4, 1955, plus all bonds subsequently issued which are qualified for state assistance, the state of Michigan will loan to the district on request the amount of the excess over the 13 mill levy. After a school district has received a loan from the state, the district must each year thereafter continue to levy not less than 13 mills on its state equalized valuation until the amount loaned by the state has been repaid. All bonds issued prior to May 4, 1955 are automatically qualified for state assistance (if a levy of more than 13 mills is required), but all bonds issued subsequent to that date must meet certain requirements if the tax levies for such bonds are to be included in the annual computation that determines whether or not a school district is eligible for a loan from the state. (3) The amendment authorizes the state of Michigan to borrow $100,000,000 for the purpose of making loans to school districts for the payment of principal and interest on school bonds.

NORTH CAROLINA

Chapter 1195 provides an Act known as "the North Carolina Water and Sewer Authorities Act." This Act authorizes the organization of such authorities with power to acquire land, construct facilities, collect charges and issue revenue bonds payable solely from revenues of the authorities. It also provides that local units may contract with the authorities for services.

Chapter 1322 authorizes Anson County to call a special election to levy a special tax not exceeding 2c on the $100 valuation to organize and operate an industrial development commission to advertise the County and secure new industries.

Chapter 953 authorizes the Board of Commissioners of Durham County and the Governing body of the city of Durham, acting independently of each other, to appropriate and use a part of monies received from Durham County Board of Alcoholic Control and other monies from surplus funds not derived from taxation to advertise the County and City and to promote new industries.

OHIO

House Bill No. 503 (effective Aug. 18, 1955) permits life insurance companies in Ohio to broaden their investments so as to permit in addition to the various other investments, investment in revenue bonds by cities of 5,000 or more people according to census population, where the bonds are issued for water, gas, sewer or electric light purposes and are payable from revenues. This session added the qualification of gas revenue bonds which the insurance companies did not heretofore have.

Senate Bill No. 386 (effective Sept. 30, 1955) permits domestic and other insurance companies other than life insurance companies to invest in the same securities as the life insurance companies. Heretofore the casualty and other insurance companies in Ohio excepting life insurance were not permitted to buy revenue bonds. They now have that privilege with restrictions as to population and purpose of issue set forth in the preceding paragraph.

Senate Bill No. 193 (effective June 30, 1955) permits the creation of port authorities by cities in Ohio on navigable streams or rivers or lakes. This is primarily for the St. Lawrence Seaway to cover induced traffic on the Great Lakes. These authorities may also be used by cities on the Ohio River for wharves, docks, etc. Toledo and Cleveland are among the prominent lake cities which plan to use this authority program. The act provides for financing either through tax bonds or revenue bonds or both.

Amended Substitute Senate Bill No. 17 (effective Oct. 13, 1955) permits the creation of a state parking authority and the construction of a state parking garage below the State Capitol Building and permitting its financing through authority bonds.

House Bill No. 519 (effective Sept. 20, 1955) permits state colleges and universities in Ohio to erect building for living quarters on behalf of married students for which revenue bonds may be issued and the revenues pledged from such buildings and from all other dormitories to the extent that a pledge did not already exist thereon.

There are some other bills but they are of local character.

The model bill to eliminate so-called "Nuisance Suits" was presented to state administration officials and received approval, but it was too late for introduction at the 1955 session. The legislation will receive consideration by the Local Government Law Committee of the Ohio State Bar Association in the ensuing year. The next regular session of the Ohio Legislature is in 1957.

OKLAHOMA

A constitutional amendment increased the debt limit on school district bonds from 5% to 10% of the net assessed valuation of the taxable property in the entire school district.

PENNSYLVANIA

Pennsylvania House Bill 1588 would establish a State Industrial Development Authority. This Authority would be "a body corporate and politic constituting a public corporation and governmental instrumentality" which would be authorized to acquire or construct industrial development properties and to lease or sell those properties to responsible tenants. The Authority would be authorized to issue bonds and to secure the payment of such bonds by pledge or deed of trust of all or any of its revenues, rentals and receipts. The bill expressly provides that the Authority would have no power to pledge the credit or taxing power of the Commonwealth or any of its municipalities or political subdivisions and that obligations or debts of the Authority shall not be deemed to be obligations of the Commonwealth or any of its political subdivisions. This bill passed the House of the Pennsylvania legislature on Aug. 2 but no action had been taken on it in the Senate at the time that this report was prepared.

The Senate adopted Senate Bill 628 which would provide for the establishment of the Pennsylvania Business Development Corporation, but this bill would not authorize the use of municipal credit to finance construction of facilities for lease to private industry. This corporation would be authorized to acquire or construct industrial properties and to sell or lease such properties, but it would be a private corporation possessed of the powers, privileges and immunities conferred on corporations with capital stock by the Business Corporation Law. No action had been taken on this bill in the House at the time that this report was prepared.

TEXAS

House Bill 725 authorizes the use of facsimile signatures on municipal bonds. This Act provides that all public securities hereafter issued under the laws of Texas may be issued with facsimile signatures, if the use of such facsimile signatures is authorized by the board, body or officer empowered by law to authorize the issuance of such securities; provided that at least one signature required to be placed thereon shall be manually subscribed and, as to public securities required to be registered by the Comptroller of Public Accounts of the state of Texas only his signature (or that of a deputy designated in writing to act for him) shall be required to be manually subscribed to such public securities.

House Bill 814 authorizes an issuer, which has outstanding bonds, notes or other evidences of indebtedness which it has the power to refund into bonds and which has duly and legally called such obligations in accordance with the terms thereof, to issue refunding bonds without cancellation and surrender of the underlying securities, provided a deposit prescribed for in the act shall have been made by or on behalf of the issuer with the state Treasurer of Texas upon terms and conditions prescribed in the Act.

House Bill 363 amended Article 2529 of the Revised Civil Statutes of Texas to make eligible for securing state deposits with banks, bonds issued by a municipal corporation where the payment of such bonds is secured by a pledge of the net revenues of a utility system or systems (limited to those utility systems authorized to be encumbered under the provisions of Articles 1111-1118(a), Revised Civil Statutes, as amended.)

VERMONT

Act No. 255 authorizes Vermont municipalities to construct, purchase, improve, sell and finance industrial buildings and to rent or lease such buildings to industrial concerns. Municipalities are authorized to issue certificates of indebtedness to provide funds for the construction, acquisition or improvement of industrial buildings and to pledge the income and revenues to be received from such industrial buildings to the punctual payment of such certificates of indebtedness and interest thereon.

Form Frontier Investment

LAS VEGAS, Nev. — Frontier Investment, Inc. is engaging in a securities business from offices at 2419 South Fifth Street. Officers are Eugene Haspray, President; Alexander P. Hatfield, and Anna Blanton. All were formerly with Coombs & Company of Ogden, Inc. and Coombs & Co. of Las Vegas, Inc.

Hirschman With Schwarm

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Max A. Hirschman has become associated with Schwarm & Co. of Hamilton. Mr. Hirschman has recently conducted his own investment business in Dayton under the name of Hirschman Securities Company.

Fundamental Investors, Inc.

Diversified Investment Fund, Inc.

Manhattan Bond Fund, Inc.

Diversified Growth Stock Fund, Inc.

Prospectuses available on these mutual funds through local investment firms, or:

HUGH W. LONG AND COMPANY
INCORPORATED
Elizabeth 3, New Jersey

Boston Fund

MASSACHUSETTS INVESTORS GROWTH STOCK FUND

Massachusetts Investors Trust

Century Shares Trust

CANADA GENERAL FUND
(1954) LIMITED

The Bond Fund OF BOSTON

A prospectus relating to the shares of any of these separate investment funds may be obtained from authorized dealers or

VANCE, SANDERS & COMPANY
111 DEVONSHIRE STREET
BOSTON

NEW YORK 61 Broadway | CHICAGO 120 South LaSalle Street | LOS ANGELES 210 West Seventh Street

The 5 Funds of
GROUP SECURITIES, INC.
Incorporated 1933

★

THE COMMON STOCK FUND
A Diversified Investment in Listed Companies

★

THE CAPITAL GROWTH FUND

★

THE FULLY ADMINISTERED FUND
A Balanced Fund

★

THE INSTITUTIONAL BOND FUND
A High-Grade Bond Fund

★

THE GENERAL BOND FUND
A Good-Grade Diversified Bond Fund

For Prospectus on these and 17 Industry Classes write to

Distributors Group, Incorporated
63 WALL STREET, NEW YORK 5, N. Y.

itized for FRASER
://fraser.stlouisfed.org/

Continued from page 52

Report of IBA Nuclear Industry Committee

opening day when Conference President Bhabha of India introduced the highly classified subject of controlled thermonuclear power which had not appeared on the agenda of the Conference.

Another subject which was discussed more fully in informal conferences than in the official agenda of the meeting concerned the use of reactors as a source of heat rather than electric power. Both of these subjects are covered in this report.

In conclusion, the consensus seemed to be that the United States, with the help of the vast experience acquired during World War II, occupies the leading position in the field, while Britain has, so far, clinched the No. 2 position. Russia, which shares with us adequate supplies of uranium, lacking in the United Kingdom, is making rapid strides, but did not present any material to indicate that it has caught up to the United Kingdom.

The United Kingdom, spurred by its earlier need for nuclear power to reduce its fuel imports, is concentrating on large scale production of existing models, intending to risk obsolescence for the sake of actual production in the next five years. Their scientists are assuming that their Calder Hall design, now shifted to dual purpose, will produce seven mill power by 1960.

The United States and the U.S.S.R., with their relatively comfortable supplies of conventional fuel, are able to afford longer-range programs, concentrating on improvements in design and technology which they hope will result (at a somewhat more remote date) in a more efficent plant than Calder Hall.

The conference, with its fine example of the sharing of scientific knowledge, marks a forward step in world thinking, and should prove of enormous value to mankind. The backward countries should benefit particularly through a better way of life in the years to come. Whether it will also relieve international tensions concerning the weapons' use of the atom, only the years ahead can tell. However, it seems safe to predict that in the future the year 1955 will be regarded as marking the beginning of the second phase in the history of nuclear energy.

Electric Power Reactors

The greatest current interest in the potentials of nuclear energy lies in its utilization for the low cost generation of electric power. The tremendous increase in world power requirements and the geometrical scale upon which estimates of future requirements are plotted, point up the limited supplies of fossil fuels—coal and oil—in relation to power requirements 25 and 50 years hence. The demand for electric energy in this country has been doubling every decade. Atomic power will not supplant but will supplement conventional sources of electric power and will thus provide a necessary and critically timely restoration of power fuel supplies.

As we have indicated, the urgency for the commercial development of nuclear power plants varies throughout the world, depending upon the cost and availability of present fuels. The United States is fortunate in enjoying very low electric power generation costs and in possessing relatively large reserves of fossil fuels. In this country the cost of nuclear generated energy must be reduced very substantially from the cost indicated for experimental projects before it would be competitive with conventional generation. Because of the wide range in the cost of present power, some nations have only one-half or one-third as far to go as we have to develop economically feasible reactors. Britain with high cost coal and oil may arrive at economic nuclear power much sooner than we do. Furthermore, with the depletion of the British coal reserves that nation must plan on attaining such a position in the very near future.

As a generality it may be expected that an increasing percentage of world power needs will be generated by nuclear reactors over the future. The economics will vary from nation to nation but over the longer range the price of fossil fuels may be expected to trend upward while the cost of nuclear reactors should decline and their efficiency increase. At some point these cost curves will cross.

The AEC's basic philosophy in planning of the civilian power reactor program was expressed in the following:

(a) It is in the national interest to expand the present program in a manner which will accelerate the achievement of competitive nuclear power and improve the effectiveness of American assistance to other countries in the nuclear power field.

(b) Developing economically competitive nuclear power for civilian use will be aided by maximum practical utilization of financial incentive common to business ventures in order to stimulate ingenuity, imagination and the assumption of calculated technical and economic risks.

(c) The Commission's role should be to develop advance technology at government expense and to stimulate outside groups to undertake developmental or demonstration power projects primarily with non-Commission financing.

(d) Positive steps of assistance to other countries should be included as part of the program.

The Commission is specifically prohibited from engaging in the nuclear power business itself. It is forbidden to produce or sell nuclear power, except as a surplus by-product, incidental to reactor operations for research and development or production of fissionable materials. Neither can the Commission subsidize private or publicly-owned utilities in building or operating nuclear plants. It may, however, provide assistance in research work that will expand theoretical or practical nuclear knowledge.

We are now in the first generation of commercial nuclear power reactors. A total of some 80 reactors, including research and special purpose small reactors, are now under construction. Included are several large power projects designed for capability of 100,000 k.w. or more. It will, however, be some time before the various types of reactors can be evaluated. As a rough guide the following time schedule or a reactor project is of interest:

Component development and testing	1 to 3 years
Engineering design	1 year
Construction	2 to 3 years
Testing and initial operation	6 months to 1 year
Significant operation	1 to 3 years
Total (allowing for over-lapping)	5 to 7 years

Nuclear Power in the United States
AEC Program

Type	Responsibility	Est'd Completion	Cost (millions of $)	Power (1000 Watts)
Boiling Water	Argonne Laboratories	1956	17	5
Sodium Graphite	North American Aviation	1956	10	--
Homogeneous	Oak Ridge Laboratories	1956	3	1
Pressurized Water	Westinghouse Electric	1957	85	60
Fast Breeder	Argonne Laboratories	1958	40	15
Thorium Breeder	Oak Ridge Laboratories	1959	44	16

Industry Reactor Proposals

Type	Responsibility	Estimated Completion	Power (1000 Watts)
Pressurized Water	Yankee Atomic Electric	1957	100
Fast Breeder	Detroit Edison	1958	180
Sodium Graphite	Consumers Public Power	1959	75
Pressurized Water	Consolidated Edison	1959	236
Boiling Water	Commonwealth Edison	1960	100

By 1960, the nuclear power program in the United States will represent an investment of $250 million and a power capacity of about 1 million k.w. This capacity should be increased to 100 million k.w. by 1975-80.

Industry, as well as the AEC, is anxiously awaiting the completion of the first large scale power reactor under construction at Shippingport, Pa. by Duquesne Light Company. This will provide

As

SPECIALISTS IN MUNICIPAL BONDS

we cordially invite inquiries from those New England dealers who do not concentrate their time on this type of security. From time to time, we have special offerings of relatively high-yielding tax-exempts which have been underwritten by this firm only after on-the-ground analysis by one of our officers.

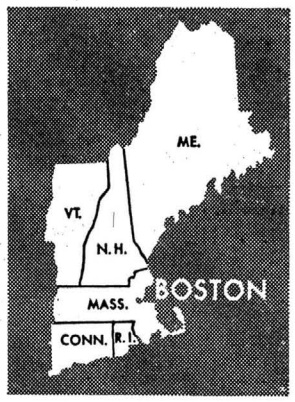
DWINNELL, HARKNESS & HILL
INCORPORATED
70 State Street, Boston 9, Mass.
Tel. LAfayette 3-3310 Teletype BS 570

Distribution
in NEW ENGLAND
for more than 100 YEARS

ESTABROOK & Co.
15 STATE STREET, BOSTON
Boston Telephone LAfayette 3-2400
Boston Teletype BS-288
New York Hartford Poughkeepsie Providence Springfield
Members New York and Boston Stock Exchanges

Townsend, Dabney & Tyson
Established 1887
Members New York and Boston Stock Exchanges
American Stock Exchange (Associate)
30 State Street, Boston 5, Mass.
UNDERWRITERS AND DISTRIBUTORS OF CORPORATE AND MUNICIPAL SECURITIES
AUGUSTA, ME. BANGOR, ME. GREENFIELD, MASS. FITCHBURG, MASS.
LEWISTON, ME. PORTLAND, ME. LAWRENCE, MASS.
KEENE, N. H. MANCHESTER, N. H.

ESTABLISHED 1833



UNDERWRITERS *and*
DISTRIBUTORS *of*
GENERAL MARKET
MUNICIPAL BONDS
Specialists in Bonds of Municipalities within Massachusetts

ROCKLAND-ATLAS
NATIONAL BANK *of* BOSTON
Main Office: 30 Congress Street, Boston 6, Mass.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
http://fraser.stlouisfed.org/

the first opportunity for major cost evaluation studies.

Problems in Reactor Technology

One of the foremost problems facing the reactor engineer is that of waste disposal. Since it is an integral result of every fission reactor, it is of basic consideration in projecting the economics of nuclear power. The engineer faces the dilemma of what to do with an increasing supply of an unwanted material, which beyond an almost insignificantly small amount, cannot be disposed of by dumping in the sea, burying in the ground, etc.

Although not much mass is involved (one gram of fission products per megawatt per day) about 20 different elements are involved in the radioactive waste. To appreciate the magnitude of the problem, consider the following illustrations: In a given type of reactor operating for a measured period of time about 10^8 (100,000,000) units of waste are produced and no more than one unit can be given up to the environment. Thus, we have a fantastic problem of a qualitative separation of 20 different elements and a quantitative disposal of tremendous amounts from a radioactive viewpoint.

Surrently, the main method of disposal is really not disposal at all, but rather a temporary solution of storage. This is a costly operation in terms of container costs, storage corrosion, etc., and certainly does not appear to be the final solution. Where contaminated fuel elements are involved, the intermediate step of reprocessing to recover the uranium occurs at the four AEC separations plants now in operation.

In looking ahead, three possibilities are evident. First, the government will continue to monopolize this field as at present. Second, each power plant will build its own separation, reprocessing and disposal units. Third, industry will build regional plants to compete with the government. The latter two possibilities are geared to the price that the government will pay for reprocessed fuel elements and from a longer term viewpoint the economic worth of radioactive by-products to industry.

Ultimately, this area offers a vast potential for participation by the chemical industry in the nuclear program.

Insurance—A Primary Consideration in Commercial Atomic Energy

A great deal of discussion has taken place concerning the overall problems of atomic insurance, but as yet no set program has been advanced by the insurance industry itself. Since a workable program is essential before industry commits itself to large scale commercial participation, it appears opportune to briefly summarize the major problems based upon the preliminary interim report of a special group of insurance executives organized with the cooperation of the AEC.

(A) Insurance for physical damage to reactors and equipment is feasible on a similar basis as limited insurance for presently hazardous industrial machinery. In translating the feasibility into practical coverage, the industry is hampered by the lack of historical standards and the wide variety of reactor types proposed for power plants.

(B) The threat of a major catastrophe due to reactor failure is the main unsolved problem, since there is no way in which to calculate the probabilities of loss and amount of coverages. This includes the magnitude of property losses, decontamination and workmen's compensation both at and outside of the reactor area.

(C) A problem associated with the first two has to do with insurance contracts covering business interruption in the event of accidents.

In some form or another, the government will probably have to step into the picture to guarantee risks resulting in liabilities beyond the limits established by the insurance companies. The magnitude of the problem can be seen in the effect of the contamination of the water supply of a major city by radioactive materials due to a reactor accident. Until the insurance companies have more than theoretical projections on which to base rates, it appears that government guarantees will be a necessity.

Process Radiation

One of the most promising commercial fields is that of process radiation. By subjecting materials to the rays emitted by various radioactive isotopes, changes are effected in the molecular or chemical structure. For example, certain plastics so treated have been greatly improved in strength and in their resistance to high temperatures. Radiation has been used to improve the electrical insulating qualities of certain materials. The Bureau of Mines, sponsored and assisted by the AEC, is engaged in research on the use of nuclear energy for the production of synthetic gas from coal. If successful, the process could eliminate some 70% of the size of present gas synthesis plants. Furthermore, it offers the possibility of a gas with the BTU efficiency approaching that of coal instead of the 45% efficiency now obtained.

Another field having fascinating possibilities is in the irradiation of food products. It has been found that the bacteria in meats, vegetables, and other foods are destroyed by the rays emitted by certain radioactive isotopes and that it may be possible to store irradiated food indefinitely without refrigeration. Radioactivity may also prove useful in sterilizing foods as well as drugs and medical supplies.

Isotopes—Controls and Research

A very large and broadly diffused business has already been build up through the use of various radioactive isotopes. Last year the Oak Ridge national laboratory alone made almost 70,000 isotope shipments to more than 1,100 industrial companies, 1,000 hospitals and over 450 government laboratories, universities and foundations. Perhaps no single phase of the nuclear industry affects so many activities. In agriculture isotopes are being used to trace underground water supplies, to study the exact action of fertilizers in promoting plant growth and in studying plant growth itself.

Industrial companies are putting isotopes to a great many uses. More than 300 companies are using them as thickness gauges in the production of such products as sheet metal, rubber and plastics. One control manufacturer is working on a combination of electronic computers with a radiation thickness gauge which it believes will make possible a completely automatic paper making operation. The oil and natural gas industry are using tracer gases which contain isotopes to measure the flow of gas and various oil products and to detect the points of separation in multiple product pipelines.

The dollar value of isotopes used in such processes is a very small measure of the benefits to industry. For example, $10 worth of tritium can be diluted with 50,000 barrels of oil and still be detected; but it is the indirect savings realized by industry that provide a truer measurement of the economic importance of isotopes which are estimated to be saving the United States industry some $100 million annually through the use of more efficient control devices alone.

Medical Uses

Medicine has a long experience with the use of radiation. It dates, in fact, back to 1898 when the Curies made their discovery of the nature of radium. Following the development of the hot cathode tube in 1913, the use of X-rays in diagnosis and treatment became an essential part of medical practice. Further progress was made with high voltage X-ray therapy machines in the treatment of cancer, but with the development of nuclear produced radioactive particles, an entirely new vista has opened up in medical science and in biochemistry. A profound change may take place in the approach to the general study of disease. The morphological concept of disease, which has to do with structural disorders, may well become secondary to the concept of disease as a functional alteration of vital mechanisms. Radioactive atoms can be introduced as tracers into the most complex and delicate molecules so that it is now possible to study the dynamic functions in the living state without injury to the individual. The use of isotope Iodine-131, and Phosphorus-32, in treating thyroid disorders and blood diseases are now standard practice. Radioactive gold has been found effective in the treatment of abdominal cancer. One of the most practical of atomic developments in the medical therapy field is the use of the more potent radio isotopes in teletherapy machines which are proving superior high energy X-ray machines. The prospect opened by experiments in the medical field suggests that within the next 50 years epidemics from infectious agents will cease to be a major threat to life and health. Probably the greatest contribution of nuclear science to medicine will be in providing new tools with which we may achieve a better understanding of the actual operation of the human mechanism.

Process Heat Reactors

A subject that curiously enough was not on the agenda of the Geneva Conference, but nevertheless is of great commercial interest, is the use of nuclear reactors simply as a source of heat. One UN paper estimated that if atomic energy is limited to electric power production, it is not likely to supply more than 20% of world energy requirements by the year 2000. Should atomic energy be used for the production of low cost heat as well, it could provide part of world energy requirements by the same year. It is interesting to note that forms of energy, mainly heat, account for approximately three times the average cost of electric power in all industrial processing in the United States. Some experts estimate that nuclear fuel costs when employed as sources of heat can fall as low as 10c per 1,000,000 BTU, as against approximately 25c for conventional fuel.

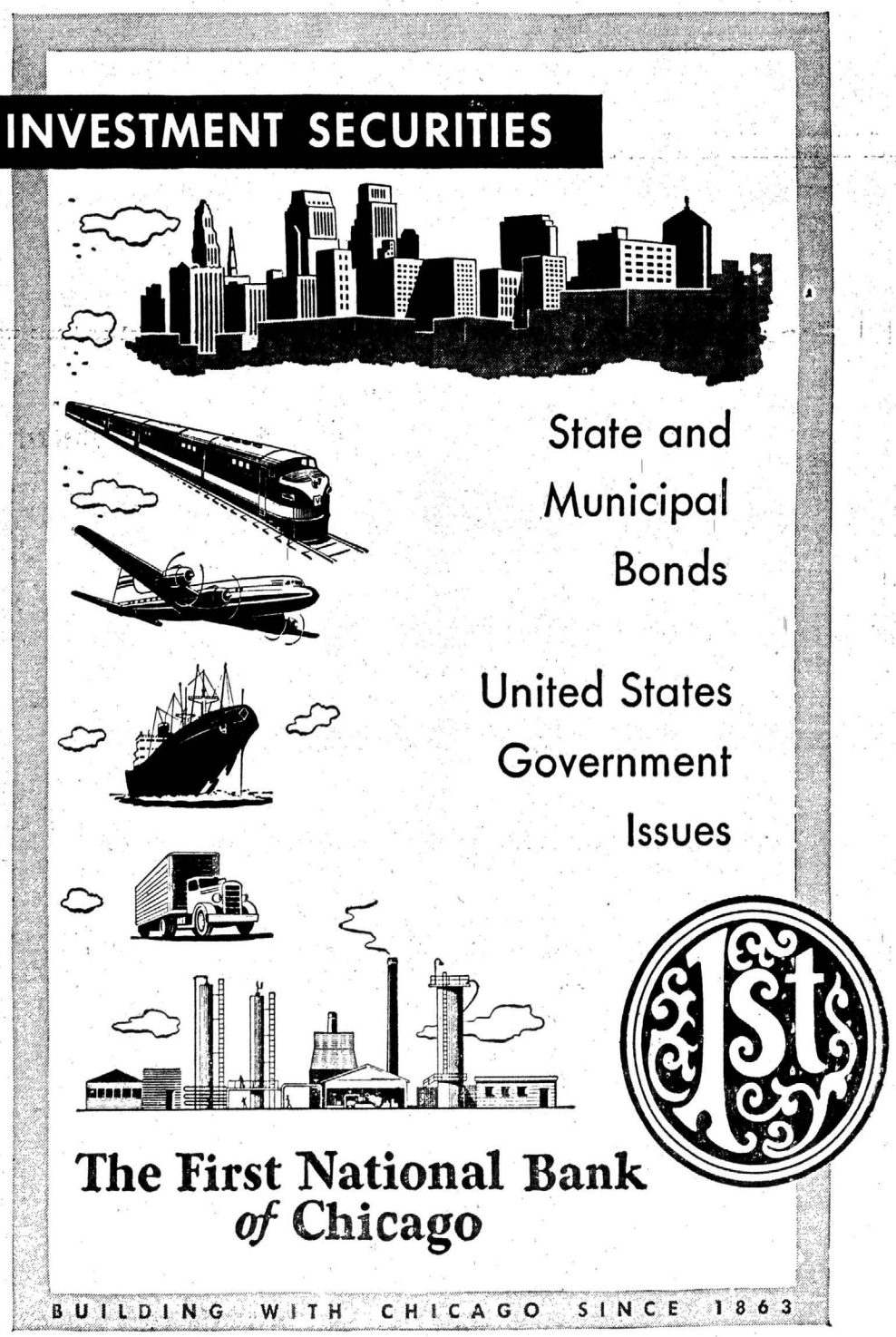
The industrial uses of heat are, of course, so numerous that it is unnecessary to catalog them. The basic problems to be solved in heat reactors concern the transfer of 2000-3000 degree Fahrenheit heat from the reactor to the industrial process. The AEC is currently seeking industrial companies to cooperate in developing a suitable process and similar efforts are reported to be under way in Canada.

Thermonuclear Power

Dr. Bhabha of India, President of the Geneva Conference, inspired extraordinary interest and conjecture in the potentialities of thermonuclear power, by expressing the hope that controlled fusion may be achieved within 25 years. It was subsequently learned that controlled fusion programs exist in the United States, the United Kingdom, the U.S.S.R., France, and India.

The AEC has announced that investigations in this field have been conducted since 1951 under the code name "Project Sherwood." The principal participants are Princeton University, University of California at its Livermore (California) laboratories and at

Continued on page 98



gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 97

Report of IBA Nuclear Industry Committee

Los Alamos, at Oakridge and New York University. The budget for the project was described at "not a large amount, and it is not a small one. It is quite a significant sum of money." The budget was about 1000% larger in 1954 than in 1953 and in the current fiscal year will be about double the total for the past two years.

In theory the idea of a fusion reactor is intriguing since there would be no problem of waste disposal and radioactivity, both major "stumbling-blocks" in the road to economic nuclear power. However, this is not a one way street since the problems of control and heating are immense ones. Consider the basic problem of heating a material to a temperature in the order of a hundred million degrees and holding it there for a period of time to permit the fusion to occur. Such temperatures are generated by the atom bomb for an extremely short time, perhaps several millionths of a second.

At the present time, however, there is not even a theoretical concept from which science could work to contain and control such tremendous heat, nor is there any other present scientific approach to fusion. In naming a period of time within which the basic theories may be conceived, nothing more than hope is being expressed and a guess of 10 years could as well be hazardous as one of 50 years. Until some scientific theory can be formulated there is no investment reason for considering fusion. Once the basic concept is laid down, it will take years to work it out on a practical basis. The only type of atomic power to be available in the foreseeable future is the fissionable materials.

Recent Developments in Nuclear Fuels

Three important developments have occurred in recent months pertaining to nuclear fuels. In the order of occurrence, they are: first, the new wave of enthusiasm for thorium as a source of power; second, the studied lack of publicity on the non-weapons potentials of the fusion (H-bomb) process, and third, the very bearish publicity on uranium supply and demand. Interestingly enough all three topics can find their origin in the activities of the Geneva Conference and its aftermath.

Thorium is known as a fertile fuel since it can be converted into fissionable material. Although the AEC has never announced a procurement program similar to uranium, it is publicly known that the Commission has been a buyer of the material. While some research has been done on the thorium concept, the U. S., at least publicly, has not been a strong proponent of the theory. Other countries, stressing its importance at Geneva, caused a wave of publicity. The Commission is by no means neglecting the development since one of the reactor types under development will use thorium. It has been speculated that the U. S. lack of enthusiasm is due to our position as the producer of the free world's A-bomb stockpile. Because of this basic responsibility, we supposedly have emphasized uranium from which comes plutonium, a key to the bomb at the expense of thorium. It might also be noted that our nation's investment in uranium facilities is estimated at $8 billion. The longer term outlook for thorium is far from clear. All that can be done is to watch for significant trends, which may be touched off by an official procurement program, an evaluation of the thorium reactor or new developments abroad.

The publicity on thorium and fusion resulted in bearish statements on uranium supply and demand which in turn resulted in sharp declines in uranium stocks. While in many, if not most of the cases, uranium speculation had gone too far, the outlook for the metal itself should be fairly stated as should the threat of obsolescence of fission reactors by fusion reactors. With regard to the latter point, the Commission states that those building or planning to build fission reactors, need have no fear that their investment will be outmoded before they have amortized their capital investment.

The supply demand situation of uranium is a difficult one to analyze because of the classified nature of production and consumption figures. Currently, the U. S. Government guarantees uranium prices until March 31, 1962. In effect, this means that the Commission will buy any ore having a specified uranium concentration. The Canadian Government acts as an agent of the U. S. Government with a similar policy. Recently, however, the latter announced that after March 31, 1956, no more special contracts would be negotiated.

As far as investment or underwriting interest in the uranium industry are concerned, the emphasis has returned to an analytical approach. That is, as in other mining operations, those companies with good reserves and farsighted managements have little to fear. The speculative promotional deal will soon show its true colors.

Uranium Stock Speculation

The price gyrations and trading activity in uranium stocks no longer make headlines in the financial press. Nevertheless, promotional activity in such issues has apparently increased throughout most of the present year. In the first nine months of 1955, a total of 398 issues with an aggregate value of $89,992,000 were filed under Regulation "A"; this compared with 159 issues with a value of $34,790,000 in the same 1954 period. For the same periods, 14 issues totaling $32,838,000 were fully registered in 1955 as compared with eight issues aggregating $17,321,000 in 1954.

However, an abrupt reversal of this trend may have occurred in September when there were no registrations and Regulation "A" filings dropped by 33% in number and 27% in value from the average of the proceding eight months.

Unfortunately, data on actual sales of new uranium issues are not available. However, a record of mining company issues under Regulation "A" filings in the period April 1, 1953 to Oct. 31, 1954, showed that of the total stocks offered by the issuer, only 19% were sold within six months to the extent of 85% or more of the amount offered; this ratio suggests that a substantial number of the ventures involved did not progress beyond the stock-selling phase. It is probable that a similar experience has attended uranium stock offerings.

Losses suffered by the public because of the extreme price depreciation of promotional uranium stocks have been sufficiently large and widespread to command the attention of legislative bodies. As usual ignorance, greed and cupidity were the principal ingredients in the indiscriminate speculation in uranium issues. Nonetheless, the disillusionment of those who have suffered losses spreads into investment fields and its aftermath impinges upon the operations of the entire investment community.

Both the investment fraternity and the Federal regulatory authorities are fully cognizant of the economic and political harm engendered by the issuance and sale of stocks which represent little more than "hunting licenses" and, in some, are outright stock-jobbing affairs. Nevertheless it is also recognized that a difficult problem exists of providing greater protection for the investing public without stifling legitimate risk ventures.

Corrective Measures

Several months ago the NASD sent nine examiners to make a mass examination of the accounts of all NASD member firms in District No. 3, which covers the states of Arizona, Colorado, New Mexico, Utah, and Wyoming. Some 151 firms were examined and a number of violations of NASD rules were uncovered. Disciplinary actions have been taken in a number of cases, both with respect to violations made in connection with the sale of uranium securities and other types of violations.

The uranium stock situation has had some influence in obtaining the passage of a new regulation by the NASD which will require all salesmen, officers, partners and sole proprietors of member firms who have not had one year's experience in the securities business to pass an examination. The examination will cover NASD rules and the financial regulations for firms dealing in securities. The new rule has been approved by the Board of Governors of the NASD and by the SEC, but it is not effective as yet. It will become effective as soon as the examination has been formulated, which will probably take about six months. The regulation will be applicable to existing member firms as well as new firms.

Regulation "A" and "D"—Consolidation and Revision

The Securities and Exchange Commission has made a thorough study of the problem and has proposed a Revision and Consolidation of Regulation "A" and Regulation "D." One of the principal features of revised regulation would be the following special requirements which would apply only to promotional companies:

(A) The securities to be offered would have to be qualified for sale in the State or Province in which the issuer has its principal business operations, and offered for sale in such State or Province concurrently with the offering in other jurisdictions.

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

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

(D) In computing the amount of securities which could be offered under the new regulation, there would have to be included the amount of all securities issued or proposed to be issued, for assets or services or to directors, officers, promoters, underwriters, dealers or security salesmen, and held by them, except to the extent that such securities are es-

Underwriters—Brokers *Listed & Unlisted Securities*

STRAUS, BLOSSER & McDOWELL

MEMBERS NEW YORK STOCK EXCHANGE • MIDWEST STOCK EXCHANGE
DETROIT STOCK EXCHANGE • AMERICAN STOCK EXCHANGE (ASSOCIATE)

39 SOUTH LA SALLE STREET
CHICAGO 3, ILLINOIS

NEW YORK
DETROIT
KANSAS CITY

TELEPHONE
ANdover 3-5700
TELETYPE
CG 650

MILWAUKEE
GRAND RAPIDS
MT. CLEMENS

PRIVATE WIRE SYSTEM COAST TO COAST

Retail *Trading*

WHITE, WELD & CO.

Members New York Stock Exchange
and other Principal Exchanges

231 South La Salle Street, Chicago 4

•

Underwriters, Brokers and Dealers in

INDUSTRIAL AND PUBLIC UTILITY SECURITIES
STATE, MUNICIPAL AND AUTHORITY BONDS
CANADIAN AND FOREIGN SECURITIES

•

NEW YORK BOSTON PHILADELPHIA
LOS ANGELES SAN FRANCISCO
NEW HAVEN HAGERSTOWN MINNEAPOLIS
LONDON AMSTERDAM

U. S. Government
State and Municipal Bonds

Investment Division

American National Bank
and Trust Company of Chicago

LA SALLE AT WASHINGTON • FRANKLIN 2-9200

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
http://fraser.stlouisfed.org/

crowed or otherwise effectively held off the market for a period of one year after the commencement of the offering under the new regulation.

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

It is believed that in principle the Commission's revisions are soundly conceived and that they represent a constructive approach to providing specific safeguards within the present regulatory framework.

We have been again reminded of the need for more efficient self-regulation and more effective means of self-policing. It is evident that the machinery of investigation and regulation is often too cumbersome to deal with rapidly developing situations in which potential harm to the public and embarrassment to our business are clearly apparent. We have, perhaps, been too cautious in failing to adopt a bold and forthright publicity policy of bringing to public attention the hazards of that type of speculation that thrives on the exploitation of the uninformed.

Individual Member Regulation

Many investment firms, on their own initiative, have taken a strong position in discouraging the purchase of low-priced uranium issues. The Stock Exchange Relations Committee made a survey of leading New York Stock Exchange firms, including several western firms, which because of their location were particularly exposed to such business, revealed that a determined effort was being made to minimize to the greatest posible extent the acceptance of orders for such issues. Specific regulations most generally adopted include (1) Refusal to participate in new issues, (2) Prohibition of solicitation of orders for low-priced oil, uranium, or other mining stocks, (3) Refusal of new accounts opened for the sole purpose of buying such issue, (4) Requirement of a letter from customer accepting responsibility for purchase and stating that the business was not solicited, and (5) Approval of all orders by partner or office manager.

Some firms have a blanket prohibition against accepting any orders in penny uranium stocks; others will accept orders only if the issue is fully listed on a United States or Canadian stock exchange. A few firms do not allow sales credit to representatives or branch offices on commissions from penny stock transactions. The general attitude was clearly expressed by one firm in explaining its policy with respect to penny stocks: "We realize that it will, to all intents and purposes, put us out of the penny stock business. That is why the decision was made."

We noted a request made by a leading exchange member, and we concur with it, that one of the associations prepare a statement of policy with respect to "penny" stocks that would provide guidance to individual firms.

Trends and Developments to Watch For

(1) Technological "breakthroughs" in the areas of waste disposal, fuel rod efficiencies, shielding, etc., and, ultimately, fusion.

(2) Increasing activity in nuclear propulsion. One expert states that 70% of reactor development within the next decade will be in this area. Success of past and present program is seen in six new nuclear submarines now scheduled for construction. It is believed that aircraft nuclear propulsion project has been greatly accelerated.

(3) Government policy regarding participation of domestic companies in foreign projects. Political implications are an important consideration.

(4) Export business of English companies in selling reactors to rest of world. The absence of strict security places foreign companies at a competitive advantage in seeking early markets. The United Kingdom may well be in a solid position. Over the longer term, watch Western Germany. Atomic energy in its applied form is her type of industry. With no nuclear military problem, Germany's investment in commercial reactors may well equal that of the United States and the United Kingdom by 1965.

(5) Official government announcements concerning the adequacy of the stockpiles of fissionable materials. Such published data relationship may not only have a bearing on AEC operating policy, but almost certainly on the planning and projections of private companies, both domestic and foreign, either active in or anxious to participate in the nuclear industry.

Respectfully submitted,

NUCLEAR INDUSTRY COMMITTEE

ATOMIC ENERGY COMMITTEE

William S. Hughes, Chairman
Wagenseller & Durst, Inc.
Los Angeles

William R. Grant, Vice-Chrmn.
Smith, Barney & Co.
New York

Robert B. Anderson
Hill Richards & Co.
Los Angeles

Richard de La Chapelle
Lee Higginson Corporation
New York

Philip J. FitzGerald
Dean Witter & Co.
San Francisco

Donald B. Macurda
The First Boston Corporation
New York

Continued from page 31

Tasks Confronting the IBA

and their ability to provide results for the overall effort. Our internal relationships come about through the manner in which we *sell* the technical information created by committee workers. It is not enough that reports be prepared and laid out for distribution. It is essential that the meat of this work should be broadcast more effectively through being presented to the boys back home —and when I say "boys" I mean the younger fellows producing business, who need the background material on industries, government, etc., to fortify them in their selling efforts. Information prepared by experts is ideal for use among men who are building a clientele and who do not have within their immediate organizations technical research men to provide up-to-date data for sales use.

Going back into the country—to the grass roots — and working through our group organizations there is much that can be done to stimulate the active interest of young men in the work of IBA committees. It is to the benefit of all to broaden their horizon and to let the producers of factual data be challenged by knowing that their work actually will be used. It will be equally stimulating to me to discuss key points in these reports with groups, which I may call upon, and to encourage their broader study by young men if I can but sell them on the practiec of being informed.

Here is my concept of internal relations for IBA. Through our group leaders, let us call upon the Junior Bond Clubs, Street Clubs, Sand Boxers, the members of which are in the 30-40 bracket, to set up within their own organizations selected small groups to study and review independently some of the major subjects being covered by our senior committees. Let these studies be sent to the chairmen of the senior committees for their review and if the work is of real value, call in the young chairman to join the senior group (1) to present the ideas of his group for inclusion in the report and in turn (2) to report back home on the finished effort in which he participated.

Encouraging Young Men Into the Industry

From checks which I have made personally I know that the young men of our business stand ready to hear what IBA can do for them. Furthermore, they are ready to make contributions to the procedure which is beneficial to us all, and lastly, through these young men's organizations, we can pass back all of the highly constructive information which is so beneficial to the members — particularly the younger ones. The accent is on youth and it is the youth of today who will be the active IBA member tomorrow.

One of the most vital requirements of our industry is to have younger men coming along. Those who are presently with us may be called upon sooner than they think to assume positions of responsibility and leadership. To this end the IBA Wharton School course has contributed greatly toward the development of younger executives. For this coming Spring, a broader course has been set forth — broader in the sense that more time is to be devoted to subject matter designated as being of greater interest to the students by the member firms. Once again, senior men from our industry will join with professors on the Wharton faculty to present as fine a coverage of finance, industry and merchandising as can be directed to a group of men. Education within the industry—all supplemental to the correspondence courses and text books presently available—is the activity which has been and in 1956 will be so ably directed by Johnnie Meade and his chosen committeemen.

Surely there is no argument as to the necessity of each firm having young men coming along. To choose these men we must compete with other industries by going to the campuses of our nearby universities and selling the merits of our field of activity to the graduating seniors. Other people do this with success and we can do likewise.

I am looking forward to the coming year with real enthusiasm. A highly capable and sincere group of men has been chosen to represent the various parts of our country, and IBA has a very capable staff. In working together I am sure that we shall conclude many constructive things for the industry of which we are all a part.

With Brown, Madeira

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, N. C.—John V. Huff is with Brown, Madeira & Company of New York.

R. L. Ingold Opens Own Adv. Agency

PHILADELPHIA, Pa. — R. L. Ingold has opened offices in the Land Title Building to handle financial and institutional advertising. Mr. Ingold was formerly with Albert Frank-Guenther Law, Inc.

Cooper-Hartert Opens

GREAT NECK, N. Y. — Ned Cooper and William H. Hartert have formed Cooper-Hartert Co. with offices at 20 Clent Road to engage in a securities business.

Forms Greenwald Co.

NORTH BELLMORE, N. Y.—Greenwald & Co. has been formed with offices at 1122 Harrison St. to engage in a securities business. Partners are Seymour Greenwald and Rosalind Greenwald.

Joins A. G. Edwards Sons

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Charles R. Bach is now with A. G. Edwards & Sons, 336 Maine Street.

With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Gus A. Kasapis is now with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exxchange.

Joins Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Gerald Schweiger is with the Continental Securities Corporation, 207 East Michigan Street.

A. G. Becker & Co.
INCORPORATED
Established 1893

Underwriters and Distributors
Brokers of Listed and Unlisted Securities
Municipals *Commercial Paper*

Members
NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE
MIDWEST STOCK EXCHANGE SAN FRANCISCO STOCK EXCHANGE

120 So. LaSalle St.
Chicago 3
Telephone: FRanklin 2-6100
Teletype: CG 1089

54 Pine Street
New York 4
Telephone: WHitehall 3-2800
Teletype: NY 1-3433

And Other Cities

A. C. Allyn and Company
INCORPORATED

Underwriters and Distributors
of
Public Utility, Industrial and Municipal
Securities

Since 1912

• • • • •

A. C. Allyn & Co.
MEMBERS

New York Stock Exchange
Midwest Stock Exchange
American Stock Exchange (Associate)

Chicago New York Boston

gitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 33

A Busy Year for the IBA

dent of the Edison Electric Institute and President of the Georgia Power Company; and Thomas B. McCabe, President of the Scott Paper Company and former Chairman of the Federal Reserve Board. We are deeply indebted to them and I have no doubt we will greatly benefit from their comments and advice.

You are urged to examine and take home for the benefit of your organizations, the reports of our various committees which are available here. These committees do far more work throughout the year than many members realize, and a great deal of thought and research are required in the preparation of their reports. The Educational Committee report, for example, will point up the varied activities of that committee, such as the successful fifth year of the Institute of Investment Banking held in conjunction with the Wharton School at the University of Pennsylvania — their college recruitment program—the Invest-in-America celebration, which had 21 cities participating this year and which will have more in 1956. We are a co-sponsor with five other segments of the securities business of the program conducted by the Joint Committee on Education at New York University. Under the program college professors from all part of the country are brought to New York to see and learn at first hand the mechanics and operation of our industry.

It is noteworthy that our important Governmental Securities Committee met with the Treasury and other Departments of Government five times during the year. We were represented at 13 legislative and other hearings in Washington, Denver and New York by various well-qualified persons on difficult assignments.

Cooperation With Other Organizations

At our Convention just a year ago, I promised to do all I could to continue the close cooperation among the associations representing all segments of our industry and this has been done. I predict this most beneficial cooperation will continue to increase in effectiveness in the years to come.

Your President was invited to be in the programs of various other associations during the past year. These included the Annual Convention of the National Association of Securities Administrators at Vancouver and Victoria; the American Bar Association Convention (Municipal Law Section) in Philadelphia; and the Transportation Association of America meeting in Chicago. I accepted the invitation of the National Association of Manufacturers to speak on their national hookup radio program. I have participated in two varied TV programs. Representatives of the Association have attended the three meetings of the Conference of National Organizations. We were also invited to the excellent Annual Meeting of the Investment Dealers' Association of Canada at Murray Bay. IBA was one of the co-sponsors of the Inter-American Investment Conference held in New Orleans in March. Bob Craft has attended several subsequent meetings in connection with development of this organization and has represented the IBA admirably.

I also stated here last year that we would intensify our work in the direction of improving our public relations. We have made more progress than I expected. Including the usual press conference at Hollywood, Murray and I have had 18 such conferences with 63 financial editors and reporters in all parts of the country. The cooperation we have received from the press has been excellent, and resulted in many columns in numerous newspapers and periodicals on varied subjects. This I believe has been in the interests of the investing public and the industry throughout the country. In addition, I have called upon individual members of the press in their offices in New York and Chicago, telling them of our varied interests and problems. I have asked them for suggestions and received some excellent ones. I heartily recommend that this effort be continued so that there will be a better understanding of the purposes and activities of our Association.

I also suggested last year that we look critically at ourselves as an industry to be certain that we are serving the public as effectively and constructively as possible. After seeing our Association membership in operation in all parts of the country I feel confident that our members do recognize the great responsibility which we have to the investing public and are acting accordingly.

The Bank-Dealer Controversy

Probably the most difficult problem which we have had to consider this year has been the "Bank-Dealer controversy" — the desire of some banks to be permitted to underwrite and deal in certain revenue bonds. On June 22, the Bricker Bill, which pertains to this subject, was introduced in the Congress. In view of the fact that the IBA has members on both sides of this controversy, we found ourselves in the middle of it. Your Executive Committee and Governors have given serious consideration to this problem all year and have kept two fundamental principles in mind: (1) that the question should be decided in the public interest, and (2) that the question will be resolved in Congress and not by the IBA. While this problem was just in the discussion stage, the Board decided that we should maintain a strictly neutral position. With the introduction of the Bill, however, it became a definite legislative proposal and a different situation. The Governors accordingly decided that a secret ballot should be taken of the entire membership of the IBA—the distribution and recording of this ballot to be handled entirely by Arthur Andersen & Co. The balloting was completed on Oct. 15, 1955. Results of the ballot will be delivered by Arthur Andersen & Co. to our Board of Governors at this Convention, at which time the results will be known for the first time by anyone in the IBA, and the Governors will undoubtedly decide what use shall be made of it. Having the ballot completed means that our Association is now prepared to reflect the views of its members in the event that we are requested to appear before Congressional hearings. It is clear to me that the position of our Board of Governors has been the correct one to date. Anything which takes place hereafter will be the responsibility of the new Board to be installed at this meeting. The matter of a secret ballot could have been held over until next year, but personally I am very glad to have had the matter settled during my administration, inasmuch as this has been the period of heavy controversy, and I am glad to have it resolved, rather than to be in the position of having "passed the buck" to the succeeding administration.

Problem of "Variable Annuities"

Another problem that has gravely concerned us is that of "variable annuities." As you know, several insurance companies are proposing the issuance of "policies" or contracts called "variable annuities." Premiums paid would be invested in equities. If a policy should be discontinued, or the policyholder should pass away, the amount paid back would be the proportionate asset value of the annuity units involved, whether the amount be more or less than the premiums paid. Obviously, this changes the concept of insurance and of annuities as we have known them in the past. We perhaps cannot quarrel with this change of concept; that is primarily a problem of the life insurance industry. We can quarrel, however, with the regulatory requirements, or the rules of the game, applying to the sale of such so-called "annuities" inasmuch as this kind of a contract is nothing other than a "security" in our judgment. The Securities Acts of 1933 and 1934 were enacted for the protection of the investing public. The only regulation to which the sale of variable annuities would be subjected would be the supervision of the respective State Insurance Commissioner. This new device would completely circumvent the SEC registration and other requirements, the NASD regulations, the Blue Sky administrators of the respective states and would have a most favorable tax position.

IBA has cooperated with the National Association of Investment Companies and other associations in attempting to see that if variable annuities are to be sold they should be recognized as being securities and regulated as such. The Securities and Exchange Commission recently has been formally asked by the National Association of Securities Dealers for a ruling as to whether a "variable annuity" is a security, and the question is otherwise before the Commission. Depending upon the Commission's decision, and, indeed, possibly on the tax problem presented, it may be necesary to take this matter to the Congress.

Speaking personally, it is difficult for me to understand why insurance companies would be willing to jeopardize their record of paying out on fixed dollar contracts and their present high standing with the public by sale of variable annuities. The 1930s proved that there may well be no such thing as a "new era," and we will probably all agree that we may have substantial fluctuations in the stock market at intervals in the years to come. If insurance companies should succeed in selling a large volume of these so-called "variable annuities," to what extent might a major decline affect the present standing of the insurance industry and its agency plant or sales organization and thereby diminish its effectiveness with respect to normal life insurance business? It seems to me that the disadvantages to the insurance industry involved in the sale of variable annuities far outweigh the advantages. Based upon the literature which I have seen up to this time with respect to variable annuities, my reaction is that the insurance companies and their salesmen selling variable annuities should be subject to as much, if not more, regulations than that now applying to issuers of corporate securities and dealers therein. We should not stand aside and permit the sale of securities under the misnomer of "variable annuities" by many thousands of insurance salesmen who are not subject to the regulations applicable to the sale of securities.

You will hear much more about this problem in the months ahead and it should be watched very closely.

Sale of Uranium and Venture Oil Stocks

Another serious problem which I have pointed up all year has been the sale of penny uranium and venture oil stocks by what I consider unqualified salesmen and unqualified dealers. In all of my talks and press conferences throughout the country I have suggested to the investing public that they "know their dealer — know their security." Granted, the discovery and production of uranium is a vital and important industry; however, up to this time, I feel that the promotional sale of such securities is a business quite different from the intelligent guiding of the investing public which experienced qualified dealers have attempted to do over the years. We do not want the unqualified dealers placed in

Bacon, Whipple & Co.
Investment Securities
Chicago New York

Members
New York Stock Exchange
Midwest Stock Exchange
American Stock Exchange (Associate)

Partners
William T. Bacon, John D. Ames, Harold H. Sherburne, Jay N. Whipple, Ernest F. Hartshorne, Francis R. Schanck, Jr., Leslie Wagner, William D. Kerr, Robert B. Krell, Harold A. Bray, Gordon Bent

John J. O'Brien III Albert J. Payne R. Edward Garn Joseph M. Fitzgerald
David S. O'Brien H. A. Graver Evans Spalding Alvin H. Hayward

JOHN J. O'BRIEN & CO.
Members
New York Stock Exchange and
Other Principal Exchanges

CHICAGO
231 S. LA SALLE ST.
RANDOLPH 6-8161

NEW YORK
ONE WALL STREET
DIGBY 4-0700

RODMAN & RENSHAW
Members:
New York Stock Exchange, American Stock Exchange (Assoc.)
Midwest Stock Exchange, Chicago Board of Trade
Chicago Mercantile Exchange

209 SO. LA SALLE ST. CHICAGO 4

Telephone DEarborn 2-0560
Teletype CG 2296

FAIRMAN, HARRIS & COMPANY, INC.
Members: New York Stock Exchange — Midwest Stock Exchange

Distributors of
Corporate and Municipal Securities

209 S. La Salle Street
Chicago 4, Illinois

52 Wall Street New York 5, N. Y.

Gary, Indiana — Emporia, Wichita
Salina, Garden City, Kan.

Direct Private Wires to:
W. E. Hutton & Co., N. Y.
New York Hanseatic Corporation, N. Y.

COMPLETE TRADING FACILITIES
SPECIALISTS IN LOCAL MARKETS

gitized for FRASER
p://fraser.stlouisfed.org/

the same category with the legitimate dealers, wnich could make us vulnerable to becoming a political football such as we were through the 1930s and the early 1940s. This year we have tried and, I believe, succeeded in establishing a substantial public record of constructive action which is a starting point for the years to come.

Well, that about concludes the account of my stewardship, some of the activities of our various committees and others, and some of our problems during the past year. It has been a busy year, as I indicated at the outset, a rewarding one so far as I am concerned and, I think, a productive one. But before closing, I should like to make a few gratuitous personal comments about the future.

Hemming in the Margin of Profits

Over the past decade, our industry has seen various developments which have tended to hem us in from the standpoints of the number of issues available for distribution and livable margins of profit. First it was compulsory competitive bidding and private placement, and only recently we have seen very large amounts of financing by means of private placement without the use of an investment banker even as an advisor. The proposed Fulbright Bill would have an important volume impact upon the Over-the-Counter Market. Then too, we are confronted with questions like "variable annuities," already noted. We have also observed the development of long-term bank loans which formerly were underwritings for our industry. Each of these are affecting varied segments of our industry and are reducing the amount of available securities for the non-institutional investing public.

All of these developments are clear indications that ours is a dynamic and highly competitive industry, and that is as it should be, but at the same time these developments point up the necessity of being ever watchful of unnecessary or arbitrary obstacles placed in the way of the normal underwriting business — whether they be governmental regulations, tax considerations or otherwise, or lack thereof—so that we can continue to be able to compete on a fair basis. When we encounter such unfair obstacles I think we should vigorously take the lead in seeking their removal.

Our present era of prosperity is common knowledge and extends to nearly all parts of the economy. The Eisenhower Administration, in my judgment, can take much credit for this happy situation because of the wisdom, honesty and fairness with which it has attempted to conduct the affairs of the nation. With the present gross national product at an all time high of $392 billion, it has meant that there have never been more men at work, with higher wages and with more purchasing power in their take-home pay, than there is at the present time. Proposed expansion plans of many industries and predictions of several of our foremost economists would indicate that the economy of the country should continue at its present level or higher for some time to come. If the estimates are correct that our population will be in excess of 200,000,000 by 1975, surely in the intervening years the momentum thus created should further expand our economy. In this expansion we have a vital role to play, as we have in the past, and I am sure we will live up to our opportunities and responsibilities. I think the young man coming into this business today who is fitted for it has a great future ahead.

And without going into the matter of foreign policy, it must be clear to all that the health of our economy is vital to the economy of the other countries of the free world. It is imperative, therefore, that we do all within our power to maintain a healthy, vigorous and growing economy in the months and years ahead.

And perhaps we should play a larger direct part in this all-important current battle for the minds of men everyone and reexamine some of our old slogans and phrases which our enemies in this battle have given new and distorted meanings by their propaganda and othewise. I was much impressed by the address of President Jack Young of the Investment Dealers' Association of Canada at Murray Bay, wherein he went into this problem at considerable length and questioned the wisdom of our using such phrases as "free enterprise" or "competitive enterprise" to describe our economy and way of life in view of the manner in which these phrases have been distorted by our enemies. Perhaps we do need to go on the offensive and devise better ways of precisely describing our way of life. President Young stated his preference for the term "consumerism." I have thought a great deal about his comments, and perhaps "individual enterprise" would be a happy phrase to point up the importance of each individual and the fact that he is the real basis of our economy. However that may be, I merely want to leave the idea with you, and I hope we can play an effective and larger part in this effort in the years to come. And finally, I am always mindful of the words of our esteemed Past President Joseph T. Johnson, who has said many times that we should "stand up and be counted" on national questions as well as those directly affecting our industry. I think it can be said that we are at least beginning to do just that, and I think the IBA will prove to be more effective and important in the years to come if we continue to do so.

It has been a privilege to have served as your President. It has been an exciting year—the experiences of which I shall always cherish.

J. P. Morgan Co. to Acquire New Building

J. P. Morgan & Co. Incorporated has concluded preliminary arrangements for the acquisition of the 38-story office building at 15 Broad-35 Wall Street in New York from the Chase Manhattan Bank, it was announced jointly by Henry C. Alexander, Chairman of the Board of Morgan's, and John J. McCloy, Chairman of Chase Manhattan.

Final consummation of the transaction awaits preparation and approval of formal documents and clearing of details, probably requiring a number of weeks. Terms of the transaction are not to be announced, but Mr. Alexander stated that long-term financing arrangements between the buyer and seller provide for payment of the purchase price over a period of years from operating revenues of the building.

The Morgan chairman called the acquisition "an ideal solution to our space problem, which has become more acute with the continuing growth of our operations." The building to be acquired adjoins on two sides the 23 Wall Street Building, long a landmark at the corner of Broad and Wall Streets, which houses the Morgan bank and which will continue as its headquarters.

The 15 Broad-35 Wall Street Building is the fifth largest in the financial district in terms of rentable area. Acquisition of the building will give the Morgan bank possession of the entire blockfront on Broad Street between Wall Street and Exchange Place, and about half the frontage on Wall between Broad and William. The bank will own a land area of nearly 40,000 square feet, or about half that of the entire Wall-Broad-Exchange Place-William block, often called the choicest in the financial district.

J. P. Morgan & Co. has rented space on several floors of the 15 Broad-35 Wall Building for a number of years, carrying on an important part of its operations there. Removal of the Chase Manhattan from the space it occupies in the structure, when this becomes feasible under its building program, will free additional space for use by Morgan's without disturbing present tenants and will make some further space available for rental. Chase Manhattan wil continue to operate a branch office at 11 Broad Street, in the building to be acquired by Morgan's.

The four-story Morgan bank building at 23 Wall, known the world over as "the Corner," was completed in 1914. Under the direction of J. Pierpont Morgan, prior to his death in the preceding year, it was designed to be large enough for any conceivable future expansion. Located in the "Corner" building, which will continue as the bank's principal building, are the bank's executive offices, general banking department, trusts and investments department, and dining rooms.

Alling Woodruff Joins Nat'l Secs. Research

Alling Woodruff has joined the investment management staff of National Securities & Research Corporation, 120 Broadway, New York City, sponsors and managers of the National Securities Series of mutual funds, according to an announcement by H. J. Simonson, Jr., President of the corporation.

Alling Woodruff

Mr. Woodruff, who will serve as a research executive in the corporation's industrial division, will specialize in the automotive and machinery industries. He previously was a Vice-President of Management Planning, Inc. and prior to that was associated with Standard Reserch Consultants, Inc., and Standard & Poor's Corporation.

With Milwaukee Co.

MILWAUKEE, Wis. — Charles W. Gifford has become affiliated with The Milwaukee Company, 207 East Michigan Street, members of the Midwest Stock Exchange.

U. S. GOVERNMENT, STATE, AND MUNICIPAL BONDS

THE
NORTHERN TRUST COMPANY

FRANKLIN 2-7070 • Bell System Teletype CG 368
CHICAGO
•
NEW YORK REPRESENTATIVE
15 BROAD ST., DIGBY 4-7400
Bell System Teletype NY 1-853

SINCE 1890
Stifel, Nicolaus & Co., Inc.
65 Years of Investment Banking
Underwriters & Distributors
Municipal Obligations
Toll Road Facilities
Bridge Revenue Bonds
Water & Sewer Revenue Bonds
Public Utilities
Industrial & Corporate Securities

CHICAGO 3 — 105 W. ADAMS STREET
ST. LOUIS 2 — 314 No. BROADWAY

CENTRAL REPUBLIC COMPANY
(Incorporated)
209 SOUTH LA SALLE STREET
CHICAGO

UNDERWRITERS AND DISTRIBUTORS
OF
INVESTMENT SECURITIES

New York Minneapolis Omaha Des Moines St. Louis
Milwaukee St. Paul Cedar Rapids Denver Galesburg

Member of Midwest Stock Exchange

NONGARD & COMPANY
INCORPORATED
105 W. Adams St., Chicago 3, Illinois

Underwriters and Dealers
MUNICIPAL and PUBLIC REVENUE BONDS

Telephone DEarborn 2-6363
Teletype CG 385

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 49

Report of IBA Aviation Securities Committee

surance company loans unless they can offer securities that the statistical services will rate on a basis that will justify interest rates competitive with those being offered by the insurance companies in their direct negotiations with the carriers.

Equipment Trust Certificates: Equipment trust certificates, so common in railroad financing, have rarely been used to finance airline equipment purchases. An important reason for this is to be found in the fact that the bankruptcy laws do not give the aircraft trustee owner, acting on behalf of the equipment trust certificate holders, a clear right to repossess the equipment in case of proceedings under the Bankruptcy Act, whereas in the case of railroads there is a special provision in Section 77 (j) which reserves the right of the trustee owner of railroad rolling stock to take possession of the property in compliance with the terms of the lease of the rolling stock to the railroad.

TABLE I
Summary of Sales and Earnings of the 15 Largest Aircraft Manufacturers
(in millions)

Fiscal Years—	Sales	Pretax Income	As % of Sales	Taxes*	As % of Pretax Income*	Net Income	As % of Sales
1955 (Interim Reports)†	$4,415.7	$339.8	7.7%	$178.6	52.6%	$161.2	3.7%
1954 (Interim Reports)†	4,104.7	298.9	7.3	153.7	51.4	145.2	3.5
1954	6,705.2	509.0	7.6	260.1	51.1	248.9	3.7
1953	6,581.4	450.4	6.8	293.8	65.2	156.6	2.4

*Average taxes for the group are below what most companies have experienced because of the lack of any tax liability for Martin in 1953 and only a 5% tax rate for Martin in 1954.

†Interim reports in 1955 are the latest published figures of the 15 companies. 1954 interim figures are for the comparable periods of 1954.

NOTE—Table includes:

Bell	Fairchild	McDonnell
Boeing	General Dynamics	North American
Chance Vought	Grumman	Northrop
Curtiss-Wright	Lockheed	Republic
Douglas	Martin	United

SOURCE: Annual and interim reports.

The Aviation Securities Committee recommends that consideration be given to asking the appropriate Committees of Congress to introduce legislation to amend the bankruptcy laws to enable the airlines to issue equipment trust certificates with the same rights, in the event of bankruptcy, as the equipment trust certificates issued to finance railroad equipment purchases. It is felt that the passage of such legislation would enable the investment banking industry to play a more important role in meeting the capital needs of the airlines.

Respectfully submitted,

AVIATION SECURITIES COMMITTEE

William Barclay Harding, Chairman
Smith, Barney & Co.
New York

Maurice H. Bent
Merrill Lynch, Pierce, Fenner & Beane, New York

Henry W. Cohu
Cohu & Co.
New York

Richard W. Courts
Courts & Co.
Atlanta

Hugh Knowlton
Kuhn, Loeb & Co.
New York

Salim L. Lewis
Bear, Stearns & Co.
New York

Donald N. McDonnell
Blyth & Co., Inc.
New York

Richard W. Millar
William R. Staats & Co.
Los Angeles

Cortelyou L. Simonson
Morgan Stanley & Co.
New York

David L. Skinner
Harriman Ripley & Co., Incorporated, New York

Murray Ward
E. F. Hutton & Company
Los Angeles

TABLE II
Price Action of Aviation Securities Since 1951 Compared with the General Market
June 1951 = 100

	Composite Index 480 Stocks*	Five Airline Cos.†	Airlines as % of Composite	Eight Aircraft Mfg. Cos.‡	Aircrafts as % of Composite
1951—June	100.0	100.0	100.0%	100.0	100.0%
December	106.3	114.1	107.3	106.1	99.8
1952—June	109.3	94.1	86.1	110.6	101.2
December	114.7	99.6	86.8	121.0	105.5
1953—June	106.5	92.7	87.0	120.9	113.5
December	111.1	83.5	75.2	143.4	129.1
1954—June	129.2	90.7	70.2	217.4	168.3
December	154.0	147.6	95.8	308.5	200.3
1955—June	175.1	190.2	108.6	311.0	177.6

NOTE—Figures computed from Standard and Poor's Index, adjusted to a base period of June, 1951.

*420 Industrials, 20 Rails, 40 Utilities.

†American, Eastern, Pan American, Trans World, United.

‡Boeing, Curtiss-Wright, Douglas, Lockheed, Martin, North American, Republic, United.

TABLE III
Aircraft Manufacturing Industry Public Financing

	1953	1954	9 Months, 1955
Bonds or Debentures	------	------	------
Convertible Debentures:			
Greer Hydraulics	$1,500,000	------	------
Servomechanisms	------	$2,000,000	------
General Dynamics	------	------	$40,000,000
Lockheed Aircraft	------	------	30,000,000
			$70,000,000
Preferred Stock	------	------	------
Common Stock:			
Doman Helicopter	$161,556	------	------
Gyrodyne Corp.	1,000,000	------	------
Nagler Helicopter	299,000	------	------
Fairchild Engine	------	$6,497,449	------
Colonial Aircraft	------	------	$300,000
Garrett Corp.	------	------	6,371,145
Robinson Aviation	------	------	230,000
	$1,460,566		$6,901,145
Total	$2,960,566	$8,497,449	$76,901,145

(SOURCE: Investment Dealers Digest)

TABLE IV
Air Transportation Industry Public Financing

	1953	1954	9 Months, 1955
Bonds or Debentures:			
Aviation Equip. Corp.	$1,000,000	------	------
Convertible Equip. Trusts:			
Air America	$300,000	------	------
Convertible Debentures	------	------	------
Preferred Stock:			
Aviation Equip. Corp.	$400,000	------	------
Common Stock:			
Aviation Equip. Corp.	$150,000	------	------
Mackay Airlines	299,500	------	------
New York Airways	1,250,000	------	------
North Central Airlines	287,264	------	------
Pacific Northern Airlines	1,080,000	------	------
U. S. Airlines	*120,245	------	------
Meteor Air Transport	------	$299,700	------
Braniff Airways	------	------	$5,758,050
	$3,187,009		
Total	$4,887,009	$299,700	$5,758,050

*Estimated.

(SOURCE: Investment Dealers Digest)

Standard Oil Head Views Atom As Energy Partner

M. J. Rathbone, President of Standard Oil Company (N. J.) tells New York Society of Security Analysts, it is clear that the world needs and will use all the energy it can get economically

In the course of an address before the New York Society of Security Analysts in New York City on Dec. 5, M. J. Rathbone, President of the Standard Oil Co. (New Jersey), states that his company welcomes the atom "as a partner in energy supply."

M. J. Rathbone

Concerning this, Mr. Rathbone stated:

"In the face of these really enormous potential increases in demand for oil, I think you can understand why the Jersey company welcomes the atom as a partner in providing energy for mankind. It seems pretty clear that the world needs, and will use, all the energy that it can get on a reasonably economic basis. The atom will probably take some time to work itself into the world's energy pattern; we expect, for example, that by 1975 its contribution to domestic energy needs may add up to about 2% of the total. The proportion will undoubtedly be higher abroad, and there also the applications of atomic energy will chiefly be specialized ones. The net effect, as we see it, will be actually to enhance the use of liquid fuels, as power derived from the atom speeds up the technology and living standards of relatively underdeveloped areas.

"It is also well to consider that the expanded uses of oil I have been describing are those we think of as conventional ones today. Experience has taught us that new uses and bigger markets usually lie beyond the horizon. Within a comparatively few years, for example, the petrochemical industry has grown to be a significant outlet for oil, and jet fuel was practically unknown 10 years ago. There is every possibility that our research will provide new outlets and opportunities for our business in the future."

Forms Jos. Mandell Co.

WALDWICK, N. J.—Joseph Mandell is engaging in a securities business from offices at 48 Hudson Avenue, under the name of Joseph Mandell Company.

K. L. Provost Opens

SANTA ANA, Calif.—Kenneth L. Provost is engaging in a securities business from offices at 1001 West 17th Street.

Leopold Pick Opens

Leopold Pick is conducting an investment business from offices at 333 Central Park West, New York City.

Fewel & Co. Branch

VISTA, Calif.—Fewel & Co. has opened a branch office at 121 Hanes Place under the direction of Doris E. Cole.

Opens Branch Office

SOUTH MIAMI, Fla.—Standard Securities Corporation has opened a branch office at 6601 South Dixie Highway under the management of Stanley Raskin.

H. M. BYLLESBY AND COMPANY
(Incorporated)

BONDS STOCKS

BYLLESBY INVESTMENT SECURITIES SINCE 1902 UNDERWRITERS DEALERS DISTRIBUTORS

Public Utility—Industrial—Railroad Municipal Bonds

Members Midwest Stock Exchange
Philadelphia-Baltimore Stock Exchange
American Stock Exchange (Assoc.)

135 South La Salle Street, Chicago 3

Telephone FInancial 6-4600 Teletype CG 273-2860

New York — Philadelphia — Minneapolis

SHILLINGLAW, BOLGER & CO.
MEMBER MIDWEST STOCK EXCHANGE
Established 1933
★
UNDERWRITERS and DISTRIBUTORS
of
INDUSTRIAL SECURITIES
★
120 SOUTH LA SALLE STREET
CHICAGO 3
Telephone STate 2-5850 Teletype CG 1070

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 55

Report of IBA State Legislation Committee

In **New York,** preliminary consideration is being given to revision of the New York Securities Law.

II

Legal Investment Laws

There have been important amendments this year to the legal investment laws of many states and a summary of these amendments is in Appendix B.

In **New York,** the Legislative Committee, under the Chairmanship of Mr. Gustave A. Alexisson (Granbery, Marache & Co., New York) attempted to obtain an amendment to section 98 of the New York State Financial Law to permit investment of state funds in interest-bearing corporate securities under the same limitations and restrictions which govern investment by savings banks in that type of security. No action was taken on these bills by the legislature in 1955, but the Committee hopes to obtain favorable action in 1956.

III

Variable Annuities

In the last annual report of this Committee, we directed attention to proposals to authorize the issuance and sale of "variable annuities." A "variable annuity" would differ from a conventional annuity mainly in that (1) the buyer of a conventional annuity is guaranteed that annuity payments will be a fixed number of dollars, whereas the buyer of a "variable annuity" purchases "units" (or shares) and is guaranteed only the value of those units at the time he receives payment (the number of units received each year would be determined by applying actuarial tables to the total number of units purchased) and (2) the assets of conventional type annuity companies are invested principally in conservative investments such as bonds and mortgages, whereas the assets of a "variable annuity" company would be invested principally in common stocks. Purchasers of "variable annuities" would, under present tax laws, obtain certain tax advantages over persons who invest in investment company shares and over most persons who invest directly in common stocks.

It appears that a "variable annuity" is basically a security representing an interest in common stocks. Accordingly, this Committee at its meeting at Hollywood on Nov. 30, 1954, concluded that the sale of "variable annuities" by insurance companies and insurance salesmen without regulation by the Federal Securities and Exchange Commission and state securities commissions would not be in the public interest or the interest of investors because the safeguards established by Federal and state legislation for the protection of investors would be completely circumvented.

Bills authorizing the issuance of "variable annuities" were introduced this year in the legislatures of Maryland, New Hampshire, New Jersey, New York and Texas. None of those bills were adopted, but in New Jersey the bills were still pending before the legislature when this report was prepared.

The Variable Annuity Life Insurance Company of the District of Columbia was organized this year in the District of Columbia, where the organization of such a company was possible under present laws. This development now focuses attention on whether the Securities and Exchange Commission will conclude that "variable annuities" are securities subject to the Federal Securities Act of 1933 and whether the company is subject to the Federal Investment Company Act of 1940.

We recognize that in insurance, as in other fields, there may be changes in concepts. We believe that the desirability of the sale of "variable annuities" by insurance companies, in view of the public understanding of "annuity" as connotating a guaranteed dollar payment, is a problem to be resolved by the insurance industry. However, we believe that a "variable annuity" is basically a security representing an interest in common stocks and should be sold under the same regulatory requirements and tax treatment as other securities. Accordingly, we recommend that the Association and its members take appropriate action to assure that (1) "variable annuities" are subjected to the same regulatory requirements as other securities under Federal and state securities acts and (2) "variable annuities" and other securities be given like treatment under the tax laws.

National Association of Securities Administrators

The annual convention of the National Association of Securities Administrators was held in Vancouver and Victoria, British Columbia, on Aug. 28-Sept. 2. The IBA was represented by IBA President Walter Schmidt, Mr. Gilbert Osgood (Chairman of the Legislation Committee of the Central States Group), Mr. Murray Hanson, Mr. Gordon Calvert, and the Chairman of the Committee. One of the principal addresses, which was well received, was given by IBA President Walter Schmidt. Much of the meeting was devoted to discussion of the second draft of the proposed uniform securities act. We believe that the relations of the IBA with the state securities administrators are continuing on a most friendly and cooperative basis, as is evidenced by the successful work this year in amending the securities acts of many states.

Gifts of Securities to Minors

This Committee has approved in principle a proposed model law (prepared by the staff of the New York Stock Exchange) to permit a parent or other adult to make a gift of securities to a child with the power of management reserved to the giver or a close relative of the child whom the giver designates (the holder of this power to be called the custodian of the securities). Representatives of the IBA met this year with representatives of the Association of Stock Exchange Firms, the New York Stock Exchange and the NASD to cooperate in efforts to obtain adoption of this model law in various states.

The model law as adopted this year, in some cases with minor modifications, in California, Colorado, Connecticut, Georgia, New Jersey, North Carolina, Ohio and Wisconsin.

We urge that consideration be given to adoption of this model law in any state where gifts of securities to minors constitutes a problem and that IBA members cooperate with representatives of other industry organizations in efforts to obtain its adoption in such states.

Conclusion

In conclusion, the State Legislation Committee welcomes suggestions as to how it can be helpful and offers to be of assistance at any time in state legislation problems. The Committee also

Continued on page 104

Peters Bros. Formed

CHICAGO, Ill.—Warren J. Peters and Sylvia Peters have formed Peters Bros. & Company with offices at 1647 West 47th Street to engage in a securities business.

Form Avery, Bohannon Firm in Washington

WASHINGTON, D. C.—Avery, Bohannon & Beatty has been formed with offices at 2146 P Street, N. W. to engage in a securities business. Elmer R. Bohannon is a principal.

Rouse, Brewer Branch

ANNAPOLIS, Md. — Rouse, Brewer & Becker have opened a branch office at 31 Maryland Avenue under the management of Hubert E. Strange.

BARCLAY INVESTMENT CO.

MIDDLE WESTERN SECURITIES

39 South La Salle Street, Chicago 3

Telephone ANdover 3-7055 Teletype CG 1384

Brokers and Dealers

William A. Fuller & Co.

Members Midwest Stock Exchange

209 S. LA SALLE ST. • CHICAGO 4, ILL.

Tel DEarborn 2-5600 Teletype CG 146-147

UNDERWRITERS

DEALERS

PRIVATE PLACEMENTS

HICKEY & CO.

135 SOUTH LA SALLE STREET

CHICAGO 3

RAndolph 6-8800 CG 1234

MEMBERS MIDWEST STOCK EXCHANGE

FIRST SECURITIES COMPANY OF CHICAGO

UNDERWRITING • DISTRIBUTION

MUNICIPAL BOND DEPARTMENT

TELETYPE CG 1751

UNLISTED TRADING DEPARTMENT

TELETYPE CG 1399

Member Midwest Stock Exchange

134 SOUTH LA SALLE STREET, CHICAGO 3, ILL.

ANdover 3-1520

Branch Offices

Champaign, Illinois—Cedar Rapids, Iowa

Direct Wire to Scherck, Richter Company, St. Louis, Mo.

Cohu & Co., New York

MULLANEY, WELLS & COMPANY

UNDERWRITERS — DISTRIBUTORS

Corporate Bonds Investment Stocks

Municipal Bonds

135 SOUTH LA SALLE ST.

CHICAGO 3, ILL.

MUNICIPAL BONDS

Since 1885

We have specialized in the underwriting and distribution of Illinois municipal bonds for 71 years, and offer you experienced, prompt service.

H. C. Speer & Sons Company

ESTABLISHED 1885

Field Building 135 So. La Salle St.

CHICAGO 3

Telephone — RAndolph 6-0820

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 103

Report of IBA State Legislation Committee

expresses its sincere thanks for the cooperation of group officers and members of group legislation committees.

Respectfully submitted,

STATE LEGISLATION COMMITTEE

Paul L. Mullaney, Chairman
Mullaney, Weils & Company
Chicago

Gustave A. Alexisson
Granbery, Marache & Co.
New York

Addison W. Arthurs
Arthurs, Lestrange & Co.
Pittsburgh

Mark L. Baxter
Vance, Sanders & Company
Chicago

Harry Beecroft
Beecroft, Cole & Co.
Topeka

W. W. Keen Butcher
Butcher & Sherrerd
Philadelphia

John W. Clarke
John W. Clarke & Co.
Chicago

William B. Cochran
The Small-Milburn Company, Inc., Oklahoma City

Nelson J. Darling, Jr.
Paine, Webber, Jackson & Curtis, Boston

Sherman Ellsworth
Wm. P. Harper & Son & Co.
Seattle

Howard Finney, Jr.
Bear, Stearns & Co.
New York

E. Kenneth Hagemann
G. H. Walker & Co.
St. Louis

Fred W. Hudson
Ball, Burge & Kraus
Cleveland

William L. Hurley
Baker, Simonds & Co.
Detroit

Marshall H. Johnson
McDaniel Lewis & Co.
Greensboro

Beverly W. Landstreet, III
Clark, Landstreet & Kirkpatrick, Inc., Nashville

Stanley G. McKie
The Weil, Roth & Irving Co.
Cincinnati

Dennis E. Murphy
The Ohio Company
Columbus

Gilbert H. Osgood
Blunt Ellis & Simmons
Chicago

George J. Otto
Irving Lundborg & Co.
San Francisco

Ralph Owen
Equitable Securities Corporation, Nashville

Charles C. Pierce
Rauscher, Pierce & Co., Inc.
Dallas

Robert A. Podesta
Cruttenden & Co.
Chicago

Leo L. Quist
Harold E. Wood & Co.
St. Paul

James E. Roddy
Scharff & Jones, Inc.
New Orleans

Robert O. Shepard
Prescott, Shepard & Co., Inc.
Cleveland

Lyle F. Wilson
Pacific Northwest Company
Seattle

Harold D. Writer
Peters, Writer & Christensen, Inc., Denver

APPENDIX A

Summary of Amendments to State Securities Acts—1955

ARIZONA

The Arizona Securities Act was amended, effective July 3, 1955, to give the commission the following new authority:

(1) To require, in its discretion, any registered dealer or applicant for registration as a dealer to deliver a bond in an amount not to exceed $25,000.

(2) To require any dealer who shall engage in transactions involving certain exempt securities or in certain exempt transactions to register as a dealer.

(3) To add any class of securities or transactions to the classes of exempt securities or exempt transactions if it appears to the commission that registration of such securities is not essential to the public interest or for the protection of investors by reason of authority conferred by law upon an agency of the State to regulate or supervise the issuance of securities or the business conducted by an issuer of securities.

(4) To exempt from registration by special order upon written petition securities of a specific issue and issuer in an aggregate amount not exceeding $200,000.

(5) To delegate authority, with specified exceptions, to the Director of Securities.

(6) To deposit fees for registration of securities by qualification in a special account subject to withdrawal and return to an applicant withdrawing an application for such registration.

CALIFORNIA

The California Corporate Securities Law was amended effective Sept. 7, 1955, as follows:

(1) Subdivision (b) of section 25006, defining "Broker," was amended to exclude "a bank subject to the supervision of the Superintendent of Banks of the State of California or of the Comptroller of the Currency of the United States." Section 25006.1 was added effective July 7, 1955, to provide that "Broker does not include a broker licensed by the Real Estate Commissioner in selling securities described in Section 25102.1 of this code."

(2) Subsection (c) of section 25102, exempting a secured or unsecured promissory note, was amended to exempt "any guarantee thereof."

(3) Subsection (d) was added to section 25102 to exempt a promissory note secured by a lien on a single parcel of real property, when such note is not one of a series of notes executed by one maker or persons associated together in the issue of notes.

(4) Subsection (b) of section 26003, regarding the determination of fees for permits, was amended by adding a new subsection (6) to provide that in the case of a share dividend or share split the value of the securities to be issued shall be the amount of surplus proposed to be transferred to stated capital and any surplus account.

(5) Section 26008 was amended to provide that the fee for filing an application for a permit to issue securities evidencing any change in rights, preferences, privileges or restrictions in outstanding securities shall, where such issuance will result in an increase in the stated capital, be determined in accordance with the provision summarized above in paragraph 3.

COLORADO

Subdivision (4) of section 125-1-3 of the Colorado Securities Law was amended effective April 21, 1955, to provide that, in the case of any security concerning which a registration statement is pending before the Securities and Exchange Commission under the provisions of the Federal Securities Act of 1933, nothing in sections 125-1-3 through 125-1-8 (the securities regulation requirements of the law) shall be deemed to make unlawful the offer for sale or solicitation of offers to buy such security in accordance with the provisions of the Federal Securities Act of 1933 and regulations issued thereunder.

The Colorado Securities Law and the Colorado Fraudulent Practice Law were amended effective July 1, 1955, as follows:

(1) Section 125-1-8 was amended to increase the fee for filing a prospectus to 1/20 of 1% of the total proposed sale price of the securities to be offered for sale, but not less than $25 nor more than $300 in any instance (prior to this amendment the fee was $25). This section was further amended to provide that the effectiveness of every prospectus filed under the law shall expire 12 months from the date of filing as to such portion of the securities described therein as shall not then have been sold and to increase the filing fee for a renewal prospectus to $25, except that in the case of an investment company, or similar company, engaged in making a continuous offering of its securities, the filing fee for a renewal prospectus shall be $100 (prior to this amendment, the filing fee for a renewal prospectus was $15).

(2) Subdivision (2) of section 125-2-2, defining "security," was amended principally to limit transferable certificates of interest or participation within the definition of security to transferable certificates of interest or participation "in a profit sharing agreement." Subdivision (4) of section 125-2-2, defining "dealer" to include any issuer selling securities for which a prospectus is required directly to the public, was amended to provide that such an issuer shall be required to pay only one fee, either the fee for the filing of the prospectus or the dealers' registration fee whichever is the greater.

(3) The last paragraph of section 125-2-9, requiring the registration of dealers and salesmen was amended to increase the registration fee for dealers from $25 to $50 for original registration and from $10 to $50 for each renewal thereof, and to increase the fee for registration of salesmen from $5 to $10 for original registration and from $2.50 to $10 for each renewal thereof.

(4) Section 125-2-18, requiring the commissioner to mail a notice of the filing of prospectuses to the Attorney General and to every District Attorney, was repealed.

FLORIDA

The Florida Securities Law was amended effective Aug. 3, 1955, as follows:

(1) Subdivision (6) of Section 517.05, exempting securities listed on certain stock exchanges, was amended to change the name of

CORPORATE and MUNICIPAL
Securities

QUAIL & CO.
617 Davenport Bank Bldg. Davenport, Iowa
MEMBER MIDWEST STOCK EXCHANGE

Inquiries Invited in All
MILWAUKEE & WISCONSIN SECURITIES

Stocks	*Bonds*
Public Utility	Public Utility
Bank and Insurance	Industrial
Industrial	Municipal
Mutual Funds	Institutional

LOEWI & Co.
INVESTMENT SECURITIES
225 EAST MASON STREET • BROADWAY 6-8040

Announcing Our New Address ····▶

After January 1, 1956
We will be in our new location in the new
INDIANA BUILDING
120 E. Market Street • Indianapolis 4, Indiana
INDIANAPOLIS BOND and SHARE CORPORATION
Member Midwest Stock Exchange
Telephone Melrose 2-4321 Teletype IP-298

DEALERS IN
Municipal Bonds
AND
Corporate Bonds and Stocks
RAFFENSPERGER, HUGHES & CO.
Incorporated
20 North Meridian Street Indianapolis 4, Indiana
Member Midwest Stock Exchange

Digitized for FRASER
http://fraser.stlouisfed.org/

the New York Curb Exchange to the American Stock Exchange

(2) Subdivision (4) of Section 517.06, exempting additional capital stock of a corporation sold or distributed among its own stockholders where no commission or other remuneration is paid in connection with such sale or distribution, was amended to make the exemption applicable to additional "securities" instead of additional "capital stock."

(3) Subdivision (g) of Section 517.08(2) was amended to eliminate the provision limiting the fee for registration of securities by notification to a maximum of $200.

(4) Subdivision (d) of Section 517.09(3), relating to the registration of securities by qualification, which previously required a balance sheet as of a day not more than 60 days prior to the date of filing, was amended to provide that the balance sheet may be as of "such longer period of time, not exceeding 6 months, as the commission may permit at the written request of the issuer on a showing of good cause therefor."

(5) Subdivision (f) of Section 517.09(3) which previously required that, in registering securities by qualification, there be filed a statement showing the price at which such security is proposed to be sold and the maximum amount of commission or other form of remuneration to be paid, was amended to require that the statement show the "maximum" price at which the security is proposed to be sold and to require that the statement as to maximum amount of commission include expenses.

(6) Subsection (6) of Section 517.09 was amended to increase the maximum fee for registration of securities by qualification from $500 to $1,000.

(7) Section 517.13, prescribing the form of bond to be given by dealers, which previously provided that the period for which such bond shall remain in effect shall be "one year" from date of issuance, was amended to provide that such bonds shall remain in effect from date of issuance through Dec. 31 of that year.

(8) Section 517.16, specifying the grounds upon which registration of dealers may be rejected or revoked, was amended to add a new subsection (9) to provide that registration of a dealer may be rejected or revoked if such dealer is insolvent.

ILLINOIS

The Illinois Securities Act was amended effective July 6, 1955, as follows:

(1) Subsection D of Section 2 was amended to change the definition of controlling person. Subsection E of Section 2 was amended to eliminate the provision excluding unsolicited agency transactions by registered dealers from the definition of sale or sell, but a new exemption for unsolicited agency transactions by registered dealers was inserted as Subsection N of Section 4. Subsection G of Section 2 was amended to exclude from the definition of dealer, a person who engages only in "buying" securities. Subsection I of Section 2 was amended to provide a definition of "investment adviser" and the definition of "Federal Securities Act" (previously in subsection I) was provided in a new subsection N. Subsection K of Section 2 was amended to provide a definition of a "face-amount certificate contract" instead of an "investment contract" and amendments to reflect this change were made throughout the Act. Subsection L of Section 2 was amended to change the definition of "investment fund share."

(2) The exemption for securities of certain insurance companies was eliminated from subsection D of Section 3 and was put in a new subsection M of Section 3. Subsection D of Section 3 was further amended to provide an exemption for any savings and loan association incorporated under the laws of any state if such association is a member or stockholder of the Federal Savings and Loan Insurance Corporation and to provide an exemption for any credit union approved and supervised by the Auditor of Public Accounts.

(3) Subsection L of Section 3 was amended to eliminate certain conditions from the exemption for negotiable promissory notes and drafts, bills of exchange and bankers' acceptances. The exemption previously provided in subsection M of Section 3, for pre-incorporation subscriptions or sales of shares of stock when the number of subscribers does not exceed 25 or the amount raised does not exceed $25,000, was eliminated from that subsection and was put into a new subsection M of Section 4 but was changed to eliminate the provision for exemption where the amount raised does not exceed $25,000.

(4) The exemption previously provided in subsection N of Section 3, for stock of certain cooperative associations organized exclusively for agricultural, producer, marketing, purchasing or consumer purposes, was revised and put into a new subsection K of Section 4.

(5) A new subsection N was inserted in Section 3 to exempt securities issued pursuant to certain employee-security-purchase plans and a new subsection O was inserted in Section 3 to exempt securities issued pursuant to certain employee profit sharing or pension trusts or plans.

(6) Subsection B of Section 4, exempting sales by an issuer of its securities to its own "stockholders or holders of evidences of indebtedness" when no commission or other remuneration is paid, was amended to exempt sales by an issuer of its securities to its "security holders, except to or with persons who are security holders solely by reason of holding transferable warrants, transferable options or similar transferable rights of the issuer" instead of sales to stockholders or holders of evidences of indebtedness.

(7) The exemption in subsection F of Section 4, for sales by registered dealers in the secondary market of securities about which specified information is available in a recognized manual, was revised to provide an additional exemption for securities about which information is not available in a manual on application to the Secretary of State.

(8) Subsection G of Section 4, exempting certain sales of securities by the issuer or a controlling person to not more than 15 persons within any period of 12 consecutive months under certain conditions, was amended to provide a $2 fee for filing the required report.

(9) A new subsection L was inserted in Section 4 to exempt:

"Offers for sale or solicitations of offers to buy (but not the acceptance thereof), of securities which are the subject of a pending application for registration under The Illinois Securities Law of 1953 and a pending registration statement filed under the Federal Securities Act."

(10) Subdivision (3) of Section 5(C) was amended to lower from 20% to 15% of the initial public offering price of securities the maximum amount of aggregate commissions, remuneration or discounts which underwriters may receive for or on account of the sale or distribution of securities registered by qualification under the Act.

(11) Subsection D of Section 5 was amended to increase the minimum fee for registration of securities by qualification, description or notification from $25 to $50 and to increase the maximum fee for such registration from $300 to $500.

(12) Subsection B of Section 7 was amended to increase the examination fee for registration of investment fund shares from $25 to $50. Subsections E and I of Section 7 were amended to increase the fee for registration and for renewal of registration of investment fund shares from $100 to $300 for the first class of shares to which an application pertains. Subsections E, F and I were amended to increase the fee for registration and for renewal of registration of each additional class of such shares from $10 to $25. Subsection F of Section 7 was amended to increase from $10 to $25 the examination fee for amendments of registration of such shares and subsection I was amended to increase from $10 to $25 the examination fee for renewal of registration of such shares.

(13) Subdivision (6) of Section 8(C) was amended to increase from $5 to $10 the filing fee accompanying the application for registration of a salesman.

(14) A new subsection D was inserted in Section 8 to provide requirements for the registration of investment advisors and subsequent sections of the Act were amended to apply to investment advisors.

(15) Section 10, regarding service of process, was amended by adding a new subsection B to provide that the sale or delivery of securities in Illinois (except exempt securities, securities sold in exempt transactions and registered securities) by any person by mail or otherwise shall constitute an appointment by such person of the Secretary of State as attorney for such person upon whom may be served lawful process in any action or prosecution against such person arising out of the sale of such securities.

(16) Subsection E of Section 11, relating to the escrow of securities, was amended to provide that securities in escrow may be delivered (in addition to a bank or trust company in Illinois) "to a bank or trust company outside the State of Illinois acceptable to the Secretary of State" and to authorize substitution of comparable securities for securities escrowed.

(17) Subsection H of Section 11 was amended to authorize the Secretary of State, if he shall find that any person is engaging in the business of selling securities as a dealer or salesman or is acting as an investment adviser without having complied with the registration requirements, to prohibit or suspend such person from engaging in such activities. Subsection J of Section 11 was amended to make such prohibition by the Secretary of State subject to judicial review and subsection L was amended to provide that the Secretary of State shall not incur any official or personal liability by suspending or prohibiting any person from acting as a dealer, salesman or investment adviser.

(18) Section 12 (violations) was amended by adding thereto a new subsection I to make it a violation of the Act "to employ any device, scheme or artifice to defraud in the sale of any securities."

INDIANA

Section 5 of the Indiana Securities Act (exempt transactions) was amended, effective Mar. 11, 1955, by adding thereto a new subsection (o) to exempt: "The sale and assignment of fractional undivided interests in an oil, gas or other mineral lease, right or royalty by the issuer thereof, (1) to not more than 15 persons, or, in the alternative (2) if the aggregate selling price of such securities, with respect to any one such lease, right or royalty, does not exceed $25,000."

IOWA

The Iowa Securities Act was amended, effective July 4, 1955, as follows:

(1) Subsection 11 of section 502.5, exempting the sale by a registered dealer of any security which is a part of or on a parity with an issue which has theretofore been sold and distributed to the public in the state, was amended to eliminate the exemption for securities "on a parity with" such an issue.

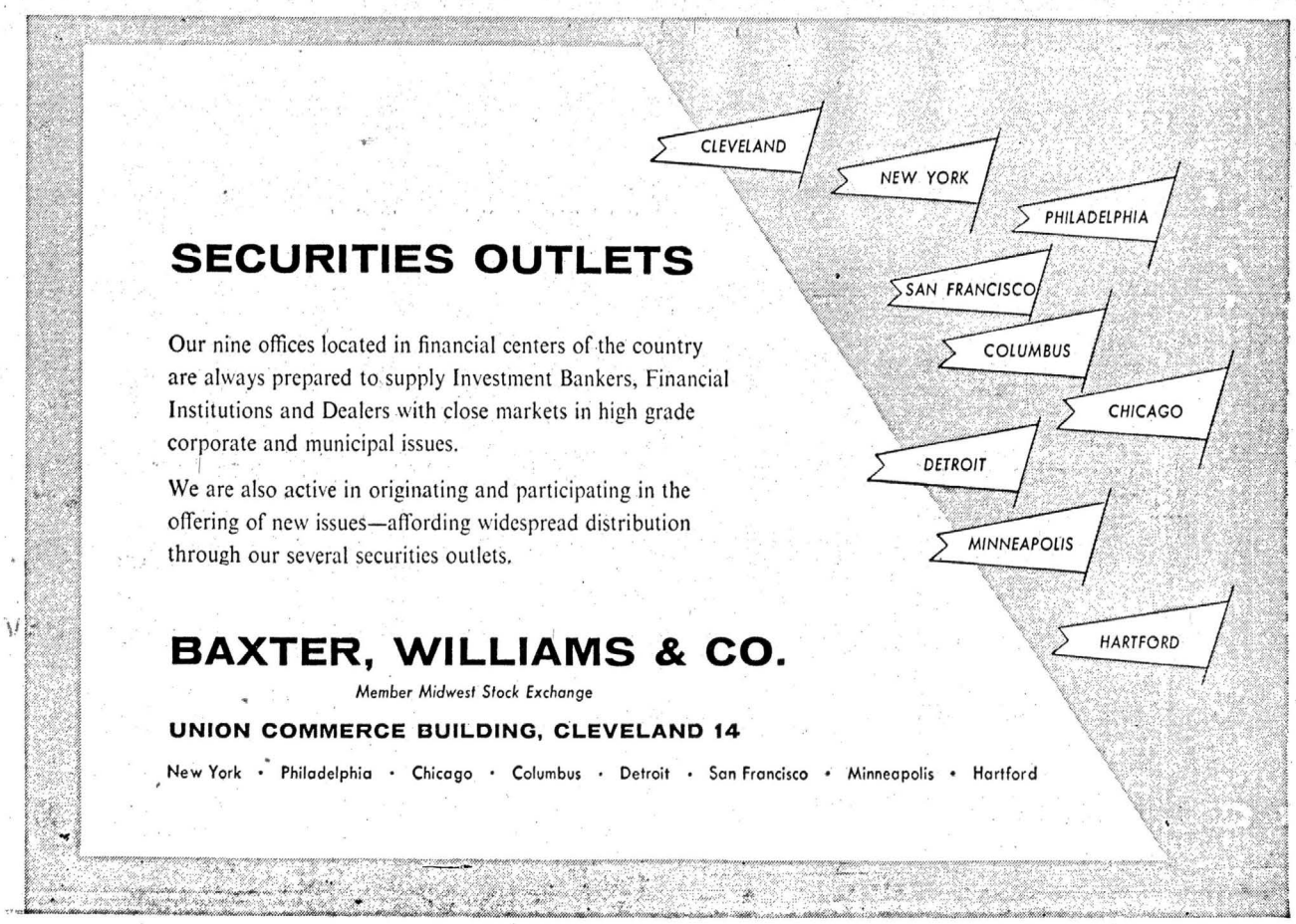
(2) Section 502.7, was amended to increase the maximum fee for registration of securities to $1,000, (prior to amendment the maximum fee was $300, where the amount of securities to be sold was not over $1,000,000, and $500, where the amount to be sold exceeded $1,000,000.)

(3) Section 502.27, which previously made violations of the law a felony, was amended so that only a person guilty of a violation with the intent to evade the law shall be guilty of a felony and a person guilty of other violations of the law shall be guilty of a misdemeanor.

MICHIGAN

The last paragraph of subsection (d) of Section 451.102 of the Michigan Securities Act, authorizing the Commission to exempt by regulation the dissemination of information from the definition of sale or sell, was amended effective 90 days after adjournment of the legislature to authorize the Commission also to exempt "the

Continued on page 106



gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 105

Report of IBA State Legislation Committee

making of offers and the solicitation of offers to buy."

MINNESOTA

The Minnesota Securities Act was amended, effective Feb. 16, 1955, as follows:

(1) Subdivision (3) of section 80.01, defining "sell, sale, or sold," was amended to define "offer to sell" or "offer for sale" separately from "sale, sell, or sold." Prior to the amendment an offer to sell was by definition made to constitute a sale.

(2) Section 80.07, providing that no securities (except exempt securities and securities sold in exempt transactions) shall be sold within Minnesota unless such securities shall have been registered pursuant to the Minnesota Securities Act, was amended to provide that "it shall be permissible for licensed dealers, brokers and agents to offer for sale in Minnesota prior to registration securities for which a registration statement has been filed under the Federal Securities Act of 1933."

(3) Section 80.12, providing that no broker or dealer shall sell any securities unless he shall have been licensed, and section 80.13, requiring that no agent shall sell any securities until he shall have been licensed, were amended to provide that brokers, dealers and agents must also be licensed before they may "offer for sale" any securities (these licensing requirements are construed as not applicable with respect to brokers, dealers or agents engaging only in exempt transactions).

(4) The first paragraph of section 80.13, providing that no person shall publish, circulate or distribute any advertising material pertaining to any securities which have not been registered (except exempt securities and securities sold in exempt transactions), was amended to provide that this provision "shall not apply to securities for which a registration statement has been filed under the Federal Securities Act of 1933."

The Minnesota Securities Act was also amended effective March 24, 1955, by adding to Section 80.06 (exempt sales) a new subsection (12) exempting "The sale by any cooperative association of its own securities to its patrons when all or substantially all of the consideration is comprised of patronage refunds accruing to the purchaser on business transacted with the issuer."

Section 80.20 of the Minnesota Securities Act was further amended effective July 1, 1955, as follows:

(1) Subsection (1), providing fees on applications for registration, was amended to impose a new examination fee of $10 (in addition to a filing fee of $25 and a registration fee), to increase the minimum fee from $25 to $35, and to eliminate a provision that the entire fee charged any cooperative association organized in good faith under the laws of the state shall be $5.

(2) Subsection (2), providing fees on notification of intention to sell, was amended to impose a new examination fee of $5 (in addition to a filing fee of $10 and a registration fee), to increase the minimum fee from $10 to $15, and to eliminate a provision limiting the fee charged any cooperative association to $5.

(3) Subsection (4) was amended to increase the fee for an agent's license from $5 to $7.50; subsection (5) was amended to increase the fee on application for a dealer's license from $75 to $100; and subsection (10) was amended to increase the fee on application for an investment adviser's license from $50 to $75.

Section 80.23 of the Minnesota Securities Act, which previously required the Commissioner annually to file with the Governor a report on or before Nov. 1, was amended effective April 26, 1955 to provide that the Commissioner must file a report bi-annually on or before Oct. 1 in each even numbered year. The amendment also eliminated a provision that copies of the report shall be furnished to anyone requesting them.

NEBRASKA

The Nebraska Securities Act was amended, effective three calendar months after adjournment of the legislature, by adding new sections providing that (1) any person not licensed as a broker or salesman who within Nebraska engages in transactions in violation of the Act shall be liable to purchasers for the value of the consideration paid less the amount of any income or recovery received thereon and (2) any action to enforce liability under this provision must be brought within three years after the date of the transaction.

NEW MEXICO

A complete new securities act has been adopted in New Mexico effective June 10, 1955.

NORTH CAROLINA

The North Carolina Securities Act was amended effective April 4, 1955, as follows:

(1) Subsection (c) of section 78-2 defining "sale or sell," was amended to define "offer to sell or offer for sale" separately from "sale or sell." Prior to the amendment an offer to sell was by definition made to constitute a sale.

(2) Subsection (5) of section 78-4, exempting the issue of increased capital stock of a corporation sold or distributed by it entirely among its own stockholders when no commission or remuneration is paid or given directly or indirectly in connection with such sale or distribution, was amended to exempt "the sale or exchange by an issuer of its securities to or with its own security-holders (including holders of transferable rights with respect to such securities) if no commission or other remuneration is paid or given for soliciting or effecting the sale or exchange to security - holders other than commission or compensation paid or given for an undertaking to purchase any of such securities not purchased by such security-holder."

(3) Subsection (7) of section 78-4, exempting subscriptions or sales of shares of the capital stock in domestic corporations when no expense is incurred and no commission, compensation or remuneration is paid or given for or in connection with such sales, was amended by inserting a condition that "such shares are not offered to more than 25 persons in this state."

(4) Section 78-4 (exempt transactions) was amended by adding thereto a new subsection (12) exempting sales of securities by registered dealers in the secondary market under specified conditions.

(5) Section 78-6, forbidding the sale of any securities except exempt securities or securities sold in exempt transactions unless such securities shall have been registered, was amended to provide that "it shall be permissible for registered dealers and salesmen to offer securities for sale in this state prior to registration of those securities under this Act if a registration statement for those securities shall have been filed under the Federal Securities Act of 1933 and a copy of the preliminary prospectus filed under the Federal Act shall have been filed with the Secretary of State."

(4) Section 78-4 (exempt transactions) was amended by adding thereto a new subsection (12) exempting sales of securities by registered dealers in the secondary market under specified conditions.

(5) Section 78-6, forbidding the sale of any securities except exempt securities or securities sold in exempt transactions unless such securities shall have been registered, was amended to provide that "it shall be permissible for registered dealers and salesmen to offer securities for sale in this state prior to registration of those securities under this Act if a registration statement for those securities shall have been filed under the Federal Securities Act of 1933 and a copy of the preliminary prospectus filed under the Federal Act shall have been filed with the Secretary of State."

(6) Section 78-7, providing that it shall be unlawful to advertise or circulate advertising matter regarding any securities (except exempt securities and securities sold in exempt transactions) unless such securities shall have been registered and such advertising matter has been filed and approved by the Secretary of State, was amended by striking the requirement for approval by the Secretary of State and by adding a provision that "the provisions of this section shall not apply to any securities for which a registration statement shall have been filed under the Federal Securities Act of 1933 if a copy of the preliminary prospectus filed under the Federal Act shall have been filed with the Secretary of State.

(7) Section 78-8, authorizing registration of certain classes of securities by notification, was amended by inserting immediately following subsection (3) a new subsection (4) authorizing the notification securities registered under the Federal Securities Act of 1933 (except securities registered by persons registered under the Federal Investment Company Act of 1940). This section was also amended (a) by providing in the sixth paragraph from the end thereof that in the case of securities registered under the Federal Act and (b) by eliminating a requirement in the fourth paragraph from the end thereof that any registered dealer selling securities registered by notification must give notice to the Secretary of State.

(8) The last paragraph of section 78-8, relating to registration of securities by notification, was amended to base the registration fee on the aggregate "offering price" of the securities to be sold in the state, rather than on the "par value" of such securities and to increase the maximum registration fee from $150 to $200. The last paragraph of section 78-9, relating to registration of securities by qualification, was amended to base the registration fee on "offering price" rather than "par value" of the securities to be sold in the state and to add a provision that the Secretary of State may fix maximum and minimum amounts permitted to be registered under that act but no application for additional registration of securities previously registered shall require an additional filing fee.

(9) Section 78-19, relating to registration of dealers and salesmen, was amended by striking out the last paragraph thereof, thereby eliminating a requirement that "every registered dealer who intends to offer any security of any issue, registered or to be registered, shall notify the Secretary of State in writing of his intention so to do."

NORTH DAKOTA

The North Dakota Law requiring the registration of oil and gas brokers, was amended, effective March 9, 1955, as follows:

(1) Section 1, defining oil and gas brokers, was amended to de-

UNDERWRITERS & DISTRIBUTORS
OF
CORPORATE & MUNICIPAL
SECURITIES

PRESCOTT & CO.
MEMBERS NEW YORK STOCK EXCHANGE

PRESCOTT, SHEPARD & CO., INC.
(Affiliate of Prescott & Co.)
900 National City Bank Bldg. • PR 1-6300 • Cleveland 14, Ohio
Shaker Square Canton Columbus Toledo

McDONALD & COMPANY

UNDERWRITERS AND DEALERS IN
CORPORATION AND MUNICIPAL SECURITIES

MEMBERS
New York Stock Exchange
Midwest Stock Exchange
American Stock Exchange (Associate)

UNION COMMERCE BUILDING
CLEVELAND 14, OHIO

State and Municipal
Bonds

BRAUN, BOSWORTH & Co.
Incorporated
Municipal Bonds
Toledo - New York - Detroit - Chicago - Cleveland - Cincinnati

Underwriters Dealers Distributors

Municipal and Corporation Securities

The First Cleveland Corporation
Member Midwest Stock Exchange
National City E. 6th Building
CLEVELAND 14
Telephone PR 1-1571 Teletype CV 443 - CV 444

Digitized for FRASER
http://fraser.stlouisfed.org/

fine also mineral brokers and to include persons dealing in properties containing or presumed to contain uranium or other fissionable material.

(2) Section 2, requiring oil or gas brokers to register, was amended to require mineral brokers also to register, to provide that registration shall automatically expire on June 30 of each year unless renewed, and to authorize the Commissioner to revoke and cancel the registration of a broker whenever the bond of the broker becomes ineffective or is cancelled.

(3) Section 6 was amended to require any registered oil, gas or mineral broker to certify to the Commissioner the names and addresses of any regular employees or agents employed by him in the business, and section 8 was amended to provide that the fee for renewal of registration shall be $10.

OHIO

The Ohio Securities Act was amended effective Oct. 13, 1955, as follows:

(1) Subdivision (D) (5) of section 1707.03, providing as one of the alternative conditions to exemption under that section that the Securities Division has made a finding under section 1707.03 (N), was clarified to provide that such "finding" is in full force.

(2) Section 1707.03 was amended by adding three new subsections to exempt the following transactions:

"(R) A sale of a money order, travelers' check, or other instrument for the transmission of money by a person qualified to engage in such business under the provisions of sections 1115.16 or 1310.01 of the Revised Code is exempt.

"(S) A sale by a licensed dealer of securities which are in the process of registration under the Act of Congress known as the 'Securities Act of 1933,' as amended, and which are in the process of registration, if registration is required under the provisions of sections 1707.01 to 1707.45, inclusive, of the Revised Code is exempt, provided that no such sale shall be consummated prior to the registration by description or qualification of such securities.

"(T) The execution by a licensed dealer of orders for the purchase of any security is exempt, provided such dealer acts only as agent for the purchaser, has made no solicitation of the order to purchase such security, has no interest in the distribution of such security, and delivers to the purchaser written confirmation of the transaction which clearly itemizes his commission. The term solicitation as used in this paragraph shall mean solicitation of the order for the specific security purchased, and shall not include general solicitations or advertisements of any kind."

(3) Subdivision (B)(1) of section 1707.14, and subdivision (A) of section 1707.44 (both sections relating to the registration of dealers) were amended to exclude from the registration requirement persons engaging in transactions enumerated in divisions "(P) to (R), inclusive" of section 1707.03 (this extends such exclusion to persons engaging in transactions described in the new subdivision (R) of section 1707.03 set forth above).

Section 1707.99 of the Ohio Securities Act was amended effective Oct. 6, 1955 by adding the underlined language to read as follows:

"Sec. 1707.99. (A) Whoever commits any act described in section 1707.44 of the Revised Code is guilty of a violation of sections 1707.01 to 1707.45, inclusive, of the Revised Code, and shall be imprisoned not **less than one nor** more than five years, or fined not more than $5,000, or both."

OREGON

The Oregon Securities Act was amended, effective April 4, 1955, as follows:

(1) Subsection (7) of section 59.110 was amended (a) to exempt subscriptions to interests in a partnership where not more than 25 persons solicited and not more than 10 persons actually subscribe or purchase stock and (b) to exempt subsequent subscriptions to capital stock of a corporation by its shareholders where the number of shareholders does not exceed 10.

(2) Subsection (11) of section 59.110, exempting stock or membership certificates issued by an agricultural cooperative marketing, purchasing or irrigation association, was amended (a) to eliminate a provision that the fee or charge for such membership shall note exceed $1,000, and that one person shall not hold more than one membership and (b) to add a provision that the exemption shall not apply to any association which engages in the production, processing or marketing of forest products.

The Oregon Securities Act was further amended, effective 90 days after adjournment of the legislature, as follows:

(1) To make technical changes in subsection (3) of section 59.120, exempting subscriptions to an increase in capital stock under specified conditions, and in subsection (5) exempting any transfer or exchange of securities pursuant to a consolidation or merger.

(2) Section 59.200, authorizing a special registration for securities in the hands of the public or issued by stock split-up or stock-dividend, was amended to eliminate a requirement that "the entire issue" be eligible.

(3) Section 59.210 was amended to require a consent to service of process only upon any application for registration by notification or by qualification **by an issuer** not domiciled in the state (prior to amendment a consent was required, if the issuer was not domiciled in the state, upon any application for registration by notification by an issuer and upon any application for registration by qualification whether by the issuer **or by a registered dealer**).

(4) Section 59.240, requiring the filing of an annual report regarding each registered security and the issuer thereof, was repealed.

SOUTH DAKOTA

The following amendments to the South Dakota Securities Act were adopted effective July 1, 1955:

(1) Subsection (3) of section 55.1902, defining "sale, sell or sold," was amended to define "offer to sell" or "offer for sale" separately from "sale" or "sell." Prior to the amendment an offer to sell was by definition made to constitute a sale.

(2) Subsection (5) of section 55.1902, defining "broker," was amended to make it clear that the definition includes persons acting as representatives in transactions exempt under subsection (1) of section 55.1904.

(3) Section 55.1906, requiring registration of securities (except exempt securities and securities sold in exempt transactions) before they are sold within South Dakota, was amended to provide that "it shall be permissible for registered brokers and agents to offer for sale in South Dakota prior to registration under this Act securities for which a registration statement has been filed under the Federal Securities Act of 1933."

(4) Section 55.1912, requiring the licensing of brokers, was amended to make it clear that a person engaging only in exempt transactions is not required to obtain a license as a broker.

(5) The first paragraph of section 55.1918, providing that no person shall publish or distribute advertising matter regarding any securities which have not been registered, was amended to provide that this provision shall not apply to exempt securities, securities sold in exempt transactions or securities for which a registration statement has been filed under the Federal Securities Act of 1933. The second paragraph of section 55.1918, requiring that no advertising matter containing or constituting an offer to sell any securities required to be registered by notification shall be published, circulated or distributed until such advertising matter shall have been submitted to the commission and approved by it, was amended by adding a provision that this requirement shall not apply to any securities for which

Continued on page 108

DEALERS AND UNDERWRITERS
IN
CORPORATE AND MUNICIPAL BONDS,
COMMON AND PREFERRED STOCKS

CURTISS, HOUSE & CO.

Established 1914

Members: New York Stock Exchange, Midwest Stock Exchange
American Stock Exchange (Associate)

New York Correspondent: Clark, Dodge & Co.

Union Commerce Bldg. **MA 1-7071**
Cleveland 14, Ohio

SECURITY DEALERS

FOUNDED 1894 — 63 NEIGHBORHOOD OFFICES — EVERY BANKING SERVICE
The Cleveland Trust Company
THE BANK FOR ALL THE PEOPLE
REG U.S. PAT. OFF.

SPECIALIZED—PROMPT CLEARINGS

We clear for dealers in New York - Pittsburgh - Chicago - Cleveland

Address Loans and Securities Department. Teletype: CV 240.

OHIO'S LARGEST BANK

Assets Over One Billion Dollars

TRADERS AND DISTRIBUTORS
IN
Cleveland and Ohio Securities

GOTTRON OHIO RUSSELL & CO. INC.

—*MEMBERS*—
NEW YORK STOCK EXCHANGE
MIDWEST STOCK EXCHANGE
AMERICAN STOCK EXCHANGE (Assoc.)

UNION COMMERCE BLDG. *TELETYPE — CV 565*
CLEVELAND 14, OHIO *CHERRY 1-5050*

BEGINNING OUR 26th YEAR

MUNICIPAL AND CORPORATE SECURITIES

Ohio Securities Our Specialty

★

WM. J. MERICKA & CO., INC.

MEMBERS MIDWEST STOCK EXCHANGE

Direct Wire—
Joseph McManus & Co., N. Y.

Union Commerce Bldg.
CLEVELAND

ORIGINATORS • UNDERWRITERS • DISTRIBUTORS • FULTON, REID & CO. • INVESTMENT SECURITIES • FULTON, REID & CO. • ORIGINATORS • UNDERWRITERS • DISTRIBUTORS

FR & CO.

FULTON, REID & CO.

1186 UNION COMMERCE BLDG.
CLEVELAND 14, OHIO
Telephone: CHerry 1-1920

TELETYPES
Corporate Dept. CV83
Municipal Dept. CV613

ORIGINATORS • UNDERWRITERS • DISTRIBUTORS • FULTON, REID & CO. • INVESTMENT SECURITIES • FULTON, REID & CO. •

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 107

Report of IBA State Legislation Committee

a registration statement shall have been filed under the Federal Securities Act of 1933 if a copy of the preliminary prospectus for such securities filed under the Federal Act shall have been filed with the commission.

TENNESSEE

A complete new securities act has been adopted in Tennessee effective July 1, 1955.

TEXAS

A complete new securities act was adopted in Texas effective Sept. 1, 1955. A separate act regulating the sale of *insurance* securities and dealers and salesmen selling such securities was adopted effective Sept. 6, 1955, to be administered separately by the Texas Board of Insurance Commissioners.

VERMONT

Subsection VI of section 8885 of the Vermont Securities Act, exempting securities "appearing in any list of securities dealt in" on specified exchanges, was amended, effective March 18, 1955, to exempt any securities "fully listed, or approved for listing upon notice of issuance or upon notice of issuance and evidence of satisfactory distribution" on the specified exchanges.

WISCONSIN

Section 189.14 of the Wisconsin Securities Act was amended effective Aug. 4, 1955, to require that no advertising matter (except matter excepted by subdivision (3) of section 189.14, as amended) relating to securities sould under section 189.06 (exempt securities), section 189.07 (exempt transactions) or section 189.08 shall be issued, circulated or publisned unless a copy thereof is filed with or mailed to the department not later than the date of use. Prior to this amendment advertising matter relating to securities sold under sections 189.06 or 189.07 was not required by the Act to be filed with the department, and advertising matter relating to securities sold under section 189.08 was excepted from the filing requirement of this section but was subject to a filing requirement under section 189.08.

Subdivision (d) of section 189.08 of the Wisconsin Securities Act, authorizing registration of common and preferred stock by notification if certain conditions are met, was amended effective Aug. 4, 1955 by changing a requirement that "not less than six months has intervened since the most recent initial public offering of any stock of the same class by, for or on behalf of an issuer" to permit securities to become eligible "within such shorter period as the department may approve" following a public offering of stock of the same class by or on behalf of the issuer.

Section 189.07 of the Wisconsin Securities Act, providing exempt transactions, was amended effective Aug. 6, 1955 by adding thereto a new subsection (21) to exempt:

"(21) The sales by an investment club of beneficial interests, not exempt under sub. (1)(b), for the purpose of investing and reinvesting such proceeds in securities, if the total membership at any one time is limited to 25, the monthly payments by each member do not exceed $25., and all members continue to retain equal interests in the funds, and provided that:

"(a) Such investment club shall file with the department such information, statements, copies of papers and instruments as the department may require in order to be in a position to determine whether or not registration of such securities under s. 189.13 is necessary or appropriate in the public interest or for the protection of investors; and

"(b) The department has advised such investment club that the proposed sale of the securities issued by it constitute exempt transactions under this section."
tion."

The Wisconsin Securities Act was further amended effective Aug. 12, 1955 as follows:

(1) Section 189.02, containing definitions, was amended by inserting a definition of "investment adviser" as subdivision (9), by inserting a definition of "licensed investment adviser" as subdivision (10) and by renumbering former subdivisions (9) and (10) as subdivisions (11) and (12).

(2) Section 189.03, requiring registration of dealers and agents, was amended to require registration of investment advisers and various other sections of the act were also amended to apply to investment advisers.

(3) Section 189.29, relating to fees, was amended to increase the filing fee for registration of agents from $3. to $5.; to provide a fee of $25. for an investment adviser's license; to increase the minimum filing fee for registration of securities under section 189.13 from $10. to $25. and to increase the maximum filing fee for registration under that section from $140. to $160. Section 189.29 was further amended by adding a new subdivision (7) to provide that the department may order the return of a filing fee when the application for registration of a security is permitted to be withdrawn; but the department may charge the expense reasonably attributable to its preliminary examination against the cost deposit, or if the expense of the examination exceeds the cost deposit the deficit may be charged against the filing fee before a refund is made.

APPENDIX B

Amendments to State Legal Investment Laws—1955

This appendix contains summaries of some of the 1955 amendments to state legal investment laws which are of particular interest to the investment banking industry.

ARKANSAS

The prudent man rule of investment for fiduciaries was adopted in Arkansas, effective June 9, 1955, authorizing fiduciaries within the prudent man standards "to acquire and retain every kind of property, real, personal, or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, stocks, preferred or common, shares or interests in common trust funds, and securities of any open-end or closed-end management type investment company or investment trust registered under the Federal Investment Company Act of 1940, as amended."

CONNECTICUT

Section 5815 of the Connecticut legal investment law for savings banks was amended effective Oct. 1, 1955 by adding thereto a new section 14 authorizing investment of assets in stock or shares of a corporation which is an investment company registered under the Federal Investment Company Act of 1940, provided (a) all the stock and shares of such investment company are or are to be owned by savings banks of this state or state banks and trust companies having savings departments, (b) such investment company may invest their assets only in prescribed investment, (c) limitations are imposed on the amount of stock of any corporation which may be held by such investment company and (d) limitations are imposed on the total investments in such investment companies.

Subsection 13 of section 5815 of the Connecticut legal investment law for savings banks, authorizing investment subject to specified conditions in revenue bonds secured by the revenues of a locally established board, commission, authority, corporation or similar body established for the purpose of providing one or more specified public services, was amended effective Oct. 1, 1955 to limit the authorization to investment in revenue bonds secured by the revenues of a board, commission, authority, corporation or similar body "established by the United States, a state of the United States or a political subdivision thereof" for the purpose of providing one or more of specified public services.

GEORGIA

Section 56-224 of the Georgia legal investment law for insurance companies was amended, effective March 3, 1955, to authorize investment under subdivision (a) in bonds and securities issued by any political subdivision, authority, unit or other corporate body created by the United States Government, or the government of any state; under subdivision (j) in common stocks of solvent railroads, street railways, and other utility corporations and industrial corporations which are "regularly traded and on which quotations are readily available" on an established stock exchange (if the issuer has paid dividends thereon for three consecutive years and has had current earnings in each of such three consecutive years to fully pay the dividends); and under subdivision (1) in securities issued or guaranteed by the United States Veterans Administration or other United States Government body insuring or guaranteeing securities.

ILLINOIS

Subsection 8 of section 125 of the Illinois legal investment law for insurance companies authorizing investment of an amount not exceeding 5% of assets in securities not otherwise authorized was amended effective July 14, 1955 to provide that no shares of common stock may be acquired under that subsection if the aggregate of such shares together with common stock held under subsection 2 (authorizing investment in securities registered on a registered national securities exchange if certain requirements are met) exceeds 50% of the amount by which the aggregate of capital surplus voluntary reserves and all reserves for fluctuations in value of securities exceeds minimum capital and original surplus requirements.

The Illinois Banking Act of 1955 was adopted May 11, 1955 and will become effective Jan. 1, 1957, if approved by the vote of the people at the next general election.

INDIANA

Subdivision (f) of section 14 of the Indiana legal investment law for fiduciaries was amended, effective March 11, 1955, to reflect changes in the names of the American and Midwest Stock Exchanges and to eliminate a requirement that for securities to be eligible for investment under that subdivision the listing or admission of such securities must be consummated within one year after date of the public offering of such issue.

IOWA

The Iowa legal investment law for life insurance companies was amended, effective July 4, 1955, (1) by adding a paragraph to subsection (3) of section 511.8 authorizing investment in "bonds or other evidences of indebtedness issued, assumed or guaranteed by the International Bank for Reconstruction and Development, in an amount not to exceed 2% of its total assets as shown by the last annual report."

MAINE

The Maine legal investment law for savings banks was revised effective Aug. 20, 1955. While many of the provisions are the same, some securities previously eligible for investment are no longer eligible and some securities not previously eligible for investment have been made eligible.

MASSACHUSETTS

The Massachusetts legal investment law for savings banks was revised effective Sept. 12, 1955.

MICHIGAN

Section 555.201 of the Michigan legal investment law for fiduciaries, authorizing investment in specified types of securities subject to the prudent man rule, was amended effective Oct. 14, 1955 to include investments in securities of companies which are registered with the Federal Securities and

DEALERS and DISTRIBUTORS
OF
MUNICIPAL BONDS
BOND DEPARTMENT
Provident Savings Bank & Trust Company
CINCINNATI 2, OHIO PHONE CHERRY 1-6111

MUNICIPAL BONDS
CINCINNATI BANK STOCKS
* * * *
POHL & CO., INC.
414 Dixie Terminal Bldg.
CINCINNATI (1), OHIO MAin 1-6515

Seasongood & Mayer
INVESTMENT SECURITIES
★
Established 1887
★
204 Ingalls Bldg. CINCINNATI 2, OHIO

Walter, Woody & Heimerdinger
MUNICIPAL BONDS
403 DIXIE TERMINAL
CINCINNATI 2

Digitized for FRASER
http://fraser.stlouisfed.org/

Exchange Commission under any of the acts enforced by it and whose principal and primary activities are investments in securities of other companies.

MINNESOTA

Section 61.11 of the Minnesota legal investment law for insurance companies was amended effective April 16, 1955, as follows: (1) Subsection 5, authorizing investment in stocks and bonds meeting specified requirements, was amended to remove a limitation that not more than 5% of admitted assets be invested in common stock (this leaves in effect a limitation that not more than 10% of assets be invested in all stocks); to change a limitation that a company shall not invest in more than 10% of the preferred stock of any one corporation meeting specified requirements, so that a company may invest in not more than 20% of the preferred stock of any one corporation, but total investments in preferred and common stock of any one corporation shall not exceed 10% of the aggregate par or stated value of preferred and common stock of such corporation; and to extend the authority for investment in evidences of indebtedness of United States corporations meeting specified requirements to evidences of indebtedness payable in United States dollars of corporations organized under the laws of Canada or any province thereof.

NEBRASKA

Section 24-601 of the Nebraska legal investment law for fiduciaries was amended effective Sept. 18, 1955 as follows: (1) In subsection (10), authorizing investment in common stock meeting specified requirements, a limitation was removed which restricted investment in common stock to 20% of the total value of the account. (2) In subsection (11), authorizing investment in securities of management type investment companies meeting specified requirements, a limitation was removed which restricted investment in such securities to 20% of the total approximate value of the account and to increase from 30% to 40% of the value of the account the amount which may be invested in common stock and investment company securities.

NEW HAMPSHIRE

The New Hampshire legal investment law for savings banks was amended extensively effective June 21, 1955. The amendments included changes with respect to eligibility for investment of certain railroad bonds, utility bond obligations and stocks and securities of New Hampshire companies.

NEW JERSEY

(1) Section 17:24-1 of the New Jersey legal investment law for insurance companies was amended effective Aug. 2, 1955 by adding thereto a new subsection (g) authorizing investment of capital, surplus and other funds of insurance companies in investments not qualifiying or permitted under preceding subsections to an amount, not including the amount of investments otherwise expressly authorized by law, not exceeding in the aggregate at any one time 2% of the total admitted assets of such insurance company as of Dec. 31 next preceding.

(2) Section 3 of the Act authorizing New Jersey savings banks to invest in preferred or common stock meeting prescribed requirements was amended effective Sept. 15, 1955 to raise the permitted total as such investments from 30% to 40% of the bank's surplus.

NEW YORK

(1) Chapter 235 of the New York legal investment law for savings banks was amended April 29, 1955: (1) By adding to subsection (1) a provision authorizing investment in obligations for which annual contributions to be paid pursuant to contract by the United States Government or any of its instrumentalities in accordance with the Housing Act of 1949 are pledged as security for the payment of the interest and principal and (2) by amending subsection (4) to authorize investment in obligations for which the faith and credit of New York municipalities are pledged (this subsection previously authorized investment in securities "of" such municipalities), to authorize investment in obligations issued by, or secured by a pledge of the faith and credit of New York water districts and sewer districts if the faith and credit of the issuer is pledged for the payment of such obligations, and to authorize investment in bonds and debentures of any New York public authority or commission, including revenue bonds, if prescribed conditions are met. These amendments free the investments authorized thereunder from the restrictions imposed upon such investments when they were made under the authority of section 21 of the legal investment law.

(2) Section 21(a)(2) of Chapter 235 of the New York legal investment law for savings banks was amended effective April 29, 1955 to authorize investment in interest-bearing securities of any state of the United States if such securities are not in default. A similar authorization for investment in such securities was previously contained in section 3, but that authorization contains additional limitations as to default at any time within the preceding ten years.

(3) Section 20 of Chapter 235 of the New York legal investment law for savings banks was amended effective March 29, 1955 by adding a new subdivision (d) to authorize investment in property improvement notes issued pursuant to provisions of Title 1 of the National Housing Act of 1950 if the bank has received in connection therewith a contract of insurance from the Federal Housing Commissioner.

(4) Sections 21(b), 26(g), 26(h) and 26(i) of Chapter 235 of the New York legal investment law for savings banks, limiting investment in certain classes of corporate securities to the amount, or to a percentage of the amount, of the surplus fund and undivided profit of the savings bank, was amended effective April 22, 1955 to include "surplus reserve" in the amount used to measure the permissible amount of investment.

(5) Section 26 of Chapter 235 of the New York legal investment law for savings banks was amended effective April 29, 1955 by adding a new subdivision (d) to authorize investment in common stock of any casualty company or fire insurance company if prescribed conditions are met. Subdivisions (g) and (j) of that section were also amended to include investments pursuant to the new subdivision (d) in the restrictions imposed by those subdivisions on the amount of investment in certain classes of securities.

(6) Section 81 of the New York legal investment law for insurance companies was amended effective April 27, 1955 to provide that authorized investments in bonds, notes or evidences of indebtedness secured by first mortgages or deeds of trust on improved unincumbered real property shall not be deemed to be encumbered by reason of the existence of a purchase contract or lease-purchase agreement pursuant to the Public Buildings Purchase Contract Act of 1954 or the Post Office Department Property Act of 1954 if money due or to become due under the purchase contract of lease-purchase agreement is assigned as further security for the loan.

NORTH CAROLINA

Subdivision (e) of section 58-79 of the North Carolina legal investment law for stock and mutual life insurance companies and section 58-79.1 of the North Carolina legal investment law for stock insurance companies other than life insurance companies and fraternal benefit associations were amended, effective March 9, 1955, to authorize investment in obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development.

OHIO

Section 3925.08 of the Ohio legal investment law for insurance companies other than life insurance companies was amended effective Sept. 30, 1955: (1) Subsection (H), authorizing investment in securities or property not otherwise authorized up to 5% of funds accumulated in the course of business or surplus money above capital stock, was amended to permit investment in securities or property not otherwise authorized up to 5% of total admitted assets. (2) A requirement was added that no insurance company shall at any time have invested a sum exceeding 5% of admitted assets in securities of a particular corporation or (with certain exceptions) invest in more than 25% of the outstanding securities of any one corporation. (c) Changes were made in the classes of municipal bonds eligible for investment, including new provisions authorizing investment in revenue bonds meeting specified requirements.

OKLAHOMA

Subsection (3) of Section 17.2 of the Oklahoma legal investment law for insurance companies, authorizing insurance companies other than life insurance companies to invest (an amount equal to capital and surplus if a stock company and, if a company other than stock, an amount equal to its surplus over all liabilities) in corporate securities meeting specified requirements, was amended effective June 1, 1955 (1) to authorize such investment by life insurance companies, (2) to make certain requirements which were previously applicable only to investment in manufacturing corporations applicable to investment in all common stock and (3) to change the earnings requirements on shares outstanding for less than five years.

SOUTH DAKOTA

The prudent man investment rule for fiduciaries was adopted in South Dakota, effective July 1, 1955, authorizing investment within the prudent-man standards in "every kind of property real, personal, or mixed, and every kind of investment, specifically including but not by way of limitation bonds, debentures and other corporate obligations, and stocks preferred or common."

Section 31.1401 of the South Dakota legal investment law for insurance companies was amended, effective July 1, 1955, as follows:

(1) Provisions of the law were made applicable to investment of "all funds." Prior to amendment the law did not apply to capital and surplus.

(2) A new subdivision (17) was added to authorize investment in first mortgage bonds, debentures, corporate notes, income bonds, equipment trust certificates or preferred stock issued or guaranteed by railroad, public utility, finance or industrial corporations meeting specified requirements.

(3) A new subdivision (18) was added to authorize investment in securities of any open-end or closed-end management type investment company or investment trust fund registered under the Federal Investment Company Act of 1940, provided that not more than 2% of the assets of any insurance company may be invested in such securities.

(4) A new subdivision (19) was added authorizing any insurance company to invest an amount not tor exceed in the aggregate 5% of its admitted assets, exclusive of

Continued on page 110

SWENEY CARTWRIGHT & CO.
INVESTMENT SECURITIES
Huntington Bank Building
Columbus, Ohio

JOSEPH, MELLEN & MILLER, INC.
INVESTMENT SECURITIES
1170 Union Commerce Building
Cleveland, Ohio
New York Office — 25 Broad St.

● UNDERWRITING
● DISTRIBUTING
THE OHIO COMPANY
Investments
51 N. HIGH ST. COLUMBUS 15, OHIO

Field, Richards & Co.
ESTABLISHED 1908
Underwriters and Distributors
Of Municipal & Corporate
Securities
1556 Union Commerce Bldg.
CLEVELAND 14, OHIO
Telephone PRospect 1-2770
Teletype—CV 174
1707 Union Central Bldg.
CINCINNATI 2, OHIO
Telephone Main 1-3776
Teletype—CI 197 & CI 150

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 109

Report of IBA State Legislation Committee

capital and surplus, without regard to the restrictions and notwithstanding the provisions of any other section or act regulating or governing investment.

TEXAS

Article 3.39 of the Texas legal investment law for life insurance companies was amended effective Sept. 6, 1955 by adding a new subsection (9) to provide that mutual life insurance companies must at the time of incorporation have their capital and surplus invested only in specified investments, but after a charter is granted surplus in excess of $100,000 may be invested as provided for investments by stock companies.

Article 2.08 of the Texas Insurance Code, prescribing authorized investments for the capital stock and minimum surplus of insurance companies, except life, health and accident companies, was amended effective Sept. 6, 1955 to change the authorized classes of permissible investments.

VERMONT

A new section was added to the Vermont legal investment law for life insurance companies, effective Feb. 11, 1955, to provide that a life insurance company may "loan or invest its funds to an amount not exceeding in the aggregate 3% of its admitted assets as of the Dec. 31st next preceding in loans or investments not qualifying or not permitted under its charter or under any other section of the statutes of this state."

Section 9080 of the Vermont legal investment law for insurance companies, authorizing a company to invest not exceeding 3% of its assets in corporate or trust securities not otherwise authorized subject to specified conditions, was amended effective May 25, 1955, to authorize investment in shares of an open-end or closed-end management type investment company or investment trust which is registered under the Federal Investment Company Act of 1940 and which may be sold under the rules, regulations and exemptions of the Commissioner of Banking and Insurance under the provisions of Chapter 383 of the Vermont statutes (subject to specified conditions).

WASHINGTON

The Washington legal investment law for mutual savings banks was amended, effective June 9, 1955, as follows: Section 32.20.200, authorizing investment in such interest bearing obligations of domestic industrial corporations as are legal for investment by savings banks in the State of New York, was repealed; a new section 32.20.330 was added to authorize investment of not to exceed 15% of its funds in interest bearing obligations issued, guaranteed or assumed by industrial, manufacturing, mining, merchandising or commercial financing corporations (not more than 2% of funds to be invested in such obligations of any one corporation), meeting specified earnings and financial requirements, registered with the SEC, and rated among the four highest classifications of two or more nationally recognized investment rating services.

WEST VIRGINIA

Section 2 of the West Virginia legal investment law for fiduciaries was amended effective June 10, 1955 by:

(1) Adding to the authorization to invest in the legal list a provision subjecting fiduciaries to the "prudent man" rule in investing under the legal list.

(2) Adding a new subsection (h) authorizing investment, subject to specified conditions, in corporate securities and shares of any open-end or closed-end management type investment company or investment trust registered under the Federal Investment Company Act of 1940.

WISCONSIN

Section 201.25(1) of the Wisconsin legal investment law for insurance companies except life insurance companies was amended effective May 14, 1955, by adding new subsections to authorize investment in equipment securities evidencing rights to receive payments agreed to be made upon any contract of leasing or conditional sale for equipment for use by companies operating (1) railroads in the United States or Canada under specified conditions and (2) motor vehicles or aircraft used or to be used for commercial purposes, subject to specified requirements.

WYOMING

Section 8.301 of the Wyoming legal investment law for fiduciaries was amended, effective May 20, 1955, by adding thereto three new subdivisions authorizing fiduciaries to invest in (1) savings and loan associations, building and loan associations and bank savings accounts or certificates of deposit to the extent underwritten, secured or insured by an agency or instrumentality of the U. S., (2) a bank's common trust fund as defined in section 169 of the U. S. Internal Revenue Code of 1939 and section 584 of the U. S. Internal Revenue Code of 1954 and (3) mutual funds of investment companies regulated under the U. S. Investment Company Act of 1940.

RESULTS OF GOLF TOURNAMENTS AT THE IBA CONVENTION

1955 Convention — Hollywood, Fla. — November 27-December 2

Alden H. Little Trophy—Men:
1st—John B. Ellis, Courts & Co., Atlanta.
2nd—Samuel L. Varnedoe, Varnedoe, Chisholm & Co., Inc., Savannah.

Seniors Tournament—Low Gross—Men:
1st—Herman L. Lind, Camp & Co., Portland, Oreg.
2nd—Milton S. Trost, Stein Bros. & Boyce, Louisville.

Investment Bankers Association of Canada Trophy—Men:
1st—Jack R. Munger, Keith Reed & Co., Dallas.
2nd—William O. Alden, Jr., O'Neil, Alden & Co., Louisville.

Robert E. Christie Memorial Tourney—Men:
1st—Gilbert Hattier, Jr., White, Hattier & Sanford, New Orleans.
2nd—Bertram M. Wilde, Janney & Co., Philadelphia.

18 Hole Handicap—(First Day)—Men:
1st—Leon Lees, Jr., Ira Haupt & Co., New York City.
2nd—John McG. Dalenz, Calvin Bullock, Ltd., New York City.

18 Hole Kicker's Handicap—Men:
Frederick C. Beil, Jr., Beil & Hough, Inc., St. Petersburg, Fla.

18 Hole Handicap—(Second Day)—Men:
1st—Russell M. Ergood, Jr., Stroud & Company, Incorporated.
2nd—Edward J. Costigan, Edward D. Jones & Co., St. Louis, Mo.

Kickers Handicap—Ladies:
Mrs. Frank L. Lucke., Laidlaw & Co., New York.

Mixed Foursome—18 Hole Handicap:
1st—Mr. G. Edward Howard, Piper, Jaffray & Hopwood, Minneapolis; Mrs. Peter Flanigan (Dillon, Reed & Co.), New York.
2nd—Mr. and Mrs. Howard B. Dean, Harris, Upham & Co., New York City.

18 Hole Tourney—Ladies:
1st—Low Gross:
Mrs. Jack R. Munger (Keith Reed & Co.), Dallas.
2nd—Mrs. F. Brian Reuter (Mellon National Bank), Pittsburgh.
1st—Low Net:
Mrs. John W. Ahearn (Rockland-Atlas National Bank), Boston.
2nd—Mrs. Lewis F. Lyne (Mercantile National Bank), Dallas.

18 Holes (Second Day):
1st—Low Gross:
Mrs. Jerome F. Teleger (Dempsey-Tegeler & Co.), St. Louis.
2nd—Mrs. George J. Gruner (John Nuveen & Co.), New York.
1st—Low Net:
Mrs. John L. Kenower (Kenower, MacArthur & Co.), Detroit.
2nd—Mrs. Craig Severance (F. Eberstadt & Co., Inc.), New York.

J. W. SPARKS & CO.
ESTABLISHED 1900
MEMBERS
NEW YORK STOCK EXCHANGE PHILA.-BALTIMORE STOCK EXCHANGE
AMERICAN STOCK EXCHANGE
Brokers in
LISTED and UNLISTED SECURITIES
Dealers in
STATE, MUNICIPAL and REVENUE BONDS
DIRECT WIRE TO NEW YORK
A. T. & T. TELETYPE—PH 622
120 BROADWAY, NEW YORK 5, N. Y., WORTH 4-0220
210 WESTERN SAVINGS FUND BLDG., BROAD & CHESTNUT STS., PHILADELPHIA 7, PA., KINGSLEY 6-4040

Established 1896
PENINGTON, COLKET & Co.
Members
New York Stock Exchange *American Stock Exchange*
Philadelphia-Baltimore Stock Exchange
COMPLETE TRADING FACILITIES
Incoming deliveries accepted in New York City or Philadelphia
RETAIL DISTRIBUTION
123 South Broad Street, Philadelphia 9, Pa.
PEnnypacker 5-7700 Teletype PH 180
New York Manhasset Altoona Reading
DIRECT TELEPHONE CONNECTION TO
BAUMGARTNER, DOWNING & CO., BALTIMORE, MD.
PRIVATE TELEPHONES BETWEEN OFFICES

Dealers in
Municipal Bonds
THE PHILADELPHIA NATIONAL BANK

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 35

There's No Limit on Tomorrow

midable challenge of doubling our sales in five years. It looks now as though that estimate was entirely too conservative.

We have such a stalwart faith in the future of business in general and the outlook for the paper industry in particular, that we are now planning an ambitious program which will call for even further sales increases over the next five years. We anticipate that a large part of our increased business will result from sales of products now in various stages of planning, in addition to products similar to Scott's which will be manufactured and distributed in foreign countries by companies in which we have a financial interest.

Substantial new capital will be needed to finance our development and growth both at home and abroad. We will be depending on you and your distributing organizations to an even greater extent than before.

My friend Crawford Greenewalt has said "When anyone in the past has attempted to predict the long-range future, his forecast has turned out to be hopelessly shortsighted and pessimistic." Let's not give anyone the chance to accuse us of being shortsighted and pessimistic. Never let it be said that in selling a goal (as for example, doubling the number of common stockholders) you are guilty of aiming too low.

We know from experience that when a goal is set and a plan is made, we have only just begun. It is at this point when we should begin a bold, ruthless self-appraisal of our strengths and weaknesses. It becomes immediately apparent that we cannot depend on 1955 methods to carry us to our tremendous goals of 1965. Neither you nor we can double our businesses by simply doing twice as much of the same old thing. With this as a starting point, let's look at a few specific areas of concern to us in business and see if they have a direct application to you.

One area of major concern is the critical scarcity of trained manpower. Judging from a recent article in "Exchange" magazine, it also appears to be receiving some serious thought by you. The problem is how to develop the professional concept needed in management—not only at the top but, more importantly, at the second and even the third tiers.

These manpower problems are being solved in a number of ways, beginning with aggressive and intelligent college recruiting programs and continuing through careful orientation and professional on-the-job training. Yet, we must be careful never to let management become so professionalized that initiative and individualism are lost. In the last analysis, business is human relationships. And to me there is nothing more important than the human being . . . in your business as well as ours.

At Scott, we are calling on the country's great colleges and universities to help us with advanced academic training for our people at both middle and top management levels. Another program we have is an exchange arrangement with several universities. Faculty members spend several months working in our company on various job assignments—counseling and advising us on different activities of the business. As we get deeper into this area, we can see that there is developing between the educational world and industry a sound relationship that is both useful and inspiring.

Perhaps there is the framework of an idea here for an exchange program under which your firms would invite corporate financial people to work and train in your shops and send promising men from your firms to work in industry. I am convinced something like this could bring forth a far greater understanding between you, your clients, and your potential clients.

From what I hear, some of you are following a constructive practice of recruiting and training. This is particularly true with respect to investment analysts, who are rapidly developing into a highly trained and respected professional group. But it must not stop with them. *All* segments of your business deserve the same attention.

One of you, Charlie Harding, recently said that the most important gauge the investment banker can use to measure the future worth of a corporation is . . . not its background, not its products, plants, or even its balance sheet but . . . its management. I agree wholeheartedly. I feel that, in appraising companies, entirely too much emphasis is placed on statistics alone and not enough on managements, their policies, and the morale of their people. I feel also that we in industry must apply the same gauge—management —in selecting our investment bankers.

We Are in a New Area of Research

And now let us turn to another challenging aspect of your business and ours. It is the area of research into new products, processes, and services. Although we in industry provide, for the most part, physical products, and you in the investment banking business provide services, I believe that a direct parallel exists in our respective needs for research. Industrial product research and development groups are hard at work engineering new ideas to meet new needs and to make a better life for everyone.

I can foresee the time when you will be doing not only statistical research but also basic research to find new and better ways of serving your client companies on the one hand, and your customers for securities on the other.

It would be presumptuous for me to try to tell you what these new and better ways are. However, it is my hope that you will take up the challenge because we in industry need your services — not once every few years, when we have a problem of financing—but, more importantly, *on a continuing basis.*

I cannot emphasize to you too strongly the great need industry has for more of the good examples being set by a handful of your group who are taking the initiative in furnishing industry with a type of financial management service which goes far beyond the conventional pattern.

In recent years the United States has developed, with your help, the greatest production machine in the world, and we have made, through science, great strides in research. Yet, knowing as we do that what is produced must be sold, we have failed in the recent boom years to turn the revealing light of the scientific approach upon the elements of distribution to the extent we have on material, products and manufacturing processes.

We in industry use the facts and advice of our advertising counselors and others in the development of sales and advertising programs, but there are great voids in the information available in these areas. For example, we must learn how to determine in advance and with more certainty the relative results of advertising, promotion, and personal sales expenditures before we can apply manpower and resources to distribution as effectively as we apply them to production.

In the final analysis such a research program into the fundamentals of all phases of distribution could bring about considerable reduction in marketing costs and a consequent lowering of prices and widening of markets. Sales, production, employment and earnings would be given greater stability through better knowledge of how to stimulate consumption. The new products on which the expansion of our economy depends would be more effectively introduced at lower cost.

It is my personal conviction that scientific distribution, backed by continuing programs of research in the social sciences, can open a limitless future of dynamic industrial growth and great prosperity for the individual, the nation and the world.

Role of Investment Bankers in Expanding Stock Ownership

I see an evolution in the sales pattern of investment banking similar to that in industry generally. It is evident, from what I have observed, that you are becoming involved in a type of selling I can describe only as retail sales. This is the same evolution which has recently taken place in the commercial banking field as it did years ago in the grocery and drug businesses. I take it from reading your publications that investment selling is being aimed more and more toward the small individual shareholders. This method of distribution was demanded of you when the first offering of Campbell Soup stock was recently made, and I understand the same principle is to be followed by the Ford Foundation in marketing its Ford stock.

Keith Funston has sparked a hard-hitting campaign to widen the base of stock ownership. I am glad to see that the financial press has lent its powerful support to these efforts and that some of you have seen fit to tie-in your own advertising and public relations programs with this theme.

It is agreed that the future of our country depends upon our ability to show men and women everywhere that our competitive enterprise system is the best security in which to invest their work . . . and their capital. Industry is already making an important contribution toward wider stock ownership through employee stock purchase plans in which, according to an article I recently read, more than two million people now participate. I believe it is one of your primary jobs to reach out to the other millions in the U. S. who make up the potential common stock market. We in industry, however, can and will asist you in this effort.

You may gather from what I have just said that I believe in common stocks. I can assure you that I do, just as I believe in the future growth in the economy of America.

I also believe that both of us should give increasing attention to the character and development of our sales personnel. We should strive to make selling an honored profession. The selection methods and training of salesmen are still woefully inadequate. In the securities field, I'm afraid I see too many salesmen selected for reasons other than those of professional competence. In chemistry, engineering, physics, and accounting we require higher and higher standards of technology and professionalism. But the field of salesmanship has been sadly neglected. A constructive program applied to this important area could bring rich dividends.

Industry has faith in you, and it recognizes full well the pivotal role you play in America's future. We certainly echo the words of Judge Medina in the now historic decision, when he said: "It would be difficult to exaggerate the importance of investment banking to the national economy."

I am told that in the course of that court action you characterized yourselves as belonging to a "profession." I say that in the next ten years you will have every opportunity to prove yourselves to be true professionals. We in industry pray you succeed; for, as in the past, we can succeed only if we succeed together. The rewards of the future can be, for us, greater than they have *ever* been before because, for us, there is *no limit on tomorrow.*

Retail Distributors ***Underwriters***

Trading Markets

Pennsylvania and General Market
Municipal Bonds

High Grade Corporate Bonds and Stocks

★ ★ ★

SCHMIDT, POOLE, ROBERTS & PARKE

Members Philadelphia-Baltimore Stock Exchange

123 SOUTH BROAD STREET
PHILADELPHIA (9), PA.

N. Y. Phones	*Teletype*	*Phila. Phone*
REctor 2-1695	PH 538	KIngsley 5-0650
HAnover 2-4556		

DREXEL & Co.

Established 1838

Underwriters and Distributors
of
Public Utility, Industrial and Railroad Securities
State, Municipal and Revenue Obligations

Members
New York Stock Exchange
American Stock Exchange (Assoc.)
Philadelphia-Baltimore Stock Exchange

PHILADELPHIA 1
1500 Walnut St.

NEW YORK 5
30 Wall Street

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 53

Report of IBA Oil and Natural Gas Securities Committee

the gasoline yield from crude oil from 35% in 1925 to around 45% in the years just before World War II. Since then, residual yields have declined materially and output of distillates has increased, with gasoline varying from year to year within a fairly narrow range.

Oil demand fluctuates also with seasonal factors and changes in consumer requirements, and in different ways for different products. Consumption of gasoline rises to a peak in the summer months while fuel oils are in greatest demand during the winter. Since these variations do not fully offset one another, and since one product cannot be obtained without producing the others, the industry experiences wide seasonal fluctuations in product inventories. Excessive accumulations frequently find reflection in unsatisfactory product prices.

From the foregoing, it must be concluded that major increases in refining capacity are not presently contemplated; that emphasis at present is on modernizing existing facilities to improve quality and type of product. Such a program involves expenditures which do not necessarily produce commensurate additional profits, but are necessary to maintain simply a competitive position. On the other hand, the modern catalytic cracking, reforming, and other equipment is expected to increase flexibility, and should help the industry to gear yields more closely with demand.

Offshore Exploration and Development

If it were necessary to prove that the oil and gas industry is dynamic and forward-thinking, no better example could be found than the industry's approach to offshore exploration and development. For here we encounter staggering costs, amplified risks, completely new techniques, and, above all, final proof that the industry thinks and acts in terms of bigness.

In the five years before World War II, the domestic industry was adding about two barrels to the country's crude oil reserves for every barrel of crude produced, leaving a net gain in reserves of one barrel. Since the War, this ratio has been declining. Over the last five years, the net gain in reserves has been less than half a barrel for every barrel produced. The reserves added per foot of hole drilled have also constantly declined.

Little wonder, then, that the industry has eyed with interest the possibility in tideland areas of a continuation of traps and formations which have been so prolific along the Texas and Louisiana Gulf coasts.

The first problem, of course, was to perfect geophysical methods which could be used in open water. New and different equipment became a necessity. The principal methods used, in order of increasing resolution and operating costs, have been magnetic, gravimetric and seismic. Major amounts of offshore geophysics have been done off California, Louisiana and Texas. Comparatively small areas have been covered offshore with the airborne magnetometer. This remote-controlled gravity meter, or gravimeter, has been employed in a number of areas. The reflection seismograph is the most widely used method. Early surveying was done by wire line and transit. These have been replaced by radar, continuous radio wave and sonar methods.

Although marine geophysical work involves much greater investment in equipment and manpower than a land-borne counterpart, seismic work on large open water areas can be done as cheaply, or more cheaply, per linear mile than on land.

Once a potential oil-bearing structure has been located, offshore drilling presents the same new problems in costs and equipment as did the geophysical work. There are at present nearly a dozen seagoing drilling barges, costing from two to five million dollars each, out after offshore oil. Offshore wells cost from a half-million to over a million dollars to drill. But the industry is so convinced of the presence of substantial fields on the continental shelf, that these staggering outlays are no deterrent. Here is the record to date:

There are now over 2,000,000 acres under lease to oil companies off the coast of Louisiana, and 900,000 acres under lease off the coast of Texas. Companies participating in offshore exploration are:

Standard of California (The California Company Group)
Phillips Petroleum Co.
Magnolia Petroleum Co.
Stanolind Oil Co.
Humble Oil and Refining Co.
The Texas Co.
Atlantic Refining Co.
Cities Service Co.
Seaboard Oil Co.
Shell Oil Co.
Gulf Oil Corp.
Superior Oil Co.
Pure Oil Co.
Continental Oil Co.
Tide Water Associated Oil
Sun Oil Co.
Kerr-McGee Oil Industries, Inc.

Recent newcomers in the area are:

Sinclair Oil Co.
Standard of Ohio
Western Natural Gas Co.
Peoples Gas Production Co.
El Paso Natural Gas Co.
Forrest Oil Co.
Signal Oil & Gas Co.

Continental Oil Company leads all others with 587,000 acres leased.

These companies have spent over $400,000,000 for leases. $77 million has been spent for leases off the Texas coast, and the balance in Louisiana. $40 to $50 million has been spent in rentals. Of the $400 million spent for leases, over $300 million has been spent since Congress passed the two bills giving Texas and Louisiana rights to their tidelands.

As of June 1, 1955, there had been 33 wells drilled off the Texas coast, seven fields discovered, of which four were oil and three were gas. The total spent off the Texas coast on geophysical work and drilling, up to June 1, 1955, was about $100 million.

Off the Louisiana coast, as of June 1, 1955, there had been 68 fields discovered, of which 33 are oil and 35 are gas. A total of over 800 wells have been drilled, 60% of which have been discoveries. Total production to date from all fields off the Louisiana coast has been 55 million barrels of oil. Present production is at the rate of 50,000 barrels per day.

It is too early to accurately estimate the reserves in the Gulf. Estimates have ranged from one to 20 billion barrels of oil and condensate, with 12 billion barrels the most widely accepted figure.

Aside from the significantly higher costs of finding this oil, the cost of a gathering system is also much greater than that on land. At the present time, off the coast of Louisiana, there are six oil gathering systems and two gas gathering systems. Magnolia has recently completed one 30-mile long gathering system, which connects three fields and then runs to a central point on land.

The great amphibious operation in the Gulf of Mexico is truly one of the biggest ventures in the history of the oil industry. Despite the fact that up to the present time only one dollar has been returned for every six or seven invested, the industry shows no sign of backing away. In the opinion of those familiar with offshore operations, it is felt that somewhere beneath these coastal waters lies a vast pool of petroleum, perhaps equal to one-half of the known reserves in the whole land area of the United States.

Natural Gas Legislation

When Congress reconvenes in January, 1956, the Senate will consider an Amendment to the Natural Gas Act, known as the Harris Bill in the House of Representatives, and passed by that body on July 28, 1955.

In the Senate the Harris Bill will be sponsored by Senator Fulbright, and will there be referred to as the "Fulbright Bill."

The purpose of this report is to give a brief history leading up to this important legislation, a complete explanation of the Bill, together with the implications of its passage or defeat.

The Natural Gas Act, which was made a law on June 21, 1938, gave the Federal Power Commission jurisdiction over the rates charged by interstate natural gas transmission companies. As the Act was originally interpreted, the Federal Power Commission regulated a Public Utility function, pure and simple.

On June 7, 1954, a split decision by the United States Supreme Court placed the sale of a basic commodity by a producer under Federal price regulation for the first time in the peacetime history of the United States.

The decision was in the now famous Phillips Case (Phillips Petroleum Company vs. Wisconsin, et al.). It stated that the Federal

EXHIBIT "A"

Gross Profit Margins of Oil Refiners

(Dollars per Barrel)

Year	Price of Crude*	Gross Margin**	Realization on Products
1954	2.82	0.91	3.73
1953	2.73	1.03	3.76
1952	2.56	1.06	3.62
1951	2.56	1.13	3.69
1950	2.54	0.94	3.48
1949	2.55	0.79	3.34
1948	2.59	1.11	3.70
1947	1.92	0.99	2.91
1946	1.39	0.82	2.21
1945	1.20	0.87	2.07
1944	1.20	0.85	2.05
1943	1.20	0.78	1.98
1942	1.20	0.71	1.91
1941	1.14	0.71	1.85
1940	1.02	0.62	1.64

*Weighted price at the well in eight principal areas.

**Weighted in nine refinery markets on four principal products, i.e., gasoline, kerosene, light fuel oil, and heavy fuel oil.

BUTCHER & SHERRERD
ESTABLISHED 1910

Underwriters, Distributors, Dealers in

CORPORATE AND MUNICIPAL SECURITIES

MEMBERS
New York Stock Exchange *Philadelphia-Baltimore Stock Exchange*
American Stock Exchange (Associate)

1500 WALNUT STREET • PHILADELPHIA 2, PA.

Philadelphia Telephone PEnnypacker 5-2700 | Teletype PH-4 | New York Telephone BArclay 7-4641

ESTABLISHED 1912

BROOKE & CO.

Members Philadelphia-Baltimore Stock Exchange

N. W. Corner 16th & Locust Sts. Philadelphia 2, Pa. | 300 N. Charles St. Baltimore 1, Md.

UNDERWRITERS AND DEALERS
Industrial, Public Utility, Railroad, Real Estate, Municipal Securities

UNLISTED TRADING DEPARTMENT

Established 1865
BIOREN & CO.
MEMBERS
New York Stock Exchange
American Stock Exchange
Philadelphia-Baltimore Stock Exchange

1508 Walnut Street, Philadelphia 2, Pa., PEnnypacker 5-9400
120 Broadway, New York 5, N. Y., WHitehall 3-0590

Digitized for FRASER
http://fraser.stlouisfed.org/

Power Commission has the right to control and regulate prices at which independent producers sell their natural gas to transmission companies, if the latter transport it across state lines.

The Phillips decision not only placed a new interpretation on the Natural Gas Act, but further charged the Federal Power Commission to act accordingly. This resulted in the Commission promulgating Order No. 174 on July 16, 1954, under which every natural gas producer selling gas in interstate commerce must apply for a Certificate of Public Convenience and Necessity.

The impact of this decision on the industry finally resulted in the introduction in the House of Representatives by Congressman Harris of Arkansas, on June 6, 1955, of H. R. 6645, known as the Harris Bill, an Amendment to the Natural Gas Act, a copy of which is attached as an Addendum to this Report.

Hearings on the Bill before the House Interstate and Foreign Commerce Committee were long and bitter and the Bill was finally reported out of the House Committee by a very close vote. The Harris Bill was passed by the House on July 28, 1955, by the very narrow margin of 209 ayes to 203 nays.

A Summary of the Harris-Fulbright Bill, as prepared by the General Gas Committee, is quoted below:

Summary

H. R. 6645, introduced by Congressman Oren Harris on June 6, 1955, safeguards the consumer of natural gas from excessive prices. The bill makes no change in the jurisdiction of the Federal Power Commission over the rates charged by interstate natural gas transmission companies. The Commission continues to regulate the public utility functions of such companies.

This bill gives a protection to the consumers which they did not have during the 16 years from June 21, 1938 (the date the Natural Gas Act was approved) to June 7, 1954 (the date of the Phillips decision), by providing:

(1) That an interstate transmission company may not pass on to the consumer more than the reasonable market price of natural gas it purchases under contracts made or renegotiated after the bill is enacted into law.

(2) That **escalator** clauses in **existing** contracts shall not increase above the reasonable market price, the price to be paid for gas under such contracts, and the interstate pipeline companies shall not pass on to the consumer more than the reasonable market price of such gas. Sellers cannot cancel their contracts because such ceiling has been established by the Commission. Escalator clauses do not include price increases in specific amounts at definite times or tax escalator clauses.

(3) In passing upon applications for certificates of public convenience and necessity, the Commission is required to consider whether the price the interstate transmission company proposes to pay for its gas is the reasonable market price.

In determining the reasonable market price, the Commission is required to consider, among other things, whether the price has been competitively arrived at, the contract's effect on assurance of supply and the reasonableness of the contract provisions as they relate to existing or future prices.

The bill also broadens the jurisdiction of the Committee by extending its jurisdiction to transportation of gas between a point in a state and any foreign nation.

Subject to the above, the bill recognizes that production, gathering, processing, treating and compressing natural gas and the sale and delivery thereof in or near the field where produced is a local and highly competitive risk-taking enterprise and should not be subjected to Federal price fixing utility regulation. The bill also recognizes that natural gas produced by the interstate natural gas transmission companies or purchased by them from their affiliates should be expensed at the reasonable market price.

Basically, H. R. 6645 carries out the recommendations contained in the so-called Fleming Commission Report on Energy Supplies and Resources Policy. However, in providing safeguards for the consumer, it deals not only with **new and renegotiated** contracts as suggested in the Report, but goes further and protects the consumer as to escalation clauses in existing contracts. [Ed. Note: Omitted here, for space reasons, is the Committee's analysis of each Section of the pending Bill.]

From the Administration's point of view, the background thinking on the Harris Bill came from the Report of the President's Cabinet Advisory Committee on Energy Supplies and Resources Policy. On Feb. 26, 1955, this Committee declared that a utility status for producers would undermine future supplies of gas by killing the incentive to explore for and develop new reserves for the interstate market. It did declare, however, that in considering certification of new lines, and applications for increased rates for interstate transmission companies, the Federal Power Commission should protect consumers by examining contracts to see if prices are competitively arrived at and represent the reasonable market field price.

From the foregoing [the Committee's analysis of the pending Bill], it will be seen that if the Harris - Fulbright Bill becomes law, gas producers will still be **indirectly** under Federal Power Commission control, but would presumably receive fair treatment, within the confines of **competitive** pricing. Coast-plus pricing could continue to be a threat, but could never be **forced** on a new seller.

Many aspects of existing and future contracts, which formerly were subjected to "interpretation," are now spelled out. Certainly the Carriers, under this law, would know exactly where they stand. By the same token, under the privilege of securing advance approval of prices to be paid, the distributing companies will operate in the wholesome climate of true supply and demand and free competition.

Of particular interest in the provisions of the Harris Bill is the right of the carriers to sell their **own** or **subsidiaries'** gas at fair market field prices.

Should the Senate make changes in the Fulbright Bill which would necessitate returning the Bill to the House, gas industry opinion is that the measure would fail during this coming session. With another year of delay, the underlying philosophy of the Cabinet Committee, in regard to resources development, would come into even sharper focus. The result would be a needless status quo of the entire industry.

Consensus of opinion in the industry is that the Harris-Fulbright Bill has a better than even chance to pass the Senate, but not without continued effort by all segments of the industry interested in seeing its passage. Industry leaders also feel that the return of Senator Johnson of Texas as an active Senate leader would greatly influence the success of the Bill. [Text of Bill omitted.—Ed.]

The Import Situation

Of all the current problems in the oil and gas industry, that of excessive imports ranks equally, if not above, the disastrous impact of the Phillips Case Decision on the gas producers.

Arguments for and against imports go far beyond academic pleasantries. Everything which has been written or said by both sides has extreme validity. The domestic producers, if they are to continue to find new reserves, must sell present production. The importing companies, caught between the rising costs of finding domestic oil and the competitive products market, naturally turn to low cost foreign oil.

Companies with investments abroad are obviously anxious to make a return on such an investment. The consuming public, particularly in Eastern markets, is more price-conscious than patriotic. As the government takes a more active role in import restrictions, there are both domestic and international political implications. We must retain the goodwill and economic well being of our friendly Western Hemisphere nations, such as Venezuela and Canada. We have the same task in the Middle East, with the Communists as competitive suitors. Indeed, the complexity of the problem suggests that perhaps there may never be a satisfactory solution reached.

This report, therefore, will concern itself with reporting the latest developments in the controversy.

The first significant development was the release on Feb. 26, 1955, of the report by the special Cabinet Committee on Energy Supplies and Resources Policy. This Cabinet Committee concluded that imports of crude oil and residual fuel oil should not exceed the 1954 ratio to domestic oil production in the interests of national defense. This was the first time that a top level report by the Executive Branch of Government recognized that imports were a serious problem affecting the national security, and that the government should pursue a definite policy to prevent excessive imports.

Prior to the release of the Cabinet Committee's report, the Congress had begun consideration of the Trade Agreements Act. On Feb. 17, the House of Representatives voted to extend that Act for three years, without voting on a number of amendments which had been introduced to limit imports of oil and certain other commodities. A series of very close votes in the House, however, indicated that there was a growing recognition in Congress of the need to modify the trade agreement program, particularly as to imports of strategic materials essential to national defense.

The increasing Congressional concern with regard to imports was reflected in the introduction by 17 Senators on March 2 of an amendment to the Trade Agreements Act, limiting oil imports to 10% of the United States' oil demands. This proposed legislation was based on the same fundamental principle as the recommendations of the Cabinet Committee. The purpose of both the amendment and the Cabinet Committee Report was to establish a definite relationship between oil imports and domestic oil operations. The differences were a matter of detail only. For example, the proposed amendment was based on the average 1946-51 relationship between imports and domestic operations, while the Cabinet Committee used the 1954 ratio.

The National Petroleum Council, representing all segments of the petroleum industry, has endorsed the principle that fair and equitable relationships should prevail between total oil imports and domestic oil demands. Thus, the past year has seen the industry and the government come to substantial agreement, for the first time, that oil imports are a matter of public concern directly affecting the national welfare and security, and that it is necessary to have a consistent national policy as to these imports.

As a substitute for the proposed amendment limiting oil imports, the Senate adopted what is known as the "Defense Amendment," directing the President to take action to adjust imports of any commodity when such imports threaten to impair the national security. In adopting this substitute amendment, the Senate made clear its intent that this authority should be exercised if oil imports continue to exceed levels recommended by the Cabinet Committee on Energy Supplies and Resources Policy.

The Office of Defense Mobilization was given the primary responsibility of initiating action under the new Defense Amendment to the Trade Agreements Act. On Aug. 8, the Director of

Continued on page 114

Dealers in

Corporate and Municipal Securities

Specializing in

Pennsylvania Tax Free Issues

YARNALL, BIDDLE & CO.

Members
New York Stock Exchange
Philadelphia-Baltimore Stock Exchange
American Stock Exchange (Assoc.)

1528 WALNUT STREET, PHILADELPHIA 2, PA.

STROUD & COMPANY
INCORPORATED
PHILADELPHIA

Underwriters & Distributors

State, Municipal and Authority Bonds
Equipment Trust Certificates
Public Utility, Railroad and Industrial Securities
Philadelphia Bank Stocks

NEW YORK • PITTSBURGH • ALLENTOWN • LANCASTER • ATLANTIC CITY • SCRANTON

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 113

Report of IBA Oil and Natural Gas Securities Committee

ODM called upon the importing companies to furnish information on their past imports and their import programs. On Sept. 13, the ODM announced that this information showed that total imports were excessive and that the government would have to act if the importing companies failed to correct existing conditions.

At this stage the Office of Defense Mobilization again requested the importing companies to report their planned imports for the balance of 1955. After this information was evaluated, the Director of ODM announced on Oct. 31 that the Cabinet Committee had concluded that:

"(A) With respect to residual fuel oils, actual and planned imports for the period April 1-Dec. 31, 1955, appear to be in accord with the committee recommendations, on the basis of information now available.

"(B) With the exception of oil of Canadian and Venezuelan origin, and assuming that imports from these areas do not rise appreciably above present levels, importers of oil from other areas should further reduce their planned imports of crude oil for the period April 1-Dec. 31, 1955, by approximately 7%, if a substantial conformity with the advisory committee recommendation with respect to crude oil is to be achieved."

In addition, the Director of ODM said that within 10 days a request will be sent to the principal importing companies for "periodic" and "regular" reports to the ODM on planned imports, to see if they are within the limits laid down by the Cabinet Committee.

In a speech before the Independent Petroleum Association of America on Oct. 31, 1955, the Director of ODM said that his office was again appealing to the importers to make voluntary cuts to achieve the limits set by the Cabinet Committee. In the absence of such cooperation, he inferred Government action under existing law.

At this same meeting, a spokesman for one of the major producers urged strongly that the industry itself, by cooperation and individual sacrifice, attempt to solve the import problem, rather than bring the Government into the picture.

It would appear that a stiffening attitude on the part of the ODM will now either force the industry to do a real job of self-policing, or there will be a move in the direction of direct Government controls and restrictions.

Canadian Oil and Gas Report

The Canadian petroleum industry continues to find itself in the quixotic position of developing a surplus of crude reserves, while at the same time 45% of the nation's petroleum requirements are imported from the Caribbean and the Near East. This situation has prevailed for several years and continues to exercise a sobering influence on Canadian oil and gas securities.

Current oil producing capacity in the Prairie Provinces of 580,000 barrels per day is almost equal to total Canadian demand for products of 165,000 barrels per day. However, as a result of imports into Eastern Canada, 44% of producing capacity, or 250,000 barrels per day, is currently shut in for lack of market. Canada is blessed with favorable geologic conditions for petroleum accumulation, but is plagued with marketing difficulties stemming from problems of geography and transportation economics. No adequate solution to this situation has yet been submitted. In part, this condition applies to natural gas as well as oil.

These marketing problems have the effect of extending toward the economic limit the period of realization of both capital and profit on successful wells. Reflecting this cloud, in part, Canadian oil and gas securities have not participated in the prosperity which has characterized securities markets generally. The peak of interest in Canadian and U. S. oil stocks occurred simultaneously during mid-1952. Since then, however, U. S. oil securities have continued to improve in harmony with the increase of their underlying values and earning power; whereas, most Canadian oil stocks are still selling markedly below their 1952 highs. An index of U. S. oil stocks is currently 35% higher than mid-1952, whereas, an index of Canadian oil stocks is 30% lower. The Canadian oil index has improved 25%, however, from the extreme lows of 1953. Further, certain selective Canadian oils are selling materially higher than their 1952 peaks and unquestionably these 1952 prices had been subject to excessive enthusiasm and speculation.

Demand for petroleum products in Canada has increased 8% to 10% per annum in recent years. This rate of growth more closely approximates the dynamic experience of Western Europe than the 4% per annum increase recorded in the United States. Petroleum demand in Canada spurted from 400,000 barrels per day in 1951 to over 600,000 barrels per day at present and petroleum economists anticipate a continuation of this trend, indicating a daily demand of over 800,000 barrels by 1960. As impressive as this growth trend appears, it is not in itself sufficient to permit an expanding and profitable producing industry.

Crude output in Canada was limited to 20,000 barrels per day prior to completion of the Interprovincial Pipeline from Alberta to the Great Lakes. Since then production has increased steadily to over 300,000 barrels per day during 1955. Canada's 6,500 oil wells support a proven reserve estimate of three billion barrels, which compares with approximately 36 billion in the United States. Producers are confident that only the surface of the nation's reservoirs has been scratched and some crystal gazers suggest reserves may ultimately be found equal in size to those in the United States. That would mean reserves 12 times greater than the current estimate of three billion barrels.

Oil exploration is one of the most competitive of businesses. Oil finding must be geared to a long-range program of developing economical reserves. It is no surprise, therefore, that drilling activity in Canada continues to set new records even though shut-in capacity has gone from 70,000 barrels per day in 1951 to some 250,000 barrels per day at present. Excluding payout considerations, exploratory results in the Prairie Provinces have been satisfactory and it is felt that reserves will continue to be found and developed more cheaply in Canada than in the United States.

Eastern Canada accounts for nearly 70% of Canada's petroleum demand and is the location of the bulk of the nation's 40 refineries. It is cheaper to move crude to Montreal by tanker than by pipeline from landlocked Alberta. That is why Canada imported 280,000 barrels per day this year with nearly an equivalent amount of shut-in crude deliverability.

Since the increase in Canadian reserves is expected to outstrip the growth in domestic demand, the problem would appear to be hopeless. Yet, since 1951 Canadian domestic producers have increased their share of the total demand-pie from 31% to 55%. The new Socony and Shell refineries in the U. S. Pacific Northwest will be served by an expanded Transmountain Pipeline and the Canadian producer will likely absorb over 70% of Canadian demand within five years. It is interesting, in analyzing the recent auctions of proven leases at Pembina, that the winning bids apparently assumed improved rates of production in order to justify the investment by normal present worth discount calculations.

Where will Canada get new markets for its production? No adequate answer has yet come forth. The Canadian eastern seaboard may always be supplied from sources other than the overland haul from the Prairie Provinces. To reach Pacific ports postings lower than the U. S. Mid-Continent for similar crudes are required and the demand potential there is limited. Central Canada is still sparsely settled and growth in demand cannot be outstandingly significant. The north central part of the United States seems to be the best new possible market, but any southward extension will encounter tough competition and resistance from the U. S. oil industry, which is itself disturbed by excess producing capacity. Over the long pull, U. S. demand may increase faster than reserves or deliverability, in which event Canadian producers would probably find a welcome market in the Northern United States.

Canadian gas is in even greater surplus than oil since current daily production is negligible. Proven reserves are approximately 15 trillion cubic feet, in contrast with 215 trillion cubic feet in the U. S. Several immense gas producing regions in Alberta and British Columbia have been found which have characteristics somewhat similar to our own San Juan and Hugoton areas. They have been only partially explored and it seems a certainty that proven reserves can be multiplied many times once the economic incentives are present. The export of natural gas from Alberta has been a politically entangled question. Fortunately, it now seems that economic reality has

1842 - 113 CONTINUOUS YEARS OF SERVICE TO INVESTORS - 1955

MOYER & CO.

MEMBERS
PHILA.-BALT. STOCK EXCHANGE
NEW YORK STOCK EXCHANGE
AMERICAN STOCK EXCHANGE (ASSOC.)

1500 Walnut St. Phila. 2, Pa.
KI 5-0340

EST. 1891

UNDERWRITERS • DISTRIBUTORS • DEALERS
Corporate and Municipal Securities
Bank Stocks
Pennsylvania — Ohio — West Virginia

A. E. MASTEN & COMPANY
Established 1891
Members
New York Stock Exchange *Pittsburgh Stock Exchange*
American Stock Exchange (Associate) *Wheeling Stock Exchange*
FIRST NATIONAL BANK BUILDING, PITTSBURGH 22, PA.
Telephone COurt 1-7300 Teletype PG 566
Private Wire to Clark, Dodge & Co., New York City
Branches: Wheeling, W. Va.; Butler, Pa.; Johnstown, Pa.

THOMAS & COMPANY
ALCOA BUILDING
PITTSBURGH 19, PA.
Municipal and Corporate Securities

UNDERWRITERS • DISTRIBUTORS • BROKERS
Effective Distribution in the Nation's Third Largest Trading Area

NEWBURGER & Company
Members:
NEW YORK STOCK EXCHANGE • AMERICAN STOCK EXCHANGE
PHILADELPHIA-BALTIMORE STOCK EXCHANGE
1401 Walnut Street, Philadelphia 2, Pa. • LOcust 8-1500
NEW YORK CITY LEBANON ATLANTIC CITY VINELAND

Call JANNEY for—
active trading markets
Bank and Insurance Stocks
Pennsylvania Tax Free
Industrials Rails Utilities
Common and Preferred Shares
City-County-State-Authority Issues Guaranteed Rails
New York Telephone WOrth 4-2140
Bell Teletype System PH 80
JANNEY & CO.
1529 Walnut Street, Philadelphia 2
RIttenhouse 6-7700
Since 1907—Underwriters, Distributors, Dealers, Brokers

Digitized for FRASER
http://fraser.stlouisfed.org/

at last pierced through the haze of political pride and confusion.

West Coast Transmission's project to bring gas to the Pacific Coast and augment the supply from Pacific Northwest Pipeline will likely be successfully concluded. A decision from the Federal Power Commission might even be forthcoming before the end of this year. Completion of the long-awaited West Coast Transmission project ought to substantially clear the atmosphere and will likely have an effect more bullish than the dollars and cents increment from the line's restricted capacity. Experience in the United States has taught that tieing into a new gas producing area results in growth exceeding expectations. The same degree of confidence cannot yet be expressed in connection with the proposed $375 million Trans-Canadian pipeline. As originally engineered, this line was to stretch some 2,500 miles from Alberta to Toronto through an unpopulated and sparsely industrialized territory. The consumers of Toronto and Montreal need natural gas service and are becoming impatient with the delays. Their pressure is likely to result in a compromise plan involving the U. S. communities of Minneapolis, St. Paul, Chicago and points east. This project will require the approval of the FPC and Canadian authorities of an integrated project. To date the FPC's attitude on across-the-border hook-ups has been literal rather than liberal, and its approval of an integrated project would be a major accomplishment. However, this line is so essential to the people of Eastern Canada and the producers of Western Canada that it would be unduly pessimistic to feel that a project which is grounded in sound economics cannot surmount the political hurdles of Toronto and Washington.

An adequate solution of Canadian oil and gas marketing problems seems to rest on the acceptance by the United States of Canada as a supplementary supply. It is conjectural whether such a continental oil and gas policy can be evolved in the years ahead in view of our intense domestic conflict on the importation of foreign oil as well as clarification of the area of Federal regulations of natural gas. Yet, precedence exists for such a policy, since the United States has accepted Venezuela de jure and de facto as an interested and favored party in our oil supply-demand projections. This was highlighted only last month by Dr. Fleming's report on limitation of Near East imports. The expanding economy and growing fuel needs in the United States make a supplemental oil supply from Canada desirable in the not too distant future, and even sooner in the case of natural gas. Of course, an international crisis could dramatically accelerate recognition by the United States of this fact.

Security buyers will have to determine the ultimate significance of an industry with appealing prospects for increasing petroleum reserves, but whose economic future rests in the successful formulation of a continental oil and gas policy with the United States. Over the past year an index of Canadian oils has improved 10% and perhaps this type of performance adequately reflects the mixed environment.

Threat of Atomic Energy as a Competitor

The words "Atomic Energy" stir the imagination of the young to the point of rivaling Davy Crockett and Hopalong Cassidy—certainly of Superman, as a meaningful personality in this Era. To most of us, the term commands respect and a measure of wonder, if not disbelief. To leaders in the field of supplying energy derived from other sources, it has demanded serious thought as to the competitive role atomic power may play. Thus, as far back as a decade ago, studies of atomic energy as competition were started by certain of the leading companies in the petroleum industry, and this research is continuing.

Due to several factors, notably the high cost of building a reactor, and the weight and safety factor in the shield necessary for even a small unit, the current consensus is that atomic fuel will first be put to widest use in the electric utility industry, and that for some indeterminate period, this form of power will be more costly than that generated by conventional means. It is confidently believed, however, that atomic power ultimately can become fully competitive.

Most of the oil consumed in the United States today is used for transportation and heating; only 3% of the total is used as fuel in electric power plants. Unless residual fuel oil should be priced completely out of the market, it is unlikely that atomic energy generation would be built to **replace** existing facilities. Rather, such facilities would be built to augment power requirements, and very often in isolated regions where daily conventional fuel requirements would be both difficult and expensive to obtain. Most industry leaders feel that in the field of electric power generation, nuclear energy will become, not a competitor, but a "burden-sharer."

To the extent that increased productivity and a rising standard of living could result from the use of nuclear energy, especially in the less developed areas of the world, this form of power may well promote new uses for petroleum and so tend to offset whatever loss is sustained in other directions.

In respect to the field of land transportation and house space heating, it does not seem that atomic energy is a threat to oil as a fuel, considering the high reactor cost, the tremendous shield weight and the element of safety involved.

The automobile appears to be the least likely user of nuclear energy, since both cost and dimension of an atomic power plant this small seems out of the question. Space heating with electricity would have to be done on the "heat-pump" principle, which is both expensive and inefficient.

Nuclear power for ocean-going vessels is, of course, a distinct possibility. The successful launching of the U.S.S. Nautilus points the way. Again, conversion of existing vessels to atomic power seems impractical. Also, the economics of such application in the future to new vessels suggests most plausible use in extremely large ships (of which there will always be a very few) and fighting ships, which require longer operational ranges.

Atomic powered locomotives are a definite, although not immediate possibility. Again, because of the weight and safety factors involved, the self - contained unit is not presently attractive. A more practical, though at the present prohibitively costly, application would be greater use of rail electrification.

Experimental work is being conducted on an atomic powered airplane by the Air Force. Present obstacles of size and weight, particularly in view of the disproportionate space used by the power plant, would make such a plane unattractive for commercial use. The extreme range of such a plane would, of course, have obvious military advantages.

Conceivably, technological advances may provide the answer to cost factors in the building of reactors and to the heavy shield requirements; but until and unless such improvements are realized, there is no evidence that atomic energy as a source of power offers serious threat to the oil and gas industry. Rather, and this is a point on which both nuclear scientists and oil industry leaders agree, it appears that atomic energy will supplement, rather than supplant, conventional energy sources.

Respectfully submitted,

OIL AND NATURAL GAS SECURITIES COMMITTEE

William C. Jackson, Jr., Chairman
First Southwest Co., Dallas

H. Lawrence Bogert, Jr.
Eastman, Dillon & Co.
New York

Frederic H. Brandi
Dillon, Read & Co. Inc.,
New York

Milton C. Brittain
Shearson, Hammill & Co.
New York

J. Douglas Casey
A. C. Allyn and Company, Incorporated, Chicago

Bayard Dominick II
Dominick & Dominick
New York

Earl G. Fridley
Fridley, Hess & Frederking
Houston

W. Fenton Johnston
Smith, Barney & Co.
New York

Francis Kernan
White, Weld & Co., New York

Joseph H. King
Union Securities Corp.
New York

Allen J. Nix
Riter & Co., New York

Jesse A. Sanders, Jr.
Sanders & Newson, Dallas

Milton R. Underwood
Underwood, Neuhaus & Co., Incorporated, Houston

Waddell Reed Branch

PITTSBURGH, Pa.—Waddell & Reed, Inc. have a branch office in the Grant Building. John L. Bostwick is Manager.

New Putnam Branch

NEW LONDON, Conn. — Putnam & Co. have opened a branch office at 18 Broad Street under the management of Dudley W. Butler.

To Form B. F. Fagenson Co.

B. F. Fagenson & Co., members of the New York Stock Exchange, will be formed as of Jan. 2 with offices at 52 Broadway, New York City. Partners will be Bertram F. Fagenson, member of the Exchange, general partner, and Dorothy G. Wickwire, limited partner.

Mann, Diamand & Co. To Be Formed in NYC

Mann, Diamand & Co., members of the New York Stock Exchange, will be formed as of Dec. 8. Partners will be William B. Mann, Ralph R. Diamand and James M. Leopold, member of the Exchange. Offices will be maintained at 575 Madison Avenue and 25 Broad Street, New York City.

Rothschild Branch in Phila.

PHILADELPHIA, Pa. — L. F. Rothschild & Co. have opened a branch office in the Philadelphia National Bank Building, under the management of Eugene C. Hemphill.

With Gen. Am. & Canadian

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wendell A. Hutchinson is now connected with General American & Canadian Securities, Inc., 156 Montgomery Street. Mr. Hutchinson was formerly with Hooker & Fay and Jamieson & Co.

Underwriters and Distributors
PENNSYLVANIA MUNICIPAL BONDS
GENERAL MARKET MUNICIPAL BONDS
CORPORATE SECURITIES
REVENUE AND AUTHORITY BONDS

ASPDEN, ROBINSON & CO.
Members Philadelphia-Baltimore Stock Exchange
1421 CHESTNUT STREET, PHILADELPHIA 2
New York Phone COrtlandt 7-6814 | Teletype PH 313 | Philadelphia Phone RIttenhouse 6-8189

RAMBO, CLOSE & KERNER
Incorporated
Corporate Bonds and Stocks
Municipal Bonds Authority Bonds
1518 Locust St., Philadelphia 2, Pa.

DEALERS AND UNDERWRITERS
Obligations of the
COMMONWEALTH OF PENNSYLVANIA
and its Political Subdivisions
Specialists in . . .
CITY OF PHILADELPHIA BONDS
PENNSYLVANIA SCHOOL AUTHORITIES
TURNPIKE, WATER AND SEWER ISSUES
SCHAFFER, NECKER & CO.
Packard Bldg., Philadelphia 2
LOcust 7-3646 • Teletype PH 864

Distributors, Dealers, Underwriters
Corporate & Municipal Issues
DEHAVEN & TOWNSEND, CROUTER & BODINE
ESTABLISHED 1874
MEMBERS
NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE
PHILADELPHIA-BALTIMORE STOCK EXCHANGE
1500 CHESTNUT STREET PHILADELPHIA 2
NEW YORK WILKES-BARRE, PA. STAMFORD, CONN.

Local Telephone Numbers from these cities.
BOSTON — Enterprise 1370 MINNEAPOLIS — Zenith 4245
CHICAGO — Enterprise 5131 NEW YORK — Enterprise 6289
CINCINNATI — Enterprise 7-3646 PITTSBURGH — Zenith 0821
CLEVELAND — Enterprise 6289 ST. LOUIS — Enterprise 8048
MILWAUKEE — Enterprise 8-3646 ST. PAUL — Zenith 4245

gitized for FRASER
tp://fraser.stlouisfed.org/

Railroad Securities

By GERALD D. McKEEVER

St. Louis-San Francisco Railway

Favorable aspects of the St. Louis-San Francisco are not being overlooked in the current price of about 31½ for the road's common stock. On the basis of the $1.50 dividend rate that prevailed for 1955, the indicated rate of return is only 4.6%. It is therefore obvious that the market is looking forward to an increase in the 1956 distribution to make it more in line with estimated available earnings of $4.15-$4.20 per share for 1955. Dividends on the stocks of the Frisco, as in the case of all other reorganized roads which have not refunded the bonds issued pursuant to reorganization, thus leaving them subject to the terms of the reorganization indentures, are declared for any year on the basis of available earnings for the preceding calendar year.

It possibly should be explained that the term "available earnings" is also an outgrowth of the ICC pattern of reorganization and means that part of net income remaining after providing for such sinking funds and capital fund as are set up in the reorganization indenture. In the case of the Frisco, the difference between net earnings and available earnings is relatively small, having ranged between 7 cents and 15 cents per common share in recent years, but it will be close to the higher and latter figure this year.

Dividends of $2.50 per common share were paid in 1951 on the strength of 1950 available earnings of $6.83 per common share, but the 1952 dividend was reduced to the $2 rate because 1951 available earnings declined to $3.51. The $2.50 rate was restored for 1953 and 1954, however, in view of the availability of $6.41 and $5.15 per common share for those two years respectively. The reduction to the $1.50 rate that held for 1955 was due to the decline of the 1954 available to $2.46 per common share, partly as a result of the lower level of business generally, but very largely due to the heavy movement of grain and feed to drought-stricken areas at the 50% emergency rates which were unprofitable except as to future good will in the territory served.

This much background as to earnings and dividend record has been presented as a guide to possible future dividend policy. Following the pattern that has been outlined, it is believed that the 1956 dividend rate should be at least $2.00 and this would produce a rate of return of over 6¼% at the current price of Frisco common.

Frisco common is a highly leveraged stock and is thus sensitive to fluctuations in the road's revenues and expenses. This has been evidenced in the unsteadiness of earnings and dividends as outlined above. Being thus somewhat wanting in investment quality, even a prospective 6¼% rate of return might not have too compelling an appeal by itself. There are two other factors, however. One is the road's growth character and the other is the potential "kicker" in the road's 50% interest in the New Mexico & Arizona Land Co.

While the Frisco has not been at the very forefront as to growth, its record has been notably good. Due in part to the acquisition of the Alabama, Tennessee & Northern, the net gain in revenues for the 1946-1954 period was 30% as against 23% for the Class I total while, with the same allowance, 1954 revenues showed a 10% gain over the 1947-49 average as against a 4.7% gain for Class I. Considerable further benefit is expected from its affiliation with the Central of Georgia with which it connects at Birmingham, Ala. The Central of Georgia provides the most direct route from Birmingham to the important Atlantic port of Savannah, Ga.

The Frisco has been steadily acquiring the preferred and common stocks of the Central of Georgia over the past two years or so and on Dec. 6, the Frisco petitioned the ICC for authority to acquire majority stock control of the Central of Georgia. The petition stated that as of last Nov. 25, the Frisco owned 159,197 of the 337,230 common shares of the Central of Georgia and 81,512 of 170,417 shares of the preferred, representing an investment of $15,289,688. The petition also stated that while no consolidation or merger is intended, the association would strengthen both roads which complement each other rather than compete. The 5,091-mile Frisco extends from Mobile and Pensacola on the Gulf to Birmingham, Memphis and St. Louis and thence westward to Kansas City, Wichita and Ellsworth, Kansas, on one branch and to Dallas, Fort Worth and other Texas points via Tulsa and Oklahoma City on another. Despite its name, the "Frisco" never got to Frisco.

Along with its growth in business, the Frisco achieved noteworthy gains in operating efficiency. Largely because of dieselization, which has been 100% complete since 1952, the road has enjoyed a 57% increase in gross ton-miles moved per freight train hour in the 1946-54 period. Another factor in bringing about this gain has been the extension of sidings in the past two years or more to accommodate the longer trains that can be moved under diesel power, while another factor has been the addition of classification facilities in yards at Springfield and Kansas City, Mo. and at Rosedale, Kansas. A new $9½ million classification yard is to be constructed at Capleville near Memphis, Tenn., financed by part of the $19 million bond issue sold last August, and the West Tulsa, Okla. yard is to be expanded at the cost of about $5½ million.

As to the previously mentioned potential "kicker" that lends speculative flavor to Frisco common and to a lesser degree to the 5% preferred and the 4½% income bonds that are convertible into the common, the New Mexico & Arizona Land properties embracing over 1,350,000 acres in the two states, have not produced anything tangible to date as far as is known, either as to uranium or oil. Nevertheless there is sufficient suspicion, if not more, to cause at least two groups to lease certain sections. About a year ago a Wichita Falls, Texas group leased 100,000 acres and last June the Tide Water Associated Oil Co. leased 250,000 acres for uranium exploration. It seems safe to say that not too much is being represented in the price of Frisco common for these "side show" possibilities.

Continued from page 30

In Attendance at IBA Convention

CALDWELL, DONALD
Walston & Co., New York

CALLAGHAN, JOHN W.
Goldman, Sachs & Co., New York

CALLAWAY, Jr., DAVID H.*
First of Michigan Corporation, New York

CALVERT, GORDON L.*
Investment Bankers Association, Washington

CAMERON, GORDON
Hallgarten & Co., New York

CAMPBELL, IRVING H.*
Bell, Gouinlock & Co., Toronto

CAPEK, CHARLES A.
Lee Higginson Corporation, Chicago

CARBERRY, PATRICK
Wall Street Journal, New York

CARHART, Jr., H. WHITFIELD
Carlisle & Jacquelin, New York

CARR, FRANK C.*
John Nuveen & Co., Chicago

CARROLL, LEE W.*
Lee W. Carroll & Co., Newark

CARTER, Jr., HUGH D.
Courts & Co., Atlanta

CASEY, DOUGLAS
A. C. Allyn & Co., Chicago

CASEY, JAMES D.
A. C. Allyn & Co., Chicago

CASSELL, EUGENE H.*
C. F. Cassell & Co., Charlottesville

CHAMBERLAIN, MELVILLE P.*
Chemical Corn Exchange Bank, New York

CHAPMAN, R. C.
Fulton, Reid & Co., Cleveland

CHAPPELL, WILLIAM B.
First Boston Corporation, New York

CHERRY, THOMAS C.*
F. S. Smithers & Co., New York

CHILDS, F. NEWELL*
C. F. Childs & Co., Chicago

CHISHOLM, FRANK A.
Varnedoe, Chisholm & Co., Savannah

CHRISTOPHEL, ARTHUR A.*
Reinholdt & Gardner, St. Louis

CHRISTOPHER, WILLIAM H.
R. W. Pressprich & Co., New York

CHURCHILL, CHARLES L.
Scott, Horner & Mason, Lynchburg

CLAPP, Jr., JOHN J.*
R. W. Pressprich & Co., New York

CLARK, Jr., CHARLES A.
Winslow, Douglas & McEvoy, New York

CLARK, FORRESTER A.
H. C. Wainwright & Co., Boston

CLARK, HAROLD W.
Clark, Landstreet & Kirkpatrick, Nashville

CLARK, JOHN C.*
Wachovia Bank & Trust Co., Winston-Salem

CLARK, ROBERT E.*
Calvin Bullock Ltd., New York

CLARK, ROBERT M.*
Blunt Ellis & Simmons, Chicago

CLARKE, HAGOOD
Johnson, Lane, Space & Co., Atlanta

CLARKE, Jr., HAGOOD
Atwill & Co., Miami Beach

CLARKE, HARRISON
Johnson, Lane, Space & Co., Atlanta

CLARKE, JOHN W.
John W. Clarke & Co., Chicago

CLAYTON, C. COMSTOCK
Clayton Securities Corporation, Boston

CLOSE, L. PAUL*
Rambo, Close & Kerner, Philadelphia

CLUETT, W. SCOTT
Harriman Ripley & Co., New York

COGGESHALL, GEORGE K.
Schoellkopf, Hutton & Pomeroy, New York

COHU, HENRY W.*
Cohu & Co., New York

COLEMAN, C. MERRITT
Allen & Co., New York

COLEMAN, FRANCIS X.
Gregory & Sons, New York

COLEMAN, LEWIS V.*
North American Securities Company, San Francisco

COLEY, MARION H.
T. Nelson O'Rourke, Inc., Daytona Beach

COLLIER, W. T. K.
Collier, Norris & Quinlan, Montreal

COLLINGS, Jr., CLIFFORD C.*
C. C. Collings & Co., Philadelphia

COLLINS, JULIEN H.
Julien Collins & Company, Chicago

COLLINS, WILLIAM J.
William J. Collins & Co., Portland

COLYER, CHARLES M.
Central National Bank, Cleveland

CONDON, JOSEPH P.
McDougal & Condon, Chicago

CONDON, RAYMOND V.*
B. J. Van Ingen & Co., Chicago

CONNERS, CHARLES F.
Pohl & Co., Cincinnati

CONWAY, POWHATAN M.*
Bankers Bond Co., Louisville

COOK, A. HALSEY
First National City Bank, New York

COOK, HAROLD H.
Spencer Trask & Co., New York

CORRINGTON, JOHN W.
Paine, Webber, Jackson & Curtis, Chicago

COSTIGAN, EDWARD J.
Edward D. Jones & Co., St. Louis

*Denotes Mr. & Mrs.

Since 1858
SUTRO & CO.
Investment Dealers and Brokers
Distributors of Primary and Secondary Offerings
Underwriters — Industrial Brokers

MEMBERS
New York Stock Exchange
American Stock Exchange (Associate)
San Francisco Stock Exchange
Los Angeles Stock Exchange

SAN FRANCISCO 4
460 MONTGOMERY STREET
LOS ANGELES 14
VAN NUYS BUILDING
NEW YORK 5
40 WALL STREET
SAN JOSE 13
55 NORTH FIRST STREET
BEVERLY HILLS
275 NORTH CANON DRIVE

Direct Private Wires
CORRESPONDENT OFFICES
HONOLULU, T. H. : MANILA, P. I.

DEALERS IN
OVER THE COUNTER
SECURITIES
UNDERWRITERS and DISTRIBUTORS
♦
J. S. STRAUSS & CO.
155 MONTGOMERY STREET
SAN FRANCISCO (4)
♦
Telephone — EXbrook 2-8515
Bell Teletypes — SF 61, SF 62 & SF 621

Dealers in Industrial & Public Utility
Stocks & Bonds
Active Retail Outlets
DENAULT & CO.
ESTABLISHED 1931
Russ Building, San Francisco 4
Telephone EXbrook 2-7484 Bell System Teletype SF 272

Wholesale and Retail Distributor
INSURANCE STOCKS • BANK STOCKS
WEST COAST SECURITIES
♦
WALTER C. GOREY CO.
Russ Building, San Francisco 4
YUkon 6-2332 • Teletype SF 573

Digitized for FRASER
http://fraser.stlouisfed.org/

COUGHLIN, WALTER J.*
Coughlin & Co., Denver
COUIG, J. DALTON
Hirsch & Co., New York
CRAFT, ROBERT H.*
American Securities Corporation, New York
CRAIGIE, WALTER W.*
F. W. Craigie & Co., Richmond
CRANFORD, JAMES A.*
Atlantic National Bank, Jacksonville
CROCKETT, CLAUDE T.*
Crockett & Co., Houston
CROLL, JOSEPH D.
Asiel & Co., New York
CROOM, WILLIAM D.
First Securities Corporation, Durham
CROSS, CALVIN M.
Hallgarten & Co., New York
CROUTER, GORDON*
DeHaven & Townsend, Crouter & Bodine, Philadelphia
CROWELL, WARREN H.*
Crowell, Weedon & Co., Los Angeles
CUNNINGHAM SAMUEL K.*
Cunningham, Schmertz & Co., Pittsburgh
CURTIS, ARTHUR W.
A. G. Becker & Co., Chicago
CUSHMAN, ALLERTON
Rowles, Winston & Co., Houston
DAFFRON, Jr., ROBERT E.
Harrison & Co., Philadelphia
DALENZ, JOHN McG.
Calvin Bullock Ltd., New York
DATTELS, DAVID R.*
Dattels & Co., Kitchener
DAVANT, JAMES W.
Paine, Webber, Jackson & Curtis, Minneapolis
DAVENPORT, C. EVAN
Jack M. Bass & Co., Nashville
DAVIDS, MARK*
Lester, Ryons & Co., Los Angeles
DAVIS, GEORGE W.*
Davis, Skaggs & Co., San Francisco
DAVIS, JOSHUA A.
Blair & Co., New York
DAVIS, SHELBY CULLOM
Shelby Cullom Davis & Co., New York
DAY, JAMES E.
Midwest Stock Exchange, Chicago
DEAN, HOWARD B.
Harris, Upham & Co., New York
de BARY, MARQUETTE*
F. S. Smithers & Co., New York
deBRONKART, EUGENE H.
H. Hentz & Co., New York
DECKER, O. PAUL*
American National Bank, Chicago
DeGROFF, RALPH L.*
Robert Garrett & Sons, Baltimore
DeGROOT, WILLARD G.*
Bateman, Eichler & Co., Los Angeles
DeHAVEN, WALTER T.
DeHaven & Townsend, Crouter & Bodine, New York
DEMPSEY, WILLIAM L.
Drexel & Co., Philadelphia

*Denotes Mr. & Mrs.

DENNARD, ROBERT E.*
Dallas Rupe & Son, Dallas
DEVENS, CHARLES
The Parker Corporation, Boston
DEVLIN, WILLIAM A.
Reynolds & Co., New York
DICKSON, R. STUART
R. S. Dickson & Co., Charlotte
DIECKMAN, ELMER F.
Glore, Forgan & Co., New York
DIXON, JOSEPH W.*
American Securities Corporation, New York
DOERGE, CARL H.*
Wm. J. Mericka & Co., Cleveland
DOERGE, JOHN O.
Saunders, Stiver & Co., Cleveland
DOMINICK, BAYARD*
Dominick & Dominick, New York
DORBRITZ, ERNEST O.
Moore, Leonard & Lynch, Pittsburgh
DOWNEY, NORMAN S.
Union Securities Corporation, New York
DROBNIS, GEORGE J.
30 W. Washington St., Chicago
DUFFY, SYDNEY G.
Blyth & Co., New York
DUNN, STEWART A.*
C. J. Devine & Co., New York
DUNNE, NEWMAN L.*
Robert W. Baird & Co., Milwaukee
DUSON, Jr., C. PHARR*
Rotan, Mosle & Co., Houston
EATON, Jr., CHARLES F.
Eaton & Howard, Boston
EBBITT, KENNETH C.
Shelby Cullom Davis & Co., New York
EDWARDS, JOHN H.
R. J. Edwards, Inc., Oklahoma City
EDWARDS, WILLIAM N.*
William N. Edwards & Co., Fort Worth
EGAN, JOHN F.
First California Company, San Francisco
EIDELL, JOHN G.
Hooker & Fay, San Francisco
ELKINS, Jr., GEORGE W.*
Elkins, Morris & Co., Philadelphia
ELLIS, JOHN B.
Courts & Co., Atlanta
EMPEY, LESTER H.*
American Trust Company, San Francisco
EMRICH, MILTON S.
Julien Collins & Company, Chicago
ERGOOD, Jr., RUSSELL M.*
Stroud & Co., Philadelphia
ESTES, W. N.
C. H. Little & Co., Jackson
EUSTIS, Jr., ALLAN C.
Spencer Trask & Co., New York
EUSTIS, BRITTIN C.*
Spencer Trask & Co., New York
EVANS, CARNOT W.
Clark, Dodge & Co., New York
EVANS, CLEMENT A.*
Clement A. Evans & Co., Atlanta
EVANS, HENRY C.
Stein Bros. & Boyce, Baltimore
EVANS, THOMAS W.
Continental Illinois Bank, Chicago

EVERITT, WALTER A.*
Model, Roland & Stone, New York
EWING, ROBERT W.
A. E. Masten & Co., Wheeling
FAIRCHILD, PAUL W.
First Boston Corporation, Chicago
FAIRMAN, FRED W.
Fairman, Harris & Co., Chicago
FALSEY, WILLIAM J.*
Chas. W. Scranton & Co., New Haven
FARRAR, HOLDEN K.*
Smith, Barney & Co., Chicago
FARRELL, F. D.
City National Bank, Kansas City
FAUSET, JOSEPH H.*
Fauset, Steele & Co., Pittsburgh
FIELD, ARTHUR G.
McDougal & Condon, Chicago
FINNEY, Jr., HOWARD*
Bear, Stearns & Co., New York
FIRSTBROOK, BRADSHAW
Greenshields & Co., New York
FISHER, CHARLES N.*
Singer, Deane & Scribner, Pittsburgh
FITTERER, JOHN C.
Kuhn, Loeb & Co., New York
FLANIGAN, PETER M.*
Dillon, Read & Co., New York
FLEMING, CHARLES J.*
Hanrahan & Co., Worcester
FLYNN, GEORGE T.
Hornblower & Weeks, New York
FLYNN, H. LEONARD
McDonald & Co., Cleveland
FORDON, RALPH
Fordon, Aldinger & Co., Detroit
FORRESTER, Jr., WILLIAM A.*
Merrill Lynch, Pierce, Fenner & Beane, New York
FOSTER, ALBERT O.*
Foster & Marshall, Seattle
FOX, P. FRED*
P. F. Fox & Co., New York
FREDERICK, PAUL O.*
Baxter, Williams & Co., New York
FREEMAN, MERRILL
Salomon Bros. & Hutzler, New York
FRICKE, JOHN E.
Bache & Co., Philadelphia
FRIEDRICHS, G. SHELBY*
Howard, Weil, Labouisse, Friedrichs & Co., New Orleans
FRIEND, ARTHUR S.*
Folger, Nolan-W. B. Hibbs & Co., Washington
FROST, HARRISON C.*
Hayden, Miller & Co., Cleveland
FUGLESTAD, ARNE
Burns Bros. & Denton, New York
FULKERSON, Jr., W. NEAL
Bankers Trust Company, New York
FULTON, WALLACE H.
Natl. Assn. Sec. Dealers, Washington
FUNSTON, G. KEITH*
New York Stock Exchange, New York
GAERSTE, JOHN L.
Cooley & Co., Hartford
GALLAGHER, HERBERT V. B.*
Yarnall, Biddle & Co., Philadelphia
GALLAGHER, FRANCIS P.
Kidder, Peabody & Co., New York
GANNETT, THOMAS B.
Hornblower & Weeks, Boston
GARDINER, ROBERT M.*
Reynolds & Co., New York
GASSARD, HARRY L.
Investment Dealers Assn. of Canada, Toronto
GATCHELL, EARLE
Hayden, Stone & Co., New York
GEDDES, EUGENE M.
Clark, Dodge & Co., New York
GEORGE, EDWARD C.
Harriman Ripley & Co., Chicago
GERNER, PHILIP H.
Dominick & Dominick, New York
GILLIES, GEORGE J.
A. C. Allyn & Co., New York
GILLMOR, Jr., DAVID T.*
National Securities & Research Corporation, New York
GILROY, EDWIN L.
First Securities Company, Chicago
GLASSMEYER, EDWARD
Blyth & Co., New York
GLORE, Jr., CHARLES F.
Glore, Forgan & Co., Chicago
GLOVER, W. WAYNE*
California Bank, Los Angeles
GOLDSMITH, BERTRAM M.*
Ira Haupt & Co., New York
GOODWIN, Jr., ARTHUR E.
Rowles, Winston & Co., Houston
GOODWYN, Jr., WILFRED L.*
Goodwyn & Olds, Washington
GORDON, DAVID H.
Investment Bankers Association, Washington
GOULD, Mrs. CATHERINE
Investment Bankers Association, Washington
GOULD, JAY
Burns Bros. & Denton, Toronto
GRAHAM, T. E.*
First National Bank, Fort Worth
GRAM, Jr., HARVEY B.*
Johnston, Lemon & Co., Washington
GRANT, FREEMAN G.
Thackara, Grant & Co., Philadelphia
GRAY, EDWARD C.*
New York Stock Exchange, New York
GREEN, J. BRADLEY
Guaranty Trust Company, New York
GREEN, SHELDON R.*
Chase Manhattan Bank, New York
GREEN, WINFIELD
Chicago Daily News, Chicago
GREGORY, GEORGE M.
Gregory & Sons, New York
GREGORY, Jr., WILLIAM H.
Gregory & Sons, New York

Continued on page 118

IBA PAST PRESIDENTS

1954 - 55

Walter A. Schmidt

1953 - 54

T. Jerrold Bryce

1952 - 53

Ewing T. Boles

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Ferris W. Schnedler has become associated with Beil & Hough, Inc., 350 First Avenue North, members of the Midwest Stock Exchange. Mr. Schnedler was previously with A. M. Kidder & Co.

Joins Gerard Jobin

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—William H. Greene has become connected with Gerard R. Jobin Investments Limited, 242 Beach Drive, North. Mr. Greene was previously with A. M. Kidder & Co.

ELWORTHY & CO.

Investment Securities

111 SUTTER STREET, SAN FRANCISCO 4
Garfield 1-4460

Sacramento Oakland San Jose

72 YEARS OF SERVICE

San Francisco in 1883—From an old print

Underwriters, Distributors and Dealers in Corporate, Municipal and Unlisted Securities

J. BARTH & CO.

Established 1883

Members: New York Stock Exchange • San Francisco Stock Exchange
Los Angeles Stock Exchange • American Stock Exchange *(Associate)*

SAN FRANCISCO • LOS ANGELES • NEW YORK

PRIVATE WIRE CONNECTIONS BETWEEN ALL OFFICES
Direct Leased Wires to:
SHEARSON, HAMMILL & CO., NEW YORK • SCHERCK, RICHTER CO., ST. LOUIS

Orders executed on Pacific Coast Exchanges

PACIFIC COAST SECURITIES

Underwriters, Brokers and Dealers
Industrial, Public Utility, Railroad Securities,
State and Municipal Bonds

Schwabacher & Co.

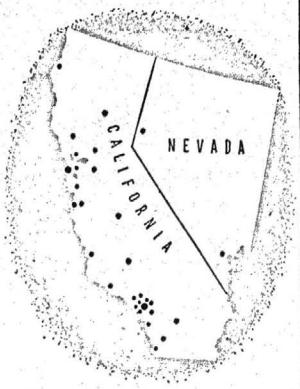
Members
New York Stock Exchange — San Francisco Stock Exchange
American Stock Exchange (Associate) — Chicago Board of Trade
New York Cotton Exchange — New York Produce Exchange
Commodity Exchange Inc.—Fresno Cotton Exchange (Associate)

New York 5, N. Y.
14 Wall Street
COrtlandt 7-4150
Teletype NY 1-928

San Francisco 4, Calif.
100 Montgomery Street
SUtter 1-5600
Teletype SF 349

Private Wires to Principal Offices
Santa Barbara — Monterey — Oakland
Sacramento — Fresno — Santa Rosa

Our 30 offices provide complete coverage of America's fastest growing area



FIRST CALIFORNIA COMPANY
Underwriters

Members
San Francisco Stock Exchange *Los Angeles Stock Exchange*
Midwest Stock Exchange *American Stock Exchange (Associate)*

SAN FRANCISCO
300 Montgomery Street

LOS ANGELES
647 South Spring Street

EUREKA
CHICO
RENO
SACRAMENTO
SANTA ROSA
STOCKTON
VALLEJO
OAKLAND
SAN FRANCISCO
SAN JOSE
FRESNO
SAN LUIS OBISPO
MONTEREY
SALINAS
LAS VEGAS
BAKERSFIELD
VENTURA
PASADENA
GLENDALE
LOS ANGELES
SAN DIEGO
REDLANDS
LAGUNA BEACH
LONG BEACH
ANAHEIM
WHITTIER
BEVERLY HILLS
VAN NUYS
ESCONDIDO
COVINA

Private Wire to New York, Chicago and other leading Eastern cities

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 117

In Attendance at IBA Convention

GREGORY, III, WILLIAM H.
Gregory & Sons, New York

GRUNEBAUM, KURT H.
New York Hanseatic Corporation, New York

GRUNEBAUM, PETER K.
New York Hanseatic Corporation, New York

GRUNER, GEORGE J.*
John Nuveen & Co., New York

GUERIN, DEAN P.
Eppler, Guerin & Turner, Dallas

HAGAN, Jr., JOHN C.*
Mason-Hagan, Inc., Richmond

HAGAN, III, JOHN C.
Mason-Hagan, Inc., Richmond

HAIGHT, C. M.
Tripp & Co., New York

HALL, DENTON D.*
R. L. Day & Co., New York

HALLIBURTON, GUS G.
Equitable Securities Corporation, Nashville

HALLOWELL, HENRY R.*
Hallowell, Sulzberger & Co., Philadelphia

HAMMOND, Jr., WILLIAM C.
White, Weld & Co., Boston

HAMPSON, PHILIP H.
Chicago Tribune, Chicago

HANNAFORD, JAMES D.*
Dawson, Hannaford, Inc., New York

HANRAHAN, PAUL B.*
Hanrahan & Co., Worcester

HANSEL, DOUGLAS R.
Shields & Co., New York

HANSON, MURRAY
Investment Bankers Association, Washington

HARKNESS, ROBERT B.
Dwinnell, Harkness & Hill, Boston

HARPER, DICKINSON C.
Wm. P. Harper & Son & Co., Seattle

HARRINGTON, FULLER A.*
Harrington & Co., Jackson

HARRIS, DAVID J.
Fairman, Harris & Co., Chicago

HARRIS, HENRY
Goldman, Sachs & Co., New York

HARVEY, JOHN
Scott Paper Company, Chester, Pa.

HASSMAN, ELMER G.
A. G. Becker & Co., Chicago

HATCHER, LLOYD B.
White, Weld & Co., New York

HATCHER, Jr., ROBERT L.
Chase Manhattan Bank, New York

HATTIER, Jr., GILBERT
White, Hattier & Sanford, New Orleans

HAUGE, HON. GABRIEL*
Administrative Assistant to the President, Washington

HAUSER, ALFRED H.*
Chemical Corn Exchange Bank, New York

HAWES, HARDIN H.*
Harris Trust & Savings Bank, Chicago

HAYDEN, DONALD W.
Baumgartner, Downing & Co., Baltimore

HAYS, EDDE K.
Central Republic Company, Chicago

HEALY, GEORGE P.*
Adamex Securities Corporation, New York

HECHT, JOHN C.
Dempsey-Tegeler & Co., Los Angeles

HEFFERN, GORDON E.
National City Bank, Cleveland

HEFFERNAN, PAUL*
New York Times, New York

HEIMERDINGER, JOHN M.*
Walter, Woody & Heimerdinger, Cincinnati

HELLER, JAMES M.
Shearson, Hammill & Co., New York

HENDERSHOT, RALPH*
World-Telegram & Sun, New York

HENDERSON, THEODORE C.
T. C. Henderson & Co., Des Moines

HENSHAW, EDWARD C.
Hooker & Fay, San Francisco

HERZER, KARL P.
R. L. Day & Co., New York

HESS, ARLEIGH P.*
Woodcock, Hess & Co., Philadelphia

HESS, WILBUR E.*
Fridley, Hess & Frederking, Houston

HEWITT, CHARLES L.
Francis I. duPont & Co., New York

HEWITT, MAX A.*
Jones, Kreeger & Hewitt, Washington

HIBBEN, JOSEPH W.
Kidder, Peabody & Co., Chicago

HIBBERD, WILLIAM W.
C. J. Devine & Co., New York

HICKEY, III, MATTHEW J.
Hickey & Co., Chicago

HILL, MALVERN
Malvern Hill & Co., New York

HILL, ROBERT C.
Hill Richards & Co., Los Angeles

HILLIARD, HENNING*
J. J. B. Hilliard & Son, Louisville

HILSON, JOHN S.*
Wertheim & Co., New York

HIPKINS, CLIFTON A.
Braun, Bosworth & Co., New York

HOBAN, EDWARD F.
McMahon & Hoban, Chicago

HOLLAN, JOHN V.
Barr Brothers & Co., New York

HOLMES, JENTRY S.*
Investment Bankers Association, Washington

HOPKINS, JOHN E.
J. P. Morgan & Co., New York

HOPKINSON, Jr., EDWARD
Drexel & Co., Philadelphiaa

HORNBLOWER, Jr., RALPH
Hornblower & Weeks, New York

HORNER, EDWIN B.*
Scott, Horner & Mason, Lynchburg

HORNING, BERT H.
Stifel, Nicolaus & Co., St. Louis

HORTON, ARTHUR*
Penington, Colket & Co., Philadelphia

HOUSMAN, RUSSELL J.
New York Herald Tribune, New York

HOUSTON, B. F.
Dallas Union Securities Company, Dallas

HOWARD, C. EDWARD*
Piper, Jaffray & Hopwood, Minneapolis

HOWARD, GEORGE
Harris, Upham & Co., New York

HOWARD, KENNETH J.*
J. A. Hogle & Co., New York

HOWE, JAMES M.
Farwell, Chapman & Co., Chicago

HOWELL, WILLIAM F.
Hallgarten & Co., New York

HUDSON, FRED W.*
Ball, Burge & Kraus, Cleveland

HUGHES, ALBERT R.*
Lord, Abbett & Co., New York

HUGHES, WILLIAM S.*
Wagenseller & Durst, Los Angeles

HULME, MILTON G.*
Glover & MacGregor, Pittsburgh

HUMPHREY, Jr., ARTHUR F.*
Hulme, Applegate & Humphrey, Pittsburgh

HUNT, E. JANSEN
White, Weld & Co., New York

HUNTER, FRANK H.
McKelvy & Co., Pittsburgh

HURLEY, WILLIAM L.
Laker, Simonds & Co., Detroit

HUTTLINGER, KURT J.
F. P. Ristine & Co., Philadelphia

HUTTON, Jr., JAMES M.
W. E. Hutton & Co., Cincinnati

IGLEHART, J. A. W.
W. E. Hutton & Co., New York

ILLOWAY, LAWRENCE
Aspden, Robinson & Co., Philadelphia

INGALLS, Jr., ROSCOE C.*
Ingalls & Snyder, New York

JACKSON, Jr., JAMES
Townsend, Dabney & Tyson, Boston

JACKSON, Jr., WILLIAM C.*
First Southwest Company, Dallas

JACOBS, Jr., HARRY A.
Bache & Co., New York

JARDINE, Jr., J. EARLE*
Wm. R. Staats & Co., Los Angeles

JEFFERS, WILLIAM A.
Dittmar & Co., San Antonio

JENKS, MORTON
Jenks, Kirkland & Grubbs, Philadelphia

JENNETT, EDWARD J.*
First National Bank, Chicago

JOHNSON, FREDERICK F.*
Barcus, Kindred & Co., Chicago

JOHNSON, JOSEPH T.*
The Milwaukee Company, Milwaukee

JOHNSON, MARSHALL H.*
McDaniel Lewis & Co., Greensboro

JOHNSON, SAMUEL P.
Southwestern Securities Company, Dallas

JOHNSON, THOMAS M.*
Johnson, Lane, Space & Co., Savannah

JOLLEY, LEX
The Robinson-Humphrey Company, Atlanta

JONES, EDWARD D.
Edward D. Jones & Co., St. Louis

JONES, ELISHA RIGGS
E. R. Jones & Co., Baltimore

JONES, GRAHAM*
Cooley & Co., Hartford

JOSEPH, HERMAN B.
Joseph, Mellen & Miller, Cleveland

JUST, PAUL A.*
Television Shares Management Corporation, Chicago

KAHN, GILBERT W.
Kuhn, Loeb & Co., New York

KAUFMAN, C. G.*
Rodman & Renshaw, Chicago

KEMBLE, WILLIAM T.*
Estabrook & Co., Boston

KEMP, F. PENNINGTON
W. L. Lyons & Co., Louisville

KEMP, Jr., GEORGE S.
Abbott, Proctor & Paine, Richmond

KENNEDY, FRANK T.*
C. J. Devine & Co., New York

KENNY, GEORGE P.
Willis, Kenny & Ayres, Richmond

KENOWER, JOHN L.*
Kenower, MacArthur & Co., Detroit

KENT, MARTIN G.*
Equitable Securities Canada Ltd., Toronto

KERESEY, JAMES F.
Baker, Weeks & Co., New York

KERR, KENNETH A.
Central Republic Company, New York

KERR, WILLIAM D.
Bacon, Whipple & Co., Chicago

KILBURN, PETER
Greenshields & Co., Montreal

KING, FRANCIS S.
First Boston Corporation, Boston

KING, JOSEPH H.
Union Securities Corporation, New York

KNEASS, GEORGE B.*
Philadelphia National Bank, Philadelphia

KNIGHT, NEWELL S.
Mercantile Trust Company, St. Louis

KNOPP, BERNARD B.
First National Bank, Saint Paul

KNOX, JOHN T.*
Federal Land Banks, New York

KOCUREK, ARNOLD J.*
Rauscher, Pierce & Co., San Antonio

KOERNER, IRVING
Allen & Co., New York

KORMENDI, JOHN
Kormendi & Co., New York

KRUMM, ROBERT R.*
W. H. Morton & Co., New York

KRUSE, JOHN A.
Prescott, Shepard & Co., Cleveland

KRUSEN, H. STANLEY
Shearson, Hammill & Co., New York

KURTZ, Jr., WILLIAM G.*
Fidelity-Philadelphia Trust Company, Philadelphia

KYNETT, GERALD P.
Brooke & Co., Philadelphia

LA GRUA, JOHN A.
Barr Brothers & Co., New York

LANDGRAF, MAYBURN F.
Indianapolis Bond & Share Corporation, Indianapolis

LANDSTREET, III, BEVERLY W.
Clark, Landstreet & Kirkpatrick, Nashville

LARKIN, THOMAS A.*
Goodbody & Co., New York

LATOUR, WALLACE C.
Merrill Lynch, Pierce, Fenner & Beane, New York

LATSHAW, JOHN
E. F. Hutton & Co., Kansas City

LATSHAW, Mrs. JOHN
With John Latshaw, Kansas City

LAUD-BROWN, WELLES*
Bankers Trust Company, New York

LAUDE, RAYMOND J.
Goodbody & Co., Detroit

LAUDY, WILLIAM R.
Starkweather & Co., New York

LAWLOR, Jr., WILLIAM J.
Hornblower & Weeks, Chicago

LEACH, ORIN T.
Estabrook & Co., New York

LEDYARD, Q. R.
Equitable Securities Corporation, Nashville

LEE, JAMES J.*
W. E. Hutton & Co., New York

LEEMING, CHARLES E.
Chicago Tribune, New York

LEES, Jr., LEON*
Ira Haupt & Co., New York

LEMKAU, HUDSON B.
Morgan Stanley & Co., New York

LEMON, JAMES H.*
Johnston, Lemon & Co., Washington

LESTRANGE, GEORGE E.*
Arthurs, Lestrange & Co., Pittsburgh

LEWIS, Jr., ED S.*
Lewis & Co., Jackson

LEWIS, MILTON F.
A. G. Becker & Co., New York

LEWIS, SALIM L.
Bear, Stearns & Co., New York

LIEBMAN, WILLIAM L.
Loewi & Co., Milwaukee

LINCOLN, MARY
Investment Bankers Association, Washington

LIND, HERMAN L.*
Camp & Co., Portland

LINEN, JOHN S.
Chase Manhattan Bank, New York

LIPSCOMB, CHARLES S.
W. H. Morton & Co., New York

LITTLE, ALDEN H.*
Investment Bankers Association, Hollywood

LITTLE, CARROLL H.
C. H. Little & Co., Jackson

LOCKETT, Jr., JOSEPH F.
Townsend, Dabney & Tyson, Boston

LOEB, HENRY A.*
Carl M. Loeb, Rhoades & Co., New York

LOEWI, J. VICTOR
Loewi & Co., Milwaukee

LOFTUS, EDGAR J.*
W. C. Langley & Co., New York

LOGSDON, KELLOGG
Farwell, Chapman & Co., Chicago

LONG, HUGH W.*
Hugh W. Long & Co., Elizabeth, N. J.

LOOMIS, JOHN S.
The Illinois Company, Chicago

LORD, Jr., ANDREW J.
Eaton & Howard, Boston

LOW, V. THEODORE
Bear, Stearns & Co., New York

LUBETKIN, LLOYD E.*
Seligman, Lubetkin & Co., New York

LUCAS, Jr., MARK A.*
Lucas, Eisen & Waeckerle, Kansas City

LUCKE, FRANK L.*
Laidlaw & Co., New York

LUNDFELT, CHARLES E.
McCormick & Co., Chicago

LYKLEMA, WALTER C.
A. C. Allyn & Co., Chicago

LYNCH, Jr., CHARLES M.*
Moore, Leonard & Lynch, Pittsburgh

LYNE, LEWIS F.*
Mercantile National Bank, Dallas

LYNN, EUGENE
Wertheim & Co., New York

LYONS, LAURENCE H.
Allen & Co., New York

LYONS, SAM B.
Finance Magazine, Chicago

LYONS, Jr., W. L.
W. L. Lyons & Co., Louisville

MacDONALD, GEORGE C.
McLeod, Young, Weir, Inc., New York

MACHOLD, WILLIAM F.
Drexel & Co., Philadelphia

MACKALL, WILLIAM W.
Mackall & Coe, Washington

MACLIN, LUTTRELL
Paine, Webber, Jackson & Curtis, New York

MAGNUS, WILLIAM S.
Magnus & Co., Cincinnati

MANLEY, MILTON A.*
Manley, Bennett & Co., Detroit

MANN, THOMAS D.
Glore, Forgan & Co., New York

MARCKWALD, ANDREW K.
Discount Corporation, New York

MARKS, LAURENCE M.
Laurence M. Marks & Co., New York

MARTIN, GEORGE L.*
International Bank, New York

*Denotes Mr. & Mrs.

Continued on page 120

Crowell, Weedon & Co.
Members Los Angeles Stock Exchange
UNDERWRITERS • DISTRIBUTORS
PRIVATE PLACEMENTS
650 S. SPRING ST. • LOS ANGELES 14 • TRinity 0281
TELETYPE LA 38
Pasadena • Long Beach • San Diego • Laguna Beach

MITCHUM, JONES & TEMPLETON
Established 1920
UNDERWRITERS DISTRIBUTORS BROKERS
Los Angeles
650 S. Spring St.
MAdison 5-2621
San Francisco
405 Montgomery St.
DOuglas 2-2220
★
Members
New York Stock Exchange
Los Angeles Stock Exchange *San Francisco Stock Exchange*
★
Direct wire to New York and San Francisco

BATEMAN, EICHLER & CO.
Investment Securities
453 SOUTH SPRING STREET
LOS ANGELES 13
Pasadena
28 NORTH GARFIELD AVE.
MEMBER LOS ANGELES STOCK EXCHANGE

Underwriters and Distributors of Municipal and Corporate Bonds, Listed and Unlisted Stocks
WILLIAM R. STAATS & CO.
established 1887
INVESTMENT SECURITIES
LOS ANGELES: 640 S. Spring St. • SAN FRANCISCO: 111 Sutter St.
MEMBERS:
New York Stock Exchange, American Stock Exchange (Assoc.)
Los Angeles Stock Exchange, San Francisco Stock Exchange
Pasadena • San Diego • Beverly Hills • Santa Ana
San Jose • Van Nuys • Glendale • Salinas • Sacramento

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 34

A Basis for Confidence

ministratively, which will stimulate business confidence, encourage productive investment and so regulate our supply of money and credit that we may have growth and development without inflation. I submit that every American, whatever his political affiliation, can heartily applaud that purpose and endeavor.

If, then, the outlook is bright for the American economy during the next decade, it is even brighter for the electrical industry. I say this because, for many years, the electrical industry has been growing at a rate approximately twice that of the economy as a whole. We expect the use of electricity to double within the next 10 years, just as it has during each decade on the average since before the turn of the century. We are now projecting the sale of a trillion kilowatt-hours of electricity in some fairly nearby year.

Whether it be in the home, the farm, the factory or mine, the school or hospital, the office or the store, the number of new current-consuming devices multiplies each year with amazing rapidity, just as does the utilization of the myriad current-consuming devices already in place.

So much for the bright side of the picture. Now let's look at some of the problems and obstacles. For just as the opportunities of the future are almost without limit, so the problems and challenges confronting business management today are both real and formidable.

It is much beyond the scope of this talk to discuss any of these subjects in detail, but I will comment very briefly on a number of them that come to mind.

Automation. What precisely does it mean? How shall we apply it, and when? Is it likely to create widespread unemployment?

There is nothing new about automation. It has simply received an important boost by the application of new scientific knowledge, particularly in the field of electronics, to devices for the multiplication of man's capacity to produce in many fields—including clerical work, engineering design and manufacturing methods. With a projected increase in the labor supply during the next decade of only 14% and an estimated rise in demand for goods and services of 40%, we have in my judgment only to be thankful for automation and what it promises down the years.

Atomic Energy. It has many fields of application, but power generation is the most discussed today. In this area atomic energy should be thought of as a new fuel, a new source of energy which will supplement coal, oil, gas and falling water. As yet it cannot compete in this country with these other sources of energy, but it is confidently believed that further research will make it fully competitive in the years ahead. The astounding projected growth of energy requirements justifies the prediction that the demand for all known fuels will continue to rise for many years and that atomic energy, bright as its future is, will simply constitute another and most welcome source of power.

The great and growing bargaining power of our national, industry-wide (and sometimes multiple-industry-wide) unions, and the consequent danger of inflation. This is and will continue to be a serious problem, warranting the close attention of the entire nation so long as union leaders continue to demand wage increases that cannot be absorbed by increased productivity and result therefore in rising prices.

Future capital requirements. A projection of the needs for new capital in the years ahead, not only to meet the requirements of industry, both old and new, but also for such compelling needs as education, highways, housing, etc., etc., is staggering. It is in this area in particular that you gentlemen will be called upon to develop new ways and mechanisms for tapping the savings of families in the five-to-ten-thousand-dollar annual income class. If we are to find the private funds required for capital expansion there must, down the years, be 40 to 50 million stockholders in this country, not six or seven million as at present.

Manpower development for the great and much more technical world of tomorrow. Here again is a subject that is worthy of all the time available to me this morning. The application of new technology can proceed no faster than the available supply of trained manpower to build, operate and service the fabulous mechanisms of our brave new world. And the need will be by no means limited to engineers and scientists but will include a large complement of non-technical college graduates who, in addition to filling their important place in industry, will make possible the growth and development of the political, social, cultural and spiritual aspects of American life to keep pace and balance with our technological progress. And finally,

The challenge of further increasing our standard of living and enlarging our leisure. Our standard of living is high as compared with most countries of the world, but we have really only scratched the surface. The more knowledge our research discloses, the greater becomes the areas yet unexplored. This is equally true of economic progress. Great as it has been in the past decade, we have had only a foretaste of the future that can belong to us or to any country which will apply the principles of a Peoples Capitalism.

I am confident that new techniques of mass-market development will be needed and will emerge. We must and we will improve on the marketing methods used today. But more important, we must develop and test bold new ways, probably by combining the efforts of a given industry and all its natural allies in a coordinated and united campaign of market development.

In short, the challenges to business management are both numerous and arresting. Some are political, some social, some economic and some technical. But they all may be summed up in the challenge to our vision—our ability to see beyond our own time, to see the kind of world we want our children and grandchildren to live in. And we businesmen, as trustees and administrators of the system by which goods and services are produced in a free world, can, by the quality of our performance, make that world a pleasant or a troubled one for hundreds of millions of people.

It is not easy to free ourselves from the pressing problems of the hour. But the times, and the responsibilities of leadership require that more of our thinking be future-oriented. And I am sure I need not remind you that the stakes involved are not only the companies we work for but—quite simply—the survival of the American way of life.

IBA PAST PRESIDENTS

1951 - 52

Joseph T. Johnson

1950 - 51

Laurence M. Marks

1949 - 50

Albert T. Armitage

Texas IBA to Set Convention Dates

SAN ANTONIO, Tex. — The Texas Group, IBA, will meet in the City of Corpus Christi, on Thursday, Friday and Saturday, April 26, 27 and 28, 1956, with registration the evening of April 26. These tentative dates are to be approved by the Executive Committee in January.

David Belinkoff Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David Belinkoff is engaging in a securities business from offices at 634 North La Brea Avenue.

Rabinowitz Joins Edwards & Hanly Staff

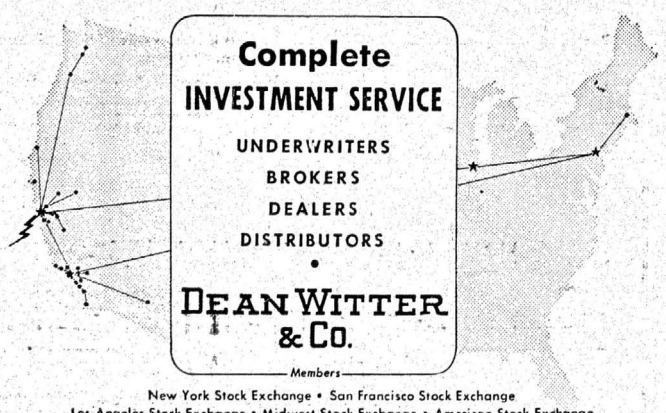
HEMPSTEAD, N. Y.—Bert Edwards, partner in Edwards & Hanly, members of the New York and American Stock Exchanges, 100 North Franklin Street, announced that Baruch Rabinowitz has joined the rapidly expanding Long Island investment firm's Public Service Division.

Mr. Rabinowitz was head of the political department of the Hebrew Freedom Movement in Washington, D. C.

L. E. Johnson Opens

(Special to THE FINANCIAL CHRONICLE)

CHAPEL HILL, N. C.—L. E. Johnson is engaging in a securities business from offices here.



Complete
INVESTMENT SERVICE
UNDERWRITERS
BROKERS
DEALERS
DISTRIBUTORS
•
DEAN WITTER & Co.

Members
New York Stock Exchange • San Francisco Stock Exchange
Los Angeles Stock Exchange • Midwest Stock Exchange • American Stock Exchange
Honolulu Stock Exchange • Chicago Board of Trade
and other leading commodity exchanges
Private leased radiotelegraph circuit to Honolulu
SAN FRANCISCO • LOS ANGELES • NEW YORK • CHICAGO • BOSTON • SEATTLE
PORTLAND • HONOLULU • AND OTHER PACIFIC COAST CITIES

trading markets
underwriters
distributors
brokers

BRUSH, SLOCUMB & CO. INC.
1 MONTGOMERY STREET • SAN FRANCISCO
MEMBER SAN FRANCISCO STOCK EXCHANGE
member San Francisco Stock Exchange
BELL SYSTEM TELETYPE SF70
wire systems
GOLDMAN, SACHS & CO.
DEMPSEY-TEGELER & CO.

UNDERWRITERS AND DISTRIBUTORS
OF STATE, MUNICIPAL AND
CORPORATE SECURITIES

KAISER & Co.
MEMBER
SAN FRANCISCO STOCK EXCHANGE
1500 RUSS BUILDING • SAN FRANCISCO
TELETYPE SF 172 & 173

STATE, MUNICIPAL AND
UNITED STATES GOVERNMENT
SECURITIES
464 CALIFORNIA STREET
SAN FRANCISCO 20
TELEPHONE DOUGLAS 2-7461
TELETYPE SF 282

AMERICAN TRUST COMPANY
BANKING
Since 1854
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

gitized for FRASER
tp://fraser.stlouisfed.org/

Securities Salesman's Corner

By JOHN DUTTON

What Can We Do for You?

There is a change that has been taking place in the investment securities business. It has been so gradual that I believe that many of us who have been engaged in retailing securities to individual investors have hardly been conscious of the fact that more and more are we encouraging our clients to invest in securities that have a definite reason for their acquisition. Although there is a certain amount of indiscriminate speculation, of buying for a "turn," or a possible six-month profit, this type of business is no longer the main source of revenue to many of us who used to have a very large percentage of our accounts involved in this sort of so-called investing during former periods of active public participation in the securities markets.

If I am correct in this conviction, that at last we are educating people to become investors, with a planned objective, then we can look forward to the future with more confidence than at any time in the past. Meanwhile, we are opening up an opportunity for those of us who are meeting with the public to become investment advisors on a sound basis of mutual understanding with our clients. The day of the high-pressure salesman of investments is rapidly passing and it is the best thing that could happen to the investment securities business.

This was brought home to me most forcefully last week when I had a conversation with a young doctor who told me about his plans and his problems, and who also related his experience with an investment salesman who was not aware that first he must help people if he is going to grow and prosper in this business.

After he had discovered that I was in the securities business, the young doctor told me he had a visit from a salesman who had called to sell him a mutual fund monthly investment plan. He said that he didn't give this salesman the order because he just couldn't understand how a man could call on him as a complete stranger and expect him to obligate himself to making (what to him was a very important decision) without giving him an opportunity to investigate the investment, the salesman, and the firm he represented. When I replied that I thought this was a most reasonable reaction on his part, he went on to tell me that when he suggested to this salesman that he would like to look into the proposition further, the salesman, instead of agreeing and helping him to do it, replied, "I am too busy to spend my time coming back again and again on this. What more do you have to know?"

What Did The Doctor Want?

Any salesman who looks upon his work from the narrow viewpoint of this particular individual is bound to miss many opportunities for building satisfied customers and lasting friendships among the people with whom he does business. People today are much better educated in many ways than they were 25 years ago. This young doctor, I discovered, was very sound in his thinking and financial planning. In addition to a thorough medical training, his fine mind had absorbed much practical information on how he should plan his financial future. He had bought a modest home that he could conveniently pay for and where his family could enjoy healthy suburban living. He had studied the value of proper life insurance and he had secured the services of a capable life insurance man who had set up a program for him that was designed to give his family the most protection during the years when his children were young and dependent.

After taxes he had figured that, by living within his means, he could set aside $5,000 a year for investments. He told me that he realized that *he knew nothing about investments in securities and real estate.* Therefore, he did not want to impair his ability to concentrate on his number one activity, the practice of medicine, by cluttering up his mind with other problems that he was not equipped to solve. He agreed with me that the ideal form of investment would be one that would give him the greatest possible opportunity for capital growth over the longer term, and one that would give him the least amount of supervisory responsibility. If there ever was a need for an investment in a monthly income growth type mutual fund, this was it.

What this doctor wanted was an opportunity to sit down with someone in the investment business who would listen to him and understand the plans he had so wisely initiated for his financial future. He was a man who was actually seeking the proper investment vehicle which would fit in with his life insurance, his reserve fund of savings, and his earning and saving capacities. What he did not want was some salesman to barge in on him from out of the blue and after 10 or 15 minutes of telling him what a wonderful investment he was offering, expect him to give him an order, *or else.*

Smith, Grandpa Again

Harold B. Smith

Harold B. Smith, Pershing & Co., New York City, is the proud grandpa of James Blake Smith, born Nov. 14 to Irene and Harold Blake Smith, Jr. This is the third grandchild (the first boy) for Harold who has two granddaughters Debbra May and Lorraine Smith.

Brooklyn Bankers Elect

BROOKLYN, N. Y.—At the annual meeting of the Bankers Club of Brooklyn, William D. Smith, Assistant Secretary, Manufacturers Trust Company, was elected President.

Also elected were: Vice-President—George W. Heyne, Assistant Secretary, South Brooklyn Savings Bank; Secretary—Frank W. Sixt, Manager, Jay Street Branch First National City Bank; Treasurer—George H. Bundrick, Life Insurance Officer, Williamsburgh Savings Bank.

Elected Director

George J. DeMartini, general partner of Cohen, Simonson & Co., New York brokerage house, has been named a member of the Board of Directors of Guild Films Company, Inc., at a special directors' meeting held this week.

Continued from page 118

In Attendance at IBA Convention

MATHISON, GEORGE
Milwaukee Sentinel, Milwaukee

MATTON, CHARLES F.
Wachovia Bank & Trust Co., Winston-Salem

MAXWELL, JOHN M.*
Northern Trust Company, Chicago

MAYNARD, WALTER
Shearson, Hammill & Co., New York

McANDREWS, MARTIN J.
Hemphill, Noyes & Co., New York

McBRIDE, ALFRED R.*
Wright, Wood & Co., Philadelphia

McBRIDE, CECIL W.
Midland Securities Corp., Toronto

McCABE, THOMAS B.
Scott Paper Company, Chester, Pa.

McCAGUE, LAURENCE M.*
National Company of Omaha, Omaha

McCALL, ARTHUR C.
Alester G. Furman Co., Greenville

McCANDLESS, JOHN A.*
Vance, Sanders & Co., Boston

McCARLEY, Jr., J. NATHAN*
McCarley & Co., Asheville

McCLINTOCK, FRANKLIN T.
Harriman Ripley & Co., New York

McCONNEL, Jr., W. BRUCE
Singer, Deane & Scribner, Pittsburgh

McCORMICK, D. DEAN
McCormick & Co., Chicago

McCORMICK, EDWARD T.
American Stock Exchange, New York

McCURDY, WALLACE M.*
Thayer, Baker & Co., Philadelphia

McDONALD, C. BERT
McDonald & Co., Cleveland

McDONALD, HARRY A.
McDonald-Moore & Co., Detroit

McELROY, DAVID B.*
J. P. Morgan & Co., New York

McGEE, CUSHMAN
R. W. Pressprich & Co., New York

McKEON, STEPHEN G.
Chas. W. Scranton & Co., New Haven

McKIE, STANLEY G.
Weil, Roth & Irving Co., Cincinnati

McLAREN, HARRIS B.
McDonald & Co., Cleveland

McLELLAN, PHILIP F.*
Fifty State Street Company, Boston

McLINEY, GEORGE J.
George K. Baum & Co., Kansas City

McMAHON, EUGENE G.*
Heller, Bruce & Co., New York

McNURLEN, PRESTON J.
F. S. Moseley & Co., Chicago

MEAD, ROBERT G.
Stone & Webster Securities Corporation, Chicago

MEAD, W. CARROLL*
Mead, Miller & Co., Baltimore

MEANS, JAMES W.
Courts & Co., Atlanta

MERRELL, ROLAND*
Lee Higginson Corporation, New York

MEYER, Jr., MAURICE*
Hirsch & Co., New York

MILBURN, GLENN L.*
The Small-Milburn Company, Wichita

MILLER, CHARLES M.
Mullaney, Wells & Co., Chicago

MILLER, DUNCAN
Laird & Co., New York

MILLER, Jr., L. GORDON
J. C. Wheat & Co., Richmond

MILLER, LESTER I.
Joseph, Mellen & Miller, Cleveland

MILLS, ANDREW S.
Newhard, Cook & Co., St. Louis

MITCHELL, JOHN N.
Caldwell, Marshall, Trimble & Mitchell, New York

MOHR, Jr., SIDNEY J.*
Thornton, Mohr & Farish, Montgomery

MOLANDER, WINSTON L.
Northwestern National Bank, Minneapolis

MOORE, RODERICK D.*
Branch, Cabell & Co., Richmond

MORGAN, C. GERARD
John C. Legg & Co., Baltimore

MORGAN, CHARLES F.
Morgan Stanley & Co., New York

MORGAN, EVANS G.
The Hanover Bank, New York

MORGAN, WALTER L.*
The Wellington Company, Philadelphia

MORONEY, ROBERT E.
Moroney, Beissner & Co., Houston

MORRIS, FRANK E.
Investment Bankers Association, Washington

MORRIS, JOSEPH L.
The Robinson-Humphrey Company, Atlanta

MORRIS, PAT G.*
Northern Trust Company, Chicago

MORRIS, ROBERT C.
Bankers Trust Company, New York

MORSE, Jr., CHARLES L.
Hemphill, Noyes & Co., New York

MORSE, FRANK H.*
Lehman Brothers, New York

MORSE, WALTER E.*
Lehman Brothers, New York

MORTON, ROALD A.
Blue List Publishing Co., New York

MOSSER, CHARLES R.
Hornblower & Weeks, New York

MOWER, Jr., EDWARD B.
Newhard, Cook & Co., St. Louis

*Denotes Mr. & Mrs.

Serving Southern California since 1927

Wagenseller & Durst, Inc.
Investment Securities
626 S. SPRING ST., LOS ANGELES 14
TRinity 5761 • TELETYPE: LA 68—LA 35
MEMBERS:
LOS ANGELES STOCK EXCHANGE
AMERICAN STOCK EXCHANGE (ASSOCIATE)
DIRECT PRIVATE WIRE—KIDDER, PEABODY & CO., NEW YORK
Claremont • Pasadena • Redlands • Santa Monica • San Diego

DISTRIBUTORS
of
INVESTMENT SECURITIES
BINGHAM, WALTER & HURRY, INC.
Member Los Angeles Stock Exchange
621 S. SPRING – LOS ANGELES – TRinity 1041
TELETYPE LA 224
Pasadena: 70 S. Euclid Ave.—SYcamore 3-4196

INVESTMENT SECURITIES
★
FEWEL & CO.
Member Los Angeles Stock Exchange
453 SO. SPRING STREET
LOS ANGELES 13, CALIF. TRinity 4191
Beverly Hills • Long Beach • San Diego • Arcadia
North Hollywood

Underwriters and Distributors
•
COMPREHENSIVE COVERAGE OF THE
SOUTHERN CALIFORNIA MARKET
LESTER, RYONS & Co.
Members New York Stock Exchange
Los Angeles Stock Exchange • American Stock Exchange (Assoc.)
623 S. HOPE ST. • LOS ANGELES 17 • MADISON 5-7111
CORNER WILSHIRE AND HOPE
BELL SYSTEM TELETYPE LA 1565 and 1566
NEW YORK CORRESPONDENT: PERSHING & CO.
Claremont Corona del Mar Encino Glendale
Hollywood Long Beach Pasadena Pomona
Redlands Riverside Santa Ana Santa Monica

Digitized for FRASER
http://fraser.stlouisfed.org/

MUIR, EDWARD D.*
Muir Investment Corp., San Antonio
MULLANEY, PAUL L.
Mullaney, Wells & Co., Chicago
MULLINS, FREDERIC P.
A. E. Masten & Co., Pittsburgh
MUNGER, JACK R.*
Keith Reed & Co., Dallas
MURPHY, H. E.
Commercial & Financial Chronicle, New York
MURPHY, JOSEPH D.
Stifel, Nicolaus & Co., Chicago
MURRAY, LEONARD A.
Piper, Jaffray & Hopwood, St. Paul
MURRAY, Jr., WILLIAM N.*
The Illinois Company, Chicago
NAUMAN, ARTHUR P.*
Nauman, McFawn & Co., Detroit
NAUMBERG, CARL T.
Stern, Lauer & Co., New York
NELSON, W. LINTON*
Delaware Distributors, Camden
NEUHAUS, JOSEPH R.*
Underwood, Neuhaus & Co., Houston
NEUMARK, ARTHUR J.
H. Hentz & Co., New York
NEWBOLD, JOHN S.*
W. H. Newbold's Son & Co., Philadelphia
NEWBORG, LEONARD D.
Hallgarten & Co., New York
NEWBURGER, Jr., FRANK L.*
Newburger & Co., Philadelphia
NEWHARD, CHAPIN S.
Newhard, Cook & Co., St. Louis
NEWMAN, Jr., A. JOSEPH
Philadelphia Evening Bulletin, Philadelphia
NEWTON, GEORGE A.
G. H. Walker & Co., St. Louis
NICHOLS, DONALD E.
Blair & Co., Chicago
NICHOLSON, DANIEL F.
221 N. LaSalle St., Chicago
NIELSEN, EINER
J. C. Bradford & Co., Nashville
NISBET, Jr., W. OLIN
Interstate Securities Corporation, Charlotte
NIX, ALLEN J.
Riter & Co., New York
NOEL, RICHARD C.*
Van Alstyne, Noel & Co., New York
NORRIS, EDGAR M.
Edgar M. Norris, Greenville
NOYES, BLANCKE*
Hemphill, Noyes & Co., New York
NOYES, Jr., JANSEN*
Hemphill, Noyes & Co., New York
O'CONNELL, HOMER J.
Homer O'Connell & Co., New York
O'DAY, DANIEL
Northern Trust Company, New York
O'HARA, WALTER T.
Thomson & McKinnon, New York
O'KEEF, ROBERT H.*
The Marshall Company, Milwaukee
ORNDORFF, HARVEY H.
McCormick & Co., Chicago
O'ROURKE, T. NELSON
T. Nelson O'Rourke, Inc., Daytona Beach
OSGOOD, GILBERT H.
Blunt Ellis & Simmons, Chicago
OSTRANDER, LEE H.
William Blair & Co., Chicago
OTIS, C. BARRON*
The Bond Buyer, New York
OWEN, IRA D.*
Allison-Williams Company, Minneapolis
PAINE, Jr., HUGH E.
Abbott, Procter & Paine, New York
PANCOAST, JOHN W.*
Dewar, Robertson & Pancoast, San Antonio
PARCELLS, Jr., CHARLES A.
Charles A. Parcells & Co., Detroit
PARKER, AMORY*
The Parker Corporation, Boston
PARKER, NATHAN K.*
Kay, Richards & Co., Pittsburgh
PARKER, WILLIAM A.
The Parker Corporation, Boston
PARRY, SIDNEY L.
De Coppet & Doremus, New York

*Denotes Mr. & Mrs.

PARSONS, ROBERT*
Auchincloss, Parker & Redpath, New York
PATTBERG, Jr., EMIL J.
First Boston Corporation, New York
PATTERSON, HAROLD C.*
Securities & Exchange Commission, Washington
PAYNE, ALBERT J.
John J. O'Brien & Co., Chicago
PAYNE, CARR
Cumberland Securities Corporation, Nashville
PECK, ANDREW F.
Clark, Dodge & Co., New York
PEPPER, G. WILLING
Scott Paper Company, Chester, Pa.
PERKO, JOHN F.
J. F. Perko & Co., Cleveland
PERSHING, F. W.*
Pershing & Co., New York
PETERS, GERALD P.
Peters, Writer & Christensen, Denver
PETTIT, WILLIAM D.*
Knickerbocker Shares, New York
PEVEAR, WILLIAM W.*
Irving Trust Company, New York
PEYSER, BENJAMIN F.
Newburger, Loeb & Co., New York
PFEFFER, DELMONT K.*
First National City Bank, New York
PHILLIPS, RALPH E.*
Dean Witter & Co., Los Angeles
PIERCE, CHARLES C.
Rauscher, Pierce & Co., Dallas
PIERCE, CLYDE C.*
Pierce, Carrison, Wulbern, Inc., Jacksonville
PIGOTT, JAMES M.
Central Republic Company, Chicago
PILCHER, MATTHEW B.
Mid-South Securities Co., Nashville
PITFIELD, WARD C.
W. C. Pitfield & Co., New York
PLATT, CHARLES M.*
U. S. News & World Report, Washington
PODESTA, ROBERT A.*
Cruttenden & Co., Chicago
POOLE, MONROE V.*
Geo. B. Gibbons & Co., New York
POPPER, ELVIN K.
I. M. Simon & Co., St. Louis
POWELL, JAMES M.
Boettcher & Co., Denver
POWELSON, RALPH J.
Leedy, Wheeler & Alleman, Orlando
POWERS, ROBERT A.*
Smith, Barney & Co., New York
PROSNITZ, WILLIAM D.*
Halle & Stieglitz, New York
PROSSER, MALCOLM S.
Seattle-First National Bank, Seattle
PURKISS, ALBERT C.*
Walston & Co., New York
PUTNAM, ALBERT D.
Putnam & Co., Hartford
PUTNAM, Jr., GEORGE*
Putnam Fund Distributors, Boston
PUTNAM, HENRY W.*
Assn. Stock Exchange Firms, New York
PYLE, RAYMOND W.
Schoellkopf, Hutton & Pomeroy, New York
QUAIL, JOHN J.
Quail & Co., Davenport
QUIGG, JAMES F.
Paine, Webber, Jackson & Curtis, New York
QUINN, ARTHUR P.*
Quinn & Co., Albuquerque
QUIST, LEO L.
Harold E. Wood & Co., St. Paul
RAFFENSPERGER, G. WILLIAM
Raffensperger, Hughes & Co., Indianapolis
RAISS, JOHN*
Burnham & Co., New York
RAND, THORBURN*
Rand & Co., New York
RATCLIFFE, J. HENRY*
McLeod, Young, Weir & Co., Toronto
RATCLIFFE, MYRON F.
Bache & Co., Chicago
RAUCH, ALFRED*
Kidder, Peabody & Co., Philadelphia

RAYMOND, ANDREW J.
Nesbitt, Thomson & Co., New York
REDMAN, W. GUY*
A. G. Edwards & Sons, St. Louis
REDWOOD, Jr., JOHN
Baker, Watts & Co., Baltimore
REED, JOHN J.*
Straus, Blosser & McDowell, Chicago
REED, PHILIP D.
General Electric Company, New York
REESE, EUGENE M.
Newhard, Cook & Co., St. Louis
REISSNER, FRANK L.
Indianapolis Bond & Share Corporation, Indianapolis
RENO, JOHN W.*
Carl M. Loeb, Rhoades & Co., New York
REPP, HERBERT N.*
Discount Corporation, New York
REUTER, F. BRIAN*
Mellon National Bank, Pittsburgh
REX, WILLIAM M.
Clark, Dodge & Co., New York
REYNOLDS, IRVINE W.*
Union-Tribune Publishing Co., San Diego
RHOADS, PHILIP J.*
First National Bank & Trust Company, Oklahoma City
RICE, IRVING J.*
Irving J. Rice & Co., St. Paul
RIEPE, J. CREIGHTON*
Alex. Brown & Sons, Baltimore
ROBBINS, CHANDLER
M. A. Schapiro & Co., New York
ROBERTS, MALCOLM F.
Garrett-Bromfield & Co., Denver
ROBERTS, WILLIAM J.
Glore, Forgan & Co., Chicago
ROBINSON, ARTHUR R.
Anderson & Strudwick, Richmond
ROBINSON, EDWARD H.
Schwabacher & Co., New York
ROBSON, FREMONT W.
F. B. Ashplant & Co., New York
ROCKEFELLER, Jr., AVERY
Dominick & Dominick, New York
RODDY, JAMES E.*
Scharff & Jones, New Orleans
ROGERS, DONALD I.
New York Herald Tribune, New York
ROGERS, Jr., SAMPSON
McMaster Hutchinson & Co., Chicago
ROGERS, TOWNSEND
Trubee, Collins & Co., Buffalo
ROOSEVELT, JULIAN K.
Dick & Merle-Smith, New York
ROSE, Jr., DON*
Fidelity Trust Company, Pittsburgh
ROSE, MIDDLETON*
Laird, Bissell & Meeds, New York
ROSENBERG, SAMUEL H.
Asiel & Co., New York
ROSS, ALFRED J.*
Dick & Merle-Smith, New York
ROUSE, ROBERT G.
Federal Reserve Bank, New York
ROWE, ROBERT G.*
Stroud & Co., Philadelphia
RUSSELL, JAMES A.
Van Alstyne, Noel & Co., New York
RUSSELL, JAMES N.*
Gottron, Russell & Co., Cleveland
RUSSELL, P. SCOTT
Glore, Forgan & Co., New York
RUTHERFORD, GEORGE P.*
Dominion Securities Corporation, New York
SAGE, II, ANDREW G. C.
Lehman Brothers, New York
SANDERS, Jr., JESSE A.*
Sanders & Newsom, Dallas
SANFORD, Jr., JOHN B.
White, Hattier & Sanford, New Orleans
SAVARD, J. ERNEST*
Savard & Hart, Montreal
SCHANCK, Jr., FRANCIS R.
Bacon, Whipple & Co., Chicago
SCHAPIRO, MORRIS A.
M. A. Schapiro & Co., New York
SCHLUTER, HAROLD J.
First National Bank of Chicago, New York
SCHMELZLE, ALBERT M.*
Fusz-Schmelzle & Co., St. Louis
SCHMIDT, WALTER A.*
Schmidt, Poole, Roberts & Parke, Philadelphia
SCHMIDT, W. MARSHALL
Drexel & Co., Philadelphia
SCHOENEBERGER, CHARLES A.
Central Republic Company, Chicago
SCHREDER, HAROLD X.*
Distributors Group, New York
SCHUTZ, JOHN C.*
Chiles-Schutz Co., Omaha
SCHWERENS, MURRAY R.
World-Telegram & Sun, New York
SCOTT, BUFORD
Scott & Stringfellow, Richmond
SCOTT, WILSON A.
McKelvy & Co., Pittsburgh
SEDLMAYR, JULIUS H.*
Merrill Lynch, Pierce, Fenner & Beane, New York
SELLERS, PAUL A.
The Illinois Company, Chicago
SENER, JOSEPH W.*
John C. Legg & Co., Baltimore
SEVERANCE, CRAIG
F. Eberstadt & Co., New York
SEVING, FREDERICK T.*
Butcher & Sherrerd, Philadelphia
SHANKS, WILLIAM S.
The Bond Buyer, New York
SHAW, HERBERT I.
Vance, Sanders & Co., New York
SHEAFFER, THEODORE C.
Wurts, Dulles & Co., Philadelphia
SHEFFEY, JOHN M.
Natl. Assn. Investment Companies, New York

IBA PAST PRESIDENTS

1948 - 49

Hal H. Dewar

1947 - 48

Julien H. Collins

1946 - 47

E. Hopkinson, Jr.

SHELLEY, WILLIAM F.*
Vance, Sanders & Co., Boston
SHELTON, LOCKETT*
Republic National Bank, Dallas
SHEPARD, ROBERT O.*
Prescott, Shepard & Co., Cleveland
SHERBURNE, HAROLD H.
Bacon, Whipple & Co., New York
SHIELDS, CORNELIUS*
Shields & Co., New York
SHOLLEY, S. L.*
Keystone Company, Boston
SHREVE, EARL O.
U. S. Treasury Department, Washington
SHREVE, WICKLIFFE*
Hayden, Stone & Co., New York
SIEFERT, RUSSELL E.*
Stern Bros. & Co., Kansas City
SIMMONS, RICHARD W.
Blunt Ellis & Simmons, Chicago
SIMONDS, CLARKE*
G. H. Walker & Co., Providence
SIMONSON, HENRY J.*
National Securities & Research Corporation, New York
SIMPSON, CRAIG de V.
Bankers Trust Company, New York
SLEVIN, JOSEPH R.
New York Herald Tribune, Washington
SLEZAK, G. EDWARD
The Milwaukee Company, Milwaukee
SLOAN, WILLIAM J.*
Texas Fund Management Company, Houston
SMITH, DUDLEY C.*
Investment Bankers Association, Chicago
SMITH, E. G.
Nesbitt, Thomson & Co., Montreal
SMITH, J. RAYMOND
Weeden & Co., New York
SMITH, MARK A.
F. W. Craigie & Co., Richmond
SMUTNY, RUDOLF*
Salomon Bros. & Hutzler, New York
SNYDER, HARRY B.
Yarnall, Biddle & Co., Philadelphia
SPEAS, J. W.*
Norris & Hirshberg, Atlanta
SPENCE, W. FREDERICK
Townsend, Dabney & Tyson, Boston
STAFFORD, Jr., JOHN H.
Lee Higginson Corporation, New York
STALKER, ALFRED J.
Kidder, Peabody & Co., New York
STALKER, Mrs. ALFRED J.
With Alfred J. Stalker, New York
STAPLES, JACK R.
Fulton, Reid & Co., Cleveland
STARR, III, EDWARD
Drexel & Co., Philadelphia
STARRING, Jr., MASON B.
A. C. Allyn & Co., New York
STEARNS, GEORGE R*
The Economist, Chicago
STEARNS, JAMES P.*
Ball, Burge & Kraus, Cleveland
STEIWER, FREDERICK H.
Alex. Brown & Sons, New York
STEVENS, WILLIAM A.
J. C. Wheat & Co., Richmond

Continued on page 122

THE BEST ADVICE
For Prime Distributions
of
All Rocky Mountain Securities
Both Municipal and Corporate
Try
COUGHLIN & COMPANY
SECURITY BUILDING • DENVER, COLORADO
Telephone: KEystone 4-3201
Teletype: DN 296

Underwriters & Distributors
of
INVESTMENTS

Local Municipal & Corporation Securities a Specialty

Phone MA 3-6231
Peters, Writer & Christensen, Inc.
INVESTMENT BANKERS
GROUND FLOOR EQUITABLE BLDG. 724 SEVENTEENTH STREET DENVER (2) COLO.

GB
Active markets maintained in
CORPORATE & MUNICIPAL SECURITIES
Garrett-Bromfield & Co.
Member Midwest Stock Exchange
Phone AC 2-8621
Teletype DN 76—Municipal Dept.
DN 557—Trading Dept.
Security Bldg.
Denver, Colo.

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 121

In Attendance at IBA Convention

STEVENSON, G. C.*
Bacon, Stevenson & Co., New York

STEVENSON, 3rd, ROBERT
Investment Bankers Association, Washington

STEWART, T. FRITZ
Southwestern Securities Company, Dallas

STITZER, RAYMOND D.
Equitable Securities Corporation, New York

STODDARD, DONALD A.
Guaranty Trust Company, New York

STOHL, WALTER H.
Fidelity Union Trust Company, Newark

STOKES, EDWARD B.
Stokes & Co., Philadelphia

STONE, Jr., FRED D.*
Marine Trust Company, New York

STRADER, LUDWELL A.
Strader, Taylor & Co., Lynchburg

STRAUS, FREDERICK W.
Straus, Blosser & McDowell, Chicago

STRAVITZ, HENRY*
Swiss American Corporation, New York

SWANEY, JOHN*
Keystone Company, Boston

SWENEY, LOWRY
Sweney Cartwright & Co., Columbus

TAYLOR, EATON
Dean Witter & Co., San Francisco

TEGELER, JEROME F.*
Dempsey-Tegeler & Co., St. Louis

TERRELL, ALLEN M.
Girard Trust Corn Exchange Bank, Philadelphia

THACKARA, Jr., CHARLES V.
Thackara, Grant & Co., New York

THAYER, ROBERT L.
Lehman Brothers, New York

THEIS, HARRY
Albert Theis & Sons, St. Louis

THEIS, Mrs. HARRY
With Harry Theis, St. Louis

THIERIOT, Jr., CHARLES H.*
Carlisle & Jacquelin, New York

THOMPSON, HAL*
Chicago American, Chicago

THORS, J. EMERSON
Kuhn, Loeb & Co., New York

TODD, II., WILLIAM H.
Kuhn, Loeb & Co., New York

TOMASIC, ANTHONY E.*
Thomas & Company, Pittsburgh

TOMPKINS, HENRY B.
The Robinson-Humphrey Company, Atlanta

TORREY, ARTHUR S.*
W. C. Pitfield & Co., Montreal

TOWBIN, BELMONT*
C. E. Unterberg, Towbin Co., New York

TOWNSEND, WILLIAM H. P.*
E. W. Clark & Co., Philadelphia

TRAINOR, COLEMAN E.*
Peoples National Bank, Charlottesville

TREUHOLD, EUGENE*
L. F. Rothschild & Co., New York

TRIGGER, RAYMOND*
Investment Dealers Digest, New York

TRIPP, JEROME C.
Tripp & Co., New York

TROST, MILTON S.*
Stein Bros. & Boyce, Louisville

TROSTER, OLIVER J.
Troster, Singer & Co., New York

TRUBEE, Jr., FRANK C.
Trubee, Collins & Co., Buffalo

TSOLAINOS, K. P.*
Baker, Weeks & Co., New York

TURBEN, CLAUDE F.*
Merrill, Turben & Co., Cleveland

TURNER, ARTHUR C.*
New York Hanseatic Corporation, New York

TURNER, JOHN W.
Eppler, Guerin & Turner, Dallas

UFFORD, HENRY M.
Calvin Bullock Ltd., New York

UHLER, EDWARD A.
R. S. Dickson & Co., New York

UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co., New York

VALENTINE, HENRY L.*
Davenport & Co., Richmond

van HEUKELOM, CAREL W.
Television Shares Management Corporation, Chicago

VAN INGEN, Jr., BERNARD J.
B. J. Van Ingen & Co., New York

VAN SLYK, MIKE*
Journal of Commerce, New York

VARNEDOE, SAMUEL L.
Varnedoe, Chisholm & Co., Savannah

VIALE, CHESTER W.
L. F. Rothschild & Co., New York

VINYARD, EUGENE D.*
Central Investment Company of Texas, Dallas

von GLAHN, THEODORE*
Salomon Bros. & Hutzler, New York

VRTIS, CHARLES S.
Glore, Forgan & Co., Chicago

WALDMANN, GEORGE R.
Mercantile Trust Company, New York

WALKER, GRAHAM*
Joseph McManus & Co., New York

WALKER, LOUIS
G. H. Walker & Co., Hartford

WALLACE, DARNALL
Bache & Co., New York

WALPERT, RICHARD B. 6
Blyth & Co., Chicago

WANDERS, GEORGE*
The Bond Buyer, New York

WARD, JAMES C.
Third National Bank, Nashville

WARDEN, FRANK R.
Central National Bank & Trust Company, Des Moines

WARING, LLOYD B.
Kidder, Peabody & Co., Boston

WARREN, EDWARD L.
J. P. Morgan & Co., New York

WARREN, JAMES C.*
A. M. Kidder & Co., New York

WARREN, ROBERT H.*
Blair & Co., New York

WATERMAN, Jr., PAUL W.
Security-First National Bank, Los Angeles

WATKINS, MILES A.*
Stubbs, Smith & Lombardo, Birmingham

WATSON, HARLEY A.
Eldredge & Co., New York

WATTERSON, WILLIAM H.
Fahey, Clark & Co., Cleveland

WATTS, Jr., SEWELL S.*
Baker, Watts & Co., Baltimore

WEBSTER, C. MYRON
J. M. Dain & Co., Minneapolis

WEED, Jr., WALTER H.
Union Securities Corporation, New York

WEED, WILLIAM F.
First of Michigan Corporation, Detroit

WEEKS, Jr., ROBERT S.
F. S. Moseley & Co., Boston

WEHMANN, GILBERT H.
White, Weld & Co., New York

WEHRHEIM, ROBERT V.*
Philadelphia National Bank, Philadelphia

WEICKER, Jr., THEODORE
E. F. Hutton & Co., New York

WEINTRAUB, ALLAN
Bear, Stearns & Co., New York

WELDON, DOUGLAS B.
Midland Securities Corpn., London

WELLES, RUSSELL
The Hanover Bank, New York

WELLS, Jr., H. GRADY*
Andrews & Wells, New York

WENDT, GEORGE B.
First National Bank, Chicago

WERLY, CHARLES M.*
Putnam Fund Distributors, Boston

WERNER, CHARLES S.
Wertheim & Co., New York

WEST, GERALD B.
Stone & Webster Securities Corporation, New York

WHELPLEY, GORDON B.
Goldman, Sachs & Co., New York

WHITBECK, ERAINERD H.
First Boston Corporation, New York

WHITE, CHARLES B.*
Chas. B. White & Co., Houston

WHITE, GILBERT*
R. D. White & Co., New York

WHITE, HARRY H.
White, Hattier & Sanford, New Orleans

WHITE, JOHN G.
Reynolds & Co., Chicago

WHITE, KELTON E.*
G. H. Walker & Co., St. Louis

WHITESIDE, THOMAS
Chace, Whiteside, West & Winslow, Boston

WIDENMANN, HANS A.
Carl M. Loeb, Rhoades & Co., New York

WIESENBERGER, ARTHUR
Arthur Wiesenberger & Co., New York

WILEUR, LeROY A.
Stein Bros. & Boyce, Baltimore

WILDE, BERTRAM M.
Janney & Co., Philadelphia

WILLETT, JAMES F.
American Security & Trust Company, Washington

WILLIAMS, BENJAMIN D.
W. E. Hutton & Co., New York

WILLIAMS, WARREN D.
Baxter, Williams & Co., Cleveland

WILSON, ALFRED G.
Newburger, Loeb & Co., New York

WILSON, H. WARREN*
Union Securities Corporation, New York

WILSON, WALTER W.
Morgan Stanley & Co., New York

WINGET, RADER
Associated Press, New York

WINSLOW, SAMUEL R.*
Winslow, Douglas & McEvoy, New York

WISE, JOSEPH B.
Dean Witter & Co., New York

WITTER, WILLIAM M.
Dean Witter & Co., Chicago

WOLL, AIBERT J. T.
Hayden, Stone & Co., Boston

WOLFF, JAMES W.*
Zuckerman, Smith & Co., New York

WOOD, DAVID M.*
Wood, King & Dawson, New York

WOOD, HAROLD E.
Harold E. Wood & Co., St. Paul

WOOD, KENNETH H.
J. C. Bradford & Co., New York

WOOD, Jr., OSCAR B.
Southern Securities Corporation, Savannah

WULBERN, EDWARD B.*
Pierce, Carrison, Wulbern, Inc., Jacksonville

WYANT, PAUL
Scott Paper Company, Chester, Pa.

YEARLEY, IV, ALEXANDER
The Robinson-Humphrey Company, Atlanta

YOUMANS, PAUL E.
Bosworth, Sullivan & Co., Denver

YOUNG, HAROLD H.*
Eastman, Dillon & Co., New York

ZAHNER, VICTOR H.*
Zahner & Co., Kansas City

*Denotes Mr. & Mrs.

Gob Shops Common Stock Offered at $1

Bruns, Nordeman & Co., New York City, is offering publicly 299,000 shares of common stock (par 30 cents) of Gob Shops of America, Inc., at $1 per share.

It is intended to use the net proceeds to increase inventories, add new stores in selected locations and for working capital and other general corporate purposes.

Gob Shops now own and operate two retail Gob Shops in Providence, R. I., and three in Rochester, N. Y. They carry sporting goods, camping equipment, men's and boys' work and play clothes and shoes.

Gob Shops has also developed a chain of 33 franchised stores owned by independent operators in five States.

With Mountain States Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert L. Knodel is now with Mountain States Securities Corp., Denver Club Building.

Joins Shaiman & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Louis B. Weissman has become affiliated with Shaiman and Company, First National Bank Building.

Two With Calif. Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert Friedman and Henry Kutner are now associated with California Investors, 3924 Wilshire Boulevard.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc., and associates, on Dec. 9, publicly offered at 101.375% and accrued interest an issue of $2,500,000 North Shore Gas Co. 4% first mortgage bonds, series B, due Dec. 1, 1975. This issue was awarded to the group on Dec. 7 on a bid of 100.02%.

The net proceeds from the sale of the bonds will be used to repay bank loans and advances from the New England Electric System, the parent company.

North Shore Gas Co. was incorporated in Massachusetts on Jan. 28, 1953, and, as of Oct. 1, 1953, acquired the gas properties and business of Beverly Gas & Electric Co., Gloucester Gas Light Co. and Salem Gas Light Co.

The company's business is principally that of the distribution and sale of natural gas in six communities in northeastern Massachusetts.

Associated with Halsey, Stuart & Co. Inc. in this offering were: Stroud & Co. Inc.; New York Hanseatic Corp.; Clayton Securities Corp.; and Thomas & Co.

Missouri Pacific RR. Equipments Offered

Halsey, Stuart & Co. Inc. and associates, on Dec. 9, offered $2,625,000 of Missouri Pacific RR. Co. 3½% serial equipment trust certificates, series C, maturing annually Jan. 1, 1957 to 1971, inclusive, at par to yield 3.50% to maturity. The issue was awarded to the group on Dec. 8 on a bid of 99.319%.

Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 450 steel boxcars, estimated to cost not less than $3,285,035.

Associated in the offering are: R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co. Inc.; and McMaster Hutchinson & Co.

State and Municipal Bonds
U. S. Government Bonds

SEATTLE - FIRST NATIONAL BANK

BOND DEPARTMENT
Seattle 4, Washington
Telephone Main 3131 Teletype SE 489
Member Federal Deposit Insurance Corporation

UNDERWRITERS
BROKERS
DISTRIBUTORS

CORPORATE
and
MUNICIPAL
SECURITIES

FOSTER & MARSHALL
INVESTMENT SECURITIES

MEMBERS: New York Stock Exchange, American Stock Exchange (Associate), Chicago Board of Trade

820 SECOND AVENUE SEATTLE 4
Teletype SE. 482-673 Telephone MU. 1900
PORTLAND • SPOKANE • EUGENE • OLYMPIA

HESS & McFAUL
INVESTMENT SECURITIES
American Bank Bldg. Portland 5, Oregon
Bell Teletype—PD 254

Pacific Northwest Securities
BLANKENSHIP, GOULD & BLAKELY
INCORPORATED
ESTABLISHED 1929
WILCOX BUILDING
PORTLAND 4, OREGON
Bell System Teletype PD 280

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 24

Innovations in Granting of Instalment Sales Credit

insured credit. As pointed out above, the revolving budget concept is now extended so that the customer not only can use his account for all classifications of goods carried by stores, but is allowed to choose his limits with very wide latitude. But, unlike the former plans, terms are not graduated; they are generally 6, 12 or 24 months, according to classification of goods.

Motivation

It may be asked why the large scale retailers have turned to liberalized revolving budget or quantitative-automatic credit plans designed to aggressively promote the use of credit. Of course, they anticipate a relative increase in sales. But cost considerations may be equally important to them. It may be that in this revenue producing segment of retail credit,[2] department stores have realized that at generally prevalent service charges instalment credit is profitable only when the economies of large scale credit granting can be realized. This author has found, as would be expected, that the average cost of servicing an instalment loan falls sharply as the size of the loan increases. And, necessarily, so does marginal cost! Certain banking principles may have finally been realized by department store executives. Of course, one feature of these new plans, even if it is the result of conclusions most reluctantly accepted, has been a very subtle increase in the level of service charges. Under the revolving budget credit plans, service charges are in many instances 1½% on the unpaid balance, which is a markedly high pure rate of interest.

Department stores have been very conservative about utilizing and extending instalment credit; therefore, the volume of instalment credit granted (and outstanding) relative to total sales has been modest. This has meant that not only have department stores discouraged large unit credit extensions, but they have restricted total credit. Therefore, unit-costs tended to be quite high. On the basis of research done by this author, it is fairly evident that the cost of extending instalment credit and servicing it can clearly stand on its own only if instalment sales and their derived outstandings are a higher percentage of total sales than the average medium-sized or large department stores have been accustomed to. It is most likely that any department store objectively studying the costs of its instalment credit operation would conclude that a relatively low volume of credit business does not allow it to break even on credit operations. It must be emphasized that this implies that all costs of credit, direct and indirect, are recognized.

A few further remarks may be noted at this point on the nature of instalment credit costs. The author found that a new account, through its first year, is much more costly than an established account. The most costly credit transactions are the small ones taken for a relatively short duration. In this research it was imperative to find out whether the net revenue obtained was sufficient to cover both the operating costs (fixed and variable) incurred and the capital invested in outstandings at the going or prime rate of interest — not that the prime rate is always the true measure of interest costs. Total costs were compared to total revenue at various levels of outstandings. A modified break-even point analysis was developed, and both direct and indirect costs were included. This was especially difficult in that a central credit operation serviced both instalment and charge account credit, as it generally does in a department store. A pertinent statistic, particularly in view of the recent trends in credit, was the cost to make an additional credit sale, that is, extend an additional loan. An adequate sample of credit sales was analyzed according to size, number of months, type, etc. Costs for each step of processing, first a new account, and then an add-on (an additional sale made to an already established and paying account) was calculated.

This exploitation of instalment credit selling may be designed to protect, if not increase, the share of market at the expense of other retailers — both the traditionally credit and non-credit merchants. It may also be that the promoting of these plans is partial retaliation to the inroads of discount houses; for these price cutting retailers, operating on very narrow margins and with a stringency of working capital, can not generally afford to finance the new liberal plans. It may be that the point has been reached when innovation profits no longer lie in the area of suburban branch development, and as competition intensifies, new selling devices are eagerly sought.

The recent trends in department store instalment credit promise to increase the volume of sales, although it is difficult to tell by how much. If this is so, then a very happy occurrence may be anticipated, namely, a lowering of the expense ratio. This can mean only one thing, an increased profit rate, for it is generally accepted and statistically demonstrable that there is a rough linear relationship between expenses and volume. That is, the expense ratio goes down as volume increases. In the case of the credit operation it can be readily seen that appreciation of the extent of fixed costs of credit may now be exploited profitwise. Finally, the lagging market for consumer durables, it is hoped, may be stimulated and new products can perhaps take up the slack only with the active assistance of the credit plans.

Broad Economic Implications

The development and spread of revolving budget and quantitative - automatic instalment sale credit plans has interesting implications. It would seem that the growth of these plans promises not only to increase the level of instalment debt outstanding which will have to be carried by retailers or their agents, but it also may increase the average indebtedness of consumers, particularly in the middle income groups. This, in turn, can affect saving-consumption patterns. In view of the Michigan Survey Research Center's findings that there is a positive relation between debt holders and debt users — those consumers who are in debt tend to further incur consumer debt—this may accelerate a cumulative debt process. There may, furthermore, be some substitution between goods commonly bought on credit and those purchased by cash. It was pointed out earlier that this could tend to alter significantly the seasonal patterns of sales in department stores and other retail markets. Furthermore, the instability of the volatile durable goods sector of the consumer market could be intensified, which can make it that much more difficult to mitigate cyclical fluctuations in expenditures on durable goods. It may be well to note that the new plans have no counter cyclical built-in brakes. Thus, under the conventional plans for extending instalment sale credit traditionally used by retailers, there would be a tendency on the part of credit departments to tighten terms as outstandings and sales increased. Likewise, as sales slumped and outstandings and average balances decreased, terms would be eased. It may be added, however, that unfortunately the financial needs of the retail organization often dictate the attitude toward credit. In a period of stringency, therefore, credit might even be tightened to depress outstandings and provide more cash to meet the stores' financial needs brought on by a falling volume of sales.

A further indirect and expansionary effect may be foreseen. Until recent years, lending companies (non-selling consumer credit organizations) such as commercial banks, sales finance companies, and small loan companies, have not been compelled to cope with effective industry-wide aggressive promotion of credit by reputable retail outlets. Terms competition has been relatively unimportant. If the present terms competition continues, however, these financial institutions may choose or be forced to retaliate both through the promotion and

Continued on page 124

[2] A service charge is always made—either a flat percentage or a percentage of the unpaid balance.

IBA PAST PRESIDENTS

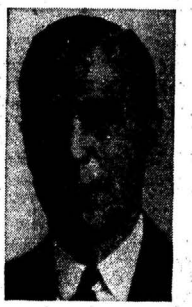
1945 - 46

Charles S. Garland

1943 - 44 - 45

John Clifford Folger

1942 - 43



Jay N. Whipple

Dempsey-Tegeler to Admit Three Partners

ST. LOUIS, Mo. — Dempsey-Tegeler & Co., 10th and Locusts Streets, members of the New York and Midwest Stock Exchanges, on Jan. 1, will admit Rolla J. Gittins, Earl W. Godbold, Jr., and Edward J. Lambur, Jr., to partnership.

E. N. Bagley to Be J. A. Hogle Partner

SALT LAKE CITY, Utah—Edward N. Bagley on Jan. 1 will be admitted to partnership in J. A. Hogle & Co., 132 South Main Street, members of the New York Stock Exchange and other leading Exchanges. Mr. Bagley is General Manager for the firm.

J. M. Flynn Opens

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — John M. Flynn is engaging in a securities business from offices at 3680 San Gabriel Lane. Mr. Flynn was previously with Coombs and Company.

Hamilton Management Branch

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Hamilton Management Corporation has opened a branch office at 127 Fremont Street. Richard T. De Conto is associated with the new branch.

WE MAINTAIN
ACTIVE TRADING MARKETS

PACIFIC NORTHWEST SECURITIES

UNDERWRITERS—DISTRIBUTORS—DEALERS

Nation-wide coverage on Jos. McManus wire

ZILKA, SMITHER & CO., INC.
INVESTMENT SECURITIES
Members San Francisco Stock Exchange

TELEPHONE CA 8-8261 — 813 S. W. ALDER PORTLAND 5, OREGON — TELETYPE PD 155

SALEM • EUGENE • MEDFORD • VANCOUVER, WN.

1st FIRST NATIONAL BANK OF PORTLAND OREGON

Specialists in Securities of the Pacific Northwest

UNDERWRITERS DEALERS DISTRIBUTORS

JUNE S. JONES & CO.
INVESTMENT SECURITIES
INVESTMENT TRUSTS • CORPORATE STOCKS & BONDS
MUNICIPAL BONDS
SINCE 1927
U. S. NATIONAL BANK BUILDING PORTLAND 4, OREGON
CA 8-1318

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 123

Innovations in Granting of Instalment Sales Credit

liberalizing of their terms. This might further swell total consumer debt outstanding.

Of course, to a large degree the demand for consumer instalment credit is derived from the demand for consumer durables. It will be interesting to see to what extent these developments in the extending of credit actually stimulate the demand for consumer goods.

If the department stores, mail order houses, furniture stores, and other retailers find that they can comfortably continue to promote credit under the new automatic plans, we may look forward to some basic structural changes in the market for instalment sale credit, consumer spending patterns, and distribution.

It must be cautioned that, although an important one, the size of the monthly payment is but one of the factors affecting the demand for instalment sale credit. These factors have been subjected to quantitative measurement by Avram Kisselgoff in his pioneering study for the National Bureau of Economic Research of the factors affecting the demand for instalment sale credit. Income was found to be the "main" factor. The size of monthly payment was the next most significant factor in consumer's purchasing decisions.

Kisselgoff's statistical findings allowed him to conclude as follows: ". . . instalment sales credit was highly sensitive to the income of the current year, to a lesser extent to the size of monthly instalment payments, and only slightly to the income of the preceding year."[3] Liquid asset holdings, down payment size, and price levels exerted additional influence, it was thought. The F. R. survey finds liquid assets most important.

It is generally agreed that consumer credit plays an important, although secondary, role in the problem of economic stability. Instalment credit can accentuate fluctuations in the demand for cycle sensitive consumer expenditures in durable goods. Furthermore, once a contraction has started, and income begins to fall, debt repayments may place further restraints on current expenditures. In other words, saving increases just when it should not.

Gottfried Haberler, in his pioneering study of instalment debt and the business cycle, found that the consumer credit series do not consistently lead or lag behind reference points of the business cycle. But consumer credit does, he feels, tend to accentuate the fluctuations in economic activity, although this is not the first order of importance. His position is: ". . . consumer instalment credit is not a cyclical factor of the very first importance. Even if cyclical fluctuations in instalment credit were entirely eliminated, the busines scycle would still exist."[4]

Kisselgoff generally concurs in this, stating that consumer instalment sales credit, like almost any other kind of credit, tends to accentuate economic fluctuations. He adds, however, that the few attempts that have been made at a quantitative appraisal of its role do not suggest that the contribution of instalment sales credit to cyclical fluctuations is very important.[5]

The position held by Haberler and Kisselgoff is by no means unanimously accepted. Some economists have been inclined to place considerably more emphasis on the importance of consumer instalment credit to fluctuations in economic activity. A. G. Hart cites the use of instalment credit as one of the significant props for the prosperity of the '20s. Alvin H. Hansen attributes the 1935-37 recovery to a rise in the demand for durable consumer goods "in large measure financed by an expansion of instalment credit.[6]

Research on the impact of Regulation W conducted by this author indicates that the easing of terms significantly stimulates the demand for credit, particularly in a period of expansion; tightening, contricts it.

This is significant, for the various plans discussed in this article have liberalized credit particularly in the department stores. This has not only been achieved by a blanket lengthening of terms or extending easier terms to higher balances. The very automaticity of the new plans in itself is a separate liberalizing force. This has been discussed briefly above, but should be emphasized. Under the revolving budget approach, most credit extensions are for 6, 12 or 24 months' duration. This means that average durations and outstandings are higher, inasmuch as these limits are generally set on the high side of what the true distribution of terms would be if they were set according to the consumers' demand for terms. Although the graduating of terms mitigates this effect in the case of the quantitative automatic plans, it is still present, for terms are just as rigidly related to size of purchase or balance. A second factor is the virtual elimination of down payments in these plans. The revolving budget concept in most instances completely eliminates down payments, while the quantitative automatic plans generally require only token down payments and often not even that.

It may be anticipated, in conclusion, that the net effect of the innovation in credit granting will serve to accentuate fluctuations in a strategic segment of instalment debt. The income elasticity of goods commonly bought on extended (long term) credit may become even higher than it has been. This can have profound implications, particularly for the retailer who will have to account for this in his business planning and sales budgeting.

3 Avram Kissegoff, *Factors Affecting the Demand for Consumer Instalment Sales Credit* (New York: National Bureau of Economic Research, 1952), pp. 32 and 33.

4 Gottfried Haberler, *Consumer Instalment Credit and Economic Fluctuations* (New York, N.B.E.R., 1942), p. 175.

5 Kisselgoff, p. 59.

6 Alvin H. Hansen, *Full Recovery or Stagnation?* (New York, W. W. Norton & Co., 1938), pp. 276-278.

Dean Witter Sells Varian Associates 5% Conv. Debentures

Dean Witter & Co., San Francisco, Calif., on Dec. 9, offered and sold $2,000,000 of 15-year 5% convertible subordinated debentures due Dec. 1, 1970, of Varian Associates, Palo Alto, Calif., at 100½% and accrued interest.

Each $1,000 debenture is convertible initially into 90 shares of common stock and may be redeemed at 105% up to and including Nov. 30, 1958; during the following three years, at 104%; the next three years at 103%; during the three years ended Nov. 30, 1967, at 102%; the next two years at 101% and thereafter at 100%, with accrued interest in each case.

The net proceeds from the sale of the debentures are to be used for the purchase of land, buildings and equipment, for engineering, marketing and manufacturing; for expansion of corporation's research, engineering and development program, including development and introduction of new product lines together with improvement of existing products; and to augment company's working capital.

Varian Associates was incorporated April 20, 1948, in California. It is engaged in two principal activities — the first, research and engineering services in the microwave and related electronic fields under contracts with the Federal Government and private industry; and the second, manufacturing and selling electron tubes, spectrometers and related instrumentation for chemical analysis in the chemical and petroleum industries, electromagnets, and electronic graphic recorders.

Smith, Barney Places Secondary Offering

A secondary offering of 47,900 shares of common stock (no par value) of Southern Pacific Co. was made on Dec. 9, by Smith, Barney & Co., New York, at $57.62½ per share. It was quickly oversubscribed.

With Colo. Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Wendell H. Amstutz has become affiliated with Colorado Investment Co., Inc., 509 Seventeenth Street.

Joins F I F Management

(Special to The Financial Chronicle)

DENVER, Colo. — Jacque C. Reed is now with F I F Management Corporation, 444 Sherman Street.

Continued from page 3

Where Do We Stand on Freedom?

(2) To protect any one individual from domestic attack by other individuals.

Beyond this our forefathers were fiercely independent. They believed in wearing no man's collar. They wanted to cock their hats as they chose.

After they had fought along the bloody road of the Revolution, from Concord and Lexington to Yorktown, they turned their faces to the west. They built the Conestoga wagons, they crossed the Appalachian range and the Great Plains. They froze on the Oregon Trail and in Donner Pass. They fought Indians and terrible disappointments and homesickness that was worse than hunger. They fought, and they were free to fight, in their own way and their reward was a rich life in the homes they had cut out of the wilderness with their double-bit axes; a life rich in satisfaction stemming from their self-reliance, even if not always rich in exotic foods, artificial entertainment or —government largess.

Half a century after Washington and Jefferson, Carl Schurz, a refugee from Europe's tyranny could say—

"Here in America you can see daily how little a people needs to be governed. There are governments, but no masters; there are governors, but they are only commissioners, agents. Here you witness the productiveness of freedom. . . .

"We learn here how superfluous is the action of governments concerning a multitude of things in which in Europe it is deemed absolutely indispensable, and how the freedom to do something awakens the desire to do it."

That was the America Carl Schurz knew 100 years ago. That was the America many of us knew until just a few short years ago— a land of individual opportunity and responsibility, where God-fearing men and women lived and worked and learned and worshipped in freedom.

It was a free land to live in, to live for; and, if need be, die for.

Where do we stand on freedom today?

America has grown big; big in population and material wealth; and even bigger in taxation. Imagine — in the 41 years from 1913 to 1954, our taxes were multiplied 45 times—from two billion a year to more than 90 billion. Even more importantly, Uncle Sam's bite of this total widened from 33% in 1913 to 75% last year. Where is our Founding Fathers' concept of limited government?

The Growth of "Uncle Sam"

America has grown big all right. It would require pages just to list the myriad of areas of government regulation or control.

Uncle Sam is the biggest landowner, the biggest house builder, the biggest employer, the biggest banker and insurance company, the biggest consumer, the biggest borrower and the biggest lender, the biggest defaulter and the biggest spender, the biggest sucker and the biggest meddler.

Yes, the biggest meddler—and as Thomas Macaulay said, "Nothing is so galling to a people, not broken in from the birth, as a paternal or, in other words, a meddling government, a government which tells them what to read and say and eat and drink and wear."

For a quarter of a century now we've been operating on the principle that anything you can do, Sam can do better. It wasn't until two years ago that he got out of the barge business, after being in it—and in the red—for 26 years. Just going through a report on the RFC makes interesting reading.

How much government do we have today? The last figures I could find, compiled a little more than a year ago, show there are 116,000 units of government in the United States.

It is not too important how I arrive at this figure. But most important is it that the 115,999 units that originally held all but a few governmental powers now are relatively helpless, so that we are constantly reminded in Washington and elsewhere how frighteningly centralized the one single government has become.

Nor is it important to give all the divisions and subdivisions of our Federal establishment. It should be sufficiently shocking to note that there are more than 2,000 distinct segments of Federal Government. It is not a joke, but just a fact that in the year 1952, the Federal Government bought almost 9,000 spools of red tape, 366 miles of it, and paid more than $4,700 for it.

The Hoover Commission reports, "In 1929 the public wealth represented only 15% of total national wealth, in 1948 the public wealth amounted to 27.3%. . . . Is this creeping Socialism?" Maybe it is Socialism that has stopped creeping and is now walking. I wonder—are we going to let it run?

The proliferation in the states and localities is fully as great as it is in our Federal Government but may be considered less dan-

Specialists in
Municipal and Corporate Bonds
Common Stocks
Listed & Unlisted Securities
FIRST OF MICHIGAN CORPORATION
Member Detroit & Midwest Stock Exchanges
BUHL BUILDING, DETROIT, MICHIGAN
NEW YORK • CHICAGO • COLUMBUS
Battle Creek • Flint • Grand Rapids • Lansing • Port Huron • Saginaw

JOHN L. KENOWER REGINALD MacARTHUR JULIUS POCHELON
T. NORRIS HITCHMAN MELVIN R. STUIT
Underwriters, Distributors and Dealers in
Municipal and Corporation Securities
Specializing in
Michigan Municipals and Revenue Bonds
Kenower, MacArthur & Co.
FORD BUILDING, DETROIT
WOodward 2-3262
Michigan Trust Building
GRAND RAPIDS
GLendale 1-2231
Bearinger Building
SAGINAW
Telephone 2-7128
Members Detroit and Midwest Stock Exchanges

Digitized for FRASER
http://fraser.stlouisfed.org/

gerous since they are closer to home and therefore more subject to community opinion.

Where do we stand on Freedom?

First, what was it on which our government was founded?

Doctrine of Karl Marx

What, if not the individual, the rights of the individual, his rights to own property, to be free and to have equality? Indeed, our philosophy of the individual is American, and so recognized when in 1840 Count Alexis de Tocqueville wrote in his book on America, "Individualism is a novel expression to which a novel idea has given birth. Individualism is of democratic origin."

The philosophy of the individual was what Karl Marx hated. He wrote—"You must, therefore, confess that by 'individual' you mean no other person than the bourgeois, than the middle-class owner of property. This person must, indeed, be swept out of the way, and made impossible."

The Marxist hates the philosophy of the individual, and so, too, does the Fascist, for the late Adolf Hitler declared—"To the Christian doctrine of infinite significance of the individual . . . I oppose with icy clarity the doctrine of the nothingness of the human being."

Thus the few remaining areas with a belief in individual freedom are sandwiched in between these two monstrous and paganistic principles of the all-powerful state. They press in upon our Christian doctrine of the sanctity of the individual like two great millstones.

The hard and stoney path which requires eternal vigilance is always there for a Republic with its God-given, unalienable rights. But we can be lured farther along the apparently broad, smooth highway of reliance on government which leads to the Hegelian and Marxist totalitarian state.

Where do we stand on Freedom? Let us look at the record.

From the paychecks of most of you, the government deducts a regular portion of the individual's income. You never see it but you know the big hole it leaves in your paycheck. And as for the balance of your liability, the Bureau of Internal Revenue can block all your assets and you have to prove you do not owe what it seeks to collect.

The government does not ask young men if they wish to register for military services. Two years are taken out of their lives —and this in so-called peacetime!

As businessmen, we can't hire anyone we choose. The men we hire must belong to this or that union, have their Social Security cards in order and be in line with various fair-employment rules. The government tells us and them they must get a dollar an hour, even though their productivity may be so low that no one will pay them a dollar an hour. They must still demand it or evade the law or perchance go unhired.

Restrictions on Rights of the Individual

Worse yet, in vast areas of endeavor, a man cannot get a job unless he first belongs to a union. Where do we stand on freedom when we grant to a private organization that power over a man's livelihood? Who gave that power to government? Not the Founding Fathers!

A farmer cannot freely decide on his own judgment the best and most profitable use of his land, what seeds to sow and where they are to be sown. If he violates the controls, restrictions and allotments handed down by the agricultural bureaucracy, he may end up in the poorhouse or in jail.

A man can't hang up his shingle as a doctor, lawyer, barber, druggist, dentist, engineer or barkeeper without paying for piles of permits, licenses and authorizations. If I own an apartment house, I may be happy as a landlord to give my tenants a redecorating service for more rent, but I can't do it in many areas of the country. Maybe you think all these things are good for us. Some people do; for that's the argument always used when they're sold to us—it's for our own good.

Just let me remind you of some instances of government control: complete federal control of credit, government guarantees on half of our home mortgages, as many as 17 million getting government checks, 20% of all power produced by government, farm prices determined by federal action, government control of silver and gold purchases, 2½ million civilians on the federal payroll, one-fourth of our land government owned and no fewer than 104 government agencies, banks and instrumentalities of all kinds engaged in making, guaranteeing and insuring loans.

Look at the monstrous growth of government's interest in agriculture from a few experimental stations 70 years ago to sprawling multiple activities costing taxpayers $4 billion a year.

Time permits no more than mere mention of matters of foreign policy such as NATO and the United Nations, which through treaty can change our Constitution and even change the police powers of some of our states, as events have shown.

Nothing has happened to our country, at least outwardly. No one has attacked it—not since Pearl Harbor. No shots have been fired. No blows have been struck. But constitutional foundations have eroded away. Old landmarks have vanished. The house of our government has suffered an inner decay, although it is almost imperceptible.

Dying out is part of the beauty and dignity and strength of the structure we once knew. It is fashionable to talk of one world and the free nations and the desire for peace. But it is corny and old hat to talk like a patriotic American. The flag no longer flies as prominently as it once did on the Fourth of July.

A hundred years ago Karl Marx set down the 10 ways to achieve Communism—the Ten Commandments according to his gospel. Check them off, one by one—from Number One—abolition of property in land, and Number Two—a heavy progressive or graduated income tax—right down through to Number 10—free education for all in public schools.

When you check them off, one after the other, you'll find we're already well on our way to the achievement of the Communist State as blueprinted by Karl Marx.

Socialistic Base Broadened

And we keep on broadening the socialistic base. The proposal that women receive social security at age 62, and the disabled receive benefits at age 50, passed the House on July 18 with only 31 dissenting votes, and is now pending before the Senate.

Our own recent history with TVA should teach us the result. There the taxpayers of all the United States are subsidizing the users of TVA power. Many of those users don't want that subsidy. But the politicians demand its continuance.

We have gone completely overboard on security. Everything has to be secured, jobs, wages, hours —although the ultimate in security is jail, the slave labor camp and the salt mine. There the totalitarian masters take care of everything—including a guaranteed annual wage of zero—by means of the blood oath, the bayonet and the big lie.

Perhaps we might have learned something from the British. Time does not permit me to go into detail on that noble experiment. But it is interesting to note that the British Labor Party met recently at Margate and decided to re-adjust its thinking. The final words from former Colonial Secretary James Griffiths were "Let us now get back to the classroom."

Reliance on government is more than an insidious disease. It is the robbing of men, first of their self-reliance and finally of their freedom. "Whose bread I eat, his song I sing," comes to us as a warning proverb from England of long ago, when men were fighting for their freedom. It is too bad that proverb in recent years has sounded on deaf English ears.

It is not too late. It is never too late to revive the personal practice of freedom. Let us stop relying on the Great White Father who has nothing to give us except what he took away from us in the first place.

You have all noted just last week the statement that it is essential that there be Federal aid for education but equally essential it not be coupled with control. It should be pointed out, therefore, that our Supreme Court has declared, in mild but unmistakable language, that Congress in granting Federal funds—which it takes from you and me—can properly control its spending and the conduct of those who receive it.

Independence Threatened

Again, only last week, you must have noticed some talk of stopping big league baseball because of government interference. Out in my home town, Highway 114 runs right through the business district, and there's some talk of relocating it for several blocks in order to get these other streets repaved with aid from state and Federal funds. That is how little government gets to look to big government and once dependence is established, **independence** vanishes.

There can be no clearer warning that letting government show the way leads downhill into the morass. All of us here are businessmen. We have no right to criticize the farmer or the laborer for his reliances on government unless we stop doing it ourselves.

We can start in by refusing to accept any Federal help for our own particular Highway 114, and by persuading our fellows to do the same in their communities.

Let us remember the great Christian teachings of the sanctity of the individual and the great Anglo-Saxon doctrines of freedom that have been handed down to us. With such visions in our minds, slowly the mists will rise and scatter; the sand will fall away from the landmarks we have temporarily lost; and the old and sound tablets of wisdom will emerge to teach us again what we have forgotten.

That awakening of freedom, which we so need to reawaken, was phrased by Kipling:

"And so, when the world is asleep, and there seems no hope of her waking,

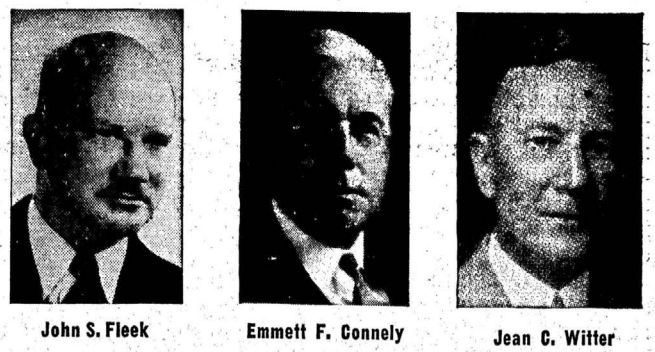
Out of some long bad dream that makes her mutter and moan,

Suddenly all men arise to the sound of fetters breaking,

And every man smiles at his neighbor, and tells him his soul is his own."

It is thus and only thus we shall once again secure the blessings of liberty to ourselves and our posterity.

IBA PAST PRESIDENTS



Joins E. H. Hansen

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif.—William C. Bowers is now with E. H. Hansen & Co., 124 North Bright Avenue. He was formerly with J. Logan & Co.

Joins Glenn Kolb Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert T. Kittleson has joined the staff of Glenn Kolb & Co., 509 Seventeenth Street. He was previously with Honnold & Company, Inc.

McDONALD-MOORE & CO.

MEMBERS DETROIT STOCK EXCHANGE
MEMBERS MID-WEST STOCK EXCHANGE

Underwriters and Distributors
Municipal and Corporate Bonds
Listed and Unlisted Stocks

Penobscot Building
DETROIT 26, MICHIGAN

GRAND RAPIDS E. LANSING FLINT

WATLING, LERCHEN & CO.

Investment Securities

Members:
New York Stock Exchange
Detroit Stock Exchange
American Stock Exchange (Associate)
Midwest Stock Exchange

DETROIT 26, MICH.

Ann Arbor Jackson Kalamazoo Pontiac

CHARLES A. PARCELLS & CO.

Established 1919

ATTENTION N.A.S.D. MEMBERS

Orders Executed on the DETROIT STOCK EXCHANGE for N.A.S.D. Members at 60% of prescribed commission

Detroit Stock Exchange Listings on Request
Inquiries Invited

Members
DETROIT STOCK EXCHANGE
MIDWEST STOCK EXCHANGE

639 Penobscot Building
DETROIT 26

Telephone WOodward 2-5625 Bell System Teletype DE 206

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from first page

As We See It

whose memory has not failed them will easily recall that precisely such notions as this were almost everywhere professed in 1928 and the early part of 1929 — indeed for much the greater part of 1929 —and certainly there is none now who fails to realize that it was in that instance a case of pride going before the fall.

Now let it be clearly understood that we do not mean to say that a similar fate is in store for us now within a few months. In fact, we have no fear that we stand on the brink of anything of the sort at the present moment. We do believe, however, that we should be safer from some such catastrophe at one time or another in the future if we had less faith that somehow we had learned to make such an occurrence impossible, and that we were even now applying the remedy. Actually, we strongly suspect that if we continue to press some of the "cyclical snubbers" (as someone has called the "built-in" alleged stabilizers of the day) long enough and hard enough we shall all but certainly suffer for them quite possibly as severely as we did in 1929 and the years succeeding that crash.

Strange Medicine

It deeply disturbs us when we hear men of learning and of influence listing such things as social security and related programs — old-age pensions, public and private, and unemployment insurance —as providing assurance against business depressions. It makes us even more uneasy when huge government spending is listed as a first rate "cyclical snubber." Our frame of mind is certainly not eased when we are told of the determination on the part of government to do many other things—all of the sort which in the past have been regarded as certain to produce trouble—in order to prevent a business depression. Neither do we feel relieved when it is said in high quarters that monetary and credit policies would be employed to the full to prevent a major turndown in business.

Even the rigidity of wage rates and the determination of the unions not only to prevent any readjustments in these rates but on most occasions to make them more and more onerous is now seriously put forward by many — and not all of them, labor leaders or politicians, either—as another factor which tends to make depression impossible from this point on! Monumental largesse to farmers is another reason for thinking that we have entered some sort of economic millennium, according to many current analysts. Then we have the old, old standby, astronomical defense expenditures to fall back on!

It is a fact, though not often realized, that precisely things of this sort, mostly under different names and sometimes in different forms, which have in the past been regarded as the causes of depressions and the like. Now bigger and better doses of the same old poison is to give eternal life to our prosperity! Onerous taxes to support wasteful government expenditures, large public expenditures which were not met by current revenues, overly committed elements in the business community (usually by too much debt), tinkering with money and credit, heavy burdens of military outlays and armament, wages unduly high for less and less work, government competition with private industry in key areas, government interference with the free play of private initiative—these and similar factors have always been regarded as certain to bring trouble and if persisted in very likely to precipitate what is usually known as business depressions. We are firmly of the same opinion still.

Reason for Worry

It should then be clear enough why we are troubled by this modern notion now so prevalent that such things as these will be our economic salvation. Obviously, a people is not likely to save itself from the consequences of such economic transgressions if it has persuaded itself that the wages of sin will not be death but some sort of economic paradise. Now it is a fact, known to all informed men, that much that has been taking place of late years and is now taking place in the field of mortgage credit is at bottom not greatly different from that which marred the later years of the 'Twenties. The difference, or the one which appears to be regarded as taking the curse off, is that today the Federal Government rather than shaky mortgage insurance companies step in to place its endorsement on weak paper.

In another form, too, money is being poured into agriculture much more lavishly than it was in the years prior to the 'Twenties to produce conditions which caused the agricultural nightmare of the glorious days of the New Era. Here again, though, it is the Federal Government which for the most part lets it be known that it has no intention of letting its beneficence bring the farmer into financial jeopardy. It is the government, too, which is to provide and is providing funds for the aged and the unemployed, the government rather than the individuals themselves or their relatives or private institutions as in the past. It is the government, also, which if necessary will try to encourage individuals and business enterprise to go into debt when good judgment directs otherwise. This it would do by making it cheap to borrow.

The trouble with this thinking is that the government can do these things only by taking the money away from the people and thus reducing their ability to take care of themselves, or else by monetizing debt, and laying up trouble for the future. It would be great if we really had learned how to eliminate fluctuations in business, but we find little evidence that we have as yet done anything of the sort.

McDonnell & Co. to Admit Two Partners

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock Exchange on Jan. 1 will admit Robert A. W. Brauns and Hubert McDonnell, Jr., to partnership. Mr. Brauns is Manager of the firm's Syndicate Department.

Pershing & Co. to Admit Leeds, Lewis

Pershing & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Milton Leeds and Lawrence Lewis to partnership in the firm. On Dec. 31, Archibald Douglas, member of the Exchange, will withdraw from partnership.

Rothschild Co. to Admit Three Partners

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 2 will admit H. Austin Kaye, Abraham S. Platt and Herbert H. Weitsman to partnership.

Phila. Secs. Ass'n Receives 1956 Slate

PHILADELPHIA, Pa.—Franc M. Brooke, Jr., partner of Brook & Co., has been nominated fo President of the Philadelphia Se curities Association to serve fo the year 1956. Mr. Brooke woul succeed Robert E. Daffron, Jr partner of Harrison & Co., whos term is expiring.

Other officers nominated were Lewis P. Jacoby, Jr., Vice-Presi dent of Thayer, Baker & Co Vice-President; Spencer D Wright, III, partner of Wright Wood & Co., Treasurer; and Orri V. Bocp, partner of Schmidt Poole, Roberts & Parke, Secre tary.

The following were nominated for the Board of Governors t serve for three years: Albert A. R Wenzel of Hornblower & Weeks DeLong H. Monohan, Financia Vice-President of the Provident Mutual Life Insurance Company Walter W. Buckley, partner o Walston & Co.; and Leighton H McIllvaine, Manager of the Mu nicipal Department of Goldman Sachs & Co.

The annual meeting and elec tion of the Association will b held at the Warwick Hotel o Friday, Jan. 13, 1956.

Cohn to Be Partner In Spiegelberg, Feuer

Sidney D. Cohn will be admitted to partnership in Spiegelberg Feuer & Co., 39 Broadway, New York City, members of the New York Stock Exchange. Mr. Cohn is Manager of the firm's Investment Research Department.

Thomson & McKinnon To Admit New Partners

Thomson & McKinnon, 11 Wal Street, New York City, member of the New York Stock Exchange on Jan. 1 will admit Frank H O'Donnell of South Bend, Danie A. Sullivan, and George E. B Ormonde of Toronto to genera partnership and Ellen H. Gould to limited partnership.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Cla D. Hatch has joined the staff o E. F. Hutton & Company, 16 Montgomery Street.

McAndrew Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Pete E. White has become associate with McAndrew & Co., Incorporated, Russ Building.

BEECROFT, COLE & CO.

TOPEKA, KANSAS

MISSOURI — KANSAS
AND
GENERAL MARKET
MUNICIPALS

117 West 6th Street
TOPEKA, KANSAS
Teletype TK 8696

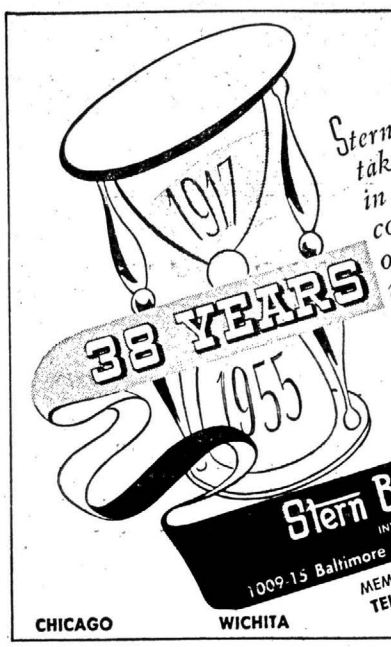
821 Columbia Bank Building
KANSAS CITY, MISSOURI
Teletype KC 81

MUNICIPALS
Missouri — Kansas — New Mexico — Oklahoma — Texas
and Other Midwestern States

CORPORATES
Industrial, Public Utility and Railroad Securities
Bank and Insurance Stocks

★ ★ ★

LUCAS, EISEN & WAECKERLE
INCORPORATED
Member Midwest Stock Exchange
916 Walnut Street, Kansas City 6, Mo.
Telephone Baltimore 4096 Bell Teletype KC 42



Stern Brothers and Company takes pride and pleasure in announcing the completion of 38 YEARS of business as underwriters and distributors of Corporation and Municipal Securities.

Stern Brothers & Co.
INVESTMENT BANKERS
1009-15 Baltimore Ave. Kansas City 5, Mo.
MEMBERS MIDWEST STOCK EXCHANGE
TELETYPE KC-273-4 GRAND 6460

CHICAGO WICHITA OMAHA ST. LOUIS

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from first page

Europe's Unmanageable Managed Money

the dollar shortage was well underway and now is becoming so serious as to force Europe into something it never expected to do again since the gold standard was abandoned: into outright deflation. How that came about, and where it leads to, are matters most significant to the future of Europe, and of no mean importance to ourselves.

Dollar Inflation—in Europe

Our economic and military aid has been described as powerful elements in restoring the economic equilibrium of the free nations. They were, and are, powerful elements, indeed, in producing disequilibrium in Europe: directly, by fostering a reckless credit inflation; indirectly, by creating a climate of over-confidence under which an unhealthy boom has grown to fantastic proportions.

Europe's super-boom could never have occurred — bringing about the full employment and the spending spree which caused the disequilibrium — had it not been for our hand-out policies. In the five years to the end of 1954, gold and dollar reserves of the world outside the U. S. and the Soviet bloc gained some $11 billion. Virtually all of these billions went to Europe. Of the total, a bare $2½ billion came out of new gold production; less than another $1 billion out of French hoards and Russian holdings. The rest stems from "donations"—disregarding a modest amount of American private credits — this after covering Europe's deficit with the dollar area.

The dollar outpour continues, of course. It amounts to far more than what appears as "foreign economic aid" in our budget ($6.5 billion to Europe in the five years to mid-1955). For example, an estimated $2.8 billion is spent annually by American personnel stationed abroad, an item that does not figure under the official Foreign Aid. And, a major slice of the multi-billion military aid, the off-shore purchases in particular, also the outlays for "infrastructure" constructions, is as dollar-producing as any economic aid is.

How the dollar influx operates on the monetary systems may be illustrated by a few examples. In 1954 alone, France's official reserves gained 169 billion francs =$483 million. Pronto, the central bank diluted the monetary base by pouring out 498 billion francs ($1.423 billion) of fresh credit. Small wonder that the total money volume of France, already over-inflated, was boosted by 13½% in a single year.

Equally spectacular is the credit inflation elsewhere. In Germany, the gold reserve has risen since 1950 from $0 (zero) to $626 million at the end of 1954. Her combined gold-dollar reserves reached roughly $2.8 billion by mid-1955, the treble of what they were three years earlier. Institutional credit expanded accordingly: by almost $5,000 million in less than two years — equivalent on a per-capita-income base to around $45,000 million in this country — a record rate of commercial credit inflation. By the end of September, the volume of cash in circulation, as well as of net deposits, was the largest in German history. The latter has grown by $2.6 billion in 33 months. The **net** indebtedness of German business (after allowance for its liquid holdings) has quadrupled in the last three years!

In less than 2½ years, checking- and savings-deposits in the Netherlands have risen by some 20%, following on the footsteps of a two-fold increase of the gold and dollar reserves (from $543 million to $1.12 billion). With a much smaller increase in the basic reserves, the net deposits in Belgian banks, not counting the savings institutions, went up by 25% in less than five years, by 11.6% in the 15 months to the end of last March. The total money volume of that country had been augmented by 32% in the seven years to the end of 1954 (while its retail prices moved up by 27%).

After the 1951-52 dollar crisis had been overcome, the basic monetary holdings in back of the pound sterling shot up again, reaching almost $3 billion in late 1954. British money expansion proceeded at a slower rate than on the Continent. But Britain's current experience illustrates that it is not the growth of the currency (cash and deposits) volume alone that matters in the monetary sphere. Equally important is the fact that the huge "liquidity" accumulated throughout the wartime and postwar inflations has been set in motion. When the banks' lending capacity hits a ceiling, the owners of the deposits take over the lending function. Such is the curse of "subdued" inflation: that it leaves excess liquidity in the hands of the public; sooner or later, the excess purchasing power is bound to burst into the markets. Which is one reason why the control over controlled inflation is extremely difficult.

A recent survey by the National Bank of Egypt summarized the international currency (cash) expansion since 1949 (as reported by the London "Financial Times" of July 23):

"The survey divides countries into three groups—those with 'low' increases of up to 20%, those with 'medium' increases of between 20 and 45% and those with 'high' increases of more than 45%. In the first classification are Belgium, Egypt, India, the Netherlands, Switzerland, Denmark and the U. S., the American movement at 9.2%, being one of the lowest on the entire list. In the second group are Canada, Iraq, Lebanon, New Zealand, Norway and the U. K., the British rise coming out at 27%. The third group is made up of Australia, France, Western Germany, Italy, Japan, Turkey, Sweden and Finland. In the case of one of these countries—France—the note issue was doubled in the 1949-54 period and in four other instances—Australia, Japan, Turkey and Finland—the upward movement exceeded 60%."

Inflation Cum Confidence

In Britain, as on the Continent, the expansion of new credit, combined with the disbursing of accumulated liquid funds, provided ample fuel to ignite a super-boom. Paradoxically, this monetary inflation was accompanied by an apparent improvement of the quality of money. The ratios between the respective currency volumes and dollar (gold) reserves were rapidly improving. Percentagewise, the latter increased much faster than the former. Each pound sterling, German mark, French franc, etc., began to look like a hardening or self-solidifying currency, being backed by ever-more dollar balances and gold bars.

To Europeans who have had a great deal of experience with fiat money, this pattern appears to be totally different from that of the customary paper money flood. If the quality of money improves, the quantity is of secondary consideration. The mere fact that it was the volume of bank money

Continued on page 128

IBA PAST PRESIDENTS

1936 - 37 Edward B. Hall

1935 - 36 Orrin G. Wood

1934 G. W. Bovenizer

BROKERS *and* DEALERS

Business Established 1874

I. M. SIMON & CO.

MEMBERS
New York Stock Exchange
Midwest Stock Exchange
American Stock Exchange (Assoc.)

CEntral 1-3350 ST. LOUIS 2, MO. SL 288

St. Louis' Oldest Stock Exchange House

SIXTY-FIVE YEARS
OF
INVESTMENT
BANKING

Stifel, Nicolaus & Company
INCORPORATED
ST. LOUIS • CHICAGO

ST. LOUIS MARKETS
Our Trading Department Is Active In All
Local Listed And Unlisted Securities
And Invites Your Inquiries
"If there is a Market we can find it"
We Specialize In Orders For Banks And Dealers
We want offerings, Odd Lots, Missouri D. O. Municipals

EDWARD D. JONES & CO.
ESTABLISHED 1871
MEMBERS
New York Stock Exchange Midwest Stock Exchange
Chicago Board of Trade American Stock Exchange (Associate)
300 North 4th St. CEntral 1-7600
Saint Louis 2, Mo. Bell Teletype SL 593
Direct Private Wire Connections with
Josephthal & Co., New York, Francis I. du Pont & Co., Chicago
J. H. Crang & Co., Toronto

NEWHARD, COOK & CO.

Underwriters and Distributors
Listed and Unlisted Securities
Municipal Bonds

Members New York Stock Exchange
American Stock Exchange (Associate)
Midwest Stock Exchange

FOURTH AND OLIVE
SAINT LOUIS

Bell Teletypes (Trading Dept.) SL 151 & SL 152
(Municipal Dept.) SL 571

1st Nat'l Bank Bldg. Alton, Illinois
7907 Forsyth Blvd. Clayton, Missouri
Commercial Bldg. Belleville, Illinois
Rose Bldg. Harrisburg, Illinois

Private Wire to Clark, Dodge & Co., New York

One of our most important services to institutions and to individuals

U. S. GOVERNMENT, STATE AND MUNICIPAL BONDS

MERCANTILE
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
SAINT LOUIS 1, MISSOURI

New York Correspondent 14 Wall Street

Chicago Telephone to Bond Department Dial 211 Request Enterprise 8470

RESOURCES OVER $600 MILLION

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 127

Europe's Unmanageable Managed Money

rather than of cash in circulation that expanded, is greatly reassuring. Confidence began to return in national monies, capital flights ceased or slowed down. The governments felt free to proceed with relaxing foreign exchange and trade controls — a relaxation which in turn strengthened confidence and helped further to "harden" the currencies. With confidence returning and currencies hardening, such unexpected things happened as: American short-term capital ($450 million in 1954) going to Europe for the first time in such amounts; Swiss capital (or was it capital hidden in Switzerland?) speculating in London and Paris, Amsterdam, Frankfurt and Milano, driving their stock markets skyward; French gold hoards opening up to some extent; domestic capital markets reviving; funds flowing into savings accounts and insurance policies on a remarkable scale; etc.

And, a spending and borrowing spree got underway, the like of which Europe has not seen, in turn stimulating private investment activity—on top of the undiminished public investments.

Europe is more of a unit, psychologically and economically, than most Europeans are aware of. Witness the fact that the return of confidence benefited even countries which were not among the gold-gainers. This is true for the Scandinavians, Europe's most socialistic money-managers. If they did not break into dollar crises as yet, it is partly because of the financial help they received from other European countries; partly because they, too, started putting Socialist programs and physical controls into moth balls. The expectation that they would proceed along conservative lines helped to reduce the pressure on their foreign exchange rates—for awhile.

Everywhere, even a partial return to liberalized markets, domestic and foreign, has been an added stimulus to restore confidence. But the strongest inflationary stimulus came from the side whose function was to stem the inflation: from the politico-monetary authorities of Europe. They carry the ultimate responsibility for the super-boom of the last three years and its consequence, which is the impending crisis.

The Inflationary Spiral

Different as conditions and problems are in the individual countries of Europe, virtually all of them show by this time the same or similar symptoms of acute or incipient inflation, to wit:

- rapidly rising expenditures for consumption and investment;
- skyrocketing profits (before taxes, and after);
- periodic, if not incessant, wage boosts outpacing the progress of industrial productivity at large;
- markets for manufactured products in the process, or on the verge, of vicious cost-price spirals;
- imports increasing far ahead of exports to the detriment of trade balances;
- payment balances being undermined by recurrent waves of capital flights.

Table I illustrates the boom's inflationary trend in terms of cost of living indices—until mid-1954. Some of them are worthless, representing nonexistent but officially proclaimed retail prices, such as in Turkey and Spain. But note the 14% rise of British prices in 2½ years; they still keep rising and do so at about half the rate of the wage boosts; on the average, every 2% increase in wages seems to add 1% to the cost of living. And of course, even where wages are not bound to contractual "escalators," as in Denmark and Finland, they soon follow every upping of the retail prices.

Table I—Cost of Living Indices

	Base	June 1954
Austria	1948=100	212
Norway	1948=100	157
Sweden	1948=100	144
France	1949=100	136
Holland	1949=100	134
Turkey	1948=100	131
Spain	1948=100	122
Great Britain	*1952=100	114
Canada	1948=100	116
Italy	1948=100	114
West Germany	1950=100	113
U. S. A.	1948=100	109
Switzerland	1948=100	107
Belgium	1948=100	107

*January.

The Responsibility of the Managers

The ultimate responsibility for Europe's inflationary trend in the last three years—and for the follow-up underway—is distinctly on the monetary managements of the respective countries. They have every power to keep the money flood in bounds. That, indeed, is the essence of managed money: that the automatism of the gold standard is replaced by a man-made mechanism. Theoretically, the Managers are to do, and do it better, what the gold standard should do, namely, to hold down the boom and to correct the depression before they take hold of the economy. Wise authorities allegedly are superior to the "blind" functioning of the gold-flow-automatism. The latter is supposed to permit excesses in either direction, while the former is directed by a system of green and red lights, as it were. The drivers regulate the fuel (money) intake of the economic motor and keep it running on an even keel —so we are being taught.

What is happening now in Europe amounts to an outright fiasco of Managed Money, as was to be foreseen. The men in charge are slightly less than wise, as a rule. Even if they were wise, they are subject to political pressures (coming elections!) which may not affect their judgments, but influence their policies. And even if they were free agents, there are no "lights" by which to choose the direction or to meter the action, until it is too late. If the general price level rises a little, is that bad? How much is good or bad? If it is stable, is that a proof of stability? Or a sign of the lull before the storm? Are stock market and real estate booms, which do not show up in the commodity price indices, to be ignored, as they were by the late Benjamin Strong and other wise predecessors of the present-day Supermen? How to dose the money intake and outlay when the effect depends on incalculable reactions of the public?

There is nothing scientific about Money Management except the pretense. As an art, it has to be played by intuition. But then, how to control the Manipulators unless by the results — when the damage is done? Or shall we trust our economic fate to a committee of financial dictators, to be selected by what standards? Can a democracy survive if Parliament surrenders its vital prerogatives, such as the decisions over the level of interest rates, quality and quantity of credit, the exchange value of the currency? The budget would have to be surrendered, too, together with the social security system, labor legislation, and everything else of direct or indirect relevance to the price level, the value of money. What economic and fiscal policies are not relevant to that?

The gold standard is no panacea, to be sure. But it can dispense with the Money Manipulators. And it permits the survival of democracy. Needless to say, money management is a fundamental tenet of every dictatorship, from the totalitarian to the pettiest kind. It is unworkable in a free, or relatively free, economy because, for one thing, it cannot cope with the profit motive of the individual: he or she "guesses" the next move of the Manipulators. The result is either offsetting or exaggerating those moves. Continuous subdued inflation, in particular, is self-defeating once it is understood by the people. They try to hedge against it and the inflation breaks into the open. It does so even earlier, by its own momentum: it creates Full Employment which in turn overheats the markets. Unbalancing of domestic industrial relations and the international accounts follows with necessity.

Deflation Ahead?

Presently, the stage has been reached at which virtually every European country has to take measures to stop the incipient inflation. It is more than incipient in Turkey, where it has reached the fever pitch: people buying up everything tangible in order to get out of the domestic money that is deteriorating rapidly. (American refusal to come to the rescue of Turkey by new hand-outs may have salutary effects on that country's reckless financial management.)

It is not even incipient yet in Switzerland, where prices have been stable for the last few years, but the unions are clamoring for higher wages and shorter hours. The demands cannot be refused, cost what they may to the stability of the Swiss economy, when a nation with nearly five million population registers a total of some 500 (five hundred!) unemployed. Importing Italian and Austrian workers — 200,000 of them in the country at present— is the safety valve of the Swiss economy. But to raise greatly their number would be "unpolitical," as it is all over Europe. The "voluntary" credit restraint which the Swiss banks agree upon is not likely to stop labor—Europe's most self-controlled—from taking advantage of its favorable bargaining position.

Nowhere has the boom reached such extraordinary dimensions as it did in Germany — at stable prices. A country that absorbed nearly a dozen million refugees, and keeps receiving from East Germany at least 5,000 new ones every week, has no more than some 350,000 unemployed left. Labor shortage is at the core of Germany's trouble as it is in most of Western Europe. Fired by the sky-rocketing profits which the boom and credit inflation brought about, German trade unions are asking for a shorter work week — 40 instead of 48 hours — and an increased take-home package at that. Dr. Erhard, the world's most sincere free-enterprise statesman, is trying to stem the avalanche by using all his persuasive powers and prestige. He is having some success in holding the wage-price line. But the German authorities let the credit inflation run amuck; it is only since August that they are putting on mild brakes by raising interest rates and bank reserve requirements (the latter to 12%). So far, it is all too little and most likely too late.

British managed money is a classical case of closing the barn door after the horse has been stolen. The boom was permitted to get out of hand before interest rates were raised early this year, a move that turned out to be totally ineffective. A 4½% rate will not stop any one from speculating when he expects a 10% return. And the biggest "speculators," the investing authorities were scarcely affected by it at all; housing subsidies, wasteful investment in coal mines, etc., all at the expense of the taxpayer, continued lustily. Outstanding bank loans have risen faster in the first half of this year than before. A 10% cut in private loans imposed on the banks for the second half will not do the trick either, because it does not apply to borrowing by public bodies. The tax increases and subsidy reductions in Mr. Butler's (Chancellor of the Exchequer) October budget were so mild that the London stock exchange reacted to them by going up.

Yet, Butler's budget proposal contained one element of real significance: eventually to eliminate the subsidies to new housing and to raise the ceiling on controlled rents. The former measure should help to reduce the peacetime record high deficit in Britain's current budget ("under the line," as if that would make any difference). Between them, the two measures should cut down on the excessive demand for housing.

CALDWELL PHILLIPS CO.
FIRST NATIONAL BANK BUILDING
SAINT PAUL 1, MINN.
Bell System Teletype ST P 139

Underwriters and Distributors
of Corporate and Municipal Securities
•
Mutual Funds Shares
•
SHAUGHNESSY & COMPANY, INC.
First National Bank Building
ST. PAUL 1, MINNESOTA

HAROLD E. WOOD & COMPANY
Investment Securities
FIRST NATIONAL BANK BUILDING
SAINT PAUL 1, MINNESOTA

INVESTMENT DEPARTMENT
THE FIRST NATIONAL BANK OF SAINT PAUL
U. S. GOVERNMENT, STATE AND MUNICIPAL BONDS
TELETYPES
ST P 159 MUNICIPAL DEPARTMENT
ST P 132 TRADING DEPARTMENT

Digitized for FRASER
http://fraser.stlouisfed.org/

Why should one not build while the government pays the difference between the low rent to be paid and the high cost of construction? Why should one move to more modest shelters while the one occupied is sheltered under rent control? And the psychological effect of putting reins on the runaway Welfare State will go a long way to make the British people sober up. The very core of Welfarism is at stake—it took courage merely to raise the issue.

But so far, these decisive measures are on paper only. They are supposed to be put over in very small doses, stretched over a long period of time. In the visible future, the effect of such doses might be negligible. What is worse, they will incite the unions to still higher wage demands since the cost of living is to go up; and all over Europe, legally or "morally," wages are bound to an escalator. Unless major unemployment is being brought about — some job for any politician!—labor's reckless demands are likely to be satisfied, more or less, and the vicious cost-price circle accelerated. Privately, the Conservative authorities indicate that they are willing to take on the chin a 3% unemployment, meaning about four times as many job seekers as are available at present. Publicly, they are most reluctant to do so; they are not sure of the reliability of their own following. And what if 3% turned out to be still not enough to trim the greed of the super-powerful coal miners and of the rest?

Full Employment vs. Stability

Europe as a whole has made real progress in one direction. Faced with a new dollar shortage, it does not try to turn the clock back. Having tasted a measure of "liberalization," it is not resorting to the methods used in previous crises: (sharper exchange and import restrictions, and devaluations. Such policies, as the London "Economist" puts it, "bear less . . . on those who invest in failures, and seek to penalize those who invest in success"). Instead, "orthodox" monetary, fiscal and financial methods, if any, are the order of the day. Disinflating the systems rather than freezing the inflated **status quo**, is the program. This is very important; it means the possibility that confidence in the respective currencies, the pound sterling, in particular, may be restored—for a while—by such gestures of disinflation as have been undertaken. "Liberalized" Managed Money is stronger and far more resilient than its hamstrung and strait-jacketed predecessor.

However, the steps toward disinflation are modest, indeed.*

Their success, if any, is bound to be short-lived. As long as Full Employment, or a condition approximating it, is being artificially maintained, the fundamental issue has not been met. The problem remains that of the imbalance created by the recurrent and ever-more uninhibited demands of labor, the outcroppings of inflation. And there is only one way to stop inflation: by stopping it. That is what the automatism of the gold standard accomplishes. But that is exactly what Managed Money cannot do.

It is constitutionally unfit for such heroic effort as a reform, from top to bottom, of the Welfare State. It must maintain full employment. But it is responsible for a stable price level, too, or something approximating it. Inflation is fine, provided prices do not rise much; deflation (of sorts) is permissible provided employment, prices and wages do not take a plunge. Needless to say, the two objectives—stability and over-expansion — are simply not compatible. But both are "musts," if you wish to be re-elected.

As a British statesman told this writer a couple of months ago: for our lifetime, we will have to walk on the edge of an economic precipice — let us hope, he said, that we shall not fall into it.

Supposedly, the gold standard broke down in the Great Depression. If so, what is breaking down now in Europe? Surely, it cannot be its gold standard which is "dead." The Keynesians have an easy answer, of course: Europe is too weak, they claim, to carry the burden of international trade liberalization, to say nothing of the actual steps toward currency convertibility. The fallacy of this argument should be obvious. Its implication is that Europe should return to de-liberalized trade, to import quotas, exchange restrictions, interstate clearing arrangements, shunting transactions and similar practices — which have been at least partially abandoned because they did not work. They have been instrumental in bringing about the lack of adaptability and flexibility, the high costs of imports and the low productivity, the **rigor mortis** of many economic organs hamstrung by monopolies.

*France and Holland have not even raised as yet their official discount rates, nor did they undertake anything to slow down the credit inflation. Yet, their dollar position is worsening and their labor worries are cumulating. The Netherlands are resorting now to higher taxes and reduced depreciation allowances, cutting their perennial budgetary deficit. The huge hole in the budget is one constant element in France's changing politics.

$50 Million Bonds of Quebec Power Agency Offered to Investors

A new issue of $50,000,000 of 3½% 25-year debentures of the Quebec Hydro-Electric Commission was offered publicly in the United States on Dec. 14 by an investment banking group headed jointly by The First Boston Corporation and A. E. Ames & Co. Incorporated. The debentures, which are guaranteed unconditionally as to principal and interest by the Province of Quebec, Canada, are priced at 99½ and accrued interest from Jan. 1, 1956.

The debentures are redeemable at the option of the Commission on Jan. 1, 1961 and thereafter at prices ranging from 103 if called on or prior to Dec. 31, 1964, to par after Dec. 31, 1976.

Proceeds from the sale will be used by the Commission to repay $8,000,000 in bank loans and to finance in part a $495,000,000 construction program for the period September, 1955, through the year 1962. The chief objective of the program is the development of two electric generating plants with a total installed capacity of 1,400,000 kilowatts on the Bersimis River which flows into the St. Lawrence River some 200 miles below Quebec City. Three units are scheduled for completion in 1956, two in 1957 and three in 1958, with an aggregate capacity of 900,000 kilowatts. The second plant of 500,000 kilowatts capacity is scheduled for completion in 1960.

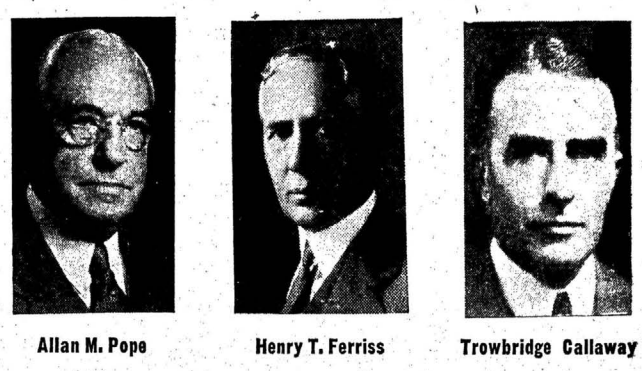
Operating revenues of the Commission for the nine months ended Sept. 30, 1955, amounted to $50,430,000, and net income for the period was $17,651,000.

Giving effect to the sale of new debentures, funded debt of the Commission will consist of $378,982,600.

Form Sec. Underwriters

SALT LAKE CITY, Utah—Security Underwriters of America has been formed with offices at 117 East Broadway, to engage in a securities business. Officers are Michael Grayson, President; A. Arlin Davidson and Thomas L. Moore, Vice-Presidents and Julie A. Grayson, Secretary. Mr. Davidson formerly conducted his own investment business under the name of Trans-Western Brokerage Co.

IBA PAST PRESIDENTS



1931 - 32 Allan M. Pope

1930 - 31 Henry T. Ferriss

1929 - 30 Trowbridge Callaway

Jesup Lamont Partner

On Jan. 1 Russell F. Rabone will become a partner in Jesup & Lamont, 26 Broadway, New York City, members of the New York Stock Exchange.

Vercoe to Admit

COLUMBUS, Ohio—Leland A. Walters on Jan. 1 will be admitted to partnership in Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange. Mr. Walters has been associated with the firm as stock trader.

Gammack to Admit

Ruprecht von Boecklin will be admitted to limited partnership in Gammack & Co., 111 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1.

New Drysdale Partner

Nicholas F. Novak will become a partner in Drysdale & Co., 71 Broadway, New York City, on Jan. 12.

INVESTMENT DEPARTMENT

FIRST NATIONAL BANK OF MINNEAPOLIS

Specialists in state and municipal bonds of Minnesota, North Dakota and South Dakota, and U. S. Government bonds

★

TELETYPE — MP 178

SMITH, POLIAN & COMPANY

Members Midwest Stock Exchange

Underwriters and Distributors

We have an active retail interest in:

SOUTHERN UTAH POWER COMPANY Common
SOUTHERN CALIFORNIA WATER COMPANY Common
EDISON SAULT ELECTRIC COMPANY Common
WASHINGTON NATURAL GAS CO. Common

424 Omaha National Bank Building
OMAHA 2, NEBRASKA
Telephone—JAckson 5065
Teletype — OM 180 — 181

MINNESOTA NORTH DAKOTA
MONTANA SOUTH DAKOTA

MUNICIPAL AND STATE BONDS

TWIN CITY STOCKS

ALLISON-WILLIAMS COMPANY
MINNEAPOLIS, MINNESOTA
Phone: ATlantic 3475 TWX MP 163

KALMAN & COMPANY, INC.
MEMBERS MIDWEST STOCK EXCHANGE

UNDERWRITERS & DISTRIBUTORS
CORPORATE & MUNICIPAL SECURITIES

McKNIGHT BUILDING
MINNEAPOLIS 4, MINN.
TELETYPE—
MP 120

ENDICOTT BLDG.
ST. PAUL 1, MINN.
TELETYPES—
ST P 93 (Corporate Dept.)
ST P 117 (Municipal Dept.)

PIPER, JAFFRAY & HOPWOOD
ESTABLISHED 1895

UNDERWRITERS & DISTRIBUTORS
CORPORATE & MUNICIPAL SECURITIES

MEMBERS
NEW YORK STOCK EXCHANGE
AMERICAN STOCK EXCHANGE (ASSOCIATE)
MIDWEST STOCK EXCHANGE

MINNEAPOLIS ST. PAUL
GREAT FALLS - BILLINGS

gitized for FRASER
tp://fraser.stlouisfed.org/

Ease Credit Restraints on Savings-Loan Assns.

Federal Home Loan Board announces a new policy of stand-by credit.

WASHINGTON, D. C., Dec. 13 —The Federal Home Loan Bank Board has announced a new policy of stand-by credit which somewhat relaxes the credit restraints imposed last July and September, according to Board Chairman Walter W. McAllister.

W. W. McAllister

"Under the new rules," said Mr. McAllister, "stand-by credit gives a member institution the privilege of borrowing from the Federal Home Loan Bank, an amount equivalent to 5% of its aggregate withdrawable accounts, provided total advances outstanding to any member do not exceed 10% of such accounts. With this assurance of funds available for advances, associations can plan and make new commitments more freely for future lending. Should net savings and loan repayments be inadequate to meet loan demands, associations with unused lines of credit, subject to these limitations, are eligible for credit." "Of course, a member can always use its full line of credit for advances to meet emergency withdrawals," he added.

The Board's action today is the result of continuous study since the credit-tightening measures were instituted. The Board has reviewed the credit picture, and has thoroughly discussed various proposals to modify the restraints with the Bank presidents at their conferences in September and November, the Savings and Loan Advisory Council in October, committees invited from the industry's national trade associations, and fiscal agencies of the government.

"This new policy reflects the success of member institutions in bringing their commitments under control," declared Mr. McAllister. "In September member associations had $2.4 billion in construction commitments, including loans in process. By the end of December these old commitments will be reduced to some $600 million. In this quarter, member institutions will have made a considerable amount of new commitments, of which about $1 billion will be outstanding. Therefore, the total commitments outstanding on Jan. 1 will be about $1.6 billion, approximately the same volume as at the end of last year. Savings and loan associations have thus financed most of the $1.8 billion reduction in prior commitments out of their own resources."

Mr. McAllister said, "This year members will have their biggest lending year — an approximate volume of $11.5 billion, some $3 billion more than in 1954. The over-all amount of money that has been borrowed from the Bank System represents less than 5% of all members' savings. The recent improvement in the amount of savings placed with the associations has contributed to making 1955 their most prosperous year."

Continued from page 4

The State of Trade and Industry

capacity with a 184,279-unit showing, it observed.

The current week's turnout, said "Ward's" was 2.1% over last week's output of 177,712 cars, and 22.1% more than the 148,692 cars built in the corresponding week of 1954.

At the same time, it declared production for 1955 was expected to reach 8,000,000 units by the year's end. It stood at 7,518,463 units when assembly lines halted on Saturday afternoon. The figure through Dec. 9, 1954 was 5,108,383.

Chrysler Corp. was the lone firm which anticipated a cutdown the past week from that of the week preceding, reported the statistical agency. The corporation completely curtailed Saturday operations as programming dipped 4.3% from the previous session.

On the other hand, said "Ward's" General Motors projections loomed at 91,009 cars for a 4.2% climb over the total for the week before of 87,307 units; only Pontiac displayed a decline at General Motors, while Buick and Cadillac looked for significant upsurges as Saturday work was tabbed.

On the Independent scene, "Ward's" stated, American Motors showed the biggest climb of all companies percentage-wise at 24.2%, while planning to build 4,500 cars compared to 3,622 in the prior week. Studebaker-Packard jumped to a 36-week high in weekly production, and at the same time announced dealer orders for some 36,000 new cars.

An analysis of Canadian automotive activities shows an all-time yearly mark in the making; 362,577 cars have been built this year in Canada to date; the current record of 366,535 cars was set in 1953.

Steel Operations Set This Week To Drop to 99.3% of Capacity

Steel production will top the 1953 all-time record of 111,600,000 net tons by the end of this week, "Steel" magazine stated on Monday last.

Output of steel for ingots and castings this week will bring the year's production up to 112,600,000 net tons. The year's end will see a total production of 117,000,000 net tons if current operating rates continue, "Steel" predicted. The fourth quarter is shaping up toward a 31,200,000-ton output, the highest rate of the year.

Demand for steel is unabated, the metalworking weekly reported. Everyone is confident of a strong first half for 1956 and is ordering steel accordingly. The high rate of activity is prompting railroads to order rails for laying next summer.

Records are being set, too, by prices for scrap, it added. An all-time high of $48.67 was reached by "Steel's" price composite on steelmaking scrap in the week ended Dec. 7. A month ago, the composite was $45.33. The previous high in January, 1951 was $48.

"Steel" said the upward thrust in scrap prices stems from capacity production of steel in the United States, strong export demand and winter's handicaps on collection and shipment of scrap.

Steel prices also continue their upward trend. Price extras on hot-rolled and cold-rolled carbon sheets were revised, most of the changes being upward of $1 to $4 a ton. Warehouses are beginning to alter their prices to reflect scattered price changes by mills, "Steel" further noted.

Fabricators of structural steel are raising quotes to protect themselves against possible higher prices of plain material. Fabricated structural steel prices are $20 to $30 a ton higher than they were at midyear.

In contrast to steel's record-breaking production pace, the season's Lake Superior iron ore shipments totaled only 87,500,000 gross tons. The 95,800,000 gross-ton record was set in 1953, the previous top year of steel production. Imports totaling around 21,500,000 tons will make up this year's difference.

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 99.3% of capacity for the week beginning Dec. 12, 1955, equivalent to 2,397,000 tons of ingot and steel for castings as compared with 100.1% of capacity and 2,416,000 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 99.2% and production 2,394,000 tons. A year ago the actual weekly production was placed at 1,950,000 tons or 81.8%. 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 Attains a Fresh All-Time High Record in the Week Ended Dec. 10

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 10, 1955, was estimated at 11,426,000,000 kwh., a new all-time high record for the industry. The previous all-time high record was established in the week ended Dec. 3, 1955, when 11,259,000,000 kwh. were produced, according to the Edison Electric Institute.

This week's output increased 67,000,000 kwh. above that of the previous week; it increased 1,580,000,000 kwh. or 16.0% above the comparable 1954 week and 2,765,000,000 kwh. over the like week in 1953.

Car Loadings Climbed 7.6% Above Thanksgiving Holiday Week

Loadings of revenue freight for the week ended Dec. 3, 1955, increased 51,531 cars or 7.6% above the preceding Thanksgiving holiday week, the Association of American Railroads reports.

Loadings for the week ended Dec. 3, 1955, totaled 728,216 cars, an increase of 66,439 cars, or 10% above the corresponding 1954 week, and an increase of 66,190 cars, or 10% above the corresponding week in 1953.

U. S. Automotive Output Rises 2.1% Above Prior Week and 22.1% Over Like Week of 1954

Output in the automotive industry for the latest week ended Dec. 9, 1955, according to "Ward's Automotive Reports," rose 2.1% over preceding period and 22.1% more than the 148,692 cars turned out in the similar week a year ago.

Last week the industry assembled an estimated 181,479 cars, compared with 177,712 (revised) in the previous week. The past week's production total of cars and trucks amounted to 209,834 units, or an increase of 3,590 units above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 3,767 cars, while truck output declined by 177 vehicles during the week. In the corresponding week last year 148,692 cars and 22,031 trucks were assembled.

Last week the agency reported there were 28,355 trucks made in the United States. This compared with 28,532 in the previous week and 22,031 a year ago.

Canadian output last week was placed at 6,505 cars and 751 trucks. In the previous week Dominion plants built 6,624 cars and 638 trucks, and for the comparable 1954 week, 4,604 cars and 748 trucks.

Business Failures Continue to Edge Slightly Higher

Commercial and industrial failures rose slightly to 219 in the week ended Dec. 8 from 209 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this increase, failures were not as numerous as last year when 223 occurred, although they were a little above the 1953 toll of 216. Continuing below the prewar level, failures were down 26% from the 297 recorded in the comparable week of 1939.

Failures with liabilities of $5,000 or more rose to 186 from 171 but did not reach the 189 of a year ago. Small failures, those with liabilities under $5,000, dipped to 33 from 38 last week and 34 in 1954. Twelve of the failing businesses had liabilities in excess of $100,000 as against 14 in the preceding week.

Manufacturing and commercial service accounted for the rise during the week, with the toll among manufacturers climbing to 51 from 36 and among services to 20 from 12. Wholesaling failures held steady at 25, retailing dipped to 98 from 105 and construction declined to 25 from 31. More manufacturers failed than last year and retailers equalled their 1954 level. In other lines, failures dropped slightly below a year ago.

Six of the nine regions reported increases, including the Pacific States, the East North Central States and the New England States. No change occurred in the West North Central or the East

25 Years of MH INC. Investment Banking
SINCE 1929

UNDERWRITERS — DISTRIBUTORS — DEALERS

INDUSTRIAL PUBLIC UTILITY
RAILROAD BANK & INSURANCE
SECURITIES

VIRGINIA AND GENERAL MARKET MUNICIPAL AND REVENUE BONDS

MASON-HAGAN, INC.
Members Philadelphia-Baltimore Stock Exchange
1110 E. Main St. • Richmond 10, Va.
Telephone 2-2841 Teletype RH 460

STATE and MUNICIPAL
UTILITY, RAILROAD, INDUSTRIAL BONDS
PREFERRED and COMMON STOCKS

ANDERSON & STRUDWICK

UNDERWRITERS — DISTRIBUTORS
INVESTMENT SECURITIES
ACTIVE MARKETS IN LOCAL SECURITIES

Principal Office
RICHMOND, VA.
807 E. Main St.
P. O. Box 1459
Tel. 7-3077, L. D. 197
Tele. RH 563

Branch Office
CHARLOTTESVILLE, VA.
110 Second St., N.E.
P. O. Box 1150
Tel. 2-8181
Tele. CHARVL 97

Underwriters Distributors Dealers
VIRGINIA
MUNICIPAL BONDS
LOCAL SECURITIES

MEMBER
PHILADELPHIA-BALTIMORE STOCK EXCHANGE

C. F. CASSELL & CO., Inc.
114 Third Street, N. E., Charlottesville, Va.
Phone 2-8157-8-9 Bell Teletype—CHARVL 95

Digitized for FRASER
http://fraser.stlouisfed.org/

South Central States. The only decline during the week took place in the Middle Atlantic States which had 63 as against 80 a week ago. Failures equalled or exceeded the 1954 level in five regions but dropped slightly below last year in four regions, the Middle Atlantic, East North Central, West North Central and Pacific States.

Twenty-three Canadian failures were reported as compared with 32 in the preceding week and 22 in the similar week of 1954.

Wholesale Food Price Index Holds At Five-Year Low

Following the declines of recent weeks, the Dun & Bradstreet Wholesale Food Price Index remained steady the past week at the lowest level since June 20, 1950, a few days before the Korean war began, when the index stood at $5.96. The Dec. 6 index held at $5.99 but was down 12.3% from the year-ago figure of $6.83. Prices advanced last week on flour, wheat, corn, rye, oats, barley, cottonseed oil, cocoa, eggs and currants. On the down side were hams, bellies, lard, butter, sugar, coffee, potatoes, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Rose Slightly Above Level of Previous Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fluctuated within a narrow range last week at a level slightly above that of the previous week. The index finished at 276.91 on Dec. 6, compared with 275.87 a week earlier and 277.83 on the corresponding date last year.

Grain prices the past week advanced moderately, with principal gains in corn, rye and wheat. Although corn prices rose considerably, the level was noticeably below that of the comparable period a year ago. Export deals developed with Denmark and other Western European countries, boosting corn prices somewhat. Cold weather in the Middle West stimulated corn-feeding of hogs, raising the demand in that area.

Despite recent advances in price and demand, corn growers considered placing a record portion of the 1955 crop in Federal hands.

An upturn in wheat prices occurred as a result of expected exports in the near future to West Germany, Greece, Japan, Formosa, Brazil and Israel. Wheat prices continued at a level considerably below that of last year. Soybean prices fell slightly, as heavy stocks were accumulated at the mills. However, a rise is anticipated, as orders from soybean oil and meal processors are expected to increase in the near future. In addition, export deals with Japan were contracted last week. Oats declined at the beginning of the period, but in the end surpassed the price of the previous week.

There was a slight rise in flour prices the past week. Semolina and durum blends were especially popular, while bookings for bakery grades were scattered. Buyers are deferring replacement bookings as long as possible, expecting a more plentiful supply and lower prices after the turn of the year.

Coffee prices dropped somewhat, and were at a level considerably below that of a year ago.

Brazilian coffee prices fell noticeably, while those of Columbia advanced. Coffee clearances from Brazil were heavy last week, with a total of 425,000 bags exported, as compared with 304,000 bags the previous week. Of this total for two weeks ago 271,000 were destined for the United States, 119,000 for Europe and 35,000 for all other destinations. Despite considerable dealer buying, wholesale cocoa prices fell last week. Warehouse stocks expanded sharply with a gain of 9,300 bags; total warehouse cocoa stocks totaled 286,000 tons. Sales of Brazilian cocoa to United States importers totaled 13,000 bags, according to the Bahia Cocoa Trade Commission. These orders were contracted for January-February shipment. Sales to other markets were 2,500 bags for the same period.

The price of sugar fell moderately the past week, and was considerably below that of the similar date last year.

Cotton prices remained at the same level a week ago and were slightly below that of last year. The cotton crop attracted the most attention, while interest in old crops declined sharply. Exports for the season ending Dec. 1 were 544,185 bales, compared with 1,198,921 of the similar period last season.

Trade Volume Spurted Forward In Latest Week With the Advent of Christmas

Shoppers considerably boosted their expenditures at retail the past week. The dollar volume expanded noticeably and was moderately above the level of the similar week last year.

Department stores and specialty shops reported the most considerable gains.

Volume in children's clothing, toys and juvenile furniture rose appreciably, while interest in men's furnishings and women's accessories was maintained at a high level.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1 to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels of the following percentages: New England and East 0 to +4; South and Southwest +2 to +6; Middle West, Northwest and Pacific Coast +1 to +5%.

Jewelry, gloves and handbags were the best selling women's accessories last week. Volume in dresses and suits dropped slightly, while interest in cloth coats was at a lower level than that of the week preceding. Haberdashers reported an increase in sales in neckwear, white dress shirts and hats. The call for Winter suits was high and steady and interest in topcoats rose somewhat.

There was a slight rise in purchases of household furnishings during the week, and the total volume moderately exceeded that of a year ago. Best sellers in furniture were couches and dining room sets; sales in bedding and upholstered chairs were maintained at the high level of the previous week.

Volume in major appliances was considerably reduced, with noticeable decreases in television sets and radios.

The call for china and glassware increased, while there was an upsurge in the volume of silverware and cutlery.

Grocers reported moderate increases in food purchases the past week, while housewives showed increasing interest in fresh meat. Poultry sales dropped noticeably. Shoppers sought canned goods, shelled nuts, dried fruit and candy.

Buying activity quickened in the major wholesale centers a week ago as buyers sought to replenish Christmas stocks.

Advance orders for Spring merchandise increased. The total dollar volume of wholesale trade expanded moderately, and was slightly above the level of the corresponding 1954 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 3, 1955, increased 3% above that of the like period of last year. In the preceding week, Nov. 26, 1955, an increase of 10% was reported. For the four weeks ended Dec. 3, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to Dec. 3, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week rose slightly to about 2% ahead of the year ago level. Increasing strength in Christmas gifts lines accounted for the better showing, trade observers reported.

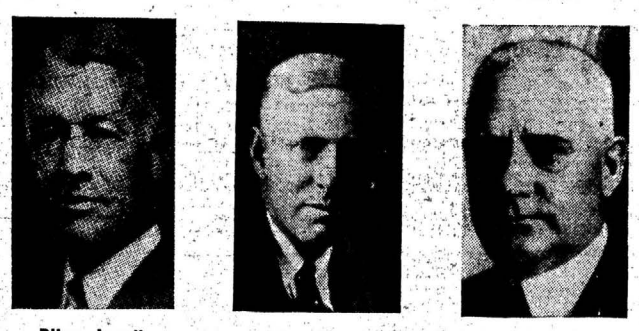
According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 3, 1955, decreased 3% below that of the like period of last year. In the preceding week, Nov. 26, 1955, an increase of 6% (revised) was recorded. For the four weeks ending Dec. 3, 1955, an increase of 1% was registered. For the period Jan. 1, 1955 to Dec. 3, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

Two With Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Ellsworth Armstrong and Everett C. Phillips have become associated with Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange.

IBA PAST PRESIDENTS



Coburn & Middlebrook Add Connolly & Hails

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Walter J. Connolly, Jr. and Raymond R. Hails, Jr. have become affiliated with Coburn & Middlebrook, Incorporated, 100 Trumbull Street. Mr. Connolly was formerly with H. C. Wainwright & Co. and Goodbody & Co.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Sidney Mathews has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Bassett Building.

With Milwaukee Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James J. Malooly is now associated with the Milwaukee Company, 135 South La Salle Street.

With Nelson Burbank Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George H. Pushee has become associated with Nelson S. Burbank Company, 80 Federal Street. He was formerly with F. S. Emery & Co., Inc. and Coffin & Burr, Incorporated.

Virginia Securities

Municipal Bonds and Corporate Securities
Local Industrial & Utility Stocks
Trading Markets
Retail Distribution

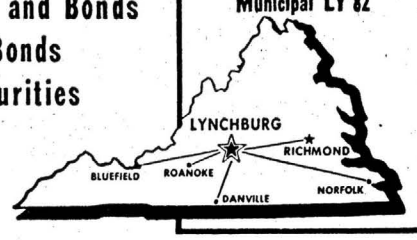
STRADER, TAYLOR & CO., INC.
LYNCHBURG, VIRGINIA
LD 39 — 5-2527 — TWX LY 77

VIRGINIA—WEST VIRGINIA
NORTH and SOUTH CAROLINA
MUNICIPAL BONDS
F. W.
CRAIGIE & CO.
DEALERS IN
STATE and MUNICIPAL BONDS
616 EAST MAIN STREET - RICHMOND 15, VIRGINIA
Telephone 3-9137 Teletype RH 83 & 84

SCOTT, HORNER & MASON INC.
1932 Investments 1955
LYNCHBURG, VA.

VIRGINIA
N. CAR. · W. VA.
Corporate Stocks and Bonds
Municipal Bonds
Unlisted Securities
● Underwriters & Distributors

Call Lynchburg
Telephone 8-2821
Teletypes
Corporate LY 62 & 63
Municipal LY 82



Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from first page

IBA of America Holds 44th Annual Convention

Coast for the past 34 years and has been affiliated with but one investment house other than his own firm, founded in 1927.

He is a native of California (born in Alder Springs) and attended the University of Oregon and the University of California. Upon completion of his formal education in 1918, he was employed by Thos. A. Edison Co. as a sales representative and shortly thereafter was appointed Sales Manager of the San Francisco retail office. Then for two years he engaged in industrial sales work as California representative of Economy Fuse & Manufacturing Co. (Chicago) selling electrical protective devices to industrial and public service companies.

In 1921 Mr. Davis transferred his interest and energy to the investment field. He started in the Los Angeles office of the Anglo California Trust Co. of San Francisco and later represented the company in San Francisco as bond salesman. He resigned after six years to form Davis, Skaggs & Co. to engage in the retail bond and stock business, in co-partnership with Chester W. Skaggs. The firm has been a member of the San Francisco Stock Exchange since 1929.

Throughout his career in the securities business, Mr. Davis has worked energetically in the interests of the industry. At both the regional and national levels he has held many positions of leadership. He served the IBA nationally in the following capacities: IBA Special Committee on Segregation (of the underwriting and brokerage operations), 1939; Governor, 1948-1951; Vice-President, 1951-1952; Education Committee, 1949-1953; and Small Business Committee, 1953-1955.

During the days of the National Recovery Administration and leading up to the establishment of the National Association of Security Dealers, Inc. in 1939, Mr. Davis held many positions of regional responsibility: Chairman, California NRA Code Committee, 1934-1936; Chairman, Regional Committee, District No. 2, Investment Bankers Conference, Inc., 1937; Chairman, Business Conduct Committee, California Security Dealers Association, 1937; President, California Security Dealers Association, 1938-1939; Executive Committee, California Group, Investment Bankers Association of America, 1938-1940; Vice-Chairman, Committee on Customers Men, San Francisco Stock Exchange, 1939.

In subsequent years, he was elected to the Board of Governors, NASD, and served as Vice-Chairman, 1940-1941; member, District No. 2 Committee, NASD, 1943-1946. Mr. Davis was President of the San Francisco Bond Club, 1942; Governor, San Francisco Stock Exchange, 1952; Vice-Chairman, San Francisco Stock Exchange, 1955.

The early interest manifested by Mr. Davis in selling has persisted through the years, and his forte is salesmanship and merchandising. A training booklet, Manual on Securities Salesmanship, prepared under the direction of Mr. Davis and published by the IBA Education Committee, is widely used throughout the industry. Furthermore, Mr. Davis has for several years served as lecturer on salesmanship and sales administration at the annual Institute of Investment Banking, sponsored by the Investment Bankers Association of America each spring in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania. It is expected that Mr. Davis will continue offering his salesmanship program at the Institute, notwithstanding the responsibilities he assumes as President of the IBA.

Mr. Davis has also participated in various other business and civic activities including: President and Director, St. Francis Homes Association, 1939; President and Director, Pinecrest Permittees Association, 1940-1944; President and Honorary Member, San Francisco Sales Executives Association, 1934.

Speakers at the Convention

Among the principal speakers at the Convention were the Hon. Gabriel Hauge, Administrative Assistant to the President of the United States; Philip D. Reed, Chairman of the Board of the General Electric Company; Harllee Branch, Jr., President of the Electric Edison Institute and President of the Georgia Power Company; Thomas B. McCabe, President of the Scott Paper Company; the incoming IBA President, George W. Davis; and retiring President Walter A. Schmidt.

[These addresses in full text and Committee Reports are given in this issue, starting on page 31.]

Education Committee Reports On Year's Activities

The IBA Education Committee, through its Chairman, W. Carroll Mead, of Mead, Miller & Company, Baltimore, reported to the Convention that following a lapse of several years, it has resumed publication of its two bulletins designed to serve as a clearing house for the exchange of member and Group ideas and experiences in the fields of recruitment, selection, training, education, public relations and information, advertising, direct mail and other forms of promotion. Bulletins distributed during 1955 included:

W. Carroll Mead

IBA Educational Bulletin No. 7 (September). Special Manpower Edition—recruitment, selecting and retaining investment banking trainees, including the proceedings of the educational forum conducted by the Central States Group, "How to Get Men and How to Keep Them."

Reproductions of IBA Member Advertisements, No. 10 (July). Devoted entirely to advertisements.

IBA Educational Bulletin No. 8 (December). Includes an annual review of member and Group activities in the fields of education, public relations and promotion and a summary of some of the major projects of the IBA Education Committee. A copy of this bulletin is available for the first time at this Annual Convention. It supplements this report of the Education Committee especially with respect to member and Group activities.

IBA Educational Bulletin No. 9 (to be distributed in December). A special edition devoted primarily to Invest-in-America Week, a summary of 1955 observances to provide a guide for 1956. Published in support of the work of the National Invest-in-America Committee.

The Committee also reported on the Institute of Investment Banking, the fifth session of which was conducted by the Wharton School of the University of Pennsylvania, Philadelphia.

The institute was again reported as a financial success, and now has a reserve of $15,000 set up out of the net proceeds realized during the past four years and in addition the Institute this year contributed more than $2,000 to the miscellaneous income of the Association. Work has already started in preparing for the 1956 sessions, which will be held April 2-6. This is the week of the 1956 spring holiday at the University, the week after Easter, whereas in past years the Institute met the week preceding Easter. All those who have been registered in past years either for the Investment Banking Seminar or for the Institute of Investment Banking have been notified of the 1956 dates, and industry-wide promotion of next year's sessions will start immediately following the Convention.

The Committee noted that increasingly institutions of higher learning are receiving financial support from business. During 1954 the Wharton School received $55,000 in contributions from 12 investment banking houses toward a goal of $250,000 required to endow a Chair of Investment Banking. The Wharton School has cooperated with the investment industry in many ways and close and cordial relations have existed over the years.

Sites and Date of Next Year's Convention

The Hollywood Beach Hotel, Hollywood, Fla., has been selected as the site for the holding of the Association's 45th Annual Convention in 1956. The meeting will be held during the period Nov. 25-Nov. 30.

GOVERNORS ELECT

The following have been elected by their respective Groups to serve as Governors of the Association beginning on Dec. 1, 1955:

California
Warren H. Crowell, Crowell, Weedon & Co., Los Angeles.

Canadian
Ralph D. Baker, James, Richardson & Sons, Winnipeg.

Central States
Douglas Casey, A. C. Allyn and Company, Inc., Chicago.
Thomas W. Evans, Continental Illinois National Bank and Trust Company, Chicago.

Mississippi Valley
Bert H. Horning, Stifel, Nicolaus & Company, Incorporated, St. Louis.

New England
Warren D. Arnold, F. S. Moseley & Co., Boston.

New York
Gustave A. Alexisson, Granbery, Marache & Co., New York
Rudolf Smutny, Salomon Bros. & Hutzler, New York.

Pacific Northwest
Richard H. Martin, Pacific Northwest Company, Portland.

Rocky Mountain
Walter J. Coughlin, Coughlin and Company, Denver.

Texas
Thomas Beckett, Jr., First Southwest Company, Dallas.

Western Pennsylvania
Charles N. Fisher, Singer, Deane & Scribner, Pittsburgh.

GROUP CHAIRMEN

The Group Chairmen of the year 1955-1956 are as follows:

Continued on page 133

JONES, KREEGER & HEWITT
MEMBERS
NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE
PHILADELPHIA-BALTIMORE STOCK EXCHANGE
CAFRITZ BUILDING, 1625 EYE STREET, N. W.
WASHINGTON 6, D. C.
DISTRICT 7-5700 TELETYPE WA 67
DIRECT WIRE TO
HAYDEN, STONE & CO.
MEMBERS
NEW YORK STOCK EXCHANGE
BRANCH OFFICE—ALEXANDRIA, VIRGINIA

Underwriters & Distributors of
MUNICIPAL and CORPORATE
SECURITIES
—•—
STERNE, AGEE & LEACH
Members New York Stock Exchange
Members Midwest Stock Exchange
Birmingham Montgomery

Firm Markets In
WASHINGTON SECURITIES
Direct Private Wire to
Carl M. Loeb, Rhoades & Co.,
our New York Correspondent
ESTABLISHED 1920
JOHNSTON, LEMON & CO.
MEMBERS
PHILADELPHIA-BALTIMORE STOCK EXCHANGE
UNDERWRITERS - DISTRIBUTORS - DEALERS
Southern Building, Washington 5, D. C.
Telephone: STerling 3-3130 Bell Teletype: WA 28, WA 95 & WA 509
Branch Office: Alexandria, Va.

SOUTHERN
AND
GENERAL MARKET
MUNICIPAL BONDS
STUBBS, SMITH & LOMBARDO, INC.
BIRMINGHAM 3, ALABAMA
Telephone: 7-3175 Teletype: BH 287

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 132

IBA of America Holds 44th Annual Convention

California
Warren H. Crowell, Crowell, Weedon & Co., Los Angeles.

Canadian
D. K. Baldwin, Nesbitt, Thomson and Company, Limited, Montreal.

Central States
David J. Harris, Fairman, Harris & Company, Inc., Chicago.

Eastern Pennsylvania
Bertram M. Wilde, Janney & Co., Philadelphia.

Michigan
Raymond J. Laude, Goodbody & Co., Detroit.

Minnesota
Leo L. Quist, Harold E. Wood & Company, St. Paul.

Mississippi Valley
George A. Newton, G. H. Walker & Co., St. Louis.

New England
John W. Valentine, White, Weld & Co., Boston.

New York
E. Jansen Hunt, White, Weld & Co., New York.

Northern Ohio
Fred W. Hudson, Ball, Burge & Kraus, Cleveland.

Ohio Valley
Charles F. Conners, Pohl & Company, Inc., Cincinnati.

Pacific Northwest
Josef C. Phillips, Pacific Northwest Company, Seattle.

Rocky Mountain
J. Harold Myers, Bosworth, Sullivan & Company, Inc., Denver.

Southeastern
Roderick D. Moore, Branch, Cabell & Company, Richmond.

Southern
Alexander Yearley, IV, Robinson-Humphrey Company, Inc. (The), Atlanta.

Southwestern
Richard J. Stern, Stern Brothers & Co., Kansas City.

Texas
W. Wallace Payne, First of Texas Corporation, San Antonio.

Western Pennsylvania
Anthony E. Tomasic, Thomas & Company, Pittsburgh.

NATIONAL COMMITTEE CHAIRMEN

The National Committee Chairmen for the year 1955-1956 are as follows:

Aviation Securities: William Barclay Harding, Smith, Barney & Co., New York.

Conference: T. Jerrold Bryce, Clark, Dodge & Co., New York.

Canadian: D. K. Baldwin, Nesbitt, Thomson and Company Limited, Montreal.

Education: W. Carroll Mead, Mead, Miller & Co., Baltimore.

Federal Legislation: Franklin T. McClintock, Harriman Ripley & Co., Incorporated, New York.

Federal Taxation: Walter Maynard, Shearson, Hammill & Co., New York.

Finance: Lee H. Ostrander, William Blair & Company, Chicago.

Foreign Investment Committee: Robert H. Craft, American Securities Corporation, New York.

Governmental Securities: Emil J. Pattberg, Jr., The First Boston Corporation, New York.

Group Chairmen's: William D. Kerr, Bacon, Whipple & Co., Chicago.

Industrial Securities: Edward Glassmeyer, Blyth & Co., Inc., New York.

Investment Companies: William A. Parker, The Parker Corporation, Boston.

Membership: Eaton Taylor, Dean Witter & Co., San Francisco.

Municipal Securities: William M. Adams, Braun, Bosworth & Company, Detroit.

Nuclear Industry: William S. Hughes, Wagenseller & Durst, Inc., Los Angeles.

Nominating: Walter A. Schmidt, Schmidt, Poole, Roberts & Parke, Philadelphia.

Oil & Natural Gas Securities: William C. Jackson, Jr., First Southwest Company, Dallas.

Public Utility Securities: Harold H. Young, Eastman, Dillon & Co., New York.

Railroad Securities: Samuel B. Payne, Morgan Stanley & Co., New York.

Small Business: W. Yost Fulton, Fulton, Reid & Co., Cleveland.

State Legislation: Gilbert H. Osgood, Blunt Ellis & Simmons, Chicago.

Stock Exchange Relations: Charles L. Morse, Jr., Hemphill, Noyes & Co., New York.

Syndicate: E. Jansen Hunt, White, Weld & Co., New York.

Filor, Bullard Partners

On Jan. 1 Walter Bernthal will become a general partner and Isabel P. McDermott a limited partner in Filor, Bullard & Smyth, 39 Broadway, New York City, members of the New York Stock Exchange. On the same date John A. Monahan will retire from the firm.

Joins Emory Reece

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Gustave J. Michaelis is now with Emory Reece, 3750 North Nevada Avenue.

With Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John D. Marks and Maurice L. Snider have become affiliated with Shelley, Roberts & Co., First National Building.

Chicago Ass'n of Exch. Firms Elect

CHICAGO, Ill.—At the annual meeting of the members of the Chicago Association of Stock Exchange Firms held today, John G. White, resident partner of Reynolds & Co., was elected Chairman of the Association for the coming year.

John G. White

Mr. White succeeds Fred W. Fairman, Jr., of Fairman, Harris & Co., Inc.

Robert A. Podesta of Cruttenden & Co., was elected Vice-Chairman, succeeding Gerald V. Hollins, Jr., of Harris, Upham & Co., and John W. Allyn of A. C. Allyn & Co., was elected Treasurer, succeeding Harry W. Puccetti of Hornblower & Weeks.

Elected as new members of the Board of Governors were Charles A. Capek of Lee Higginson Corporation; Francis C. Farwell of Farwell, Chapman & Co.; George P. Kent of E. F. Hutton & Co., and Guenther M. Philipp of Paine, Jackson & Curtis.

Leonard J. Paidar of Goodbody & Co. was elected Chairman of the 1956 Nominating Committee.

New York Stock Exchange Weekly Firm Changes

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

Bernard Zoref will retire from partnership in Franklin, Meyer & Barnett on Jan. 1.

John H. Patman will withdraw from partnership in Hecker & Co. Dec. 31.

On Dec. 31 John H. Krumbhaar, Jr., and John Strawbridge will retire from limited partnership in W. H. Newbold's Son & Co. F. Eugene Newbold, general partner, will also become a limited partner effective Jan. 1.

Frank H. Brown and William Wegner, general partners in Paine, Webber, Jackson & Curtis, will become limited partners effective Jan. 1.

John E. Jardine, Harry B. Brooks and Paul V. Barnes, general partners in William R. Staats & Co., will become limited partners on Jan. 1.

Fowler Rosenau to Admit

William N. Rosenau will acquire a membership in the New York Stock Exchange and on Dec. 31 will be admitted to partnership in Fowler & Rosenau, 15 Broad Street, New York City, members of the New York Stock Exchange.

Form Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Columbia Securities Company Inc. of California has been formed with offices at 225 South Beverly Drive to engage in a securities business. Officers are William B. Feinberg, President; Zeke Snyder, Vice-President; and Mac Sterling, Secretary-Treasurer. Mr. Sterling was formerly with Daniel D. Weston & Co.

To Form S. Hirsch Co.

Effective Jan. 1 Samuel Hirsch & Co., members of the New York Stock Exchange, will be formed with offices at 350 Fifth Avenue, New York City. Partners will be Samuel Hirsch, member of the Exchange, and Harold Lewis, general partners, and Samuel Lewis, limited partner. Mr. Hirsch is active as an individual floor broker.

IBA PAST PRESIDENTS

1920 - 21

Roy C. Osgood

1915 - 17

Lewis B. Franklin

$70 Million "Interama" Bond Issue Validated

Lehman Brothers Group to market bonds in January.

The Florida Supreme Court validated a $70,000,000 bond issue of the Inter-American Center Authority of the State of Florida, proceeds of which will be applied to the cost of construction of a trade and cultural center, commonly called "Interama", on a 1,700 acre tract of land between Miami and Miami Beach. The court's decision was unanimous. An investment banking syndicate is being formed by Lehman Brothers, New York City, to market the bonds sometime in January.

Firm Name to Be Jenks, Kirkland, Grubbs & Keir

PHILADELPHIA, Pa.—Effective Jan. 1 the firm name of Jenks, Kirkland & Grubbs, 1421 Chestnut Street, members of the New York Stock Exchange, will be changed to Jenks, Kirkland, Grubbs & Kerr.

Bacon, Whipple to Admit

CHICAGO, Ill.—On Jan. 3 William T. Bacon, Jr. will become a partner in Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Dealers in

U. S. Government Securities

and

Municipal Bonds

♦

The ATLANTIC NATIONAL BANK OF JACKSONVILLE

Bond Department

JACKSONVILLE, FLORIDA

Organized 1903

Phone ELgin 6-5611 Teletype JK 182

Member Federal Deposit Insurance Corporation

Underwriters Distributors Dealers

CORPORATE AND MUNICIPAL SECURITIES

Southern Textile Securities and Properties

Established 1892

A. M. LAW & COMPANY

Member Midwest Stock Exchange

SPARTANBURG, S. C.

Telephone 2-2334 Bell Teletype ZP 67

PCW UNDERWRITERS — DISTRIBUTORS — DEALERS

OUR TWENTY-FIFTH YEAR

Southern & General Market Municipal Securities

Specializing in Florida Issues

UNLISTED CORPORATE ISSUES
ALL LOCAL SECURITIES

Barnett Nat. Bank Bldg.
Jacksonville 1, Florida
L. D. 47; ELgin 3-8621
Bell Teletype JK 181

PIERCE, CARRISON, WULBERN, INC.

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 4

Investing in Energy

for which there is no substitute. There are many good coal companies, but I would think the investment favorite is probably **Pittsburgh Consolidation Co.**, because its interests are diversified and it seems to be commanded by management of great imagination.

For investment purposes, I think we can find an even better way of utilizing coal, and that is in growth electric utilities. The remarkable growth of this industry has in many cases been reflected in earnings and stock prices of many electric utility companies around the country. We believe that this is a field of sufficient size that one can pick his spots rather carefully. A double-play can be achieved by investing in utilities which operate in sections of the country which are showing above average growth. Companies such as **Florida Power and Light, Houston Lighting, Arizona Public Service,** and **Virginia Electric** are examples of well-managed companies which should grow not only because of the industry-wide increases in electric consumption, but because they operate in sections of the country where population and industry growth are considerably above average.

Natural Gas Securities

More inviting as an investment field, of course, is the whole orbit of natural gas. Here one can put his money to work either with a producing company or a pipeline company, or a company that both produces and transports. This is an investment field that, of course, has been thoroughly plowed. There are not many bargains around, although the values are good and the investor is unquestionably buying into a growth industry. **American Natural Gas, Colorado Interstate,** and **Panhandle Eastern Pipeline** represent three good commitments in various phases of this industry.

Similarly, there are no great problems in the larger side of the petroleum field, namely, the companies that are primarily in the oil business. Here too there is a division of activity. There are countless fine companies that are known primarily as producers. They search for oil, bring it up out of the ground, and sell it to others for refining.

Next there are, of course, the integrated companies that have these refining facilities and are producers as well. And finally I would mention, of course, the great international companies that have access to mineral wealth in the Middle East and in Latin America of a size that really staggers the imagination. We should keep in mind, incidentally, that the dimensions of the petroleum field are gigantic. In September, the free world nations **outside the United States** produced seven million barrels of oil every day. And this production is matched by an increasing demand throughout the Western world. (Only the other day I saw a statement by the President of one of the largest oil companies that demand in Western Europe one of these days would absorb the entire Middle East production with nothing left over for our hemisphere.) The use of oil, incidentally, in Western Europe is increasing at the rate of 12 to 15% a year. Our own use goes up about 7% each year, so that as this is compounded you may realize that not many years hence the figures are going to be astronomical and the search for oil even more frantic than it is today.

One historical note may be appropriate at this time. When the war was over in 1945, one of the largest oil companies in America came out with a statement that so great had been the war-generated demand for petroleum products that five years would elapse before the peacetime level of demand got back to the wartime level.

This was an observation marked equally by caution and inaccuracy, for within two years the use of petroleum products of the United States exceeded the highest wartime figure, and year by year ever since it has been climbing still higher.

Other Specific Attractive Securities

As far as specific securities are concerned, the thoughtful investor can find countless fine oil companies for profitable investment. in addition to the giants—that is, the **Standard Oil Companies, Texas, Gulf,** and so forth—there are a number of smaller companies which have particular appeal. I am thinking of companies such as **Anderson Prichard, Skelly, Tidewater,** and **Union Oil and Gas of Louisiana,** as four good examples of smaller companies in various phases of the industry; and one must not overlook the dynamic possibilities of Royal Dutch, which is close to Standard Oil of New Jersey in size and is a prime beneficiary from the increased consumption of petroleum in Europe.

Finally, how does one invest in atomic energy? This is a question for which there is no easy answer. I sometimes think that in trying to figure out profitable atomic energy investments we are up against the same problem that investors face 40 or 45 years ago, when the automobile promised to come into general use.

The investors of those days may have been lucky enough to have bought into a company that was in the General Motors family, or he may have invested in Maxwell-Briscoe, which became the great Chrysler enterprise. But more likely he put his money into Pierce-Arrow, Locomobile, Noiseless Northern, Carter Car, Stutz, and a long-long list that today in an investment sense make up graveyard items.

Now, having stressed the difficulty of the problem, let me say how I would go about solving it.

Solving the Investment Problem

In the first place, I would turn to the uranium field, the fuel necessary to run our reactors to create nuclear power. In the United States there are literally thousands of small uranium mining enterprises. I think I would avoid them!

The finest uranium mine, I think, in the United States, is the property of Anaconda Copper; and companies such as Vanadium and Atlas Corporation have good uranium mining properties.

In Canada, where uranium resources are far greater, there are four investment opportunities worth mentioning, and I think surely worth considering: Algom, Consolidated Denison, Gunnar and Pronto. These are all projects of large dimensions and as far as I know amply financed and in responsible hands.

Incidentally, you should know that both in the United States and in Canada the output of these mines is purchased by the government at an agreed-upon satisfactory price, an arrangement that is to run through 1962. Most of these enterprises are set up on a basis that the revenue from their production for the next seven years will pay off their debt, provide their stockholders with a good return, and at the same time have the ownership of their properties and mineral resources free and clear for hoped-for decades of future revenue.

I am going to by-pass the question of thorium. This is a metal that will be used when fusion comes along, as against the present fission method, but this is featured today by so much uncertainty that I would not think it a satisfactory investment medium.

Four Attractive Purchases

Apart from uranium mining, of course, one can get into the atomic energy field by purchasing shares in companies such as **General Electric, Westinghouse, Babcock & Wilcox,** and **Combustion Engineering,** to name four of the largest. These are the companies that have built or are building the reactors for our submarines and for the electric utility projects I mentioned earlier. They have the know-how; they operate many of the government's atomic projects, and when the field "shakes down" so that its dimensions are clearer, these are the companies, as I see it, that will reward their shareholders. Only the other day Combustion Engineering announced plans to establish a $5 million nuclear engineering and development center on a 530-acre site in nearby Connecticut.)

And in addition to the four companies that I have just mentioned, you should keep in mind the great giant enterprise such

IBA GROUP CHAIRMEN

CALIFORNIA

Warren H. Crowell
Crowell, Weedon & Co., Los Angeles

ROCKY MOUNTAIN

J. Harold Myers
Bosworth, Sullivan & Company, Inc., Denver

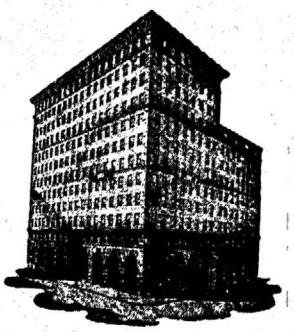
PACIFIC NORTHWEST

Josef C. Phillips
Pacific Northwest Company, Seattle

FIRM BIDS AND OFFERINGS

Mississippi—Tennessee and Arkansas Municipals

United States Government Securities



BOND DEPARTMENT

UNION PLANTERS NATIONAL BANK

MEMPHIS 1, TENNESSEE

LONG DISTANCE 218 BELL TELETYPE—ME 99

WIRE SYSTEM — THE BANK WIRE

C. T. WILLIAMS & Co.

INCORPORATED

INVESTMENT BANKERS

United States Government and Municipal Bonds

Railroad, Public Utility and Industrial Issues

FIDELITY BUILDING BALTIMORE 1, MD.

Telephone: PLaza 2-2484 — Bell Teletype: BA 499

Private Telephones to New York and Philadelphia

Branch Office — Grymes Bldg., Easton, Md.
Bell Teletype—ESTN MD 264

Underwriters **Distributors** **Dealers**

Firm Bids **Firm Offerings** **Quotations**

United States Government Securities • General Market Municipals

Bond Department

THE FIRST NATIONAL BANK

OF MEMPHIS

MEMPHIS 1, TENNESSEE

TELEPHONES 8-5193 • LD-311 • LD-312 TELETYPES ME-283 • ME-284

WIRE SYSTEM — THE BANK WIRE

C/K INVESTMENTS

ACTIVE TRADING MARKETS WITH RETAIL OUTLETS

★

Insurance and Bank Stocks
Public Utilities—Industrials
Municipal Bonds

★

Members Midwest Stock Exchange

★

WIRE SYSTEMS — Goldman, Sachs & Co., N. Y.; Scherck, Richter Co., St. Louis, Mo.

Harold W. Clark
B. W. Landstreet, III
Edward L. Kirkpatrick, Jr.
William Nelson, II

Clark, Landstreet and Kirkpatrick, Inc.

315 4TH AVE., N. ★ NASHVILLE 3, TENN.

TELETYPE NV 353 TELEPHONE AL 4-3311

gitized for FRASER
http://fraser.stlouisfed.org/

as **Union Carbide,** which has recently formed within its corporate family a separate nuclear energy development. Too, one should not overlook **North American Aviation,** which has acquired great competence in the nuclear energy field; a company such as **United Aircraft,** which I mentioned earlier for its promise in nuclear propulsion of the airplane; and, finally, Newport News Shipbuilding. The last-named is one of our great ship-building enterprises, and if our Merchant Marine and Navy are to be replaced, as time goes on, with vessels that are nuclear-propelled, I would think that Newport News would be a good place for equity funds.

The Metals Field

One final field should be mentioned: the group of companies in the copper-mining and copper-fabricating field, the metal that primarily makes up our power lines and carries our power from source to user. Conceivably, aluminum will gain ground as a conductor of power, but it is my feeling that copper is solidly entrenched and no one is going to take away their business.

Now, I have given you a quick review of man's various energy discoveries, a brief recital of our sources of energy today, and a list of investment suggestions not only for conventional and traditional energy sources but also for the nuclear energy age which lies ahead.

I believe this country is on the eve of 10 to 20 years of giant expansion that will far outstrip the pace of the past.

Our population is increasing at an amazing rate. Every third year we have enough new Americans to populate a city the size of New York. We are bursting at the seams. We need new roads, new schools, new housing, new air terminals, new bridges, new tunnels, new facilities of every sort for living and for recreation.

Never has labor been more skillful and more productive. Never has corporate management shown greater vision and statesmanship. Our natural resources are huge. We are gradually learning how to control our money and credit so as to eliminate the vicious swings of the so-called business cycle.

And the key to this whole expansion of American productivity, American consumption, American wealth, is energy. We need more and more of the sources of energy for our automobiles, our air conditioners, our television, our refrigeration, our washing machines, for all the appliances large and small which are part of our everyday lives. And American industry, expanding to keep up with this demand, will in the same way need greater and greater energy sources as time goes on.

The fact is that energy production has, over the past quarter of a century, increased at an almost miraculous tempo. We think of automobile production and steel production as tests of where the nation stands, industrially. In the past quarter-century, automobile registration has more than doubled. Steel production today is very nearly double what it was 25 years ago. And the 1954 Federal Reserve Board figures on total production are two and a half times what they were in 1930.

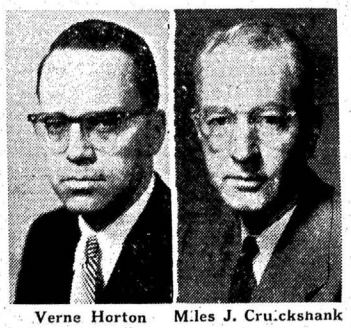
Compare these figures with those in the energy field. Petroleum production is close to three times what it was in 1930. Natural gas production is four and a half times as great as in 1930. And electric power is more than five times as great as in that year.

These figures show that the rate of growth in the energy field does not merely keep pace with the growth of industry as a whole. Energy outstrips the rest, and is bound to continue to do so. Every day we are learning new ways of putting energy to use, both the conventional sources and the exciting new sources such as nuclear and ultimately solar energy. It is safe to predict that the energy industries will double in size during the next decade, and may well double again in the decade following.

For this reason I believe that the whole field of energy generation and transmission is a prime place for the thoughtful investor's funds. A diversified investment in oil, in natural gas, in electric utilities, and in the enterprises that will result from tomorrow's widespread use of nuclear power, is an investment in America's very future as a great nation.

Goldman, Sachs to Admit Four Partners

Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, announced that Miles J. Cruickshank, Verne Horton, John L. Weinberg and John C. Whitehead will become partners of the firm on Jan. 1, 1956. All four men have been associated with Goldman, Sachs & Co. for some years.



Verne Horton Miles J. Cruickshank

John L. Weinberg John C. Whitehead

Mr. Cruickshank, rejoining Goldman, Sachs & Co. after a five-year absence, first became associated with the firm in 1928 and was a partner from 1942 to 1950. He is a graduate of Stanford University and Harvard Graduate School of Business Administration. Mr. Horton graduated from Cornell University and the Harvard Graduate School of Business Administration and has been in the firm's buying department since 1945. Mr. Weinberg is a graduate of Princeton University and Harvard Graduate School of Business Administration and has been in the firm's new business department. Mr. Whitehead, a graduate of Haverford College and Harvard Graduate School of Business Administration, has been with the firm since 1947 in its buying department.

With A. M. Kidder Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Thomas L. Smith is with A. M. Kidder & Co., 139 East Flagler Street.

IBA GROUP CHAIRMEN

WESTERN PENNSYLVANIA

Anthony E. Tomasic
Thomas & Company, Pittsburgh

NORTHERN OHIO

Fred W. Hudson
Ball, Burge & Kraus, Cleveland

OHIO VALLEY

Charles F. Conners
Pohl & Company, Inc., Cincinnati

Specialists in

LOUISIANA MUNICIPALS

Dealers in

Municipal and Corporation Securities

BARROW, LEARY & Co.

515 MARKET STREET (P. O. BOX 47)
SHREVEPORT 80, LOUISIANA
Telephone 3-2573 Bell Teletype SH 82 & 83

Morris W. Newman Wm. Perry Brown John E. Kerrigan

LOUISIANA, MISSISSIPPI, ALABAMA, GEORGIA, TENNESSEE, SOUTH CAROLINA, NORTH CAROLINA and OTHER SOUTHERN MUNICIPALS

NEWMAN, BROWN & CO.
INC.

Investment Bankers

321 Hibernia Bank Building
NEW ORLEANS 12, LA.

Long Distance 345 & 389 Teletypes NO 189 & NO 190

Erwin R. Schweickhardt E. N. Anagnosti Vincent B. D'Antoni George J. Bourg

Underwriters — Distributors — Dealers

Louisiana and Mississippi Municipals

New Orleans Bank Stocks

We especially invite your inquiries in:
Belle Isle Corp.
Canal Bank Oil Trust (Assets)
Mississippi Shipping Co.
New Orleans Public Service Inc. (Preferred and Common)
South Shore Oil
Southdown Sugars, Inc.
Standard Fruit & Steamship Co. (Preferred and Common)

SCHWEICKHARDT & COMPANY
MEMBERS NEW ORLEANS STOCK EXCHANGE
809 HIBERNIA BUILDING
NEW ORLEANS 12, LA.
Teletype NO 344 Tulane 6461 & Tulane 8812

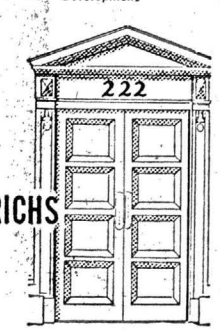
UNDERWRITERS — DEALERS
DISTRIBUTORS

LOUISIANA MUNICIPALS
CORPORATE SECURITIES

NEW ORLEANS BANK STOCKS

HOWARD, WEIL, LABOUISSE, FRIEDRICHS
AND COMPANY
222 CARONDELET ST.
NEW ORLEANS

FIRM MARKETS
American Tidelands
Canal Assets, Inc.
Canal Trust
Central Louisiana Electric
Higgins, Inc.
Glasscock-Tidelands
Kerr-McGee Oil Industries
J. Ray McDermott
Mississippi Shipping Co.
New Orleans Public Service
Republic Natural Gas
Southdown Sugars, Inc.
Southshore Oil and Development



IKE D. SCHARFF JAMES E. RODDY JOHN J. ZOLLINGER, JR.

Active Trading Markets in
LOUISIANA AND MISSISSIPPI
BANK STOCKS AND
LOCAL CORPORATE ISSUES

Scharff & Jones
INCORPORATED
TELETYPE NO 180 & 181
219 CARONDELET ST. (Ground Floor)
L. D. 235 Tulane 0161
NEW ORLEANS 12, LA.
SHREVEPORT, LA. JACKSON, MISS.

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 12

Agriculture: Beset With The Problems of Plenty

of a shorter crop there, prices in the western corn belt are as high as $1.35.

Some seasonal increase in corn price is expected during the coming months—with a total rise of up to 20 cents in prospect. This is only about enough to cover storage costs. Farmers may look more closely at the spread between support and open market prices when they plant their corn next spring.

Soybean Market Expanding

Soybean producers increased acreage substantially in 1955, but weather held yield per acre below expected levels. Nevertheless, almost 10% more soybeans were produced than in 1954 and price has been fluctuating around the loan rate of slightly over $2.00 per bushel. The larger crop, plus some carry-over of old beans for the first time coupled with a late-season increase in cotton and peanut yields suggests only a modest seasonal rise in soybean prices. Thus price per bushel will probably average at least 30 to 40 cents under a year ago. Over the years ahead, however, soybeans remain one of our promising crops with a potentially expanding market both at home and abroad.

Two-Year Supply of Wheat

Wheat, as already mentioned, is another of our problems of plenty. We now have on hand more than a two-year supply. The carry-over of over a billion bushels is largely owned by the Commodity Credit Corporation. Wheat prices are therefore governed by the loan rate and are not likely to exceed it. Average national loan rate on wheat for 1955 was $2.08 per bushel, down 14 cents from a year earlier. The support rate for the 1956 crop will not be less than $1.81 per bushel, national average in the commercial wheat states.

The situation is much the same with cotton. Despite a 14% reduction in acreage in 1955 as compared to 1954, yield per acre went up almost one-fourth, from 341 to 431 pounds per acre, giving us more than a two-year supply of cotton on hand. On Oct. 14 the Secretary of Agriculture announced a further reduction of about 1 million acres in cotton acreage allotments for 1956. Price will depend upon support levels which could be reduced under provisions of present legislation.

Livestock Marketings High

As previously indicated, abundant feed supplies are now bringing near record numbers of meat animals to market. U. S. citizens will consume around 161 pounds of meat per capita this year, a 47 year high. Supplies will be just as plentiful in 1956.

In recent days the top market price of hogs has been the lowest in 14 years—around the $12 level.

The expansion in hog numbers in the U. S. began with spring farrowing in 1954. We produced 92 million head in that year and are producing over 100 million this year. Since July of this year receipts of hogs at 12 major markets are up 14% over a year ago. Now at the season of peak in hog marketings, modest seasonal price increases may come shortly. No real strength in hog prices is in prospect in the short-run, however. For the year 1955, average price farmers received for hogs will be between $15 and $16. Average price in the year ahead will be fully $1 to $2 below the 1955 figure.

We know that there is a definite cycle in hog production. For hog prices to improve, farmers will have to cut back on farrowings and liquidate breeding stock, thus increasing tonnage marketed in the short-run. This means that the hog situation may get worse sometime before it gets materially better. As yet there is no indication of liquidation in hog numbers. Spring farrowings for 1956 are thus far indicated at near record levels of a year ago. If an efficient hog farmer sees corn at $1 per bushel and hogs at $14 per cwt., he is unlikely to reduce production. He can operate his hog enterprise in the black with such a hog-corn ratio. And where he can do so, he is selling his corn to Commodity Credit at loan rate of $1.50 or better, buying free corn or other feed grains at around $1 and using this to produce hogs he hopes to sell at $14 or more. This alternative, of course, is not open to many farmers. Therefore, we may expect the present unfavorable hog-corn ratio to be reflected in some liquidation of hogs in the summer or fall of 1956.

While hog prices are not directly supported, the government is buying $85 million of pork and pork products to support hog prices. Since this will provide a home for only slightly more than a week's hog marketings, its aggregate effect on hog prices is expected to be small. As the pork buying program was announced at the time farmers were breeding sows for spring farrowing, it may have influenced some to schedule heavier production than otherwise would have been the case.

In total, therefore, incomes of hog producers will be down substantially in 1956. Some of our corn belt farms have become specialized, intensive producers of corn and hogs. Our records show that a 25% reduction in hog prices on such an intensive unit, with no change in costs other than home-produced feed, can drop net income by $3,000 to $5,000 on a 180 to 240 acre unit.

Little Change in Cattle Numbers

Cattle numbers in the U. S. are at or near record levels. We have been increasing the nation's beef herd since 1949. The largest increase in absolute numbers have not been in the range states, however. They have been in the north central states.

Ranchers and cattle men keeping beef breeding herds have sold their feeders this fall at prices only slightly below a year ago. Western range conditions are better than in recent years. Thus earnings of commercial beef breeders are not greatly different in 1955 than in 1954. Unless we get some liquidation in cattle numbers in 1956, ranchers can look forward to a year comparable to 1955—barring unusual weather. No susbtantial liquidation of beef cattle numbers now appears probable in the coming 12 months.

Beef feeders are faring less well. Total federally inspected slaughter of cattle in 12 markets since July 1, 1955 is up about 3% compared to a year ago. An unusually high proportion of the cattle coming to market in recent months has been high good to choice, reflecting abundant feed. Last January the top price for choice steers in Chicago was almost $27 as compared to $5 to $7 less today. Lower grades of cattle have suffered only modest price reductions. Over-all earnings of cattle feeders, however, are down.

Cattle feeders have purchased replacement animals at prices only slightly below levels of a year ago. With these very narrow price margins, profits in 1956 cattle fattening will have to come largely from cheap gains in the feed lot.

It appears that we will feed roughly as many cattle in 1956 as were fed in 1955. These cattle will be marketed in competition with larger tonnages of pork. While we will get seasonal swings in the prices of fat cattle, prices are expected to average a bit below 1955 levels. Narrow margins, despite cheap feed means slim profits for 1956 cattle feeding operations.

Dairy, Poultry Prospects Up

The situation is a bit more favorable for the dairyman than a year ago. Milk prices have strengthened a bit in recent months and substantial portions of our burdensome dairy surplus

IBA GROUP CHAIRMEN

CENTRAL STATES

David J. Harris
Fairman, Harris & Company, Inc., Chicago

MICHIGAN

Raymond J. Laude
Goodbody & Co., Detroit

MINNESOTA

Leo L. Quist
Harold E. Wood & Co., St. Paul

BALTIMORE NEW YORK

INSURANCE STOCKS

Government • Municipal • Corporate Securities

Dealers — Underwriters — Brokers

JOHN C. LEGG & COMPANY

Established 1899

Members

New York Stock Exchange *American Stock Exchange (Assoc.)*

Philadelphia-Baltimore Stock Exchange

Direct Wires to

F. S. Moseley & Co., New York — Gregory & Sons, New York

Revel Miller & Co., Los Angeles — Walter C. Gorey Co., San Francisco

French & Crawford, Inc., Atlanta, Ga. — Louis C. McClure & Co., Tampa, Fla.

Odess, Martin & Herzberg, Inc., Birmingham and Tuscaloosa, Ala.

Beil & Hough, St. Petersburg and Leesburg, Fla.

Clisby & Company, Macon, Georgia

MEAD, MILLER & CO.

—Members—

New York Stock Exchange

American Stock Exchange (Associate)

Philadelphia-Baltimore Stock Exchange

★

Charles and Chase Sts.

BALTIMORE 1, MD.

Telephones

Baltimore—LExington 9-0210 New York—WHitehall 3-4000

Bell Teletype—BA 270

ESTABLISHED 1900

BAKER, WATTS & CO.

Members New York Stock Exchange

Members Philadelphia-Baltimore Stock Exchange

Associate Members American Stock Exchange

U. S. Government Bonds

State, County and Municipal Bonds

Public Authority and Revenue Bonds

Listed and Unlisted Stocks and Bonds

Active Trading Markets in Local Securities

CALVERT & REDWOOD STREETS

BALTIMORE 3, MD.

Representative: Clarksburg, W. Va.

Telephones: New York—CAnal 6-7162 Baltimore—MUlberry 5-2600

Bell System Teletype—BA 396

We Invite Your Inquiries

STEIN BROS. & BOYCE

A Baltimore Institution since 1853

6 South Calvert Street, Baltimore 2, Maryland

Telephone: SAratoga 7-8400 Teletype: BA 393

LOUISVILLE NEW YORK CUMBERLAND

PADUCAH EASTON

MEMBERS OF NEW YORK STOCK EXCHANGE

and other leading exchanges

gitized for FRASER
p://fraser.stlouisfed.org/

have been disposed of. For the farmer who buys much of his dairy ration, earnings should be higher in 1956 primarily because of lower costs. Despite some recent reduction in dairy cow numbers, total milk production is up due to higher output per cow. Farm prices of dairy products, therefore are likely to continue near support levels in the year ahead. Present price supports are to remain in effect at 80% of parity until April, 1956. Then supports will be set between 75% and 90% of parity.

While the dairy situation is improved, dairy supplies will probably not be brought fully in balance with demand at prevailing prices. Dairying, like other segments of agriculture, is undergoing a technological revolution on the farm. Considerable slack remains in the industry's ability to produce. Supplies are likely to remain burdensome.

Returns from poultry egg production improved this fall. Farmers got extra mileage from old hens held over in view of favorable relationships of egg prices to feed. Though egg prices will drop seasonally this spring, net returns will be higher than a year earlier. The nation's laying flock will probably be built up again by next fall.

Income of Farm Operators From Farming Is Not the Total Picture

The above is not a pleasant picture for agriculture. We must recognize, however, that our estimates to total income deal with the income: (1) of all farm operators in aggregate and (2) from farming activities only. To assess the total health of the agricultural economy we must examine what is happening to the number of farmers and recognize that they also have non-farm income.

Farm population has decreased by over 20% since 1948., Number of farms has declined about 2½% per year since 1950. In addition, farm people are now receiving five to six billions annually from non-farm sources. Roughly 30% of the income of the farm population comes from sources other than the farm itself. When this is taken into account, per capita incomes of farm people from all sources are down about 6% from the 1948 peak of $958. The smaller drop in average per capita income than in aggregate farm income is due to the pull exerted by favorable off-farm and urban jobs. This is not to suggest that earnings of full-time, commercial farmers are at the favorable levels of the past decade. They are down. The per capita average is held up by the transfer out of farming of many individuals who earned very low levels of living in agriculture rather than by a general rise in the incomes of commercial farmers.

We see here operating the painfully slow process of adjustment in a basic industry. The real cost-price squeeze confronting efficient commercial farmers is in a sense no fault of theirs. Essentially two million of our five million farms produce over 80% of the food and fiber which goes to market. In the U. S. we rely on compartive earning alternatives to channel resources, yes, even human resources into productive activity. As our economy develops, an ever decreasing share of our resources is needed in primary industries such as farm production or mining. Price gradually shifts resources. Sometimes this is both painful and slow. In the case of people, changes in occupations frequently are made only between, not within generations.

The Longer Look Ahead

Despite the severity of the cost-price squeeze today and in prospect for the next year, agriculture is still in basically strong financial condition. As of last January, farmers collectively owned an equity of 89% of their total assets. True, the situation is not as strong today, but equities are well above the 80% level which prevailed in 1940. This does not mean that individual cases of severe financial difficulty are nonexistent. Several young or recently established farmers have stretched their credit about as far as it will go.

Thus far, farm land values have not reflected the squeeze. Official indexes of farm real estate prices stand at near record highs. Some weakening is expected within the next few months. The farm owner who elects to sell, however, can convert his real estate assets to cash at favorable prices. High quality land is to be higher priced 10 years from now than it is today.

The technological outlook for the individual farmer presents a terrific opportunity and challenge. Even with declining incomes, farmers will buy in 1955 upwards of 20% more machinery than they purchased in 1954. Much of this was used to cope with less favorable cost-price relationships. Purchases of new machinery in 1956, however, are likely to be down from 1955 levels.

The potentials as yet unrealized in the widespread adoption of new and developing technology are greater than the applications thus far made. Such developments assure American consumers abundant supplies of food and fiber. Little chance exists domestically for our growing population to outrun the food supply. Rising population in itself, therefore, will not bring an automatic solution to the agricultural problem of plenty. Output expansion arising from technological advances can easily outrun the stock in the quarter century ahead.

Technological developments essentially feed on capital. Thus in shaping the agriculture in the future, bankers and other financial institutions wil play a major role.

Challenges to Those Who Finance Agriculture

As bankers view with farmers the future of agriculture, you too face real challenges:

(1) To help farmers evaluate, assimilate and successfully adopt proven new technologies rapidly.

(2) To stimulate and support research that the ideas as yet unborn, the truths as yet unrecognized and the discoveries as yet unmade may be added to our stockpile of knowledge.

(3) To recognize the increased need for and proper social reward due to management brought about by the growing complexity of farming.

(4) To keep an eye out for situations where technological gains in production are being permanently capitalized into land values.

(5) To recognize that in the 1930's excessive mortgage indebtedness and fixed costs forced liquidation of many farms while today current operating costs often equal a farmer's total assets in three to five years.

(6) To become informed, active participants, not sideline spectators in the public affairs of agriculture.

(7) To realize that as agriculture changes, so also must the institutions which serve it change. In such a situation, alert credit institutions should stimulate and lead desirable changes in farming, not lag them.

Eastman, Dillon Group Offers LeCuno Shares

Eastman, Dillon & Co. heads the underwriting syndicate that is offering to the public 580,000 shares of LeCuno Oil Corp. capital stock (par 10 cents) at a price of $7 per share.

Net proceeds from the sale of this capital stock will be used to pay off indebtedness in the form of mortgage notes and other short term notes, to complete purchase of properties and to advance the company's drilling and development program. A portion may also be used to acquire and develop additional oil and gas leases and other mineral interests.

The company acquired from its predecessors and now holds working interests in 23 wells producing oil or gas or both in the Waskom and Woodlawn Fields, Harrison County, Tex., and expects to drill 54 additional wells at proven locations during the next 12 months. Further acquisitions and developments in these and other fields are under contract or contemplated.

The company's oil and gas reserves are estimated in a report by Ira Brinkerhoff, oil and gas consultant, to amount to over 3,900,000 barrels of oil and condensate and 75 billion cubic feet of natural gas.

Giving effect to the sale of the capital stock, capitalization of the company consists of 1,462,160 shares of capital stock, par 10 cents per share.

Among those associated in the underwriting are: First California Co.; Hayden, Stone & Co.; Carl M. Loeb, Rhoades & Co.; Paine, Webber, Jackson & Curtis; and Piper, Jaffray & Hopwood.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Louis E. Demper has been added to the staff of Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the Midwest Stock Exchange.

IBA GROUP CHAIRMEN

MISSISSIPPI VALLEY

George A. Newton
G. H. Walker & Co., St. Louis

SOUTHWESTERN

Richard J. Stern
Stern Brothers & Co., Kansas City, Mo.

TEXAS

W. Wallace Payne
First of Texas Corporation, San Antonio

K. S. Johnson With Hemphill, Noyes Co.

INDIANAPOLIS, Ind. — Hemphill, Noyes & Co., members of the New York Stock Exchange and other leading exchanges, have announced that Kenneth S. Johnson has joined the firm's Indianapolis office, Merchants Bank Building, as Manager of its municipal bond department.

Mr. Johnson has been in the banking and investment banking fields since 1920. For many years he had his own investment business. He was formerly associated with the Indianapolis Bond and Share Corporation as Vice-President, director and Manager of the municipal bond department.

Forms Intercontinental Secs.

DALLAS, Tex.—Harold J. Silver is engaging in a securities business from offices in the Meadows Building under the firm name of Intercontinental Securities Co.

In Louisville Since 1872

Eighty Three Years of Investment Service

J. J. B. HILLIARD & SON

ESTABLISHED 1872
Member New York and Midwest Stock Exchanges
Associate Member American Stock Exchange
Tax-Exempt Bonds—Investment Grade Common Stocks
419 W. JEFFERSON ST., LOUISVILLE 2, KY.
Guthrie Building *Paducah, Ky.*
Masonic Temple *Owensboro, Ky.*

Distributors And Underwriters

of

Investment Securities Since 1894

The Robinson-Humphrey Company, Inc.

RHODES-HAVERTY BUILDING

ATLANTA 1, GEORGIA

WALNUT 0316 LONG DISTANCE 421

THE BANKERS BOND CO.

INCORPORATED

Member Midwest Stock Exchange

1st FLOOR KENTUCKY HOME LIFE BLDG.

LOUISVILLE 2, KENTUCKY

Bell Teletype LS 186 *Long Distance 238*

Kentucky Municipal Bonds
Local Securities

INVESTMENT DEPARTMENT

THOMAS GRAHAM
HECTOR W. BOHNERT
WILLARD P. McNAIR
Mrs. E. C. LEWIS
JAMES M. FETTER
Mrs. ELINORE SEDLEY
CHARLES C. KING
POWHATAN M. CONWAY
ROBERT H. JOHNSTON, Jr.
ROBERT E. PURYEAR
OSCAR C. WRIGHT

gitized for FRASER
tp://fraser.stlouisfed.org/

S. F. Street Club Elects Officers

SAN FRANCISCO, Calif. — At its Annual Christmas Dinner, held Friday, last, at the Olympic Club, Lakeside, the Street Club of San Francisco announced its Board of Directors for the forthcoming year:

President: John K. Kramer, Blyth & Co., Inc.

Vice-President: Frank B. Nombalais, Schwabacher & Co.

Secretary: Reginald Kennedy, Davis, Skaags & Co.

Treasurer: Raymond J. Doyle, Jr., F. S. Smithers & Co.

Directors: Robert B. Horner, Elworthy & Co.; Kenneth C. Koch, Walston & Co.; J. W. Zimmerman, Dean Witter & Co.

Joins Hodgdon Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas E. Campbell is now with Hodgdon & Company, 10 State Street. He was previously with Elmer H. Bright & Co.

Continued from page 13

The Outlook for Bank And Insurance Shares

dividend rates, the average yield would be 3.85% at the top of such a move (77.0=4% even).

Dividend Rises and Splits

Which brings up the subject of dividends: on this point I am already on record. Under date of Aug. 29, I made so bold as to "up" New York bank dividends by 10%. This appeared in the "American Banker" and other leading daily papers and it is interesting to note that I heard not one single squawk from any one of the nine banks whose rates I took the liberty of increasing. One, National City, upped its rate a few days later (Sept. 6).

Then, on Nov. 23, Irving Trust came through with a thumping big 25% jump in total dividend from $1.30 to $1.62½ annually including extra and establishing one of the most generous payouts on record, about 80% of net operating earnings. I am sure we will hear more news about Irving Trust in the near future.

Last week our friends at Manufacturers Trust Co. came out with the news that they will split the stock 2-for-1 and plan to place the new shares on a regular $1.75 annual basis; this is the equivalent of an increase of about 9½% in cash dividend.

Next to fall into line were the Bankers Trust and the Guaranty. On Wednesday of last week Bankers increased its regular rate by 20 cents a year to $2.80, while the Guaranty increased its usual year-end extra dividend payment to 80 cents a share as vs. 50 cents in earlier years. This action places Guaranty on a total $4 basis.

Then, on Thursday, came the announcement that the Chemical Corn Exchange Bank will ask its holders for additional capital funds of about $20-$25 million by issue of rights at 1-for-8 at a price to be announced later.

Measured by the "American Banker" Index, our New York City bank issues are now within a small gap from the highs of last September. They are, on average, about six points or 8% above the start of this year and are higher by about eight points or 11% over the lows of the year. They are also now eight points higher than they were one year ago at this time. Their average yield is about 4.25% and their price-earnings ratio is 14 to 1. That is the picture. (100.0 on the index would mean a 3% yield and a PER of 20 to 1.)

I see no reason to alter my prediction. I look for increased dividends either cash or stock.

* * *

INSURANCE STOCKS

The insurance stock market (fire and casualty) rests on a platform of a 3.60% average yield and about 18 times 1954 earnings. Prices average only about 64% of mid-year 1955 liquidating values.

Now, I think any good property insurance stock should be worth its so-called liquidating value, capital, surplus, voluntary reserves, and from 33⅓% to 40% of the unearned premium reserve.

This was pretty well pointed-up recently when the Connecticut General Life offered shareholders of the National Fire of Hartford an exchange of stock.

National Fire stock, selling then in the 90's with a liquidating value of $158.75 as at the close of 1954, moved up in price by about 60% almost immediately to sell at 145 or better.

This is indicative of the value inherent in this type of common stock with such liquid assets. The book value alone of National Fire, was $111 per share and its invested assets per share were about $260.

Were the market for good insurance stocks to move up to approximate liquid, values, then we would see, for instance, Aetna Fire at 120, Cont. Ins. 138; Fidelity Phenix, 158; Great American, 60+; Home Insurance, 80; Phoenix, 131; etc.

For Home to sell at 80 would mean a rise of nearly 30 points or 60% to a yield of 2.5%. Now, I am certainly not going on record as predicting any such thing but, I do think that you would do well to look over the insurance stock list. There are many good values there, I am sure.

The Surging Life Insurance Industry

Each year the great life insurance industry surges ahead establishing new high marks in premium production, assets and protection services to mankind. The total figure is something like $375 billion, up about $39 billion this year.

Nineteen hundred fifty-four was a banner year, and, from all the signposts this year too, will establish new highs, with business up another 20% or better. There is nothing in the outlook to stop it.

While most big Life companies operate as mutuals, there are quite a number of capital stock companies—some very big ones, as a matter of fact, I have a list of 10 top-rank life stocks; their average yield, if you can call it that, is 0.85%.

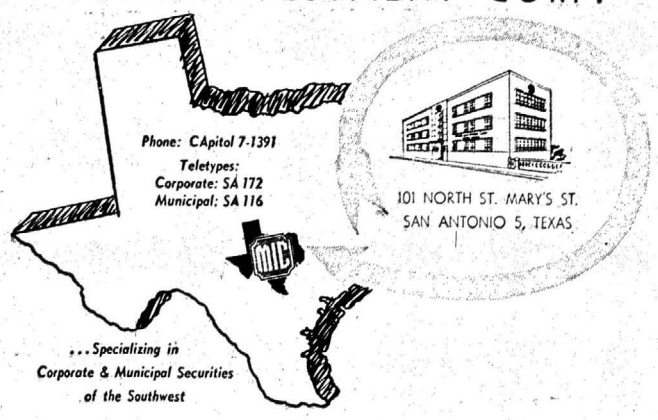
They are quoted on a price times earnings ratio to average about 18 to 1. Most life companies do not publish per share earnings figures. In their absence, I have employed Conning & Co.'s estimates of last year's so-called earnings.

In this connection, I am reminded of the story about the Mother, her son and an elderly lady; the elderly lady says to the boy's mother "how old is the little boy?" and the mother replies "well, physically, he is 10; emotionally, about seven; intellectually, about 15; and counting birthdays, he will be just nine next Sunday."

So it is with life insurance stock earnings, each expert has a different figure. One expert says "this company earned $20 a share last year; another fellow says; hell, it was more like $40 a share." Where does that leave the poor unsuspecting investor?

Admittedly, it is a complex job to analyze earnings of Life companies for any single year. Unlike fire and casualty companies, each life company is a thing unto itself. There is no comparing them with each other, even. Each

MUIR INVESTMENT CORP.



UNDERWRITERS DISTRIBUTORS DEALERS

Corporate and Municipal Securities

FRIDLEY, HESS & FREDERKING

Members of the Midwest Stock Exchange

Texas National Bank Building

HOUSTON 2, TEXAS

Bell Teletype HO 42 Telephone CApitol 8-8221

TEXAS ★ FUND

A MUTUAL FUND INVESTING IN SECURITIES OF THE SOUTHWEST

Prospectus may be obtained from your local investment dealer or

TEXAS FUND MANAGEMENT COMPANY

Investment Advisor and Principal Underwriter

Texas National Bank Bldg., Houston, Texas

P. O. BOX 871

Telephone: CApitol 7-0211 Bell Teletype: HO 566

IBA GROUP CHAIRMEN

NEW YORK

E. Jansen Hunt
White, Weld & Co., New York City

NEW ENGLAND

John W. Valentine
White, Weld & Co., Boston

CANADIAN

D. K. Baldwin
Nesbitt, Thomson and Company, Limited Montreal

First
TO REMEMBER IN THE
Southwest

STATE, MUNICIPAL, COUNTY and DISTRICT BONDS

BANK and INSURANCE STOCKS

PUBLIC UTILITY and INDUSTRIAL
Bonds, Preferred and Common Stocks

UNDERWRITER • DISTRIBUTOR • DEALER

FIRST *Southwest* COMPANY

MERCANTILE BANK BUILDING, DALLAS, TEXAS

Abilene • Plainview • San Antonio • Tyler

gitized for FRASER
http://fraser.stlouisfed.org/

must be treated as an individual industry.

In relation to their huge resources, Life company capital structures are small; hence the heavy earning-power they possess. More and more Dealers are learning about these life issues and consequently, the relatively small share capitals are being bid for with increasing pressure. So long as this condition exists, prices of the stocks are almost bound to rise. One thought, though! I think these issues are being redistributed as it were, from strong hands to weaker hands. I think that on any signs of future weakness, the prices will move down easily. That must be taken into consideration and watched. While markets are being developed for these issues, nevertheless, we must admit that they do not possess that unusual feature of ready marketability in its truest sense. The market for them is being broadened at relatively high prices so that the percentage of growth from here on is apt to be of limited nature, I would think.

I think you will agree that they are not going to go higher in price forever. They will, like everything else, hit a ceiling or saturation point. It may be at 20 times earnings or the top may be reached when, as, and if their present very favorable income tax status is nullified. I don't know.

But, I do know, you never get poor taking a profit. So pretty soon, I would start combing the lists and taking out some of those long profit issues and replacing them with other good equities. Sure, they may go higher, but you can't get that last eighth. The time to sell them is when they are strong.

I am perfectly willing to admit that there may be some individual issues still priced at or below their investment price potential. However, you are going to have to be very selective, believe me.

Word of Caution

Just a word of caution, now in a more general vein:

Don't let us lose our sights on this "Growth" thing, I for one, feel that it is being somewhat overdone. In some cases inexperienced persons are using that term loosely to cover up ignorance of fact.

Those of us who remember 1929 can recall the same type of "fudging" — using high-sounding words to cover up and try to justify things that look awry. You know, the permanent plateau of stock prices, and that sort of smart patter.

I don't subscribe to that school of thought that is currently pushing a doctrine of junking the old standards of value. I say "stick to those fundamentals you learned at your investment cradle; in the long run they will be proven right."

Don't "go" for a bank or insurance stock issue solely on merger growth value.

Nothing has, as yet, been invented to replace banks or insurance companies in the economy and nothing takes the place of real, wholesome internal growth.

IBA GROUP CHAIRMEN

EASTERN PENNSYLVANIA

Bertram M. Wilde
Janney & Co., Philadelphia

SOUTHEASTERN

Roderick D. Moore
Branch, Cabell & Co., Richmond, Va.

SOUTHERN

Alexander Yearly, IV
The Robinson-Humphrey Company, Inc., Atlanta

Underwriters Distributors Dealers
Corporate and Municipal Securities

Trading Markets in Southwestern Securities

EPPLER, GUERIN & TURNER
400 Fidelity Union Life Bldg.
DALLAS 1, TEXAS
Teletype—DL 358 RIverside 3681
Direct Wires to
Goldman, Sachs & Co., New York
Muir Investment Co., San Antonio—Robert E. Levy & Co., Waco

SOUTHWESTERN SECURITIES

MEAN

SOUTHWESTERN Securities Company
Investment Bankers
MERCANTILE COMMERCE BUILDING DALLAS, TEXAS
Branches:
Ft. Worth Midland Odessa
Lufkin Monahans
Phone RIverside 5471

UNDERWRITING - RETAIL - TRADING
UNLISTED CORPORATES, MUNICIPAL BONDS
Direct and Connecting Wires to All Principal Financial Centers

Galleher Mgr. for Bache in Washington

WASHINGTON, D. C.—Bache & Co., members of the New York Stock Exchange and other leading securities and commodity exchanges, have announced the appointment of George R. Galleher as Manager of the firm's Washington, D. C., office which is located in the Hotel Washington. Leon B. Brubaker will continue as Associate Manager of the office.

George R. Galleher

During his more than 20 years in the banking and brokerage businesses, he has been active as Secretary of the Washington branch of the Philadelphia-Baltimore Stock Exchange; a member of the American Institute of Banking and on its faculty as instructor in investments; member of the Sales Executive Club of Washington and as a member of the Washington Bond Club.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Floyd E. Graybill is now connected with King Merritt & Co., Inc., 1151 South Broadway.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hugh T. Meyers is now associated with Shearson, Hammill & Co., 520 South Grand Avenue.

With Taiyo Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hiromu H. Oye is now with Taiyo Securities Company, 208 South San Pedro Street.

A. Wayne Hough Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Edward J. Allen is now associated with A. Wayne Hough & Co., Security Building.

$46,000,000 California Bridge Bonds Awarded

The California Bridge Authority on Dec. 13 sold at competitive bidding a new issue of $46,000,000 revenue bonds, proceeds of which will be used to finance construction of a new bridge across the Carquinez Strait in California. An investment banking group headed jointly by Blyth & Co., Inc.; The First Boston Corporation; Harriman Ripley & Co. Incorporated and Lehman Brothers submitted the high bid of 101.419 which named an interest rate of 3¾%. The bonds, maturing Sept. 1, 1995, are being reoffered at a price of $103.

When placed in operation in 1953, the new four-lane bridge will complete 90 miles of modern four-lane highways between Sacramento and San Francisco. The present three-lane span over the Carquinez Strait, now handling two-way traffic, will then be restricted for southbound traffic, while the new bridge will handle northbound traffic.

SANDERS & NEWSOM
INVESTMENT SECURITIES
1309 MAIN STREET
DALLAS

Walker, Austin & Waggener
Investment Securities
Suite Fifteen Hundred
Republic National Bank Building
Dallas, Texas

RAUSCHER, PIERCE & CO., INC.
Member
New York Stock Exchange Midwest Stock Exchange
American Stock Exchange (Associate)
Underwriters • Dealers
Brokers • Distributors
INVESTMENT RP SECURITIES
Municipal Bonds
Bank and Insurance Company Stocks
Mutual Investment Funds
Public Utility, Railroad and Industrial
Bonds—Preferred Stocks—Common Stocks
Mercantile Bank Bldg., Dallas 1, Texas
Telephone RIverside 9033
Bell Teletypes DL 196 and DL 197
Austin • Harlingen • Houston • Lubbock
San Antonio • Tyler • Waco
Private Wire to New York, St. Louis and Other Principal Markets

Digitized for FRASER
http://fraser.stlouisfed.org/

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) Equivalent to—	Dec. 18	§99.3	*100.1	99.2	81.8
Steel ingots and castings (net tons)	Dec. 18	§2,397,000	*2,416,000	2,394,000	1,950,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 2	6,836,400	6,858,800	6,777,100	6,825,700
Crude runs to stills—daily average (bbls.)	Dec. 2	7,801,000	7,741,000	7,561,000	6,962,000
Gasoline output (bbls.)	Dec. 2	26,963,000	26,201,000	26,433,000	24,410,000
Kerosene output (bbls.)	Dec. 2	2,312,000	2,336,000	2,311,000	2,554,000
Distillate fuel oil output (bbls.)	Dec. 2	12,475,000	11,844,000	11,691,000	11,187,000
Residual fuel oil output (bbls.)	Dec. 2	8,350,000	8,600,000	8,076,000	7,555,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 2	157,535,000	155,866,000	152,004,000	151,378,000
Kerosene (bbls.) at	Dec. 2	33,221,000	34,315,000	36,444,000	35,430,000
Distillate fuel oil (bbls.) at	Dec. 2	140,103,000	145,374,000	151,988,000	131,432,000
Residual fuel oil (bbls.) at	Dec. 2	44,156,000	45,045,000	45,932,000	54,355,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 3	728,216	676,685	808,709	661,777
Revenue freight received from connections (no. of cars)	Dec. 3	617,489	647,964	693,360	570,542
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 8	$330,333,000	$278,795,000	$267,920,000	$258,341,000
Private construction	Dec. 8	139,050,000	173,248,000	162,168,000	156,326,000
Public construction	Dec. 8	191,283,000	105,547,000	105,752,000	102,015,000
State and municipal	Dec. 8	163,099,000	91,080,000	62,163,000	83,627,000
Federal	Dec. 8	28,184,000	14,467,000	43,589,000	18,388,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 3	10,450,000	9,030,000	10,180,000	8,603,000
Pennsylvania anthracite (tons)	Dec. 3	543,000	436,000	455,000	610,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 3	197	146	128	192
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 10	‡11,426,000	11,359,000	10,878,000	9,846,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 8	219	209	207	223
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 7	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Dec. 7	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Dec. 7	$49.50	$47.00	$44.83	$32.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 7	42.975c	42.700c	42.800c	29.700c
Export refinery at	Dec. 7	44.500c	45.375c	43.500c	30.925c
Straits tin (New York) at	Dec. 7	105.375c	100.125c	96.250c	89.875c
Lead (New York) at	Dec. 7	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Dec. 7	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Dec. 7	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 13	94.89	95.03	95.50	99.07
Average corporate	Dec. 13	106.92	107.44	187.98	110.70
Aaa	Dec. 13	110.15	110.70	111.62	115.24
Aa	Dec. 13	108.88	109.42	109.79	112.56
A	Dec. 13	107.09	107.27	107.80	110.70
Baa	Dec. 13	102.13	102.46	102.80	105.00
Railroad Group	Dec. 13	105.34	105.69	106.21	108.88
Public Utilities Group	Dec. 13	107.27	107.62	108.16	111.25
Industrials Group	Dec. 13	108.34	108.70	109.24	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 13	2.88	2.87	2.84	2.57
Average corporate	Dec. 13	3.34	3.31	3.28	3.13
Aaa	Dec. 13	3.16	3.13	3.08	2.89
Aa	Dec. 13	3.23	3.20	3.18	3.03
A	Dec. 13	3.33	3.32	3.29	3.13
Baa	Dec. 13	3.62	3.60	3.58	3.45
Railroad Group	Dec. 13	3.43	3.41	3.38	3.23
Public Utilities Group	Dec. 13	3.32	3.30	3.27	3.10
Industrials Group	Dec. 13	3.26	3.24	3.21	3.06
MOODY'S COMMODITY INDEX	Dec. 13	405.2	407.3	397.6	405.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 3	397,989	227,809	437,655	297,807
Production (tons)	Dec. 3	286,926	279,120	297,935	246,190
Percentage of activity	Dec. 3	98	95	103	87
Unfilled orders (tons) at end of period	Dec. 3	654,613	542,397	725,673	392,807
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 9	107.17	107.17	107.12	106.73
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. 19	1,279,079	1,022,356	973,161	1,370,675
Dollar value	Nov. 19	$74,162,912	$58,694,698	$50,879,324	$65,772,030
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 19	1,117,375	807,386	741,158	1,536,591
Customers' short sales	Nov. 19	9,797	4,830	4,634	10,684
Customers' other sales	Nov. 19	1,107,578	802,556	736,524	1,525,907
Dollar value	Nov. 19	$59,408,308	$42,246,724	$36,935,557	$69,204,683
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 19	314,300	199,230	167,970	526,220
Short sales	Nov. 19	------	------	------	------
Other sales	Nov. 19	314,300	199,230	167,970	526,220
Round-lot purchases by dealers—					
Number of shares	Nov. 19	479,820	419,490	423,860	361,320
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. 19	549,780	443,030	373,800	721,320
Other sales	Nov. 19	12,657,850	9,774,320	8,772,270	16,859,580
Total sales	Nov. 19	13,207,630	10,217,350	9,146,070	17,580,900
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 19	1,727,660	1,117,710	1,143,480	2,038,080
Short sales	Nov. 19	245,270	206,980	193,280	419,100
Other sales	Nov. 19	1,345,820	931,090	1,059,100	1,570,610
Total sales	Nov. 19	1,591,090	1,138,070	1,252,380	1,989,710
Other transactions initiated on the floor—					
Total purchases	Nov. 19	375,620	237,600	229,470	613,000
Short sales	Nov. 19	47,400	29,300	18,240	32,330
Other sales	Nov. 19	346,980	267,210	222,020	601,210
Total sales	Nov. 19	394,380	296,510	240,260	633,540
Other transactions initiated off the floor—					
Total purchases	Nov. 19	703,430	504,040	501,050	715,300
Short sales	Nov. 19	94,800	88,800	44,870	92,520
Other sales	Nov. 19	614,402	490,463	417,730	717,234
Total sales	Nov. 19	709,202	579,263	462,600	809,754
Total round-lot transactions for account of members—					
Total purchases	Nov. 19	2,806,710	1,859,350	1,874,000	3,366,380
Short sales	Nov. 19	387,470	325,080	256,390	543,950
Other sales	Nov. 19	2,307,202	1,685,763	1,698,850	2,889,054
Total sales	Nov. 19	2,694,672	2,013,843	1,955,240	3,433,004
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 6	111.1	*111.1	111.2	109.4
Farm products	Dec. 6	84.0	83.9	85.2	90.9
Processed foods	Dec. 6	98.0	98.2	99.0	103.4
Meats	Dec. 6	72.4	72.9	75.6	84.7
All commodities other than farm and foods	Dec. 6	119.3	119.2	119.1	114.7

*Revised figure. ‡Includes 808,000 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
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of November (in millions):			
Total new construction	$3,569	$3,903	$3,329
Private construction	2,584	2,724	2,358
Residential building (nonfarm)	1,374	1,455	1,293
New dwelling units	1,245	1,315	1,175
Additions and alterations	98	109	96
Nonhousekeeping	31	31	22
Nonresidential building (nonfarm)	716	730	564
Industrial	224	220	178
Commercial	297	311	203
Office buildings and warehouses	110	105	90
Stores, restaurants and garages	187	206	113
Other nonresidential building	195	199	183
Religious	67	69	59
Educational	45	45	48
Social and recreational	21	22	21
Hospital and institutional	28	30	29
Miscellaneous	34	33	26
Farm construction	95	113	106
Public utilities	388	415	383
Railroad	30	32	28
Telephone and telegraph	60	60	55
Other public utilities	298	323	300
All other private	11	11	12
Public construction	985	1,179	971
Residential building	20	21	22
Nonresidential building	317	351	366
Industrial	34	42	104
Educational	200	212	185
Hospital and institutional	25	28	28
Other nonresidential building	58	69	49
Military facilities	127	134	95
Highways	345	475	320
Sewer and water	89	97	83
Miscellaneous public service enterprises	24	32	16
Conservation and development	50	54	58
All other public	13	15	11
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S construction	$1,369,127	$1,525,503	$1,214,582
Private construction	994,787	993,961	674,148
Public construction	404,340	531,542	540,434
State and municipal	294,380	400,902	408,091
Federal	109,960	130,640	132,343
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Sept. 30:			
Total consumer credit	$34,293	$33,636	$28,856
Instalment credit	26,699	26,155	21,935
Automobile	13,929	13,547	10,365
Other consumer goods	5,848	5,762	5,287
Repair and modernization loans	1,611	1,589	1,642
Personal loans	5,311	5,257	4,641
Non-instalment credit	7,594	7,481	6,921
Single payment loans	2,657	2,629	2,335
Charge accounts	3,108	3,019	2,807
Service credit	1,829	1,833	1,779
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,689,369	1,065,530	1,959,057
Crushed (tons)	707,751	494,196	1,503,092
Stocks (tons) Oct. 31	1,898,398	916,780	683,980
Crude Oil—			
Stocks (pounds) Oct. 31	155,640,000	87,689,000	105,742,000
Produced (pounds)	236,807,000	159,431,000	219,744,000
Shipped (pounds)	152,131,000	103,998,000	170,682,000
Refined Oil—			
Stocks (pounds) Oct. 31	283,477,000	273,143,000	817,314,000
Produced (pounds)	140,847,000	96,846,000	161,362,000
Consumption (pounds)	125,255,000	101,707,000	148,136,000
Cake and Meal—			
Stocks (tons) Oct. 31	170,721	150,240	243 422
Produced (tons)	328,503	233,349	330,412
Shipped (tons)	308,022	252,812	291,966
Hulls—			
Stocks (tons) Oct. 31	90,994	60,332	86,157
Produced (tons)	153,310	106,390	144,362
Shipped (tons)	122,648	91,808	132,639
Linters (running bales)—			
Stocks Oct. 31	227,562	185,200	199,049
Produced	432,202	308,514	224,466
Shipped	389,840	277,760	184,827
Hull Fiber (1,000-lb. bales)—			
Stocks Oct. 31	492	397	1,262
Produced	1,378	1,170	2,531
Shipped	1,283	1,007	2,027
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Oct. 31	4,690	2,796	4,881
Produced	2,740	1,831	3,230
Shipped	846	821	2,101
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Oct. 29	22,194,000	22,257,000	22,601,000
Spinning spindles active on Oct. 29	19,302,000	19,243,000	19,295,000
Active spindle hours (000's omitted) Oct. 29	9,512,000	11,363,000	9,042,000
Active spindle hours per spindle in place Oct.	475.6	454.5	457.8
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Nov.:			
Industrials (125)	3.96	3.96	4.29
Railroads (25)	4.97	5.34	5.43
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.55	4.62	4.60
Banks (15)	4.09	4.16	4.26
Insurance	2.63	2.73	2.74
Average (200)	4.09	4.12	4.39
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 30	$280,189,391	$279,865,604	$278,887,507
General fund balances	5,118,945	5,313,658	7,303,761
Net debt	$275,070,446	$274,551,946	$271,583,746
Computed annual rate	2.425%	2.416%	2.300%
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Nov. 30 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	280,136,379	279,817,534	278,853,086
Guaranteed obligations not owned by the Treasury	53,011	48,069	34,420
Total gross public debt and guaranteed obligations	$280,189,391	$279,865,604	$278,887,507
Deduct—other outstanding public debt obligations not subject to debt limitation	476,425	477,740	530,173
Grand total outstanding	$279,712,965	$279,387,864	$278,357,334
Balance face amount of obligations, issuable under above authority	1,287,034	1,612,135	2,642,665

Digitized for FRASER
http://fraser.stlouisfed.org/

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

A breakdown of the sources of net income before taxes of a group of fire and casualty insurance stocks for two five-year periods gives interesting results. It is a comparison for 1945-1949 and 1950-1954, inclusive, of the percentages of net derived from underwriting operations and from investment activities. The table gives, for both five-year periods, and before Federal income taxes, the Ratio of Adjusted Underwriting Gain to Total Net Earnings, and the Ratio of Net Investment Income to Total Net Earnings. In other words, what percentage of total net came from underwriting and what percentage from investment income?

	Ratio Adjusted Underwriting Gain to Total Net Earnings		Ratio Net Investment Income to Total Net Earnings	
	1945-49	1950-54	1945-49	1950-54
Aetna Casualty	45%	49%	55%	51%
Aetna Insurance	55	33	45	67
Agricultural	30	43	70	57
American Insurance	54	31	46	69
American Surety	39	*	61	273
Bankers & Shippers	64	64	36	36
Boston Insurance	14	28	86	72
Continental Casualty	71	64	29	36
Continental Insurance	50	29	50	71
Federal Insurance	69	66	31	34
Fidelity & Deposit	74	64	26	36
Fidelity Phenix	49	28	51	72
Fire Association	50	4	50	96
Fireman's Fund	59	34	41	66
Firemen's Insurance	52	22	48	78
General Reinsurance	*	35	104	65
Glens Falls	59	52	41	48
Great American	43	27	57	73
Hanover Fire	37	38	63	62
Hartford Fire	67	56	33	44
Home Insurance	54	12	46	88
Insur. Co. No. America	48	43	52	57
Massachusetts Bonding	13	*	87	134
National Fire	29	33	71	67
National Union	51	39	49	61
New Amsterdam	50	10	50	90
New Hampshire	17	13	83	87
Northern Insurance	58	45	42	55
North River	48	42	52	58
Pacific Fire	60	61	40	39
Phoenix Insurance	44	37	56	63
Providence Washington	44	*	56	**
St. Paul	60	41	40	59
Seaboard Surety	74	72	26	28
Security Insurance	45	27	55	73
Springfield	50	43	50	57
Standard Accident	63	58	37	42
U. S. Fidel. & Guaranty	70	53	30	47
U. S. Fire	51	40	49	60
Westchester	52	46	48	54

*Loss in adjusted underwriting.

**Loss in adjusted underwriting greater than to offset net investment income.

Probably the most noticeable thing in this tabulation is that, with only a few exceptions, adjusted underwriting gains in relation to total earnings before Federal taxes, were at a higher figure in the 1944-1949, inclusive, period than in the later five years. And conversely, the share of total net earnings ascribable to investment income was for a large majority of the companies greater in the later years. In the two periods, the industry underwriting profit margin did not differ much. The average figures were 6.2% and 5.8%, respectively, to 1945-1949 and 1950-1954. The shift was in part at least due to the incidence in the later span of considerably more in dividend receipts because of the higher corporate earnings. But probably not all of the shift has been due to this factor. The mutuals have been taking a somewhat increasing share of the premium volume, which also tends to make it appear that companies in this list are edging over into the investment trust field.

Another point brought out by the tabulation is that in most instances the stocks that show up better under the various tests that have been discussed in this space (underwriting profit margin, gain to the stockholder over a long period, etc.) show a relatively high proportion of net as coming from underwriting operations. And this is as it ought to be, for the primary function of a fire or casualty insurance company is its underwriting activities; investing is a secondary facet to underwriting. And, under sustained economic recessions, the underwriting part of the business may very well suffer less than investment activities.

Guaranty Trust Co.
New York

Bulletin On Request

Laird, Bissell & Meeds
Members New York Stock Exchange
Members American Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)
Specialists in Bank Stocks

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26 Bishopsgate, London, E. C. 2.
West End (London) Branch: 13, St. James's Square, S. W. 1.
Branches in India, Pakistan, Ceylon, Burma, Aden, Kenya, Tanganyika, Uganda, Zanzibar, and Somaliland Protectorate.
Authorized Capital—£4,562,500
Paid-Up Capital—£2,851,562
Reserve Fund—£3,104,687
The Bank conducts every description of banking and exchange business.
Trusteeships and Executorships also undertaken

Continued from page 22

News About Banks & Bankers

tion is the fee it regularly receives as trustee or investment agent for each participating trust. It is added: City National this week received written approval of its two special funds from the Treasury Department and thus becomes the first bank in Kansas City to provide collective investment facilities for employee trusts.

* * *

Establishment of a new statewide banking service to help small and growing businesses was announced over the week-end by Mills B. Lane, Jr., President of the **Citizens & Southern National Bank, of Atlanta, Ga.** Known as the **Small Business Service Department,** the new function will be under the general direction of John E. Parkerson, C&S Vice-President in Atlanta. It will provide small and growing businesses with help on record keeping, management problems, pension and profit sharing plans, plant or office locations, and specialized lending services. Each of the 22 C&S banks and offices in the state it is made known has set up a separate department under the direction of an officer specially trained for the job. "Larger firms employ specialists to help them in these fields," Mr. Lane said. "Our aim is to give smaller local firms the kind of assistance they require but now find it difficult to get." The new department is an outgrowth of a 10-year-old program, started in Atlanta, with the purpose of developing new loan techniques to help growing businesses which can make repayments periodically out of income over a number of months more conveniently than lump sum repayments within 30 to 90 days. It is said to be the first of its kind in the Southeast. According to Mr. Lane, establishment of this new department is part of the bank's efforts to help build greater opportunities and markets in the state. Since October of 1952, he pointed out, the C&S has operated a full-time Industrial Development Department. Officers in charge of the C&S Small Business Service Departments have undergone special training since September in a school organized by Mr. Parkerson. In the Atlanta area, C&S Small Business Service officers appointed are: William R. Hoffman; William A. Fisher; Frank Barnes; W. H. Gilbert; Edwin H. Baggett; John McIntyre; Joel King; Hubert Harris; J. Harrison Hopkins and W. Barrett Howell. Outside Atlanta, those named were: Hal Hoerner, Savannah; Clyde Dean, Albany; Joe Wickliffe, Athens; James Sartor, Jr., Augusta; Winfield Simmons, Dublin; R. Woodrow Smith, LaGrange; Robert E. Atwater, Macon; A. Penniman Wells, Newman; James P. Culpepper, Jr., Thomaston and William H. Rogero, Valdosta.

* * *

Plans of the **First Western Bank & Trust Company of San Francisco,** to enter Crescent City, California's northernmost port city, were revealed Dec. 6, when T. P. Coats, Chairman of the Board, announced that the bank had filed a formal application with the State Banking Department for permission to open an office there. In addition to the State Superintendent of Banks, First Western's Crescent City application is subject to the approval of the Federal Deposit Insurance Corporation. Crescent City is the county seat and principal city of Del Norte County.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market is still dominated by the operations of the Treasury, with the refunding and the new money raising venture having its effect upon the action of government securities. Short-term rates have advanced because the money is not yet available to take these securities in the volume in which they have been offered. This is ample evidence that the monetary authorities continue to keep the pressure on interest rates in their endeavor to limit the availability of credit. The tight money market, and the uptrend in near-term rates, brings with it the question as to what will happen to the "Prime Bank Rate" and the rediscount rate.

The long-end of the government list is still getting a fair amount of buying, with public pension funds supplying the bulk of this support. Switching is just as prominent as ever, with some of the intermediate-term maturities now getting more buying attention than has been the case in the past.

Deposit Banks "Overbid" for New Tax Bills

The reception which was tended to the tax anticipation bills was not dissimilar to that which was received by the refunding obligations. There is no question but that the tightness of the money market is the answer to what has taken place in these two operations of the Treasury. When money is not available for investment in selected issues of government securities, yields have a tendency to seek higher levels. Even though there was supposed to be some advantage in paying for the tax anticipation bills through the use of the tax and loan account, quite a few of the deposit banks did not go along with it this time. It is reported that certain of these institutions put in bids which were higher than those accepted by the Treasury in the new money phase of its financing, and as a result they did not get the tax anticipation bills in the original offering by the government.

On the other hand, these deposit banks which missed the "tax bills," because their bids were too high, went into the open market and bought them at much better yields than were available in the direct subscriptions to the Treasury. Some of the banks which acquired the new tax anticipation bills in the open market believe the yields they obtained them at, more than offset the advantage of carrying them in the tax and loan account through direct subscription to the Treasury offering.

Credit Squeeze Continues

The Federal Reserve Banks again gave a modest amount of help to the money market, largely because of the operation by the Treasury. Nonetheless, the squeeze is still on and there are no indications yet of any major change in policy by the powers that be. The short-term market is feeling the full effects of the pressure which is being put on, and as long as economic conditions are as strong as they are, no relief appears to be in sight. Whether or not there will be further upward adjustments in rates is purely a matter of conjecture. There has been talk of another advance in the "Prime bank rate" and the rediscount rate may even be raised again.

However, it seems as though these two rates will not be changed for a while yet, because after the turn of the year there should be developments which have in the past tended to ease the money market. The return flow of currency and the repayment of loans usually have the effect of taking some of stringencies away from the money market.

What Will Happen When Money Stringency Eases

The important point of the discussion at the present time appears to be what the monetary authorities will do to counteract the forces which will have a tendency to remove some of the strain which is on the money market. To be sure, the Federal Reserve Banks do not have too large holdings of Treasury bills, and there appears to be some question as to whether or not the sale of these securities by the Central Banks would be adequate to offset the return flow of currency from circulation and the repayment of loans, early next year, in order to still keep the pressure on the money market. Although the Central Banks are not overloaded with Treasury bills, they do have sizable holdings of Treasury certificates and it seems as though the Federal Reserve Banks would not hesitate to dispose of some of these issues also in order to offset the forces which would tend to bring about ease in the money market.

There appears to be no doubt about the ability of the monetary authorities to carry out the present policies or their having the wherewithal to keep the money market tight. It is evident that the financial district should not be looking for any important changes in the action of the money authorities, as long as the pressure of the boom continues, even though 1956 is a new year.

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif.—Paul A. Philbin is now affiliated with Walston & Co., 1028 Eleventh St.

Joins Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Stuart E. Power has joined the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

U. S. TREASURY
STATE, MUNICIPAL
and
PUBLIC REVENUE
SECURITIES

AUBREY G. LANSTON & CO.
INCORPORATED
15 BROAD ST., NEW YORK 5
WHitehall 3-1200
231 So. La Salle St. CHICAGO 4 ST 2-9490
45 Milk St. BOSTON 9 HA 6-6463

gitized for FRASER
tp://fraser.stlouisfed.org/

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.

★ **American Business Research, Inc.**
Dec. 9 (letter of notification) 19,000 shares of non-cumulative, preferred stock. **Price** — At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Office**—8002 Wisconsin Ave., Bethesda, Md. **Underwriter**—G. J. Mitchell, Jr., Co., 1420 New York Ave., N.W., Washington, D. C.

★ **American Trusteed Funds, Inc.**
Dec. 7 filed an additional $1,000,000 in Lexington Trust Fund Shares. **Price**—At market. **Proceeds**—For investment.

★ **Applied Research Laboratories, Glendale, Calif.**
Dec. 6 (letter of notification) 1,576 shares of capital stock (par $1) and 71 shares of class B stock (par $1) to be issued pursuant to stock options. **Price**—$8.55 per share. **Proceeds**—For working capital. **Office**—3717 Park Place, Glendale, Calif. **Underwriter**—None.

Dec. 6 (letter of notification) 921 shares of capital stock and 82 shares of class B stock to be issued pursuant to stock options at $7.96 per share, and 247 shares of class B stock to be offered at the cash price of $7.60 per share. **Proceeds**—For working capital. **Underwriter**—None.

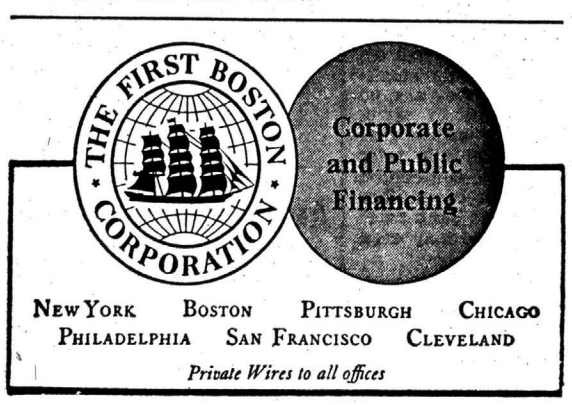
★ **Argyle Mining & Milling Corp., Silverton, Colo.**
Dec. 6 (letter of notification) 30,300 shares of common stock (par $1) and 1,047 shares of preferred stock (par $100), of which 8,250 shares of common stock are to be offered to Imperial Mining Corp., and 22,050 common shares and the 1,047 shares of preferred stock to Pride Mill, Inc. **Price**—Of preferred, at par; and of common, at not less than $2 or more than $5 per share. **Proceeds**—For working capital. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Assateague Island Bridge Corp. (Md.)
Oct. 7 filed 100,000 shares of 5% cumulative preferred stock to be offered primarily to members of the Ocean Beach Club, Inc. **Price**—At par ($10 per share). **Proceeds**—For construction of bridge across Sinepuxent Bay from the Worcester County (Md.) mainland to Assateague Island. **Office**—Washington, D. C. **Underwriter**—None.

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.

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. Statement effective Dec. 7.

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.

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.

★ **Caliana Oil Corp., La Grange, Ind.**
Dec. 7 (letter of notification) 3,000 shares of common stock. **Price**—$25 per share. **Proceeds**—For oil development. **Office**—115½ So. Detroit St., La Grange, Ind. **Underwriter**—Richard C. Barber, Secretary-Treasurer, Box 154 Milford, Ind.

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.

★ **Caramba Mokafe Corp. of America**
Dec. 8 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For equipment, inventories and working capital and other general corporate purposes. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—None.

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. (12/21)**
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. 9 in units of $50 of notes and one share of stock; rights to expire on Jan. 4. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to repay bank loan and for new construction. **Underwriters**—White, Weld & Co., New York; First California Co., San Francisco, Calif., and Blanchett, Hinton & Jones, Inc., Seattle, Wash.

Century Acceptance Corp., Kansas City, Mo.
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of non-assessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

• **Channel Oil Co., Las Vegas, Nev.**
Oct. 18 filed (by amendment) 435,000 shares of $1.20 cumulative preferred stock (callable at $20 per share) and 870,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred stock and two shares of common stock. **Price**—$20.20 per unit. **Proceeds** — For production of production payments. **Underwriters**—First California Co., Inc., San Francisco, Calif.; and Blair & Co., Incorporated, New York. **Change of Name** — Formerly Continental Production Corp. Statement has been withdrawn.

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.

★ **Clary Sales & Supply Corp., San Gabriel, Calif.**
Dec. 7 (letter of notification) 51,167 shares of capital stock (par $1) to be offered for subscription by stockholders on the basis of one new share for each share held as of Dec. 5, 1955. **Price**—$3 per share. **Proceeds**—To finance principally the purchase of instalment contracts from Clary Corp. **Office**—408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

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. (2/1)**
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.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/

● **Cuba (Republic of) (12/19-22)**
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.

★ **Cubana Mobile Homes, Inc., Cuba, N. Y.**
Dec. 8 (letter of notification) 750 shares of common stock, 1,000 shares of first preferred stock and 750 shares of second preferred stock. **Price**—At par ($100 per share). **Proceeds**—To purchase a site, erect manufacturing facilities, buy equipment and inventory and pay for work in process. **Office**—c/o Edmund J. Rouse, President, 84 Schuyler St., Belmont, N. Y. **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.

★ **Dennis Run Corp., Oil City, Pa.**
Nov. 28 (letter of notification) 46,000 shares of common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To pay bank loans and debts; and for working capital. **Office**—40 National Transit Bldg., Oil City, Pa. **Underwriter**—Grover O'Neill & Co., New York.

Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

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.

★ **Electronic Products Corp., Santa Barbara, Calif.**
Dec. 7 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For purchase of additional machine tools and to increase working capital. **Office**—322 State St., Santa Barbara, Calif. **Underwriter**—None.

★ **Fabulous Fashions From Las Vegas, Inc.**
Dec. 6 (letter of notification) 70,000 shares of 6% non-participating class A preferred capital stock (par $3.50) and 70,000 shares of class B common stock (par 25 cents) to be offered in units of four shares of each class of stock. **Price**—$15 per unit. **Proceeds**—For inventory, equipment and working capital. **Office**—203 Bridger St., Las Vegas, Nev. **Underwriter**—Edith B. Gates, Las Vegas, Nevada.

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.

★ **Federal Oil Co., Newark, N. J. (12/29)**
Dec. 6 (letter of notification) 99,500 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital and subsequently to defray cost of acquisition of Economy Service, Inc. **Office**—415 Raymond Blvd., Newark, N. J. **Underwriter**—S. D. Fuller & Co., New York.

★ **Financial Security Life Insurance Co., Ltd.**
Dec. 5 (letter of notification) 139,606 shares of common stock (par $1) to be offered first to stockholders under preemptive rights. **Price**—$1.50 per share. **Proceeds**—For capital and surplus. **Office**—864 South Beretania St., Honolulu, Hawaii. **Underwriter**—None.

★ **Fireball Uranium Mines, Inc., Moab, Utah**
Dec. 7 (letter of notification) 225,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For mining expenses. **Office**—275 North Main St., Moab, Utah. **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. Statement has been withdrawn.

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.

★ **Gary-Elliot Salons, Inc.**
Dec. 9 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$3.75 per share. **Proceeds**—For establishment of new Gary-Elliot Salons and for operating and working capital. **Office** — 1211 Chestnut St., Philadelphia, Pa. **Underwriter**—Keystone Securities Co., Inc., same city.

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.
Oct. 3 (letter of notification) $300,000 of 10 year 8% debentures. **Price**—At par (in denominations of $100, $500, $1,000 and $5,000). **Proceeds** — For purchase of commercial paper. **Office**—4309 N. W. 36st St., Miami Springs, Fla. **Underwriter**—None.

★ **General Electronics Distributors, Inc.**
Dec. 7 (letter of notification) 2,000 shares of common stock (par $25). **Price**—$37 per share. **Proceeds**—To increase working capital and inventories, reduce current borrowings and for other corporate purposes. **Office**—735 Main St., Wheeling, W. Va. **Underwriter**—None.

★ **General Public Service Corp. (1/4)**
Dec. 12 filed 1,652,176 shares of common stock (par 10¢) to be offered for subscription by stockholders of record Jan. 4, 1956, at the rate of one new share for each two shares then held (warrants are expected to be mailed to stockholders on that date). **Price**—To be supplied by amendment. **Proceeds**—To add investments in the company's portfolio. **Underwriter**—Stone & Webster Securities Corp., New York.

● **Georesearch, Inc. (12/20-22)**
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.

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.

★ **Green Bay Drop Forge Co.**
Dec. 8 (letter of notification) $200,000 of 5% first mortgage serial bonds, due Dec. 1, 1961. **Price**—At par and accrued interest. **Proceeds**—For general corporate purposes. **Office**—1341 State St., Green Bay, Wis. **Underwriter**—None.

★ **Group Securities, Inc., Jersey City, N. J.**
Dec. 13 filed 1,000,000 additional shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **Underwriter**—None.

Continued on page 144

NEW ISSUE CALENDAR

December 15 (Thursday)

Southern Pacific Co.—**Equip. Trust Ctfs.**
(Bids noon EST) $9,600,000

December 16 (Friday)

Southwestern States Telephone Co.—**Common**
(Central Republic Co. Inc.) 100,000 shares

December 19 (Monday)

Cuba (Republic of)—**Bonds**
(Allen & Co.) $2,000,000

Industrial Plywood Co., Inc.—**Common**
(Standard Securities Corp. and Weill, Blauner & Co., Inc.) $300,000

December 20 (Tuesday)

Georesearch Corp.—**Common**
(Bear, Stearns & Co. and Keith, Reed & Co. Inc.) 400,000 shares

December 21 (Tuesday)

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 27 (Tuesday)

International Metals Corp.—**Common**
(Gearhart & Otis, Inc.) $400,000

December 28 (Wednesday)

Zapata Petroleum Corp.—**Common**
(G H. Walker & Co.) 120,000 shares

December 29 (Thursday)

Federal Oil Co.—**Common**
(S. D. Fuller & Co.) $299,700

January 4 (Wednesday)

General Public Service Corp.—**Common**
(Offering to stockholders—to be underwritten by Stone & Webster Securities Corp.) 1,652,176 shares

Maine Fidelity Life Insurance Co.—**Common**
(P. W. Brooks & Co., Inc.) $1,000,000

McLean Industries, Inc.—**Common**
(White, Weld & Co.) 240,000 shares

Outboard, Marine & Manufacturing Co.—**Common**
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 213,845 shares

January 5 (Thursday)

Magnavox Co.—**Preferred**
(Reynolds & Co.) $6,000,000

January 11 (Wednesday)

New Orleans Public Service Inc.—**Preferred**
(Bids 11:30 a.m. EST) $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 1 (Wednesday)

Colohoma Uranium, Inc.—**Common**
(General Investing Corp.) $1,000,000

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

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 143

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

Helio Aircraft Corp., Canton, Mass.
Nov. 3 (letter of notification) 24,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For administrative and engineering expenses. **Office** — Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—None.

Home Acceptance Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) $300,000 of 25-year 6% junior subordinated debentures due Oct. 1, 1980. **Price**—At par (in denominations of $1,000, $500 and $100). **Proceeds**—For working capital. **Office**—837 South Maine St., Salt Lake City, Utah. **Underwriter**—Edward L. Burton & Co., same city.

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.

★ **Incorporated Mortgage Investors, Washington, D. C.**
Dec. 7 (letter of notification) $233,000 of 8% registered debentures, due Jan. 1, 1976, and 58,250 shares of common stock (par $1) to be offered in units of one $100 debenture and 25 shares of stock. **Price**—$125 per unit. **Proceeds**—To be invested in the mortgage investment portfolio. **Office**—1012 H St., N. W., Washington, D. C. **Underwriter**—Federal Investment Co., same city.

Indian Monument Uranium Mining Corp.
Sept. 6 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—205 Byington Building, Reno, Nev. **Underwriter**—Richard L. Dineley, same address.

● **Industrial Plywood Co., Inc. (12/19)**
Nov. 30 (letter of notification) 100,000 shares of common stock (par 25 cents) (with stock purchase warrants attached entitling purchasers of each five shares to buy one additional share of stock at $5 per share). **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. Securities Corp., 76 Beaver St., New York, N. Y.

● **International Metals Corp. (12/27-29)**
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter**—Rassco Israel Corp., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York New York.

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.

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 non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

★ **Magnavox Co. (1/5-12)**
Dec. 9 filed 120,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — For larger inventories and additional working capital. **Underwriter** — Reynolds & Co., New York.

● **Maine Fidelity Life Insurance Co. (1/4)**
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.

★ **McLean Industries, Inc. (1/4)**
Dec. 9 filed 240,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—$583,000 to exercise an option to repurchase 210,000 shares of its common stock; and to assist in the financing of a proposed trailership construction program to be undertaken by Pan-Atlantic Steamship Corp., a subsidiary. **Underwriter**—White, Weld & Co., New York.

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. Statement effective Dec. 6.

★ **Mineral Projects-Venture B, Ltd. (N. J.)**
Dec. 7 (letter of notification) $250,000 of limited partnership interests. **Price**—At par (in minimum units of $5,000 each). **Price** — To acquire, explore and develop mineral properties. **Underwriter**—The Oil and Gas Co., 55 Green Village Road, Madison, N. J.

★ **Mio Dio Uranium Corp., Denver, Colo.**
Dec. 7 (letter of notification) 1,800,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office** — 320 Denver Club Bldg., Denver, Colo. **Underwriter**—None.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of non-assessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

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.**
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering**—Expected momentarily.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

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 Idea Marketers, Inc.**
Dec. 5 (letter of notification) 300,000 shares of 8% cumulative preferred stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Offices**—900 Market St., Wilmington, Del., and 42 North Lotus St., Pasadena, Calif. **Underwriter**—None.

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 to be received up to 11:30 a.m. (EST) 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.

★ **Northeast Investors Trust, Boston, Mass.**
Dec. 9 filed (by amendment) an additional 50,000 shares of Beneficial Interest in the Trust. **Price**—At market. **Proceeds**—For investment.

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.

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

Digitized for FRASER
http://fraser.stlouisfed.org/

stockholders, $9.50 per share; to public $10 per share. **Proceeds**—For expansion program. **Business**—Manufactures household furniture. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Texas.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

Pacific 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.

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.

★ **Preston Moss Fund, Inc., Boston, Mass.**
Dec. 14 filed 20,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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.

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.

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.

★ **San-O-Let Service, Inc.**
Dec. 9 (letter of notification) 200,000 shares of common stock (par 10 cents) and 100,000 shares of cumulative preferred stock (par $1). **Price**—$1 per share for both issues. **Proceeds** — For expansion and other corporate purposes. **Office**—2600 Broadway Ave., S.E., Albuquerque, N. M. **Underwriter**—D. W. Falls, President of company.

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. **Offering**—Expected soon.

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.

Sheraton Corp. of America
Oct. 31 filed $15,000,000 of 6½% cumulative income subordinated debentures due Nov. 1, 1980 to be offered initially by the company (a) to its stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock then held and (b) to employees of corporation and its subsidiaries. **Price**—$95 per $100 of debentures to stockholders; and at par to public. **Proceeds**—For general corporate purposes. **Office**—Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales.

Shumway's Broken Arrow Uranium, Inc.
Nov. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Moab, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Salt Lake City, Utah.

Southern Mining & Milling Co., Atlanta, Ga.
Sept. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Offices**—Healey Building, Atlanta Ga., and 4116 No. 15th Avenue, Phoenix, Ariz. **Underwriter** — Franklin Securities Co., Atlanta, Ga.

● **Southwestern States Telephone Co. (12/16)**
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.

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.

★ **Starrett (L. S.) Co., Athol, Mass.**
Dec. 13 filed 25,000 shares of common stock (no par) to be offered from time to time to employees (up to 20,000 shares pursuant to Stock Option Plan and 5,000 shares pursuant to Stock Purchase Plan).

★ **Stone (E. B.) Finance Co., Inc., Charlotte, N. C.**
Dec. 8 (letter of notification) 9,000 shares of 6% cumulative preferred stock (par $25) and 6,000 shares of class A common stock (par $5). **Price**—For preferred, at par; and for common, $12.50 per share. **Proceeds**—From sale of preferred, for working capital; from sale of common, to Pauline Phillips Stone, a director, who is the selling stockholder. **Office**—910 So. Tryon St., Charlotte, N. C. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. 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.

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.

★ **Summit Uranium & Oil Corp.**
Dec. 9 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds** — For mining expenses. **Office**—1210 Luisa St., Santa Fe, N. M. **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**—720 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

★ **Tenison Drilling Co., Inc., Billings, Mont.**
Dec. 12 filed 400,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—For drilling test costs, payment of notes and accounts payable and loans and for general working capital. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

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 Eastern Transmission Corp.**
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. **Offering**—Postponed until After Jan. 1, 1956.

★ **Tonopah Quicksilver, Inc., Tonopah, Nev.**
Dec. 5 (letter of notification) 375,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—c/o L. B. Sammons, President, P. O. Box 1042, Tonopah, Nev. **Underwriter**—None.

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.

Continued on page 146

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 145

★ Underwriters Factors Corp.
Dec. 7 (letter of notification) 29,500 shares of 6⅜% participating convertible preferred stock (par $10) and 2,950 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $100.01 per unit. **Proceeds** — To increase working capital. **Office** — 51 Vesey St., New York, N. Y. **Underwriter**—New York and American Securities Co., 90 Wall St., New York, N. Y.

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.

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.

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.

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 non-assessable common stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office** — 718 Title Guarantee Bldg., Birmingham, Ala. **Underwriter**—Graham & Co., Pittsburgh, Pa. and Birmingham, Ala.

★ Western States Refining Co.
Dec. 14 filed $1,050,000 10-year 6% sinking fund debentures due Jan. 1, 1966, and 105,000 shares of common stock (par 25 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$52.50 per unit. **Proceeds**—For construction and installation of a Houdriformer cracking unit; expansion of refinery; to repay outstanding obligations; and for working capital. **Office**—North Salt Lake, Utah. **Underwriter**—J. Barth & Co., San Francisco, Calif.

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.

★ Wy-Cal Uranium Enterprises, Inc., Lander, Wyo.
Dec. 6 (letter of notification) 273,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—268 Main St., Lander, Wyo. **Underwriter**—Valley State Brokerage, Inc., 2520 South State St., 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.

★ York Financial Corp.
Dec. 7 (letter of notification) $150,000 of 10% five year debentures and 9,998 shares of class A stock (par $1). **Price**—At par (in denominations of $1,000 each) for debentures; and $10 per share for stock. **Proceeds**—For working capital. **Office**—475 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

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. **Underwriter**—Van Alstyne, Noel & Co., New York. **Offering**—Expected before end of 1955 or early in January.

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. **Underwriter**—May be The First Boston Corp., New York.

★ Chemical Corn Exchange Bank, New York
Dec. 8 it was announced stockholders will vote Jan. 17 on approving a proposal to offer to stockholders 590,425 additional shares of capital stock on a 1-for-8 basis.

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 130,000 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. 20.

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.

NIGHT & DAY

Conveniently located in the heart of New York's great financial district, Pandick Press, Inc. is "open for business" 24 hours a day, 7 days a week.

NIGHT & DAY *Service is one of the reasons "Printed by Pandick" guarantees the finest and most complete printing service available.*

Pandick Press, Inc.
Established 1923
22 THAMES ST., NEW YORK 6 WOrth 4-2900 NY 1-3167
71 CLINTON ST., NEWARK, N. J. MArket 3-4994

Digitized for FRASER
http://fraser.stlouisfed.org/

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.

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.

Modern Homes Corp. (Mich.)
Nov. 21 it was reported company may offer publicly 1,000,000 of convertible debentures and some common stock. **Business** — Manufactures prefabricated homes. **Offices**—Dearborn, Mich., and Port Jervis, N. J. **Underwriter**—Probably Campbell, McCarty & Co., Inc., Detroit, Mich.

New 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 $55,263,000 par value 6% 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) $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.) (2/29)
Dec. 12 it was reported that company plans to issue and sell some additional common stock (probably first to stockholders). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., and Kuhn, Loeb & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; White, Weld & Co. and Glore, Forgan & Co. **Bids**—Expected to be received on Feb. 29.

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. (1/4)
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 or about Jan. 4, 1956. 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.

★ Textron American, Inc.
Dec. 8 the directors announced that a public offering of $30,000,000 debentures is expected to be made with an interest rate not to exceed 5% and initially convertible into common stock at a price not less than $30 per share. **Proceeds** — To expand non-textile diversification program. **Underwriter** — Blair & Co. Incorporated, New York. **Offering**—Expected in January.

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.

★ U. S. Petrofina Corp.
Dec. 12 it was reported company plans some new financing, but details are not yet available. **Underwriters**—White, Weld & Co., Blyth & Co., Inc. and Hemphill, Noyes & Co., all of New York.

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.

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

New Jersey Bell Tel. Debentures Offered

Halsey, Stuart & Co. Inc. and associates are offering $25,000,000 New Jersey Bell Telephone Co. 30-year 3⅜% debentures, due Dec, 1, 1995, at 100.99% and accrued interest, to yield 3.33%.

Award of the issue was won by the underwriters at competitive sale yesterday (Dec. 14) on a bid of 100.36%.

Net proceeds from the sale of the debentures will be used by the company to prepay advances from the parent organization, American Telephone & Telegraph Co., which are expected to approximate $20,500,000 at the time the proceeds are received. The balance of the proceeds will be used for general corporate purposes.

The debentures are to be redeemable at optional redemption prices ranging from 103.99% to par, plus accrued interest.

New Jersey Bell Telephone Co. is engaged in the business of furnishing communication services, mainly telephone service, in the State of New Jersey. On June 30, 1955, the company had 2,155,198 telephones in service, of which about two-thirds were in the northeastern part of the State in the counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union. The company furnishes toll service within New Jersey and between points within and points outside of the state in conjunction with other companies. Services of the company also include teletype - writer exchange service, mobile radio - telephone service, and services and facilities for private line telephone or teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the six months ended June 30, 1955, the company had total operating revenues of $110,871,570 and net income of $12,056,107.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Oliver C. Frykholm is now with Minneapolis Associates, Rand Tower.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Geo. A. deUrioste is now with Harris, Upham & Co., 232 Montgomery Street.

With Norman F. Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Maurice Mostyn-Brown is with Norman F. Dacey & Associates, 114 State Street.

With J. R. Williston Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—George R. Murphy is now with J. R. Williston & Co., 631 71st Street.

Two With P. de Rensis

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — P. Frank Mongiello and Rocco Parisi are now with P. de Rensis & Co., 126 State Street.

With Eaton & Howard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George S. Bissell has become connected with Eaton & Howard, Incorporated, 24 Federal Street.

Digitized for FRASER
http://fraser.stlouisfed.org/

Fund Plans Reach Peak

The popularity of plans for the regular purchase of mutual fund shares was at an all-time high in November as investors opened 11,495 new accumulation accounts, according to the National Association of Investment Companies.

Reporting on its 125 open-end member companies, the Association revealed that in the first 11 months of 1955, investors have opened 105,452 new accumulation accounts, a number substantially in excess of any entire previous year.

As of Nov. 30, net assets of the Association's open-end member companies amounted to $7,759,865,000, as against total assets of $7,216,241,000 at the end of October, 1955.

For the sixth consecutive month this year, new share sales topped $90,000,000, totalling $95,350,000 in November, compared with $91,528,000 in October. Share purchases by investors through Nov. 30 amounted to $1,103,919,000, as against $862,817,000 for all of 1954, a record year.

Share redemptions dropped in November to $30,879,000 from $32,346,000 redeemed by investors in October. Total redemptions for the first 11 months of 1955 amounted to $423,274,000, compared with $364,697,000 for the same period last year.

Cash, U. S. Government securities and short-term obligations held by the 125 mutual funds totalled $455,935,000 at the end of November, with holdings of $438,427,000 at the end of October.

Mutual Funds

By ROBERT R. RICH

Trust Economist Sees Good Year Ahead

American business will continue very active well into 1956, in the opinion of a New York investment company economist.

Dr. Joseph B. Hubbard said he based his view of continued active business "on the high income and well diffused consuming ability of the people, their apparent willingness to spend freely, and the absence so far of any early and positive indication of unsettlement."

Dr. Hubbard's findings were included in his December report on the business situation prepared for Tri-Continental Corporation, Broad Street Investing Corporation, National Investors Corporation, and Whitehall Fund, Inc.

"The decrease in the construction of residential buildings," Dr. Hubbard stated, "is being made up largely in other areas, and is not in itself a signal of prompt recession, though it is an end-cycle development.

"Many other indicators are still rising," he added. "The statistical evidence on inventories indicates no dangerous build-up, even if not too great weight is given to the sales-inventory ratios. Credit in various forms has been expanded greatly, and may become burdensome if business begins to shrink.

"Expected difficulties have not become apparent, however," Dr. Hubbard reported, "though the cyclical firmness of money reflects the pressures created and tends toward a reduction in the rate of advance. Abroad, the economic situation appears better than it did several months ago, but the political situation, at least superficially, is less good. Total foreign trade is running at recent high volumes."

The economist pointed out that "irregularity among the various industries may appear or increase after the impressively uniform expansion that has brought prosperity in so many directions."

"This does not necessarily mean," he said, "that the production index will not rise above recent levels, for that appears possible, but it is to be hoped that the boom is not carried to such lengths as to involve unwarranted expansion and severe reaction."

Evidences of business strength have been accentuated since summer, Dr. Hubbard reported. "Employment continues near maximum levels," he stated. "Retail trade remains in record volume, reflecting the rise in incomes. Business plans for new investment in productive plant and equipment have been reported for 1956 at amounts substantially higher than in 1955. Our index of sensitive prices, after minor fluctuations, has risen to the highest figure of the year."

Fund Cuts Fees

The management fees of Chemical Fund, Inc. have been reduced by 25% on net assets in excess of $75,000,000 and by 50% on net assets in excess of $125,000,000. The new scale of fees, effective Jan. 1, 1956, is as follows:

½ of 1% annually on the first $75,000,000 of average daily net assets;

⅜ of 1% annually on the next $50,000,000 of average daily net assets;

¼ of 1% annually on average daily net assets in excess of $125,000,000.

F. Eberstadt, chairman of the board, and Francis S. Williams, President, said that "the reduction in management fees together with other economies now being effected, should lower the Fund's expense ratios significantly without impairing the Fund's high standards of managerial services."

Concord Sales At High

The sales of Concord Fund for the 11 months ended Nov. 30, 1955, were reported at $2,758,184 — up 330% from the year earlier figure, according to figures released today by W. George Potts, Concord Sales Director for A. C. Allyn & Company, Inc., Chicago, underwriters and national distributors of the Fund.

Sales of Concord Fund in November were reported at over $250,000 — up over 140% from November, 1954.

Net assets of Concord Fund were $7,268,989 as of Nov. 30, 1955, up 78% from the year earlier figure.

Henry Long Index Grazes Year's High

The average principal value of "balanced" mutual funds almost touched the year's highs, reached in late September just preceding the illness of President Eisenhower, according to the indices published in the December issue of "Trusts and Estates."

As measured by the Henry Ansbacher Long Index of Mutual Funds, the average for the "balanced" funds stood at 230.2 compared with 231.4 on Sept. 23, the year's preceding closing high. The average for common stock funds did almost as well, ending November at 280.5 contrasted with the September peak of 284.2. The indexes use the level of Dec. 30, 1939 as a base.

Five of the open-end investment companies, four of them balanced funds, topped the preceding year's peak principal values reached earlier in the year. These were American Business Shares, Eaton and Howard Balanced Fund, General Investors Trust, Nation-Wide Securities and the Dreyfus Fund. The index currently includes 17 "balanced" mutuals and 24 "common stock" funds. Designed originally for fiduciaries, it also measures separately each month percentage dividend returns from net investment income as well as the payouts representing capital gains distributions.

Mixed Portfolio Called Best By Analyst

The investor with a sound balance between dollar investments (bonds and mortgages) and purchasing power investments (common stocks) can look to the future with greater confidence, A. Moyer Kulp, Vice-President and Executive Director of the Investment Committee of Wellington Fund, stated recently.

A balanced investment program should be better able to cope with world wide social changes, inflationary trends and also participate in the benefits of rapid and far-reaching scientific developments such as electronics, automation and atomic energy, Mr. Kulp said.

Population growth and major changes in income since 1929 has created great middle class market, the Wellington Fund executive said, adding that "these changes in population and income have led to a vast increase in consumer demand for goods and services. This greatly increased demand for goods and services produced by a relatively smaller labor force employed at higher wages, has caused the great rise in business spending for capital investment."

"It puts a great push behind cost reduction through improved machinery, new processes and the use of new developments—such as electronics, automation and atomic energy. This is the dynamic background in which the driving force of free enterprise has been given full play for the last three years. It suggests that the economy is likely to maintain the rapid post-war growth rate.

"For the investor it supports the validity of common stocks in a conservative investment portfolio," Mr. Kulp stated. It provides active participation in the growth of the economy through careful selection of forward-looking, well-managed, fully competitive companies which can develop and maintain good earning power and dividend paying ability.

It indicates the need for a conservative approach, because growth is not a straight-line, one-way street. One must expect progress to be punctuated by set-backs of varying depths and durations in both the economy and individual companies. A very few situations will stand still. Some entire industries will advance dramatically, while others will decline in importance and some may almost disappear.

The Wellington Fund executive declared that "the conservative approach requires, first of all, that an adequate portion of an account be invested in bonds or mortgages—or both. Having made certain that liquidity and defensive requirements are satisfied, the balance can then be properly placed in selected common stocks. They should be companies which have the ability to protect the purchasing power of the investor's dollar—whether it be for inflation hedge, or change in a growing and rapidly moving world.

Selected American Assets Now Over $50 Million

On Nov. 23, 1955, the total net assets of Selected American Shares exceeded $50,000,000, for the first time since inception of the Fund in 1933.

Comparative figures are $50,079,985 assets and 5,164,573 shares outstanding on Nov. 23, 1955, versus $39,551,859 assets and 4,455,113 shares outstanding as of Dec. 31, 1954.

The per share net asset value was $9.70 on Nov. 23, contrasted with $8.88 at the year end. In addition to this increase in asset value, a capital gain distribution of 50 cents per share was paid in January. Three dividends totaling 20 cents a share were paid from net investment income since the year end.

Puritan Fund, Inc., assets, a mutual fund with primary emphasis on income, reached new highs in the quarter ended Oct. 31, 1955. On this date net assets of the Fund totaled $18,424,131 compared with $15,127,358 as of July 31, 1955, an increase of 21.7%. A year ago on Oct. 31, 1954, the net asset value was $3,012,789. The number of shares outstanding totaled 2,843,110 as of Oct. 31, 1955, an increase of 27.2% over the July 31, 1955 year-end total of 2,234,865. A year ago on Oct. 31, 1954, there were only 552,396 shares outstanding.

Templeton Growth Fund of Canada, Ltd., reported net assets at the end of October totaling $7.3 million, equal to $21.99 a share. This compares with total resources of $7.1 million, or $20.89 a share at the beginning of its first full fiscal year April 30, 1955.

A Canadian Fund owned predominantly by American investors, Templeton Growth Fund had 73% of its assets in common stocks at the end of October, 6% in Canadian and foreign obligations, and 21% in preferreds. The Fund's investments by industry showed important concentrations in metals and mining 17% and forest products 14%.

Wellington Sales Hit New Record For October

New investments in Wellington Fund shares last month were the largest for any month of October in the history of the Fund, topping sales for October, 1954, by a record 34%.

A. J. Wilkins, Vice-President of The Wellington Company, national distributors of the $470,000,000 Wellington Fund, stated that October sales reached a record $6,566,415 compared with $4,902,197 in the like month last year.

For the year to date, new in-

Continued on page 150

Keystone Custodian Funds

BOND, PREFERRED AND COMMON STOCK FUNDS

The Keystone Company
50 Congress Street, Boston 9, Mass.
Please send me prospectuses describing your Organization and the shares of your ten Funds. D 143
Name .....
Address .....
City ..... State .....

invest in ATOMIC SCIENCE through a MUTUAL FUND.

ATOMIC DEVELOPMENT MUTUAL FUND, Inc. is designed to provide a managed investment in a variety of companies participating in activities resulting from Atomic Science.

GET THE FACTS AND FREE PROSPECTUS
Atomic Development Securities Co., Inc.
1033 THIRTIETH STREET, N. W.
WASHINGTON 7, D. C.

Commonwealth INVESTMENT COMPANY
A balanced mutual fund investing in over 300 bonds, preferred and common stocks selected to provide reasonable current income with conservation and the possibility of long-term growth of principal.

Commonwealth STOCK FUND
A mutual fund investing in diversified common stocks of well-established companies selected for the possibility of long-term growth of income and principal.

Managed and Distributed by NORTH AMERICAN SECURITIES COMPANY
Russ Building • San Francisco 4, California
Prospectuses available from Investment Dealers or the above
"Investment Company Managers since 1925"

Wholesale Representatives: Boston • Chicago • Dallas • Los Angeles • New York • Washington, D.C.

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 16

The Economic Scene And the Look Ahead

sold than top coats. This growth in the number of cars on the road has reflected many things — improvements in the vehicles themselves and in methods of production, increased population, higher incomes, availability of credit, and the shift to suburban living. Indeed in 1954, 57% of new house building reflected movement to the suburbs. The "new demand" —people buying their first car or their first "second car" — while only part of the over-all sales picture, has brought down the ratio of cars to people from 1 for every 4.8 persons in 1940 to 1 for every 3.3 of the population at present. In California the ratio is 1 for every 2.5 persons. One out of ten is a multiple car owner. In addition, there is the replacement demand of four and a half to five million cars a year. Thus the "normal" level of automobile production may be something like seven million automobiles a year.

Are There Soft Spots in the Economy?

When business is booming, many not only cannot see a single cloud on the horizon, but do not even wish the question raised whether vulnerable spots exist. Their sentiment which they consider disloyal for any one to fail fully to share, is: "There are no danger spots. No factors of any importance are out of line. All that is needed is confidence and determination to exercise the political witch-doctors of gloom and doom."

Yet it is precisely when the automobile is functioning beautifully at 60 miles an hour that the experienced driver looks farthest ahead along the road, most carefully watches every gauge, and makes sure that his brakes and tires are in excellent condition.

Are there economic roadsigns indicating detours or curves ahead? Are there economic gauges showing possible sources of malfunctioning in the economy? Are there stretches where the pace of business activity may need to slow down somewhat? There may well be.

(1) **Cleavage in the Price Structure.** Californians know that earthquakes occur along fault lines—where two blocks of the earth's crust suddenly readjust themselves. Such rifts in the business price structure likewise bring economic and political shocks, the most notably being the well-remembered split between the flexible price, and the administered price-segments of the economy in the 1930's.

Prices like gauges indicate basic economic forces. And when one finds price groups, starting from an identical base period 1947-49, moving over 30 points apart in only six years, one cannot help asking what the strains and stresses are that are causing so wide a divergence so quickly, and what the ultimate impact may be?

From a level of 100, wholesale prices in general have moved up to 111. But farm prices are down to 86.7% of what they were while prices of industrial products other than farm products and foods are up to 118.7. This is a 32 point spread. Net farm income has declined nearly a third during the last four years from roughly $16 billion in 1951 to $11 billion now. Though farmers constitute 16% of the total population, their share in what is produced for all of us to enjoy has been cut from roughly 6% of all personal income in 1951 to less than 4% this year. Even if they constitute only a sixth of all consumers, such aggravation of imbalance, unrelieved and prolonged, may ultimately hurt not only the farmer but the entire economy.

(2) **Business Investment.** Another variable that always bears close watching is business investment. There is almost complete unanimity among economists who study business fluctuations that changes in what they call gross private domestic investment are extraordinarily important in business ups and downs.

The small readjustments of 1949 and again in 1954 were in large part due to what seem on the surface relatively small shifts in business investment in inventories. In both instances the inventory shift was about $10 billion from plus $5 billion to minus $5 billion which in a total inventory of over $75 billion seems small, yet it is equal to a drop of four-fifths in new housing construction or a fall of one-third in plant and equipment expenditures. Merely to stop accumulating inventory at the rate of $5 billion a year and to start selling off inventory at the same rate puts 1,600,000 men out of jobs (or more accurately diminishes employment by 1,600,000 man-years). The computation here is simple—some 66,000,000 persons in the labor force produced about $392 billion worth of goods and services (on an annual basis) during the third quarter of this year or about $6,000 per man-year. A ten billion shift in inventories from plus $5 billion to minus $5 billion thus means 1,600,000 less man-years of work.

Once in a while one finds businessmen and financial writers who appear to argue that business investment is never excessive, as if there never could be too much of our national income put into railroads, steel facilities, or construction. Yet obviously no capital investment has justification or meaning except in terms of the increased amount of finished goods and services thereby made available. Railroads in the past have been built so far ahead of existing traffic that they became "streaks of rust in the wilderness." Excessive capacity has been known to exist in more than one large industry.

Highly important, therefore, is the ratio of capital investment to the national income that provides its basic reason for existence. In 1929, for example, some $16 billion of investment accompanied a national income of about $87 billion—a ratio of 18%. By 1932, in less than three years amid business complaints on all sides of excessive capacity, the amount invested fell by nearly 95% to only $900 million. It is startling to reflect that in the second quarter of this year gross private domestic investment reached a total of $60.1 billion or about 19% of national income ($320.7 billion). Have "quickie write-offs," overoptimism, and other factors again overstimulated business investment to a pace that cannot be maintained? One must watch this speedometer most carefully since almost invariably business setbacks start at peaks of stock-market prices, business profits, and investment confidence.

(3) **Inexperienced Consumers in a Buyer's Market.** Another gauge requiring careful checking is that of consumer borrowing and savings compared with disposable personal income. During the first six months of 1955 for example, disposable personal income increased $11 billion or nearly 4% yet not an extra nickel was saved. Relative to income, the amount saved declined from levels of nearly 8% to 5.7%, a new low since 1949. Consumer borrowing reached the record levels of $33.6 billion in August of this year compared with $23.7 billion in August a year ago, an increase of nearly 18%. So rapid a rate of increase *per se* is not disturbing, provided that the quality of such consumer loans has not deteriorated, and provided that production and income increase in somewhat similar proportion. But disposable income rose only 4%. Could it be that the attractive new cars skillfully advertised, induced many consumers unwisely to mortgage and spend now next year's anticipated income? And what happens if anticipation falls short of realization?

Most consumer-buyers today have never experienced until recently the joys and hazards of a buyer's market. The typical young housewife in our newly-built suburbia, complete with ranch-style house, do-it-yourself gadgets and station-wagon, grew up during or after the war when consumers had to scramble for goods and were glad to get them. Instead of sales resistance they showered smiles on their merchants and auto dealers. They nonetheless saved a large part of their income partly for patriotic reasons, mostly because goods were not available, and only to a small degree as a result of firm adherence to a standard of values controlling the outgo of their money.

Along came the buyer's market, renewed emphasis on selling, and seductive appeals implemented by the newest scientific devices of modern psychology. Like natives insufficiently immune to the communicable diseases of civilization, some youthful consumer buyers for lack of wise sales resistance may have unwisely handled their present and future income.

For instance, have they set aside enough of their income for the education of their children? Is it possible that the resultant patterns of consumer expenditure have warped the stability and balance of national output? Since 1949, for example, the production of automobiles has more than doubled while that for consumer non-durables (food, clothing, and other things of prime importance to the health of growing boys and girls) has increased only 25%.

Today for each dollar currently spent on schools of all kinds in the United States $1.60 is spent for new automobiles and an additional 45 cents for roads. Education seems to be about one-half as important measured in the cold objective coin of the realm as is the family car. The wealthiest nation in the world urgently lacks adequate hospital facilities and 75,000 class rooms, but has the plant capacity for nearly 10,000,000 cars.

It pays its school teachers on the average considerably less than it pays its auto-workers, and wonders where the scores of thousands of trained teachers will come from to stimulate and develop the hundreds of thousands of scientists, mathematicians, engineers, doctors, etc., needed merely to keep abreast of Soviet Russia. It proudly and justifiably glamorizes the unprecedented profits made by the largest automobile manufacturing corporation in the world while its schools, colleges and universities, in unequal battle with inflation, see the real income of their administrators and professors advancing so slowly that relative to other groups, they are below the level of 1904!

Judged by the dollars spent, can it be that most people believe that the economic and ideological cold war will be won by long, sleek, garish, high-powered, chromium-plated cars? Or will the outcome depend on the character, scientific training, expertise, and productivity of American managers, scientists and workers? If the latter, why the neglect? Are American standards of value which determine the apportionment of consumer incomes and spending geared to national security needs?

(4) **Jobs Hunting Workers.** Another gauge on our economic instrument panel is the percent unemployed. Of all measuring rods it is perhaps the most important. Labor income in August of this year, constituted $218 billion, or over 70% of total personal income ($305.0 billion). The wage and salary workers comprised 76% of the total civilian labor force, numbering 50,300,000 out of a total of 66,882,000. The government under the Employment Act of 1946 is devising and maintaining a program which under conditions designed to strengthen free, competitive enterprise will aim so far as practicable to provide a maximum of employment opportunity, stable growth, and real national income.

But the fact may not be realized that over-full employment like excessive investment not only can but at times does exist. It too generates economic stresses and strains with the nemesis of readjustment. The economy needs employment flexibility, both seasonal and technological, for steady growth. Seasonal peaks are bound to result in seasonal unemployment. New industries, new sources of supply and changes in demand due to technological innovation such as the shift from carriages to cars are bound to leave obsolete plant and unemployment in some areas even though elsewhere there may be acute bottlenecks in labor supply, in plant capacity and in raw materials.

Thus postwar experience indicates that inflation of wages, costs and prices begins to simmer when a level of more than 95% employment is reached. In September, for example, there were but 3.2% of the work force unemployed. Buyers of labor may be beginning to scrape the bottom of the barrel. At such times they tend to find themselves without adequate margin of transfer in selecting the types of skills and efficiency best suited to their requirements. Wages tend to increase faster than productivity. Not only do high labor turnover and voluntary quits increase costs but there is the additional ex-

Continued on page 150

TABLE 1*

Where Are We Now?

Item—	1939	1949	1953	1954	1955 1st Qr.	1955 2nd Qr.	1955 3rd Qr.
Investment (Billions of Dollars)							
Gross National Product	91.1	257.3	364.9	357.2	375.3	384.8	392.0
Gross Private Domestic Investment	9.3	32.5	51.4	46.1	54.1	60.1	60.7
Residential Nonfarm Construction	2.7	8.3	11.9	13.3	16.0	16.4	16.2
Producers Durable Equipment	4.2	17.8	24.4	22.2	21.5	23.7	25.4
Change in Business Inventories	0.4	—2.7	1.5	—3.7	1.5	4.2	2.7
Income (Billions of Dollars)							
Disposable Personal Income	70.4	188.2	250.1	253.5	261.0	267.1	272.0
Personal Consumption Expenditures	67.6	180.6	230.1	234.0	245.8	250.5	256.5
Personal Saving	2.9	7.6	20.0	19.5	15.3	16.6	15.5
Compensation of Employees	48.1	140.9	209.1	207.3	213.1	219.5	224.3
Farm Income	4.3	12.7	12.2	11.9	11.5	11.0	10.5
Corporate Profits Before Taxes	6.4	26.2	39.4	35.0	40.9	43.0	†
Corporate Profits After Taxes	5.0	15.8	18.3	17.8	20.4	21.2	†
Government Purchases of Goods & Services	13.3	43.6	84.5	77.0	75.8	74.9	75.5
Production (1947-49=100)							
Total Industrial Production	58	97	134	125	133.3	137.7	142
Transportation Equipment	48	102	189	175	193	198	204.7
Nondurable	66	99	118	116	121.7	126.7	125.3
Prices							
Wholesale Prices (1947-49=100	50.1	99.2	110.1	110.3	110.4	110.2	111.0
Consumer Prices (1947-49=100)	59.4	101.8	114.4	114.8	114.3	114.2	114.6
Farm Parity Ratio (1910-14=100)	77	100	92	89	86.7	86.7	84.3
Stock Prices (1939=100)	100	127.7	193.3	229.8	277.7	292.9	312.3
Employment							
Civilian Labor Force (Millions)	55.2	62.1	63.8	64.5	63.4	65.5	67.3
Employment (Millions)	45.8	58.7	62.2	61.2	60.2	62.8	65.2
Unemployed as % of Labor Force	17.2	5.5	2.5	5.0	5.2	4.1	3.4
Average Weekly Hours	37.7	39.2	40.5	39.7	40.4	40.6	41.0
Average Hourly Earnings (Dollars) (All Manufacturing)	.63	1.40	1.77	1.81	1.85	1.87	1.89
Average Weekly Earnings (All Manufacturing)	23.86	54.92	71.69	71.86	74.67	75.78	76.86
Money (Billions of Dollars)							
Total Loans and Investments (All Commercial Banks)	40.7	120.2	145.7	155.9	154.8	155.5	156.8
Total Consumer Credit Outstanding	7.2	17.1	29.5	30.1	29.7	31.6	33.3
Corporate Bond Yields % (Moody's Aaa)	3.01	2.66	3.20	2.90	2.98	3.03	3.10
Total Privately Held Money Supply	63.3	169.8	200.9	209.7	206.9	207.1	214.4
Demand Deposits Adjusted	29.8	85.8	102.5	106.6	104.6	104.0	103.9
Time Deposits	27.1	57.5	70.4	75.3	75.8	76.3	77.3

*Source of data: *Historical and Descriptive Supplement to Economic Indicators*, Joint Committee on the Economic Report, December 1953, Washington, D. C., and their October 1955 issue of *Economic Indicators*. †No data.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 149

The Economic Scene And the Look Ahead

pense of overtime. The number of hours worked on the average in the durable goods industries in September was 41.6. Anticipating such incremental costs, producers raise their prices. Though profits on goods already processed at lower costs receive a temporary fillip, volume dwindles as goods are priced out of the market. The economy hits a dip in the road.

(5) **Over-Optimism.** One of the truisms of business booms and busts is that they usually come when least expected. Well-advertised recessions rarely happen. And so do unanimously announced booms or continuations of a boom. The impartial observer today would feel much more sure of continuous upward movement, if only there were a small supply of bearish forecasts jarring business thinking into taking precautions, urging them to avoid unusually risky commitments, to keep a sharp lookout. If each industrial and commercial and financial decision-maker would but use his own good judgment independently upon the fragmentary data and facts indicating what lies ahead, there would be varying opinions. In the crucible of such debates cumulative errors tend to be eliminated. A solid basis is laid for wise plans of action. But unfortunately optimism and at times pessimism is highly contagious. It infects the thinking of many others who substitute the analysis of some colleague whom they greatly respect for their own independent analysis on the basis of the relevant facts in their own business. The result is an economic lemming effect. Herd psychology stampedes decision-makers toward over-optimism and overinvestment in boom times, excessive mass pessimism toward mass pulling in of business sails and battening down the hatches when business slides off. Once under way, such herd thinking is hard to head off from wreaking considerable needless, bootless economic damage. Business history amply demonstrates that a downturn is nearest at hand when business confidence becomes so unanimous and boisterous that even the mention of possible weak spots in the economy is avoided, derided, or suppressed.

Where Do the Experts Say We Shall Be in Five Years?

Although at times the rate at which new records are set may slow down, such periods of readjustment should never induce the business and government managers to take their eyes off the road some distance ahead. Investment programs today are determined by what the public will buy five, ten, and fifteen years hence. The future success or failure of such programs will depend on the relative accuracy of the vision and foresight which businessmen exercise today. What, then, is the outlook five years ahead?

Fortunately, one of the most eminent of American research foundations, the Twentieth Century Fund, has but this spring published a most careful study that bears directly on probable economic conditions in 1960. In a thick volume, 1,148 pages in length, entitled, "American Needs and Resources, A New Survey," a group of business economists under the leadership of Dr. J. Frederick Dewhurst, have compiled their projections for 1960. If long-range trends of growth continue, the United States in five years will enjoy:

(1) Sixty-nine million jobs, nearly 10% more than in 1954, each worker producing a fourth more than in 1950 with a 36½ hour week, and 10% higher real wage.

(2) A population of 177 million people with 50% more school children than five years ago and 35% more persons over 70 years of age.

(3) A Gross National Product of $413.5 billion, or one-sixth higher than last year and over 5% higher than the present rate.

(4) A gross capital investment of $62.5 billion or 37% higher than last year, though but only 4% above present levels.

(5) An electric power output of 1,400 billion kilowatt hours, a figure three and a half times the output of 1950.

(6) An average family income before taxes of $6,180 and a spendable per-household income of $5,600 a year, up 5% from last year.

(7) A total consumption up 24.1% with airlines doing 187.4% more business, schools at 101.4% increase, medical insurance up 60.6%, foreign travel 53.7% higher, recreation 36.3% and soon.

To many, these figures may appear to picture an unrealistic Utopia. But Fred Dewhurst and his associates of the Twentieth Century Fund have had that accusation thrown at them before when ten years ago they made a forecast for 1950. The postwar boom by that time had actually gone 7% beyond the estimates derided as visionary in 1945. Perhaps when 1960 rolls around, the actual performance of the economy will again exceed the expectations set forth by the corps of experts that published their second estimate of "America's Needs and Resources."

At any rate their estimates are the best available and merit most careful, open-minded consideration. There is little doubt, that they can be attained, provided both in business and in government there be continued alertness, repeated scientific appraisal, and prompt action to use the many tools for achieving sustained stability and growth that have been forged in the last 25 years. Flexible monetary, budget and tax policies, encouragement of higher living standards, enforcement of the antitrust laws, and above all rigorous attention to the development of all the productivity of which our superb manpower and natural resources are capable — coupled with wise economic statesmanship both in business and in government will carry this nation forward to a $400 billion level in a couple of years and a $540 billion level by 1965.

QUOTATION TABULATOR WANTED

We have need for party that can read New York or American Stock Exchange Ticker Tape to assist in making up quotation tables; full or part time job. Please give full particulars in confidence. Box S 1215, Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

Joins Keenan & Clarey

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Robert J. Ryan has become affiliated with Keenan & Clarey, Inc., McKnight Building.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Kenneth J. Bawek is now with State Bond & Mortgage Co., 28 North Minnesota Street.

Joins Donald C. Sloan

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Kenneth K. Kraushaar has become affiliated with Donald C. Sloan & Co., Cascade Building.

With Lewis D. Thill

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Carl Raymore has become connected with Lewis D. Thill, 208 East Wisconsin Avenue. He was previously with The Marshall Company.

With Federated Secs.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Charles E. Hirshey has joined the staff of Federated Securities Co., Inc., 530 North Orlando Avenue.

Joins F. B. Bateman

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Jackson J. Havill has become connected with Frank B. Bateman, 243 South County Road.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold their annual Winter Dinner, Friday, Feb. 10, 1956 at the Parker House, Boston, Mass. Members of the Committee include:

James J. Lynch, Paul D. Sheeline & Co., Chairman; Richard J. Corbin, Blyth & Co., Inc.; Clive Fazioli, White, Weld & Co.; Henry R. Griffin, A. C. Allyn & Co., Inc.; David H. May, May & Gannon, Inc.; Fredrick S. Moore, New York Hanseatic Corp.; Richard C. Nowell, F. L. Putnam & Co., Inc.; Walter T. Swift, Kidder, Peabody & Co.; and Albert G. Woglom, Clayton Securities Corp.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Annual Business Meeting of the Baltimore Security Traders Association was held at the Southern Hotel on Dec. 9 at 5:00 p.m.

The Nominating Committee composed of Charles Gross, Chairman, and H. Mitchell Bruck, Stein Bros. & Bryce; William

Joseph G. Strohmer

Charles A. Bodie

John T. Yeager

J. Herr, Alex. Brown & Sons; Harry J. Niemeyer, Robert Garrett & Sons; and David L. Pindell, Lockwood & Peck & Co., submitted the following slate, which was voted into office:

President: Joseph G. Strohmer, John C. Legg & Company.

Vice-President: Charles A. Bodie, Jr., Stein Bros & Boyce.

Secretary: Edward H. Miller, George G. Shriver & Co., Inc.

Treasurer: John T. Yeager, Baker, Watts & Co.

Board of Governors (Three year term expiring 1959): William C. Roberts, Jr., C. T. Williams & Co. Inc.; E. Clinton Bamberger, Baumgartner, Downing & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York Inc. (STANY) Bowling League standing as of Dec. 8, 1955, are as follows:

Team	Points
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	45
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	38
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	36½
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith	35½
Growney (Capt.), Define, Alexander, Montanye, Weseman	34½
Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	33½
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	31
Donadio (Capt.), Brown, Rappa, Seijas, Demaye	31
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	30
Leone (Capt), Gavin, Fitzpatrick, Valentine, Greenberg	26
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	25
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	24

200 Point Club
Jack Manson 224

5 Point Club
Jack Manson

Continued from page 148

Mutual Funds

vestments in Wellington shar totaled $56,723,198, an increase nearly $6,000,000 over the first months of 1954.

Mr. Wilkins stated that the r ord October sales of Wellingt Fund shares are another stro indication that "investor con dence in mutual funds has n been affected by the stock mark action during recent weeks. O the contrary, the 'downs and u of stock prices appear to ha done much to attract investors mutual fund shares."

Television - Electronics Fu gross sales in its fiscal year end Oct. 31, last, ran 147% ahead those in the previous fiscal ye to set a new high for the perio according to Paul A. Just, Exe utive Vice-President of Televisi Shares Management Corporatio

Sales in the fiscal year ju ended totaled $50,985,908 as co pared with $20,593,101 in the co responding 12 months of 1954.

Science & Nuclear Fund repo gross sales of $124,000 in Octob and $783,000 in its first six mont ended Oct. 31, 1955.

The fund, launched last M with assets of $111,000 in cas closed October with $766,000 resources.

During October the fund ma new investments in Great Nort ern Paper and High Voltage E gineering and added to its holdin in Air Products and Algom Ur nium.

Fund Starts Plan

A periodic investment plan w announced by Donald F. Bisho President, Science & Nucle Fund.

Under the plan an individu may begin to accumulate shar of the recently organized mutu fund with as little as $25, and co tinue the accumulation with su sequent deposits of as little as $ monthly or $50 quarterly.

The Provident Trust Compa of Philadelphia has been nam depositary for such purchases.

Electronics Fund Makes Report

Electronics Investment Corpo ation, a mutual investment fu which made its first continuous o fering on May 13, 1955, reports increase in net assets from $ 150,000 to $10,568,235 as of No 30. Shares outstanding are 2,30 363 with a net asset value p share of $4.59, and an offeri price of $5.02.

Charles E. Salik, fund pres dent, stated that the electroni industry is now developing many new devices for all phas of industrial production and di tribution that the science of ele tronics must be viewed as th most significant advance in Ame ica today. He added that the co sensus of opinion among leadi industrialists indicates the ele tronic business volume will mo than double in the next five yea "Computers, automation, an semi-conductors are among th important factors in this antic pated increase," Salik stated.

Issues added to the fund's portfo since July 1, 1955, are: Eastman Kod 1,000 shares; Motorola, 3,000; Int. T & Tel., 7,000; Daystrom, Inc., 5,000; Ge eral Precision Equipment, 3,000; Stewa Warner, 5,000; Standard Coil, 8,000; a Collins Radio Class B, 7,500.

Additions made to previous holdings du ing the three-month period were: 2,0 shares of ACF Industries; 1,000 Benc Aviation; 500 Borg-Warner, 1,000 Clevi 2,500 Columbia Broadcasting Class 2,000 Consolidated Engineering; 500 Cor ing Glass Works; 3,000 Garrett; 1,000 Ge eral Electric; 200 IBM; 2,500 Magnavo 1,000 Minneapolis-Honeywell; 500 Minn sota Mining & Manufacturing; 1,000 Nor American Aviation; 500 Otis Elevato 1,000 Philco; 150 Phillips Gloeilampen F brieken; 500 Radio Corp. of America; 3,0 Raytheon; 1,500 Sylvania; 800 Weste Union Telegraph and 1,000 P. R. Mallo 4½% convertible preferred. No stock hol ings in the fortfolio were reduced or d posed of during the report period.

Digitized for FRASER
http://fraser.stlouisfed.org/

Our Reporter's Report

Scanning through the new issue lendar for the balance of the ar, it appears that institutional yers who are engaged chiefly, the moment, in rounding out eir year-end accounts, could go e whole distance and "put up e shutters" for 1955.

Not a single debt issue remains be marketed between now and e close of the year, that is for rporate account. And only a ndful of equity ventures, of the pe in which such buyers would ve little if any interest, is in e cards.

Considering the general situa-n in the new issue market, it just as well that the calendar virtually nil. The hiatus in rther offerings will give under-riters and their dealer groups needed opportunity to work off ventories which have been ilding up in recent weeks.

The market currently is a yers' affair, particularly since surance companies and pension nds are in no huury to take on w material, realizing that ocks in dealers' hands have been ilding up.

As a consequence several re-nt offerings have been turned ose by sponsoring groups, and nding for themselves have ttled back one to two points om the initial offering prices.

Hard At Work

Underwriters who have taken wn new issues in the last fort-ght find they have their work t out for them. Large-scale in-stors are reluctant to place ders and as a result most such ndertakings have been extremely ow in moving out.

Groups which brought out the ichigan Consolidated Gas fering and that of Baltimore as & Electric decided to cut ose issues loose and early this eek (the syndicate which bid in n Diego Gas & Electric's bonds rsued a similar course.

Consolidated Edison Co.'s big fering is still in syndicate.

Hitting the Jackpot

This week's only new offering of corporate debt securities, curiously enough, turned in the best performance in several weeks. Bankers paid the Delaware Power & Light Co., a price of 102.234 for $10 million of 30-year, first mortgage and collateral trust bonds to carry a 3½% coupon.

The bonds were priced at 102.824 for public reoffering for an indicated yield of 3.35% a bit more liberal return than had been afforded by more recent offerings.

And the deal proved much more attractive to potential buyers, with reports indicating a fairly rapid movement of the bonds into investors' hands.

Girding for Ford

From here on through the middle of next month, major emphasis in underwriting circles will be on getting things in order for the Ford Foundation's record-breaking equity offering.

The trend will be toward freeing up underwriting capital to the fullest degree possible, what with the projected 6,952,293 shares of stock which is expected to be priced at a figure which will involve an aggregate of close to $400 million.

So through the next several weeks, pressure will be on to reduce existing inventories and clear the way for this enormous undertaking. Close to 600 firms are expected to be in the offering syndicate.

Keller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert W. Ross has become affiliated with Keller Brothers Securities Co., Zero Court Street.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Leon Semonian, Jr. has joined the staff of Palmer, Pollacchi & Co., 84 State Street.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William G. Jones has joined the staff of Hamilton Management Corporation, 445 Grant Street.

With Farrell Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Martin A. Monti has become affiliated with Farrell & Co., 8340 Northeast Second Ave.

Hirsch Group Offers Daitch Debentures

Hirsch & Co. and associates are offering $2,000,000 of Daitch Crystal Dairies, Inc. 4½% convertible subordinated debentures due Dec. 1, 1975 at 100% and accrued interest. Simultaneously, Hirsch & Co. announced that it had placed privately for the company $1,000,000 of 4½% notes due Dec. 15, 1970.

Net Proceeds to be received by the company from the sale of the debentures and notes will be used primarily to pay the cost of opening new supermarkets.

The new debentures will be initially convertible into common stock at $21 per common share on or before Dec. 1, 1960 and at increasing prices thereafter. Optional redemption of the debentures may be made on or after Dec. 1, 1957 at decreasing prices from 103½%, while sinking fund redemptions will be made at par, together with accrued interest in each case.

Prior to the delivery of these debentures, it is intended that Shopwell Foods, Inc. will be merged into Daitch Crystal Dairies, Inc. Both Daitch and Shopwell are engaged in the operation of supermarkets. Daitch, operates primarily in Manhattan, Bronx, and Queens, while Shopwell operates primarily in Westchester.

Other members of the debenture offering group include: Equitable Securities Corp.; Baxter, Williams & Co.; M. M. Freeman & Co., Inc.; and Ira Haupt & Co.

Allray Company Formed

(Special to THE FINANCIAL CHRONICLE)

ALLIANCE, Neb.—Allray Company is engaging in a securities business from offices at 217 East Third Street. Dwight L. Sloan is associated with the firm.

Joins Lloyd D. Fernald

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Winthrop K. Fernald has joined the staff of Lloyd D. Fernald & Co., Inc., 1387 Main Street, members of the Boston Stock Exchange.

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION
14 Wall Street, New York

A special dividend of one dollar and forty-nine cents ($1.49) per share has been declared this day on the Corporation's capital stock payable December 24, 1955 to stockholders of record at the close of business December 16, 1955. It is expected that approximately one dollar and twenty-nine and one-tenth cents ($1.291) per share of this special dividend will be designated as a "capital gain dividend," pursuant to the provisions of the Internal Revenue Code.

The directors have also declared a dividend of ten cents (10c) per share payable January 14, 1956 to stockholders of record at the close of business December 30, 1955.

JOSEPH S. STOUT, *Secretary*

December 9, 1955

New England Gas and Electric Association

COMMON DIVIDEND NO. 35

The Trustees have declared a regular quarterly dividend of twenty-five cents (25¢) per share on the COMMON SHARES of the Association, payable January 15, 1956 to shareholders of record at the close of business December 23, 1955.

H. C. MOORE, JR., *Treasurer*

December 8, 1955.

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

COMMON DIVIDENDS

A dividend of twelve and one-half cents (12½¢) a share on the outstanding common stock has been declared payable December 28, 1955, to holders of record at the close of business December 19, 1955.

A dividend of fifteen cents (15¢) a share on the outstanding common stock has been declared payable January 5, 1956, to holders of record at the close of business December 19, 1955.

The transfer books will not be closed. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, *Secretary*

Dated, December 8, 1955

DIVIDEND NOTICES

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

December 14, 1955.

DIVIDEND NO. 413

The Board of Directors of this Company, at a Meeting held this day, declared a dividend of Two Dollars ($2.00) per share on the outstanding capital stock, payable on January 4, 1956, to stockholders of record at the close of business on December 23, 1955. This distribution represents the final dividend in respect of earnings for the year 1955.

G. E. McDANIEL, Secretary-Treasurer.

WAGNER BAKING CORPORATION

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, also a dividend of 5 cents per share on the Common Stock. Both dividends payable January 2, 1956, to stockholders of record December 19, 1955.

J. V. STEVENS, Secretary.

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of twenty-five cents (25¢) per share on the Common Stock ($1 Par Value) of the Company, and a dividend of fifty cents (50¢) per share on the Common Stock (no Par Value) not yet exchanged under the Company's Exchange Instructions dated May 19, 1953. These dividends are payable December 30, 1955 to stockholders of record at the close of business, December 16, 1955.

L. G. CLARK, *Treasurer*

December 8, 1955.

DIVIDEND NOTICES

COMBUSTION ENGINEERING, INC.

Dividend No. 209

A quarterly dividend of seventy-five cents (75c) per share on all the outstanding stock of the Company has been declared payable January 20, 1956 to stockholders of record at the close of business December 28, 1955.

OTTO W. STRAUSS
Vice-President and Treasurer

DOME MINES LIMITED

December 5, 1955

DIVIDEND NO. 153

At a meeting of the Board of Directors of Dome Mines Limited, held this day, a dividend of Seventeen and One-half Cents (17½c) per share (in Canadian Funds) was declared payable on January 30, 1956, to shareholders of record at the close of business on December 30, 1955.

CLIFFORD W. MICHEL,
President and Treasurer.

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a quarterly dividend of 20 cents per share on the Capital Shares of the Corporation, payable January 4, 1956 to stockholders of record at the close of business December 19, 1955.

SAMUEL M. FOX, Treasurer.

December 15, 1955.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., December 6, 1955.

The Board of Directors has this day declared a dividend of One Dollar and Twenty-five Cents ($1.25) per share, being Dividend No. 114, on the Preferred Capital Stock of this Company, payable February 1, 1956, out of undivided net profits for the year ended June 30, 1955, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 30, 1955.

The Board also declared on this day a dividend of One Dollar and Twenty-five Cents ($1.25) per share, being Dividend No. 175, on the Common Capital Stock of this Company, payable March 1, 1956, to holders of said Common Capital Stock registered on the books of the Company at the close of business January 27, 1956.

In addition, the Board declared an extra dividend, No. 174, for the year 1955, of Three Dollars ($3.00) per share on the Common Capital Stock of the Company, payable January 13, 1956, to stockholders of record at the close of business December 16, 1955.

D. C. WILSON, Assistant Treasurer
120 Broadway, New York 5, N. Y.

DIVIDEND NOTICES

The **DIAMOND MATCH COMPANY**

74th **CONSECUTIVE YEAR OF DIVIDENDS**

The Board of Directors of The Diamond Match Company on December 8, 1955, declared a regular quarterly dividend of 45c per share on the Common Stock. At the same meeting the Board also declared a quarterly dividend of 37½c per share on the $1.50 Cumulative Preferred Stock. Both dividends are payable February 1, 1956 to stockholders of record January 6, 1956.

PERRY S. WOODBURY, *Secretary and Treasurer*

MATCHES · PULP PRODUCTS · LUMBER · BUILDING SUPPLIES · WOODENWARE

DIVIDEND NOTICE

ALLIED PRODUCTS CORPORATION

Detroit 23, Michigan

COMMON DIVIDEND No. 71

On November 30, 1955 the board of directors of Allied Products Corporation, a Michigan corporation, declared a quarterly dividend of 60c per share and an extra dividend of 20c per share on the Common shares of the Corporation, both payable December 29, 1955 to shareholders of record at the close of business on December 15, 1955.

GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

The regular quarterly dividend of $1.06¼ on the 4¼ per cent cumulative preferred stock, payable January 3, 1956 to shareholders of record December 19, 1955.

COMMON STOCK

A dividend of 50 cents per share payable January 3, 1956 to shareholders of record December 19, 1955.

JOHN H. SCHMIDT
Secretary

December 7, 1955.

WESTCLOX · BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

TENNESSEE CORPORATION

November 15, 1955

CASH DIVIDEND

A dividend of forty-five (45¢) cents per share was declared payable December 21, 1955, to stockholders of record at the close of business November 30, 1955.

EXTRA CASH DIVIDEND

An extra dividend of twenty-two and one-half (22½¢) cents per share was declared payable January 11, 1956, to stockholders of record at the close of business November 30, 1955.

STOCK DIVIDEND

In addition, a 3% stock dividend was declared payable January 11, 1956, to stockholders of record at the close of business November 30, 1955.

The above cash dividends will not be paid on the shares issued pursuant to the stock dividend.

JOHN G. GREENBURGH
61 Broadway *Treasurer.*
New York 6, N. Y.

gitized for FRASER
tp://fraser.stlouisfed.org/

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Enough light on 1956 prospects has been given out to indicate clearly the disposition of the Federal Reserve System will be to keep the lid down on the growth of bank credit as the new year gets under way.

There has been not only the forecast of construction expenditures but also the estimate of business capital spending—both official—which indicate that the pace of business expansion is not letting down. Furthermore, construction industry people are inclined to think that the official guess of a 5% advance in outlays for 1956 (to the 11th year in a row construction expenditures have made new highs), is if anything too low.

Monetary officials of the Treasury are expected to back the Federal Reserve in the continuance of the policy of credit tightness. There remains, however, "another county" to be heard from. That is the President's Council of Economic Advisers.

Actually the CEA has no official powers over monetary matters, even though its judgments, even if not made public, have often been divergent from those of the Treasury and Federal Reserve. The CEA derives its very real power by being in close physical proximity to, and advising the President. If the CEA, can as it often has, worry the President into a viewpoint, the President reflects that worry in dealing with monetary authorities.

Recent bill buying by the Federal Reserve is said to reflect a normal desire to see that banks are capable of meeting currency withdrawal demands. It does not indicate any departure from the tight money policy which culminated in a discount rate rise to 2½%, and the average of bank reserves being kept in a substantial minus free reserve position.

Humphrey Qualifies Prediction

It was noted that several days ago Secretary Humphrey again expressed the hope of a budget balanced this fiscal year, stating it as a conditioned prediction. This is another in a long line of statements, none of which have categorically promised a balanced budget.

The reason why officials have high hopes of a balanced budget is the zooming volume of revenues, boosted by much higher corporation profits and personal income than were in sight in August when the revised estimates were made of $62.1 billion of revenues. In fact, it is entirely possible, some fiscal observers believe, that rising revenues, of themselves, may more than wipe out the then forecast deficit of $1.7 billion.

What officials do NOT know is how expenditures will do. At that time it was estimated that military spending would be held to $34 billion even, and that there would be $995 million less of crop support expenses.

Already it has been made clear by the Defense Department that this $34 billion figure will not be achieved, that U. S. Defense Department military spending will run to $34.5 billion. Furthermore, it is on the way inexorably to $35 billion for fiscal 1957, but whether this will be admitted in the new budget to come down in January remains to be seen.

Furthermore, crop support costs are not falling, to all appearances. The primarily phony character of the "flexible provisions" has been concealed by a curious bi-partisan political play. Republicans were trying to represent it as a "savings" and lowering of supports. Democrats were equally interested in presenting it as amounting to something, for by so doing they could blame the "flexible provisions" for the dollar drop in farm income.

Regardless of what the Secretary of the Treasury "hopes" about a balanced budget, the staffs of neither the Treasury nor the Budget Bureau will enjoy such hopes until they know, probably not before late March, how expenditures are going.

Flood Loans Small

Despite the great noise which Federal officials made about loan relief for the New England flood damage, the volume of loans has been small. The Small Business Administration set up emergency offices all over the place to accept applications for loans from individuals and small businesses.

As of the end of October SBA began closing these loans offices and with only 350 applications then pending, had approved some 1,800 loans for $25 millions.

It was the same in the 1951 flood in Kansas. RFC was then doing business as the Democratic version of the "Small Business Administration," born of which were charged with disaster loans. Officials have never yet explained why the amount of work either that they do or are called upon to do, is in inverse proportion to the newspaper publicity they got following disasters.

While it is never explained officially, one good hunch is that probably one insurance company approves more loans than all the government handles. Private lending to borrowers with any kind of credit standing and record of debt repayment just might outshine the government's aid.

FNMA to Borrow

It is now said that the Federal National Mortgage Association, which buys and therefore supports the market for FHA and VA loans, will be required to sell a "small issue," perhaps less than $100 million, some time after the turn of the year.

This mortgage support is called the operation of a "secondary market." Under the 1954 Housing Act, the Administration made one of its few substantive provisions looking toward less Federal aid. It provided two things. One was that the funds available for this support should not be unlimited borrowings from the Treasury. The second was that lending institutions must take out in capital stock of FNMA a sum equivalent to 3% of the principal sum of their mortgage placements with FNMA.

The first is currently embarrassing. FNMA's draft upon the Treasury is limited to the initial $93 million of Federal capital in the reorganized institution. The rest must come from public sales of debentures, so as to relieve the Treasury of this open end of great diameter. This is going to hurt in these high money times, with an institution limited to buying a fixed interest security paying not a cent above 4½%. Nevertheless, FNMA must do it soon, for its funds will be gone shortly, unless—

Unless the Administration panics on the "shortage of money" for the VA and FHA loans.

May Open Up

In that case there is still $90 million of Treasury money that the President by edict can free for general purchases without FNMA going into the market, and without requiring the 3% capital contribution from selling lenders. When this $90 million is gone, then all the White House has to do is to ask Congress to make more available. With the tenderness the Congress feels toward the housing volume, this would be approved quickly, and that is the way the "shortage of mortgage money" is likely to be ameliorated.

On the other hand, the prospective sale of from one-half to $1 billion to transfer to investors from the Treasury, the burden of carrying FNMA's portfolio of some $2.5 billion of older mortgages picked up before the reorganization of 1954, had to be dropped because of the tight money market. This will come out to be a little more burden on the Treasury to keep under the "temporary" debt ceiling of $281 billion.

Conditions Federal Aid

This column has often reported how "centralized control" over municipal planning has been asserted through the power of the Housing and Home Finance Agency, under the Housing Act of 1954, to withhold appropriated benefits and insured loans to those cities which fail to develop a "workable plan" for their city planing, workable in the judgment of the HHFA Administrator.

The details are spelled out in the circular, "How Localities Can Develop a Workable Program for Urban Renewal," which may be obtained by writing to the Housing and Home Finance Administrator, Washington 25, D. C.

Helps Expectant Mothers

It was reported herein recently that the Department of Agriculture has been selling dry powdered milk for the school lunches of children in Brazil, Iraq, Israel and Japan for one cent per pound. **(Cost to domestic consumers in the Washington, D. C., area is 25 cents for 3¾ ounces.)**

In a spirit of helpfulness, this correspondent wrote Ezra Taft Benson, Secretary of Agriculture, who has asked the public for suggestions on disposal of surplus, suggesting the sale be made for consumption by domestic cats also at one cent per pound.

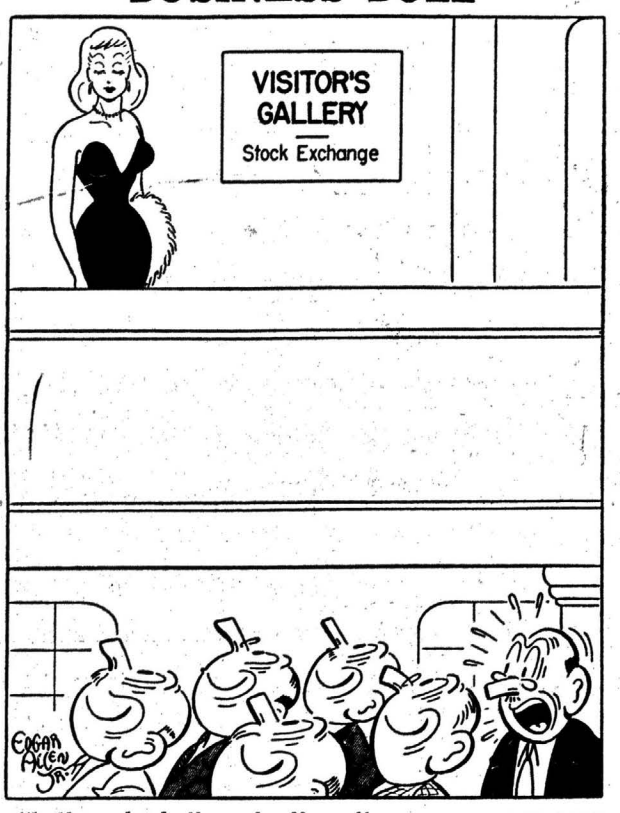
It was noted that this might dispose of more of the huge surplus of dry powdered milk and build up the Administration's standing with lonely maidens who keep cats, of which there are reputed to be many.

Of course the question was not answered, but that is not surprising, for it is rare for a government communication to answer a direct question. The answer did elicit this additional intelligence:

Besides "selling" the dry powdered milk for one cent a pound for foreign school lunches, it is also used to feed foreign, expectant mothers.

[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



"Let's go!—Let's go!—Haven't you guys ever seen a visitor before?"

Review Management Opens

ORELAND, Pa.—Review Management Corporation has been formed with offices at Plymouth and Walnut Avenues to engage in a securities business. Officers are Ralph P. Coleman, Jr., President and Treasurer; Jean K. Coleman, Vice-President; and Harry R. Blanck, Jr., Secretary.

Colorado Oil & Gas
White Eagle Oil
Olin Oil & Gas
Anheuser Busch
Delhi-Taylor
Texas Eastern Transmission
Bank of America
Pacific Northwest Pipeline Common
Pan American Sulphur
Wagner Electric

Bought—Sold—Quoted

SCHERCK, RICHTER COMPANY

Member Midwest Stock Exchange

Bell Teletype SL 456 | 320 N. 4th St. St. Louis 2, Mo. | GArfield 1-0225

FOREIGN SECURITIES

CARL MARKS & CO. INC.

FOREIGN SECURITIES SPECIALISTS

50 BROAD STREET · NEW YORK 4, N. Y.

TEL: HANOVER 2-0050 TELETYPE NY 1-971

TRADING MARKETS

Fashion Park
Indian Head Mills
W. L. Maxson Co.
Morgan Engineering
National Co.
Riverside Cement

LERNER & CO.

Investment Securities

10 Post Office Square, Boston 9, Mass.

Telephone HUbbard 2-1990 | Teletype BS 69

Digitized for FRASER
http://fraser.stlouisfed.org/