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EDITORIAL

As We See It

The Administration and the American public are now beginning once more to learn some of the facts of life about budget making and fiscal management. A number of Republican politicians have been inclined to preen their feathers of late about an approaching balanced budget, and even tax reduction without deficits. Debt reduction seemed to be foreign to their thoughts, probably since that has little voter appeal supposedly, but a boiling prosperity — much to their surprise — was and is producing revenue in an abundance not experienced for a good while past. Employment of a resulting (hoped for) balance or better in the budget figures to promote tax reduction seemed to them to be almost ideal strategy for an election year.

Then came along some of the soberer elements with the suggestion that should a surplus really eventuate, it should be employed in reducing debt rather than in tax reduction at a time when inflation threatens in any event. Probably to the surprise of some of the dreaming politicos, influential members of both parties began to see it more profitable politically, as well as economically, to apply available funds to debt reduction rather than to tax reduction. But to many a balanced budget, and a prospective surplus, suggest neither debt reduction nor tax cuts, but rather greater generosity on the part of the national government.

An unfortunate concatenation of circumstances has of late tended to incite raids on the treasury, or at the least to strengthen the hands of those who are predisposed to that tendency in any

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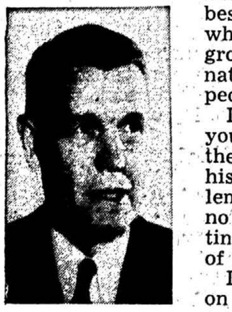
"How Firm a Foundation"

By HON. W. RANDOLPH BURGESS*
Under Secretary of the Treasury

Dr. Burgess says government's concern is to maintain and strengthen the foundations of peace and prosperity. Holds there is no alternative now for either heavy military expenditure or high taxes. Lauds policies of Alexander Hamilton, as the first Secretary of the Treasury, and affirms adherence to a sound and stable money; a central banking system; and a wide distribution of the national debt. Concludes any successful solution of the farm problem must follow the fundamental principles of freedom, integrity, and individual self-respect.

On behalf of the Treasury Department, I want to acknowledge specifically the aid that American Farm Bureau Federation has given to the sale of Savings Bonds. These bonds are one of the best means for encouraging thrift, which is so essential to our national growth. Their sale also spreads the national debt widely among our people, which is sound fiscal policy.


W. R. Burgess

I have come here also to assure you of the interest and concern of the Secretary of the Treasury and his associates in the present problems of the farmers. There is today no subject receiving more unremitting attention from all departments of Government than this situation.

I have, myself, spent many hours on the work of inter-departmental committees considering the export of farm products, which we are trying with some success to stimulate. You are, I know, all aware of the difficulties as well as the successes of that effort and its relation to our foreign policy. In the

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*An address by Dr. Burgess before the Annual Convention of the American Farm Bureau Federation, Chicago, Ill., Dec. 14, 1955.

Are We Heading for Trouble?

By E. SHERMAN ADAMS*
Deputy Manager in Charge of Dept. of Monetary Policy
American Bankers Association

Recalling we had prophets of boom and doom in 1929, Dr. Adams holds we are not likely to have a collapse of the 1929 variety, because our economy is more stable than it used to be. Says, in 1950, we started a new chapter in our economic history and have moved into a new plane. Lays prosperity to exceptionally high production of durable goods, which has resulted in a huge expansion of debt. Looks for some inflationary trends in the general price level when farm prices are stabilized. Warns self-correcting tendencies are not always reliable, and Federal Reserve policy is not an efficient weapon for dealing with the present situation.

Many thoughtful persons in the United States today are wondering how long this prosperity of ours can continue. We see houses, automobiles, and appliances of all kinds being produced in profusion and sold on terms that seem, in some cases, fantastic. We see people spending freely and going more deeply into debt. And in the background, the stock market has been zooming toward the stratosphere.


Dr. E. S. Adams

Is this rather hectic prosperity sound and enduring? Or is it flimsy —based too much on borrowing and other stimulants? Will the boom level off nicely into a period of stable growth? Or will there be trouble?

Our wives have a gift for phrasing the problem more dramatically, something like this: "People are spending like mad. Everybody is living on the down-payment. Everything

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*An address by Dr. Adams before the Bank Study Conference of the Michigan Bankers Association, University of Michigan, Ann Arbor, Mich., Dec. 8, 1955.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 36.

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

Tekoil Corporation—James C. McCormick, Analyst, Eppler, Guerin & Turner, Dallas, Tex. (Page 2).

Procter & Gamble—Irvin F. Westheimer, Partner, Westheimer & Co., Cincinnati, Ohio (Page 2).

JAMES C. McCORMICK

Analyst, Eppler, Guerin & Turner
Dallas, Texas

Tekoil Corporation

It is my opinion that Tekoil Corp. (Over-the-Counter 8⅜-8⅝) represents one of the most attractive growth opportunities available to an investor today. The stock, at its current level, is selling at less than 5 times cash-flow; and by conservative estimate, there are at least $20 worth of proven reserves (including properties of Kio Oil and Development Co. which are now being acquired) for each share of stock outstanding. The stock is further enhanced by widespread distribution with approximately 1,600 stockholders in 32 states.

James C. McCormick

The investor still has an opportunity to get in on the ground floor of this growth security, as the corporation was just organized in March, 1955, as successor in incorporation to Davison and Co., a general partnership organized in Illinois in 1951. A consulting petroleum reservoir engineering firm specializing in the production of oil by secondary recovery methods, Davison and Co. pioneered the now widely accepted engineering practice of accepting a part of consulting and engineering fees in interest in oil properties. The company was very successful in developing its reputation, its business, and its equity in oil producing properties. In the four years from the formation of the partnership in 1951 to the incorporation of Tekoil in 1955, the company built its net worth from *$9,000 to $381,000 after withdrawals of $181,000.* In June, 1955, Tekoil raised $1,400,000 in new capital through its first public common stock offering.

Tekoil Corp. is, first a petroleum reservoir engineering firm and, second, an independent producer of oil and natural gas.

The Engineering Division of Tekoil is equipped to perform every petroleum reservoir engineering service "from discovery to maximum recovery." The division has 46 employees, many of whom are engineers or technicians. Tekoil's administrative office is in Robinson, Ill.; and it maintains an engineering office and complete laboratory for core analysis in Oklahoma City, Okla. Executive offices will be opened in Dallas on Jan. 2.

Tekoil's Engineering facilities are designed to provide all field and laboratory services . . . required by the petroleum industry in its effort to discover new oil and gas horizons and to produce maximum ultimate recovery from proved reserves . . . and . . . required by institutional and individual investors as the basis of their financial support of the petroleum industry.

Tekoil has been employed by many of the "major" oil companies and large "independents." Some of its better known customers are: Ohio Oil, Magnolia Petroleum, and Carter Oil. In addition, the company numbers among its clients many well-known individual investors in oil properties as well as banks and investment banking firms from coast to coast.

Although widely recognized as a competent engineering concern, the company is best known for its near pre-eminence in the highly specialized field of secondary recovery or water flooding. In this field, in which Tekoil has concentrated, its personnel is equipped to perform the engineering essential as a first step in the evaluation of an oil property as a water flood prospect, to appraise such a property, to design and install a recovery program, and to operate a water flood project.

Typically, the company is employed by the owner or owners of an oil property past the "flush" stage of primary production to appraise their property as a water flood prospect. If this appraisal is positive and the installation of a secondary recovery project is recommended, the company's employment is continued through the design and installation of the water flood.

For its engineering services, the company is compensated by a cash fee. Engineering fees constitute a part of the regular daily income of the company.

In some instances, however, the company will reduce its fee to cost and take an interest in the secondary recovery project in lieu of its normal cash profit. In this way, the company has been able to control within narrow limits its taxable income and to build substantial equities in oil producing properties.

As was mentioned before, Tekoil, as a producer, specializes in secondary recovery methods.

The most used, cheapest and effective method of secondary recovery, at present, is to force water into an oil field in order to fill the cavity left by oil produced by primary production, thus pressuring the remaining oil out of the oil sand and sweeping it to the well casing where a pump can take over.

According to the oil man's rule of thumb, a water flood project should produce at least as much oil as was produced in a field (by primary methods) before the flooding project started . . . *and there are no pro-ration limitations on production by secondary recovery methods; this means that once production is started, it is possible to pump 24 hours a day until the reservoir is depleted.*

Tekoil's properties consist of overriding royalty interests and working interests in oil and gas leases in Illinois, Oklahoma, Kentucky and Texas. In all, the company owned, when the corporation succeeded the partnership, royalty interests in leases covering 2,216 acres, or 91 royalty acres, and owned working interests in leases covering 10,027 acres, or 5,905 net acres.

On Jan. 1, 1956, the company will have completed its acquisition of all properties of the Kio Oil and Development Co. (American Stock Exchange). These properties consist of 75 producing wells in Illinois, Indiana, Oklahoma, and Texas. Present production is 386.95 barrels or a cash flow of approximately $32,000 a month. This acquisition will double Tekoil's present cash flow and increase proven primary reserves to approximately 1,680,000 barrels and proven secondary reserves to approximately 8,784,077 barrels. The purchase price is $1,100,000 all of which is being borrowed from a Dallas bank on an unsecured basis.

It is estimated that on one field alone in the Kio properties—the East Centerville Field—Tekoil will realize a *net* profit, after all costs, of $1,405,000 in 30 months. The purchase also included 3,050 acres of undeveloped leases that are considered very promising. Tekoil had been doing all the engineering for Kio since its inception so, of course, is intimately familiar with all of the Kio properties.

Outstanding Management

William H. Davison, President of Tekoil, is generally regarded as one of the most able younger men in the petroleum industry. He apparently possesses the magic combination of management attributes that enable him to make ventures "go." Davison has never been associated with a business that has not been extremely successful. Prior to the formation of Davison and Co., he was President of Core Laboratories. During his Presidency, Core Lab grew to its present established position as the "foremost reservoir engineering firm in the world." Prior to Davison becoming President, Core Lab's largest earnings for any one year were approximately $42,000. In four years under his leadership, the company's annual earnings reached $260,000. This is another concrete example of Bill Davison's business acumen and his ability to make an operation grow.

Davison is very ably assisted by his brother, Kenneth Davison, Vice-President of Tekoil and Chief of Operations of its Engineering Division. Kenneth Davison is one of the outstanding technical petroleum engineers in the world and has an excellent record with such companies as Core Laboratories, Warren Petroleum, and Magnolia Petroleum.

It is my belief that the combination of Bill Davison's business ability and practical engineering experience and Ty Davison's technical skill provide Tekoil Corp. with an outstanding executive team that ranks among the best in the industry.

Tekoil, in the opinion of this writer, offers the investor the unusual opportunity of participating in the explosive potential of oil and gas exploration at a risk that is considerably less than that of the average oil stock.

IRVIN F. WESTHEIMER

Partner, Westheimer & Company
Cincinnati, Ohio
Members New York Stock Exchange

Procter & Gamble

Five years ago I wrote, "The security I like best is also the security that Cincinnati likes best." As any Cincinnatian would instantly know, I was referring to the common stock of Procter & Gamble. Since then the economy has rushed forward with jet speed and the bull market has attained undreamed of heights, yet I think my statement needs only one minor revision. Many of us would now change the word "likes" to "loves!" And with good reason.

Irvin F. Westheimer

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A Stock Market Forecast, And Issues That Look Attractive

By G. M. LOEB*

Partner, E. F. Hutton & Co.
Members, New York Stock Exchange

Stressing the risk of dollar depreciation in holding cash and evidences of debt, Mr. Loeb points out people have been warning against danger of the stock market since 1932, whereas the real danger was in the depreciated value of the dollar. Says it is not yet the time to expect a bear market, but arguments for a bull market "are rather tenuous." Points out "we may now be near to the time when, after 13 years, a change of investment policy will be called for." Holds stock selection is key to current investment problem. Lists some favorable individual and group issues.

I feel that the best time of the year to initiate a position is when the investment situation warrants. With stocks that are under tax selling pressure and near their lows, this often runs from late November to early December. With the rest of the list it is more often any other month except December or January.

G. M. Loeb

This is particularly true this year end. We have enjoyed a long and profitable bull market. Objectives set by many of us months ago for closing commitments have been reached and surpassed. Sentiment is good. Business is good. Earnings are good. Dividends are good. Stock markets are good. Everyone is successful, prosperous and confident. More people own shares than ever before. There is much borrowing going on, not only to buy shares but to buy the goods that support the corporations they represent. And the corporations are financing too, in order to increase their facilities or efficiency or both.

So it makes one stop and wonder.

What does an investor expect when he buys equities? Well, in the last 10 years the average income yield of the Dow Industrials has been 5.7%. Possibly, he expects about a 5% income.

Of course, he expects a "profit"—a "capital gain" as well. How much I do not really know. However, I would say that if the net market value of his portfolio also averaged an increase of about 5% a year, he would be well satisfied.

The Dow Industrials advanced 39.2% in 1954 and 19.3% in 1955 to date.

In other words, to expect another big net percentage gain next year is expecting a great deal.

Let me put it another way. There are many people in this country who accept a very low interest rate on their savings from banks, bonds, investment, insurance and mortgage loans for what they believe to be "safety." They are foolish indeed, if the average rate of profit in the stock market works out at anything like recent rates.

So it makes one stop and wonder some more.

To reduce recent high annual market gains to an "average" means offsetting losses somewhere along the line. They can be suffered by the individual to a much greater extent that the Dow averages show. The individual can own the wrong stocks. Or too many of them at the wrong time and too few at the right time.

Nevertheless, the business and investment climate has been good for a very long time.

So far this year, brokers' loans on securities advanced about 19%. Nonpurpose bank loans on securities advanced as well though I did not check the percentage. Odd lot customers bought about 9,000,000 shares more than they sold. It has been a year of bull market psychology with a weakening of the technical position.

Will the Bull Market Extend in '56?

The arguments for a bull market next year are rather tenuous. They include some "new era" talk. The old idea of election window dressing. The idea that the public is getting in and will get in deeper. These are ideas that may pay off but they are ideas that involve increased risks.

I think if a dollar was always a dollar I would be satisfied with my gains and sit on the sidelines a while.

However, we should know a dollar is not always a dollar. There are powerful factors rooted primarily in human nature that tend to decrease the purchasing power of money. These factors are not constant, it is true. They wax and wane. But they have been ascending for a long while now and what is more important, they promise to continue to ascend.

This is the spot where I have to reiterate a statement that I feel I cannot repeat too many times. It is that one cannot be "safe" just by having money or something first class that is a promise to pay back in money. The people who have been warning the public about the dangers of the stock market since 1932 have been warning them against the wrong danger. They have talked about being careful about hurricanes when floods were the real cause

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*An address by Mr. Loeb at the Harvard University Post Graduate School of Business, Wall Street Group, Boston, Mass., Dec. 13, 1955.

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Westinghouse Air Brake

By IRA U. COBLEIGH

Enterprise Economist

A current consideration of this vintage producer of railway equipment, and its prospects for improvement in market value and dividend distribution.

This is a glowing year for the rails and their fine operating results have now spilled over into a buoyant equipment buying program. For example, in November, New York Central projected a $120 million layout for 14,750 new freight cars; and Southern Pacific has announced a $90 million rolling stock expansion. It is only logical for this spending to favorably affect such related suppliers as Westinghouse Air Brake; and shareholders here while basking in the serenity of an 80-year record of unbroken dividend payments, would now like to see the company get a few current breaks of a different sort in the form of better earnings and fatter dividends.

Ira U. Cobleigh

Frankly, for an enterprise whose common has so long been esteemed as a sturdy and quality investment, the results of recent years have appeared a little short on the progress side. For example, net sales of $145 million for 1953 dwindled to $121½ million in 1954; with per share net slipping from $2.43 to $1.83. In line with this earnings retrogression, the 1955 dividend rate was reduced from $1.60 (1954) to $1.20 presently. With all the blossoming of earnings elsewhere, and a spate of split-ups and extras on dozens of other stocks, WK shareholders naturally have been feeling sort of left at the post.

Fortunately, however, a turn for the better has emerged in recent months, and, at last, WK common which, for the last ten years, has been unable to break out of a market trading range between 20 and 32⅝, looks as though it could now begin to gain altitude. It seems prepared to demonstrate on the upside, what the best analysts have long contended, namely, that, over a period of time, the trend of earnings dictates the trend of share prices.

Let's document our case a bit. For the first nine months of 1954, per share net was exactly 60c; while at the end of September, 1955, the comparable result was $1.21. That's enough to start forward motion even in a soggy stock; but there's more good news. WK had, for some time, a sizable investment in Canadian Westinghouse Ltd. It sold these shareholdings this year for a profit of about $3,900,000, creating a capital gain of 96c per share (of WK). But this 96c is not included in the figures for the nine-month period. With this windfall profit thrown in, WK common will show around $2.90 this year, and should be in line for a higher dividend.

Let's get off the figures for a bit and look at the products. As you know, diversification among railway equipment makers has in recent years gotten to be very fashionable. ACF gets more than 40% of sales from business not connected with railroad cars; while 50% of Pullman sales come now from endeavors unrelated to rolling stock. So, too, it is with Westinghouse. From the outset a major supplier of railway braking equipment, WK is also a leader in signals, electronic controls and switches; but most prominent horizons for expanded earning power appear to be among the newer divisions of corporate activity. Of these, perhaps the most important is a property acquired in 1953—R. G. LeTourneau Inc., now Le Tourneau Westinghouse Company. This unit has been the major designer and producer of king-size earth moving equipment. When there's a new dam to be built, an air strip site to be cleared, or a super highway to be pushed through hills and forests, chances are Le Tourneau super bulldozers will be in there pushing. To round out this line, the J. D. Adams company, specializing in road graders, was bought this year.

Other divisions include Le Roi (purchased three years ago) which ties into the building industry with heavy duty petroleum fueled engines, cement mixing units, and compressors. There's an owned company, manufacturing oil well rigs and equipment; and another large unit, Melpar, Inc., with government contracts for electronic production and development tying into our guided missile program. Westinghouse also has a joint contract to explore atomic reactors with Fluor Corp. Ltd.

It can not be said that Westinghouse is projecting its future entirely on its present line of products. Far from it; for the company is strong on research, spending nearly five million dollars last year on development of new products. The biggest things to come out of the lab include the new composition Cobra brake shoe developed with Johns-Manville; a remote control freight yard control system; new brake valves for both passenger and freight cars, and advanced designs in heavy duty road building equipment.

As a result of the diversification described above, Westinghouse, although still America's largest producer of air brakes for subways and railways, and 49% owner of Bendix Westinghouse Automotive Brake Co., now gets some 53% of its business from non-related lines. It is thus achieving a balance that should insulate it better from peak and valley type of earnings, characteristic of exclusively railway suppliers.

Financial position of WK has been traditionally excellent. The 1954 year-end statement revealed almost $70 million in working capital or roughly $17 a share. Balance sheet is uncomplicated with but two classes of securities —$35 million in 3⅞% debentures (due 1978 and issued to finance the Le Tourneau purchase) and 4,126,312 common shares listed on the New York Stock Exchange.

No balance sheet over-statements are in evidence; in fact quite the reverse. Subsidiary investments have a stated value (Dec. 31, 1954) of $7,777,154, yet they delivered $1,950,000 in cash dividends in 1953. Even after sale of the Canadian Westinghouse shares, these investments probably have a real value of above $25 million.

It seems possible that total sales this year will move into new high ground and the trend of profitability is definitely on the upgrade. Earnings from brakes are bound to go up with all the railway car buying now in evidence, and Westinghouse is uniquely equipped to share in road building which through thick and thin, boom or slack times, is now a major and nationwide program. We're turning out far more cars, buses, trucks, and trailers than we have roads for; so whether by states, or Federally, we'll be spending many highway billions each year. And if we ever really got going with some of the nations friendly to us on their road problem, look how many billions of business we could do (dependent only on their ability to get up the money). Westinghouse got a contract for $33 million from Turkey. The major part of it for highways; and there are lots of nations besides the Turks that need better roads.

Management, under the guidance of Mr. Edward Boshell, Board Chairman, as well as President, seems progressive and aggressive; another factor suggesting that the stock is now ready to get out of a rut. There is always a considerable satisfaction for a stock buyer to enter a situation where he has a feeling, bordering on conviction, that he's not paying dearly for his stock. He should get that sort of feeling about WK below 30.

If time had permitted, we could have calculated the total number of railway cars equipped with Westinghouse air brakes (it would run in the millions); the number of trains each day stopped, started, directed or switched by the products of the Union Switch and Signal Division; or we could have conjectured on how many occasions WK rail brakes, and Bendix-Westinghouse motor car brakes have been simultaneously applied to prevent wrecks at grade crossings. But, alas, all these statistical gems must be saved for a later piece. They would not change, however, the basic picture of WK as a major supplier for the road and railroad industries, as an important electronic contributor to our national defense; and as developer of atomic energy applications.

WK has proved that it can be a dependable security and a reliable dividend payer for a lifetime. Its 41,000 shareholders are entitled to view their holding with considerable serenity; and based on a recent history of distributing around 70% of net in cash dividends, a restoration of the $1.60 dividend would not appear as an unreasonable expectation. If the dividend were thus advanced (by 33⅓%), the yield at 29½ would be around 5.38%.

Milton F. Lewis With A. G. Becker & Co.

Announcement has been made that Milton F. Lewis has become associated with A. G. Becker & Co. Incorporated, New York City, as Manager of its public utility trading department. Mr. Lewis has been active in the securities field for some 25 years and for many years has been particularly identified with public utility securities. He was formerly Manager of the public utility and industrial stock and bond department for Ira Haupt & Co.

Milton F. Lewis

A. G. Becker & Co. has also announced the removal of its offices to 60 Broadway, where the firm will occupy the entire 20th and part of the 19th floors.

With Peters, Writer

(Special to The Financial Chronicle)

DENVER, Colo.—Earnie K. Breeden, Jr. has become affiliated with Peters, Writer and Christensen, Inc., 724 Seventeenth Street.

The State of Trade and Industry

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

Total industrial production for the nation as a whole in the period ended on Wednesday of last week was maintained at a high level and total output rose noticeably above the level of the corresponding week last year.

Claims for unemployment insurance increased 6%, with gains reported in 42 states. The most noticeable increase occurred in New Jersey, North Carolina and Pennsylvania. There were seasonal layoffs in the apparel, food processing and construction industries.

The United States Department of Labor, in the latest week, reported new seasonal increases in unemployment across the nation.

Idle workers' first claims for unemployment compensation rose by 17,200 to 256,000 in the week ended Dec. 20, the department's Bureau of Employment Security stated.

Seasonal layoffs in food, apparel and textile industries and work curtailments in construction due to bad weather were cited as causes for the rise in initial claims. A year earlier first claims totaled 312,400.

In the week ended Dec. 3, the total of workers drawing jobless pay rose by 58,700 to 990,500. This compared with 1,576,500 a year earlier.

Industrial production slowed down less than seasonally in November and reached another new high on the Federal Reserve Board's adjusted index.

The Board said industry turned out goods at a rate of 146% of the 1947-49 average last month. This was a one point dip from the October level but 16 points above last year.

The Board considered this slight dip from October to be less than seasonal so its adjusted index edged up to 144% from 143% in October. November's adjusted industrial production topped the year-ago level by 16 points.

Industrial production on the Board's seasonally adjusted index has been on the upswing since September of last year.

The Board stated, the November increase in the seasonally adjusted index reflected "continued strength" in all major classes of industry.

It also presented its thumbnail sketch of business conditions by stating:

"Economic activity continued to increase in November. Industrial production, employment and incomes expanded somewhat further. Sales of department stores were also up slightly further in November and early December. Industrial commodity prices continued to advance, and prices of farm products and foods declined again. Bank loans continued to expand, the Federal Reserve discount rate was increased again and short-term money rates rose further."

It will take more than a temporary letdown in auto production to ease the pressure for more steel. The cutbacks in Detroit will have no effect on the booming steel market, "The Iron Age," national metalworking weekly, states this week.

Auto producers may be pulling in their horns on high cost conversion deals, but at the same time they're putting the screws on the mills for more tonnage at regular prices. Auto producers will continue to be heavy buyers of steel in 1956. If sales of 1956 models do not go well, the auto companies will shut down early to push 1957 models, this trade weekly adds.

The situation in steel is such that a large producer has warned its customers against channeling any of its stocks into gray market outlets. Any consumer caught selling to so-called "unorthodox" sources faces cancellation of orders still on this company's books.

This is the first time since Korea that any steel firm has felt it necessary to throw its weight against further growth of gray market activity, and represents another indication of just how desperate some fabricators are for steel, declares this trade authority.

Although the mills are producing at breakneck speed and will establish an all-time output record this year, there will be a slight letdown during the Christmas and New Year holidays. This will tend to increase backlogs and lengthen deliveries in the first quarter of 1956.

Although foreign countries are fighting their own steel production problems, some of it is coming into the United States at fancy delivered prices. Some export brokers are booked into second quarter on plate, sheet and structurals. Volume isn't high because foreign mills have little to spare.

More steel users are worrying about their steel supplies. The steady supply of broker steel, sale and use of second, heavy warehouse business and conversion all point to "emergency" conditions in steel supply. Inventory building, where possible, is expected to continue through second quarter, concludes "The Iron Age."

In the automotive industry last week a brief supplier's strike and general absence of Saturday scheduling combined to dip United States car output 6% below the week earlier volume, dimming hopes for an 8,000,000 car year for 1955, "Ward's Automotive Reports," stated on Friday last.

However, the 8,000,000th U. S.-Canadian built car since Jan. 1 was expected to roll out of some plant the past Friday, "Ward's" added.

The statistical agency pegged United States car building last week at 168,337 assemblies compared with a turnout of 178,409 a week earlier. Truck production is estimated at 26,778 completions reflecting only a narrow drop from the week-previous volume of 27,870.

The wildcat walkout at Budd Co. early in the work period

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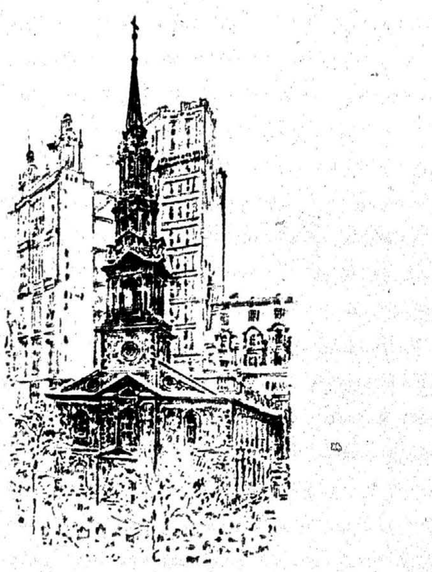

A Christmas Message

"Glory to God in the Highest and on Earth, Peace to Men of Good Will."

The Birth of Jesus Christ . . .

AND it came to pass in those days, that there went out a decree from Caesar Augustus, that all the world should be taxed. (And this taxing was first made when Cyrenius was governor of Syria.) And all went to be taxed, every one into his own city. And Joseph also went up from Galilee, out of the city of Nazareth, into Judea, unto the city of David, which is called Bethlehem (because he was of the house and lineage of David), to be taxed with Mary his espoused wife, being great with child.

And so it was, that, while they were there, the days were accomplished that she should be delivered. And she brought forth her first-born son, and wrapped him in swaddling clothes, and laid him in a manger; because there was no room for them in the inn.

And there were in the same country shepherds abiding in the field, keeping watch over their flock by night. And, lo, the angel of the Lord came upon them, and the glory of the Lord shone round about them: and they were sore afraid. And the angel said unto them, "Fear not: for, behold, I bring you good tidings of great joy, which shall be to all people. For unto you is born this day in the city of David a Saviour, which is Christ the Lord. And this shall be a sign unto you: Ye shall find the babe wrapped in swaddling clothes, lying in a manger." And suddenly there was with the angel a multitude of the heavenly host praising God, and saying, "Glory to God in the highest, and on earth peace to men of good will."

And it came to pass, as the angels were gone away from them into heaven, the shepherds said one to another, "Let us now go even unto Bethlehem, and see this thing which is come to pass, which the Lord hath made known unto us." And they came with haste, and found Mary and Joseph, and the babe lying in a manger. And when they had seen it, they made known abroad the saying which was told them concerning this child. And all they that heard it wondered at those things which were told them by the shepherds. But Mary kept all these things, and pondered them in her heart. And the shepherds returned, glorifying and praising God for all the things that they had heard and seen, as it was told unto them.

St. Luke II, 1-21

Observations . . .

By A. WILFRED MAY

THE INVESTOR AS BUSINESS OWNER*

It is vitally important to exercise fully your privileges and duties as a stockholder—particularly since such fulfillment of your true role as permanent part-owner of a business contrasts with the widespread destructive concentration on playing-the-market in its various phases.

A. Wilfred May

Unfortunately, it is true, the stockholder finds himself quite powerless, if not actually frustrated, in various ways. He is impotent, in the first instance, in his company vis-a-vis management which comprises his employees. This unfavorable situation is bound up with our general corporate system, under which — as first and most ably spelled out by Messrs. Berle and Means (in the "Modern Corporation and Private Property") — ownership is divorced from control. In most of the varied corporate activities, the individual owning shareholder, who is part of the vast majority, has no way of exercising any power over the managers, who usually total up to a small minority of the stock ownership.

Community Status

The second facet of the public stockholder's impotent state is comprised by his status in the community—vis-a-vis government interventionism, as well as other communal groups. In contrast to other members of society, as the farmer and laborer who are effectively combined in highly vocal pressure groups, the nation's millions of shareholders remain largely unorganized. So the stockholder remains the real "forgotten man"!

The country's six million-plus stockholders do not even get the solicitude vouchsafed to the businessman in the form of large-scale trade associations, as NAM or the U. S. Chamber of Commerce.

Available Support

Nevertheless, there are available some partial aids. The Investors League concentrates on taking a stand on legislative matters, as taxation. The United Shareholders of America, with a membership of 6,000 members, headed by Benjamin Javits, takes stands on legislative matters; occasionally expresses opposition to company abuses; on the other hand, demonstrating its fairness, gives merit awards to some leading corporations.

Scrutinizing Company Manners

Stirring up of the public's interest in company housekeeping, to its meager degree, are a few individual stockholder spokesmen, who use their efforts to stimulate things via active, aggressive, and dramatized behavior at the annual company meeting. Among these are Messrs. Lewis and John Gilbert, who represent scattered shareholders and vote their proxies; and Wilma Soss, President of The Federation of Women Shareholders. Besides concentrating on a company's "manners" and protocol, they persistently advocate their pet reforms; as the place of meeting, cumulative voting, the after-meeting report, allotting of more directorships to the distaff side, and, of course, that old demagogic stand-by, management's compensation.

Too often, superficial issues, such as compensation, take the place of vital questions as whether the management is capable and worthy of confidence; and whether it is treating the stockholders fairly.

As a result, shareholder protection remains meager and haphazard.

The Reasons for the Abortive Situation

This unfortunate position of the stockholder stems from a number of basic causes. There is the traditionally successful anti-"Wall Street" demagoguery, tying the shareholder to the whipping post. The comparative ineffectiveness of the protective organizations is to some extent due to their long-time difficulty with public relations, epitomized by inability to get a Big Name to head them; as well as to the fact that, in contrast to other community segments in business and agriculture, a man is a shareholder only part time, as merely incidental to his full-time occupation.

"If You Don't Like It . . ."

And then, the shareholder becomes easily deluded with fictions about himself, such as is embodied in the "if-you-don't-like-it-sell-your-stock" philosophy. This credo, embraced in some high as well as low quarters (frequently as rationalization of inertia) advocates that, irrespective of the actuality of abuse on the part of his company, the shareholder shall take advantage of the market place to dispose of his stock. Actually, to conduct one's ownership, alongside the non-owning management, under such a philosophy, deals one's self a gross insult. It is akin to a citizen agreeing to leave his country if he doesn't like what his public servants are doing. Incidentally, such an arrangement of dissidents' exit assures the corporate management of a permanent conforming stock ownership —a most convenient arrangement *for* it, but hardly constructive in the public interest.

Possible Rescuers

Considerable rescuing of the shareholder conceivably could be done. The big business organizations, as the NAM or chambers of commerce, could take him under their wing. Brokerage firms might, when necessary, take a stand on company affairs. Investment company management could go considerably further in participating directly in the affairs of the companies whose shares comprise their portfolios. If they withhold their vote, they are actually disfranchising their own shareholders.

The proxy machinery, the basic technique of direct stockholder participation, presents many ramifications and problems. Suffice it to conclude here that every stockholder should vote his proxy—if possible, intelligently; but vote he must. If understanding is not present, it must be striven for.

Specific Issues

Let us review some of the specific issues involved in stockholder-management relations—all sharpened directly or indirectly by ownership-control segregation. There is the necessity for independence of the directors from the executives. Too often the managers dominate the Board, instead of vice versa; with directors' ties making them subservient and prone to backscratching.

Management compensation is a frequent issue, often obscured by sensationalism and demagogic exaggeration of its importance. Dividend policy is often a bone of contention. It is a matter regarding which it is difficult to elicit good objective judgment. In fact, as in the case of the management's remuneration, the shareholder, through self-interest or jealousy, is likely to be even more biased than the management. The stock option, while an extremely constructive and valuable instrument for gaining the needed community of interest between management and shareholder, must be kept clean. For example, the option price at least must not be lowered to follow market action after it has once been given. Otherwise it has completely lost its purpose.

Remedy

There are several possible ways fundamentally to reform our director system.

Cumulative voting could be universalized, thus promoting democratization.

The Board could be made up of three classes of directors: (1) managers experienced in the business; (2) owners who have stockholding in substantial amounts; (3) intelligent businessmen accustomed to directing the efforts of others, and appraising their results. They would protect the non-directors.

Remuneration of directors via common stock is highly constructive for ensuring a community of interest. But whether they receive pay or not seems not to make a great difference (judging by the experience with paid directors in England). Above all, the conscious obligation to follow trustee behavior must be enhanced!

In any event, the most constructive path open to the stockholder lies firmly in the direction of his behavior as a business owner; thus conscientiously fulfilling his obligation toward proper care of his capital.

And he will thus also perform a broader function. President Funston of the New York Stock Exchange last week said that "the broadening of share ownership is today one of the nation's most important long-range economic goals and is essential to raising the growth money needed by American industry to realize future plans." Surely such broadening of share ownership will be enhanced by more intelligent, well-ordered and mutually confident stockholder-management attitudes and relations!

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

The Business Outlook for 1956

By DWIGHT W. MICHENER*
Economist, Chase Manhattan Bank, New York City

New York bank economist, asserting though it seems certain present prosperous business will carry over into 1956, points out there may be danger in three closely related areas; viz: (1) consumer buying; (2) expansion of plant facilities; and (3) the use of credit. Stresses increased buying of durable consumer goods, and the risks that lie in over-expansion of plant and equipment. Discusses current Federal Reserve credit restrictions and says it is reassuring to know that this authority is carefully applying broad knowledge and experience to a difficult task. Concludes, question in 1956 will be "Can we stand so much prosperity?"

Production in the American economy is now probably at the highest level ever achieved. There is little, if any, evidence that boom forces have expended themselves. The demand for goods was never higher. Wages continue to go up. Prices of various materials are tending upward. The momentum of present prosperous business is very strong, and it seems certain to carry over into 1956.

D. W. Michener

There are three closely related areas in which recent developments suggest that there may be danger of overdoing the expansion in 1956. The triumvirate is (1) consumer buying, (2) expansion of plant facilities and (3) the use of credit.

The rise in consumer demand has had a major role in the current business expansion. In July, August and September, consumer spending moved at an annual rate of $256 billion. This is $20 billion above the previous record. Since early 1954, consumer spending has been rising more rapidly than personal income after taxes.

Increased consumer purchases have spread over a wide range of goods and services. The September-October decline in new car buying, due to model changeovers, was largely made up by expanded department store buying. Now, with the new model cars ready for delivery and holiday trade in full swing, still higher peaks in the movement of goods to consumers appear to be in the making.

From the consumer's point of view, there is good basis for the rise in spending. Employment is at a new high point. More women are now in the labor force than there were during the wartime emergency. Wages continue to advance, with the result that after-tax income is at a new peak. Furthermore, there has been little recent change in the level of consumer prices, so that the consumer dollar goes as far today as it did a few years ago.

In this stronger buying position, it is to be expected that the consumer would buy more liberally. The important point is that the consumer has been inclined to spend a larger proportion of his after-tax income than he did before. In addition, he has used a much larger volume of credit in expanding his purchases than ever before. The extent of this increase in credit used by the consumer will be pointed out later.

Increased Demand for Consumer Durable Goods

All lines of consumer goods have shown the influence of increased consumer buying. However, durable goods have made by far the strongest advance. Consumers spend much more of their disposable income for durable goods today than they did in 1939. Automobiles are, of course, the outstanding case in point. Consumers are now spending twice as much of their disposable income for automobiles as they spent in 1939. The over-all volume of durable goods purchased relative to disposable income is as large today as it was during the buying rush of 1950, when people, frightened by the prospect of war, were frantically stocking up in anticipation of wartime shortages.

The current holiday period cannot be expected to bring a decline in the seasonally adjusted rate of consumer purchases. In fact, consumers appear to be more optimistic and more ready to buy now than they were a year ago, and it seems certain that holiday trade will reach a new all-time peak during the current month.

With the consumer's favorable position and his present inclination to use increasing amounts of credit in his purchases, consumer demand continues to assert itself on a broader scale than ever before. Thus, it appears that this area is one in which boomtime activities could be overdone in 1956, unless caution and restraint are exercised by public authorities and others concerned with the extension of credit.

Expansion of Plant and Equipment

Fortunately, the dangers involved in the current trend of consumer spending are receiving much attention by business and credit people. But in our thinking regarding next year, much less attention is being given to a second area in which optimism may carry us to a point that holds problems for the future. This is the expansion of plant and equipment.

It is well known that this expansion has been large in recent years. Since the Second World War, our plant and equipment is estimated to have increased nearly 100%, and the increase since the beginning of the Korean War has been about 50%. In 1953, plant and equipment expansion reached a previously unachieved record of $28 billion. The rise in recent months suggests that the current year will equal the previous peak. As we all know, very substantial additions to plant and equipment are now under way, and still greater expansion is planned for 1956. The most recent McGraw-Hill estimate places next year's advance at about 13% over that of 1955. This would make 1956, by far, the greatest year for plant expansion that we have ever experienced.

This is a very impressive outlook. Nonetheless, there are some important questions to be considered before we can say that this is all on the positive side. In the first place, plans for plant expansion next year have been strongly influenced by the upsurge in consumer buying, described above. Pressure of demand upon existing productive capacity has made much more plant and equipment seem necessary. In fact, loss of sales because of lack of productive facilities has put on the hot seat those in industry responsible for planning next year's plant and equipment construction. And there may have been a tendency for them to project into the future a rate of advance in excess of that likely to be maintained.

In the second place, a part of the apparent need for still larger plant and equipment expansion next year has arisen because of the swing of consumer demand from non-durable, or "soft," goods to durable goods. Production of durables requires more plant and equipment per dollar of output than does the production of non-durable goods, since production of durable goods is more complex and, in many cases, more susceptible to model changes and changes in production methods. This rapid shift in consumer demand from soft to hard goods is, in part, to be expected in view of the upward trend in our standard of living. But it is also typical of boom times. A swing back to more normal proportions of the two types of production, when consumer buying steadies down, is likely to reduce the need for additional plant in certain durable goods lines.

In the third place, while we may all agree that increased production of goods and services is desirable, in that further increase in the standard of living depends upon it, a large annual increase in plant and equipment is not the *sole* requisite for greater production. Larger over-all production in the economy also is dependent upon adequate personnel, improved skills and working habits, better methods, stronger over-all plant organization, provisions for expanded working capital, better coordination with sales efforts, better integration industry with industry and better balance between industry, trade and agriculture. Expansion of plant and equipment without due regard for other requisites of production, should it occur, would not insure steady progress in production.

Fourth, some studies recently made suggest that the plant and equipment capacity may have risen at a faster rate since 1950 than has the output of our industry. Unfortunately, complete figures are not available. We do know that, insofar as industrial plant is concerned, it has been large enough during the past several months to meet the great onrush of consumer demand and, at the same time, to build up inventories. If the present inventory trend continues, an excessively high volume of inventories will, at some point, become a force tending to reduce the demand for plant and equipment.

Fifth, the individual firm can quickly slow up its plant expansion if the outlook becomes less promising. Further plant outlays may be terminated, and, in ensuing years, the growth factor may be expected to right the situation.

But from the point of view of the economy as a whole, the situation is different. Construction of plant and facilities is a part of the daily activity of the economy. A sharp drop in plant expansion would have strong repercussions on general business activity. For the economy as a whole, *steady* expansion is very important. Thus, we need a level of plant expansion in 1956 which, by and large, can be sustained in 1957 and in later years.

The Use of Credit

The use of credit is the third area in which recent developments suggest that there may be danger of overdoing the expansion next year. The large increase in business activity in recent months has been made possible, in substantial degree, by increased use of credit. The current advance in demand for bank lending began before the end of 1954 and, to date, has been one of the sharpest on record. For the year ending with October, the increase in commercial bank loans has been nearly $12 billion. Major groups of borrowers, including those in commerce, industry and agriculture, those carrying securities and the holders of real estate, shared the increase.

As mentioned earlier, consumer credit has advanced sharply during the year. In total, consumer credit outstanding is now in the neighborhood of $35 billion. Instalment debt has grown much faster than income. A very substantial part of the expansion in consumer borrowing has been for purchases of automobiles and other durable goods.

The use of credit in the home mortgage field has also advanced at an unprecedented rate of more than a billion dollars a month during the past year, bringing the total up to some $88 billion at the present time. The 1955 rise in mortgage debt, as well as in consumer credit, has been the largest on record.

Thus, it is obvious that, in recent months, credit has been used much more extensively than formerly, and the credit authorities have indicated their belief that it is time that credit expansion should steady down. Many steps have been taken to tighten credit and keep the expansion from moving too fast. These have included increases in the rediscount rate, the sale of government securities held by the Federal Reserve System, the tightening of mortgage credit by Federal agencies, and so on.

In view of the persistence of a strong demand for credit, and the prospect for its continuation in 1956, the current action on the part of monetary authorities in tightening credit is a very appropriate one. Its effectiveness, however, will be dependent upon the support of the entire business community. The task of credit control will be increasingly difficult in the future, as tighter credit policies come into conflict with projects which seem essential and as political pressure for easier credit is applied. Particularly under these circumstances, it is reassuring to know that credit authorities are carefully and conscientiously applying broad knowledge and experience to the difficult task which is theirs.

It is clear that current expansion in the three areas — consumer spending, expansion of plant facilities and use of credit — is closely interrelated. The increased use of credit has had important bearing upon the expansion of consumer demand and the latter, in turn, has influenced the broadening of plant and equipment expansion programs. This interrelationship makes it still more important that credit not be allowed to expand too rapidly, and it increases still further the responsibility resting on the shoulders of credit authorities.

The Question of Inventories

Apart from the three boom areas, there are other points in the economy where changes will have great influence on business in 1956. Inventories are one of these. Despite the recent high rate of production, present stocks of goods are not large relative to sales, due to the extraordinary volume of consumer buying in recent months. But inventories have been rising during 1955. They may be expected to round off in 1956 if consumer buying remains steady.

A second strategic point is the automobile market. Automobile sales have reached a new high point of about 7½ million in 1955, and during some weeks, 75% of car sales are reported to have been on credit. Current reports suggest somewhat less consumer enthusiasm in car buying, a development not unrelated to the present tightening of credit. This may mean a moderate reduction in car sales in 1956, but this is by no means certain.

A third point of importance in the outlook for next year is the home mortgage market and the demand for residential property. Latest statements by government authorities in the field of mortgage credit suggest that the objective is to keep mortgage money adequate for 1,200,000 new housing units next year. This would be very moderately below the expected total for 1955.

A fourth factor in the outlook is the very popular subject of reduction in Federal taxes. Although the Budget Director has recently estimated that a balanced budget is possible for the current fiscal year, his estimate, as of the moment, does not include any reduction in taxes. Nonetheless, his statement has seemingly strengthened hope on the part of the public that tax relief will be forthcoming. The size of the public debt and the difficulties of balancing the budget in recent years suggest that a balanced budget and some reduction in the debt might well be accomplished in the next fiscal year. An alternative, of course, would be a possible reduction in taxes. But such a reduction, should it occur, would add further stimulus to an already very active consumer demand.

Summary

A summary of these points relative to the 1956 outlook might be made as follows:

We are rounding out the final weeks of 1955 at peak levels, and the momentum of business achieved in recent months seems sure to carry it through the first quarter of 1956 to a new high record. This may further stimulate the three major propelling forces of the boom — consumer buying, construction of facilities and use of credit. General optimism growing out of these developments might carry business to a still higher and more vulnerable position in the latter part of 1956. Only the exercise of care in these areas will keep the rate of advance to more moderate and wholesome proportions. And the success of efforts in this latter direction will be reflected in the movements of inventories, car sales, the realty market and Congressional action on taxes.

There is little doubt but that 1956 is going to be a good year, one comparable with our best years thus far. A major uncertainty of the coming year relates to our ability to manage business wisely under continued favorable circumstances. If further business improvement early in 1956 is allowed to generate excessive business enthusiasm, the boom might carry on much farther and subject us to greater difficulties later on.

Thus, a major question relative to 1956 is not so much "Will we *have* prosperity?" as it is, "Can we *stand* so much prosperity?"

*Summary of an address by Mr. Michener at the 62nd Annual Luncheon of the Bronx Board of Trade, New York City, Dec. 5, 1955.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Martin F. Conner, Jr., Chester L. Domer, Charles L. Horn, Lawrence P. Nichter and Stanton N. Rathbun have become associated with Reynolds & Co., 425 Montgomery Street. Mr. Rathbun was previously with Walston & Co.

Forms L. M. Ladet Co.

DENVER, Colo. — Ludovic M. Ladet has formed L. M. Ladet Co. with offices in the California Building to engage in a securities business. Mr. Ladet was formerly an officer of Buerger, Ladet & Radinsky, Inc.

New York Stock Exchange Weekly Firm Changes

On Dec. 31, George A. Corroon, member of the New York Stock Exchange, will retire from partnership in Adler, Coleman & Co.

On Dec. 31, James W. Brooks, member of the New York Stock Exchange, will withdraw from partnership in Seeley & Lindley.

Transfer of the Exchange membership of Alfred E. Thurber to Oliver B. Henry, will be considered by the Exchange on Dec. 29.

On Dec. 29 transfer of the Exchange membership of Thomas P. Fowler to William W. Rosenau will be considered.

On Dec. 29 transfer of the Exchange membership of Herbert J. Erdman to John H. Swift will be considered by the Exchange.

Name to Be Koerner & Co.

Effective Jan. 2 the firm name of Dammes & Koerner, 120 Broadway, New York City, members of the New York Stock Exchange, will be changed to Koerner & Co. Herbert P. Dammes will retire from the firm Dec. 30. On Jan. 2 James F. Byrne, Jr., member of the Stock Exchange will be admitted to partnership.

Cabell Hopkins Co. To Be NYSE Member

COLUMBUS, Ga.—Cabell Hopkins & Co., Inc., Fourth National Bank Building, will become members of the New York Stock Exchange on Jan. 3. Officers will be W. Cabell Hopkins, President, and John H. Swift, who will acquire the Exchange membership, Vice-President.

Form First Houston Secs.

HOUSTON, Texas—First Houston Securities Corporation has been formed with offices in the San Jacinto Building to engage in a securities business. Officers are Reginald D. Crocker, President; Loren E. Brown, Vice-President; Alexander W. Head, Treasurer; and John L. Welsh, Secretary.

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.

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

Holidays in 1956 in the U. S. and its possessions—Booklet—Manufacturers Trust Company, International Banking Department, 55 Broad Street, New York 15, N. Y.

Income Stocks—List of 30 quality issues—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

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

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

Mutual Fund Shareholders — Report — National Association of Investment Companies, 61 Broadway, New York 6, N. Y.

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

Uranium—Bulletin—M. A. Cleek, Paulsen Building, Spokane 1, Wash.

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American Cyanamid Company — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Anaconda Copper Co.—Memorandum—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Anderson Prichard Oil Corporation — Review — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Asbestos Corporation Limited—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada.

Atlas Plywood Corporation — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Automatic Canteen Company of America—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of **Fixed Income Securities.**

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

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

Charles Bruning Company, Inc. — Analysis — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Columbia Gas System—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Abbott Laboratories.**

Consolidated Denison Mines Limited—Analysis—R. A. Daly & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Continental Assurance Company — Revised analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Dainippon Spinning—Analysis in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is a brief analysis of **Nisshin Cotton Spinning.**

Duriron Company—Analysis—S. C. Parker & Co., Inc., 1031 Ellicott Square, Buffalo 3, N. Y.

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

Edgewater Steel Company—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is an analysis of **Air Control Products Inc.**

Flying Tiger Line—Analysis—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Ford Motor Co. — Memorandum — Inter City Securities Corp., 167-08 Hillside Avenue, Jamaica 32, N. Y.

Fruehauf Trailer Company — Analysis — Smith, Hague, Noble & Co., Penobscot Building, Detroit 26, Mich.

Hamilton Manufacturing Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available in the same issue is an analysis of **Continental Illinois National Bank and Trust Company of Chicago.**

International Petroleum — Data — Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is information on **Marine Midland Corporation.**

Kaiser Aluminum & Chemical Corp. — Analysis in current issues of "Gleanings"—Francis I. du Pont & Co., 1 Wall St., New York 5, N. Y. Also in the same issue is an analysis of **Rio Grande Valley Gas** and four **Portfolio** packages.

Laboratory for Electronics, Inc. — Analysis — Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Lehman Corporation—Research study—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Mexican Light and Power Company — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

National Petroleum Corp., Ltd.—Analysis—Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, Beverly Hills, Calif.

North American Aviation, Inc.—Analysis—Dean Witter & Co., 632 South Spring Street, Los Angeles 14, Calif.

Pabco Products Inc. and Fibreboard Products Inc.—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is an analysis of **Transamerica Corporation.**

Pinellas Industries, Inc. — Analysis — Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Strong, Cobb & Co. — Circular — C. D. Pulis & Co., 25 Broad Street, New York 4, N. Y.

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

NSTA Notes

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

At a recent meeting of this association the following officers and directors were elected for the year 1956:

Rudolph T. Sandell

Everett D. Williams

President—Rudolph T. Sandell, Shuman, Agnew & Co.
Vice-President—Richard J. Payne, Walter C. Gorey & Co.
Secretary-Treasurer—Everett D. Williams, Wells Fargo Bank.

Board of Directors: Henry Perenon, Henry F. Swift & Co.; William Dondero, J. Barth & Co.; Albert A. Hewitt, First California Company; Barry Stone, Blyth & Co., Inc.

STANY CHORAL ON TV

In what is believed to be the first television appearance of a choral group of the financial community, the glee club of the Security Traders Association of New York will appear on the Igor Cassini Show, "Million Dollar Showcase," over WABD, Channel 5, from 9 to 9:30 p.m., on Friday evening, Dec. 23, Edward J. Kelly, of Carl M. Loeb, Rhoades & Co., and President of the association, announced.

The choir, comprised of 20 Wall Street securities traders, is under the direction of Sal Rappa, of F. S. Moseley & Co.

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.

With L. C. Berendsen

(Special to THE FINANCIAL CHRONICLE)

BURLINGTON, Iowa—Glenn F. Most has become connected with L. C. Berendsen Company, Farmers & Merchants Bank Building.

With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard A. Anthony has been added to the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

F. S. Moseley Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John Worrall is now with F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Charles R. Reynolds is now affiliated with Harris, Upham & Co. He was previously with Carolina Securities Corporation.

Reynolds Adds

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Jesse O. Bishop is now with Reynolds & Co., 120 South Salisbury Street.

With Zilka, Smither

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG.—Owen J. Card has joined the staff of Zilka, Smither & Co., Inc., 813 S. W. Alder Street, members of the San Francisco Stock Exchange.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James H. Sword has become connected with Dempsey-Tegeler & Co., 210 West Seventh Street.

Ervin Stein Opens

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Ervin E. Stein is conducting a securities business from offices at 1414 Broadway. Mr. Stein was formerly with Richard A. Harrison.

The Role of Common Stocks In an Investment Portfolio

By A. MOYER KULP*
Vice-President and Executive Director of Investment Committee
The Wellington Fund, Philadelphia, Pa.

Investment analyst of large mutual fund organization, in pointing out that shrunken purchasing power of dollar and high personal income taxes have resulted in a re-examination of traditional investment thinking, sees common stocks playing an increasing role in an investment portfolio. Holds long-term outlook for common stocks is good, but there is a need for short-term caution. Concludes, since common stocks provide active participation in the growth of the economy, careful selection of stocks of forward-looking well-managed and fully competitive companies can keep up the nation's productive economy.

There is nothing new about the use of common stocks in a conservative investment program. However, in some parts of our country, including states like Pennsylvania and New York, the wide use of common stocks in trust investment is a relatively recent development, as these things go. I would like to define a few basic investment concepts so that we may have a meeting of the minds and a full understanding of this very interesting subject.

A. Moyer Kulp

In a basic sense, investments can be classified in two divisions —namely:

(a) Claims on dollars.

(b) Purchasing power.

The first classification "claims on dollars" is represented by the traditional basic investment mediums: Bonds and mortgages.

The second classification "purchasing power" is a concept which has received wide consideration in recent years by necessity. During the past 20 years, lower interest rates on bonds, mortgage investments, the higher cost of living (brought about by two great war-time inflations and high personal income taxes) have shrunken the real purchasing power of dollar investments so drastically that the investor's relative standing in society was severely shaken. These factors more than any other considerations, resulted in a re-examination of traditional investment thinking. The consequent result was the gradual acceptance of common stocks as an integral part of conservative investment.

The use of common stocks in trust investment sometimes has the immediate effect of increasing current income. More important, is the fact that common stock ownership enables the investor to participate in long-term growth of the economy and the reasonable assurance that his dividend income will rise over a span of years. Careful selection of common stocks should enable the investor to maintain his relative position in our society. The investor with a sound balance between dollar investments and purchasing power investments, can look to the future with greater confidence. The 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.

The Long-Term Outlook and Common Stocks

A brief look at the business outlook and the factors which characterize the long-term outlook will help to direct our thinking in the selection of common stocks. It seems clear that the business readjustment in 1953-54 brought the various segments of the economy into sound postwar balance. Therefore we assume that the upturn in 1954 marks resumption of the country's long-term growth. Historically, our long-term growth has been based on: Increased productivity per man-hour (currently estimated at about 2½% annual rate) and increase in population.

Under conditions now existing, a 4% annual growth rate in physical volume of goods and services, as envisaged by competent observers, seems a reasonable assumption. Year-to-year progress will be somewhat irregular, sometimes above and other times below the long-term trend line. Since business activity now is approaching productive capacity and since we appear to be approaching full employment, the rate of progress in 1956 will probably slow down until production capacity has been expanded, productivity rises and the labor force is increased through population growth. In view of the rapid rise in over-all business activity during the past 18 months, a period of consolidation, or a plateau, implies good business, although not necessarily making new highs each quarter.

In looking ahead into 1956, allowance should be made for political uncertainties in the United States and abroad. It appears that economic growth is proceeding even more rapidly in Western Europe than in the United States and that the long-term trend appears favorable in both of these areas. Nevertheless, if the business rise should taper off and people get concerned about domestic or international political developments, the stock market may be subject to wider fluctuations than have occurred in the past two years. This short-term risk factor would be enhanced if the stock market first rises into significantly new high-ground.

A Need for Short-Term Caution

The advanced stage of the business rise, together with the higher stock market level, indicate the need for short-term caution. In other words, one should be certain that the common stocks held are in the most favorably situated companies—from both the short-term and long-term standpoint. Nor would a prudent stockholder at this time be justified in carrying more common stocks than the investment objective called for. It might be more appropriate to have a modest reserve set aside for new common stock investments over the coming year. Such a reserve can almost invariably be created by the sale of the least favorably situated common stock holdings.

As measured by traditional price-earnings ratios, dividend yield, and spread between high-grade bonds and common stock yields, the stock market has fully come into line with the expanded economy. Earnings on the Dow-Jones 30-Industrial Stock Average for 1955 are estimated at about $36. The dividend is estimated at $18.75 in cash plus stock dividends, with a current value of $2.90. With the Dow Industrials at around 480, this indicates a yield of about 4½%. Since the 1955 dividend on these 30 stocks represents a conservative pay-out, it would seem that while the stock market is no longer lagging, it is still in a sound investment value range — probably in the upper quarter of such a range.

Long Range Characteristics

Among the long range characteristics which are peculiar to the 1950's and 1960's are:

(1) Population growth.

(2) Re-distribution of income, resulting in great rise in middle-class incomes.

(3) Rapid and far-reaching scientific developments.

A study of population growth suggests a rise in population to perhaps 190 million people by 1965 and possibly 205 million by 1970. While the labor force will grow, it will increase at a slower rate because the increased population is expected to consist largely of those under 14 and those over 65. This places labor in a strategic bargaining power, because not only is labor working fewer hours per week, but the worker has to produce a larger amount of goods and services to satisfy the rising standard of living. It means high and rising wage rates.

Two major changes in incomes have taken place in the period 1929-1953:

(a) The real income per family has increased 87%, while family units increased only 40%;

(b) Income re-distribution has created a great middle-class market. Family units making $4,000 and over increased from 21% of family units in 1929 to 45% in 1953. In terms of total income, 54% of the income went to people making $4,000 and over in 1929. By 1953 the percentage was over 71%.

(c) The $4,000 income level appears to be critical. At that point the concept of discretionary or optional spending power comes into play and the consumer can buy quality as well as quantity.

These changes in population and income have led to a vast increase in consumer demand for goods and services. These factors are responsible for the magnitude of the housing boom, the automobile boom and the generally improved standard of living.

This great increased demand for goods and services produced by a relatively smaller labor force employed at higher wages is a long-term force which has caused the great rise in business spending for plant and equipment. 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. These expenditures in turn have resulted in the higher output per man-hour needed to raise the standard of living. 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 postwar growth rate.

Common Stocks and a Conservative Investment Portfolio

For the investor it supports the validity of common stocks in a conservative investment portfolio. 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 conservative approach requires, first of all, that an adequate portion of the account is invested in bonds or mortgages—or both. Having made certain that liquidity and defensive requirements are satisfied, the balance can then properly be 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.

The conservative approach also calls for reasonably broad diversification in basic industries, such as — petroleum, chemicals, steel, aluminum, building materials, paper, rubber, electronics. These are the dynamic areas in industry which give promise of above-average opportunities. A constructive attitude should be taken toward common stocks as such, rather than regard them as dangerous. Nor should immediate income be emphasized as greatly as is often the case. The most attractive and the most dynamic equities usually carry a low yield, except at those infrequent times when everything is cheap. Reaching for income usually means sacrificing the vital quality and dynamic factors which are the essence of common stock investment. I would urge that the investor look for income elsewhere: Municipal bonds, where tax considerations are important, and corporation bonds in non-taxable accounts. Where income is an over-riding consideration, common stocks in the best situated electric utilities companies, commercial banks and fire and casualty insurance, have great merit, as compared with preferred stocks.

In conclusion, investment policy should emphasize companies which are strong financially, deep in excellent management, forward-looking and above all, have the knack of making good profits and being able to pay good dividends. They should be companies in industries which will share predominantly in the rapid and far-reaching changes which we must expect. Above all, we must guard against investing in static companies which in future years, will be headed down hill. We must get our defensive characteristics from bonds. After all, investing in the so-called "defensive income stocks" is liable to be pretty much of a losing game. These stocks will probably decline almost as much in down-markets as the dynamic stocks and over a period of years their dividends will rise little compared with the dynamic issues.

Finally, the use of common stocks by all types of institutional investors, as well as fiduciary investors, appears to be a long-term development. It won't guarantee a continuous bull market, but rather this trend will emphasize the already clear division between top-grade companies, mediocre companies and "never-do-wells." The emphasis will be increasingly on quality, present and future.

*An address by Mr. Kulp before the Corporate Fiduciaries Association of Allegheny County, Pittsburgh, Pa., Dec. 6, 1955.

Paul L. Miller V-P. Of First Boston Corp.

Paul L. Miller

The First Boston Corporation, 100 Broadway, New York City, announces the election of Paul L. Miller as a Vice-President. An Assistant Vice-President of the corporation in the buying department for the past four years, Mr. Miller has been associated with First Boston since 1946.

To Be Erdman Partner

Sidney M. Sternbach, Jr., member of the New York Stock Exchange, on Dec. 30 will become a partner in Erdman & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Where Is the Economy Heading?

By ARTHUR R. UPGREN*
Dean, Amos Tuck School of Business Administration
Dartmouth College

After reviewing recent economic developments, Dean Upgren finds in answer to question "Where are we going from here?" that the central feature of the economy is the efforts of industry to expand facilities. Points out dangers in this move, but says, this time, we have great and unusual opportunity to keep the economy in needed money supplies and banking reserves. Holds a more accurate statement of Federal Reserve objectives is needed. Lists as matters which could injure long-run economic aspects: (1) inventory liquidation; (2) substantial decrease in capital outlays, and (3) failure of the money supply. Stresses stabilizing value of our liquid banking system.

A very brief review of economic development of the past five years is helpful to understanding our economic course immediately ahead. Prior to the outbreak of the conflict in Korea we had, in very late 1949 and in the first half of 1950, a very sharp economic recovery. Then came Korea and we prepared for any emergency by launching an immense defense production effort. Coming as it did on the heels of an economy enjoying full employment and full output, that defense effort gave us a very moderate degree of inflation and a very large expansion of production facilities. The inflation was measured by a rise of, all told, 14% in the cost of living, 16% in wholesale prices and prices rose substantially more for agricultural products and for raw materials.

Arthur R. Upgren

But ever since the end of 1945, the Federal Budget has been in such a strong position that we have, in total, produced a surplus in the cash consolidated budget and we are operating at levels of substantial surplus right now. When one recalls that in World War I we taxed for only 32% of Federal expenditures, one can understand why the price level rose two - and - one - half times. When it is further recalled that in World War II we taxed for only 46% of all Federal expenditures, we can see why prices were almost doubled. Since the end of the Second World War, our cash budget "take" of the Federal Government has been more than $5 billion in excess of cash payments made by the Federal Government. That made the stopping of inflation practically complete by the end of March, 1951 so that we soon will have had almost a full five-year period of great price stability except for the decline in the prices of agricultural products and the decline, smaller, and subsequent rise in the price of a few important raw materials.

By mid-1953 we had secured a truce in Korea. That led to a cut in defense expenditures which has now amounted to $14 billion a year. Immediately after these defense expense reductions occurred, we saw business adjusting its inventories downward by an additional $10 billion in order to be in appropriate adjustment to the reduction in the annual rate of defense outlays from $54 billion annual rate to $40 billion.

Here I would like to point out that these two reductions in defense expenditures in inventories, accompanied by a $2 billion rate of reduction in the purchase of tools and equipment by industry, gave us a direct primary cut in the rate of total spending (for defense and business investment inclusive of inventories) of about $26 billion. Such a **primary** reduction in expenditure would tend to induce a **secondary** reduction in expenditures by all those people who had been the beneficiaries of the former higher rate of defense outlay and business investment. These groups, made up the largely increased number of unemployed in 1954 in the Pittsburgh and Detroit areas especially, would be expected also to be compelled by the absence of income resulting from "no work," to reduce their consumption expenditures by a like amount of $26 billion. Nothing of the kind happened to produce this "multiplier effect" which would produce a $52 billion decline in our total Gross National Product or expenditures. Why?

The decline in the total Gross National Product amounted to only $12 billion instead of the theoretically-to-be-expected decline of $52 billion.

Clearly on the grounds of theory of the multiplier, the economy was expected to be heading toward a 12% or 15% recession in output and yet the maximum decline in 1954 was only 3.25% in total output.

What happened was that certain policy steps were taken to make the economy head in a direction other than fairly deep depression. These steps were that at the recommendation of President Eisenhower and Secretary of the Treasury Humphrey we allowed the excess profits tax on corporations to expire on Dec. 31, 1953. This tax had been re-imposed after the outbreak of the Korean conflict and it had assisted in sending, as actually happened, total Federal tax receipts to a level half again as high as at the peak level reached in any year of World War II. In addition, an 11% Korean-induced increase in the personal income tax was allowed to expire at the same time. Thus, by these reductions in taxes, together with some further reductions in the "Tax Reform Bill," taxes were lowered by an amount generally placed at between $7.5 and $9 billion. The net effect here was actually to maintain a rising trend of consumer disposable income in every quarter of the 1953-1954 recession. This is a marvelous consequence, and it quickly helped minimize by more than three-quarters of theoretical expectation the depth of the 1954 business and economic recession.

The abandonment of the excess profits tax on corporations served very substantially indeed to sustain corporate incomes without appreciable diminution even for those companies, namely the steel companies, which felt the full brunt of the reduced expenditures for defense goods and the reduction in inventories of steel. In fact these steel companies for all of 1954 suffered a 15% to 20% decline in total production and sales. Contrary to the expectation that the profits would fall from one-and-one-half to two times as fast, their profits fell so very substantially less that for a company such as the U. S. Steel Corporation there was practically no fall at all. In fact, if the benefit of accelerated annual taxation is brought into the reckoning, the recession of 1954, despite a 16% decline in output, caused no drain at all on the earnings plus the cash retained as a consequence of the increase in depreciation charges.

For industry generally, the abandonment of the excess profits tax very largely sustained earnings so that in 1954 corporate earnings were on the whole well maintained despite the recession. It is probably true that "money burns holes in the pockets" of corporate treasurers, just as surely as it does in the pockets of the heads of American families. What is meant here is that with profit and cash resources not diminished at all, industry actually enlarged its total expenditures for plant and equipment in 1954.

Finally, attention should be called — because this situation of 1953 is so applicable to the situation immediately confronting the monetary authorities — to the fact that after having tightened Federal Reserve Bank credit sufficiently by May, 1953 to have brought about a total of $1.4 billion of borrowings by all member banks at the Federal Reserve Banks, there was quickly a reversal of this tight money policy. In fact, within five weeks the policy was reversed and by the amount of $2.5 billion. Roughly, one-half of this enlargement of member bank "free reserves" at the Federal Reserve Banks was caused by lowering reserve requirements and another like amount of reserves was provided by Federal Reserve purchase of U. S. Government securities. Quickly the money markets were put at ease and member bank borrowings declined from the peak of $1.4 billion to $0.1 billion.

As a result of these steps, the economy was made "to head" in the direction of recovery and economic growth and expansion. The forces launched for recovery by the end of 1954 had permitted the economy to recover all the ground lost as a result of the short-lived recession. Now at the present time, the third quarter of 1955, the economy is producing Gross National Product at a rate of $392 billion. This is $22 billion above the pre-recession peak of 1953 and is $34 billion above the recession low of 1954.

Probably at the present time the economy is coming close to producing a Gross National Product at the annual rate of $400 billion. At least we know that the months of October and November are entirely completed and there certainly was rise in those months. The month of December promises to be at a very high rate in both steel and automobiles and all retail sales. In fact, probably only the inability of industry generally adequately to enlarge inventories prevents the attainment of the next round figure of $400 billion before the expiry of 1955.

Where Are We Going?

Now in the form of the usual Army question: "Where are we going from here?"

We open 1956 with the central feature of the economy being the extreme effort of industry to expand its facilities. The November estimates of McGraw-Hill of business intentions to build new capital facilities in 1956 was placed at $34.4 billion, or up $4.0 billion from the final estimated figure of $29.4 billion outlay on new plant and equipment in 1955. We also open 1956 with an intense rate of consumer expenditures which may, however, not keep up the growth which was experienced in 1955 when the extraordinarily attractive new automobiles came on the market.

We know that Federal expenditures for defense and other purposes will remain about the same in the coming year and that State and Local expenditures will continue their moderate rise of slightly less than $2 billion a year. We also know that we are very close to being in a state of full employment of our labor force, though some further gains in total employment perhaps can be expected. Some industries are operating at the very limit of their capacity, notably the steel industry.

Thus we find ourselves in a very typical business and economic boom of the very type that was the standard example for all earlier students of business cycles. One such student, Professor J. A. Schumpeter of Harvard, gave us perhaps the classic model of economic booms in pointing out that businessmen drive forward with their innovations and investment based on new forms of inventions that can reduce cost, enlarge output or improve the quality of the product. As this drive to innovate and to invest gains in intensity, we tend in fact to run out of resources—human, factory, and raw materials—relative to the money supply. In this period of the boom there is usually some price advance. I should expect some such price advance in the early part of 1956, though I certainly believe it will be so extraordinarily moderate that it should be a small price to pay for continued economic growth. However, the greater danger to the boom comes when the banking system runs out of monetary reserves. This has always happened in the past and with it came downward jerks, intense crises, and such severe economic, business and financial collapse as to precipitate hard times upon the nation for several periods of a duration of as long as six years — namely, 1933-1939, 1890-1895, and 1873-1879.

This time we have the great and unusual opportunity to let the economy **not** run out of needed money supplies and to let the banking system **not** run out of required reserves. Our central bank reserves are substantially above the legal minimum and our commercial banking reserves are at least substantially above levels to which they could be lowered and yet not go below levels which have prevailed in the past. In addition, our central banking system is thoroughly competent to give us an adequate money supply for the volume of economic and business expansion we can attain in 1956 well short of anything which could really be called undesirable inflation.

It is clear that the central monetary authorities are concerned about the period immediately ahead. They have "tightened" money enough to exhaust in recent weeks all free reserves of the commercial banking system and make the amount of such free reserves negative. Happily, we have one clear experience that the desire to tighten will not continue beyond that period which satisfys the Federal Reserve authorities that they have been able to resist excessive boom and inflation. Deflation and unemployment can be far more damaging to the people that the damage of moderate inflation. As long as there is a reduced probability of inflation the monetary authorities can use every weapon in their arsenal for promoting economic expansion.

That experience occurred in 1953. In May of that year, the member banks had been compelled by more restrictive monetary policies to borrow no less than $1.4 billion from the Federal Reserve Bank. By early July of that year, the Federal Reserve authorities had reversed their policy to the extent of $2.5 billion, thus enabling the member banks practically to extinguish all borrowings and to become possessed again of "excess reserves." Thus, if there had been—which I do not mean to suggest was the case—a trend to excessive boom in 1953, it was completely arrested without any necessity for extended depression and injury to output and employment. Such injury as did occur, as is measurable, occurred because of the defense reductions and appropriate inventory liquidations and did not come as a consequence of restrictive monetary policies.

A More Accurate Statement of Federal Reserve Objectives Need

It is desirable, however, that the Federal Reserve authorities more accurately state their objectives. Such a request **should naturally** be accompanied by a statement of what those objectives should be.

It seems to me that they should be to restrain price inflation of any serious degree, though some advance in raw material prices and in wholesale prices is desirable to furnish the signal that the economy is embarking on a period of expansion and will need more raw materials. Nevertheless, it is certainly the function of the monetary authorities to recognize the extremely great importance the American people attach to stability in the cost of living index. Consequently, the monetary authorities should assist the Treasury in its defense against inflation. The hazard of inflation has for 15 years been very closely related (though not caused by) substantial declines in the levels of unemployment and of course by a tendency for, oppositely, the rise in employment to exhaust all available labor supplies.

Given price stability as the central objective of the monetary authority and the Treasury, the worry today over debt recedes in importance. Debt increases are just as essential a part of an expanding economy as is the expansion of output. The American consumer attempts to buy on a budgeted basis all of his currently consumed output. In the case of food and clothing, it is essentially all paid for, as it should be, in the period of purchase, which is also the period of consumption. In the case of durable goods, the consumer again adjusts his payment in accordance with his consumption rate of such durable goods. In fact, consumers total instalment debts at present repayment schedules, will all be paid off within a 14-month period, despite spectacular advertising of some lower down payment and longer term plans. In 1954, for example, many of us may recall that consumers incurred $29.3 billion of new consumer debt but few of us recall that in that same year consumers repaid $29.0 billion of such debt. In fact with a slightly lower rate of purchase of consumer durable goods, I anticipate that some time in 1956 the repayment rate on instalment debt will exceed the rate of consumer fresh borrowing on the instalment plan.

This will automatically increase consumer savings. Debt repayment is a pre-arranged plan to save more. Debt repayment can next year restore to the economy the $5 billion we lowered savings in 1955 to extend so markedly the consumer purchase of consumer durable goods.

These savings could in large measure provide both the monetary funds and the "real resources" to finance the desired industrial expansion for 1956 so generally and so recently announced by many large American industries.

In addition, the tighter credit at the present time may already have restrained somewhat the plans of builders for erecting new houses and family dwelling units in 1956. Here there has been an obviously desirable restraint on credit because by the third quarter of 1955 the house-building industry had passed the levels estimated for it for the year 1965. These estimates were made both by President Eisenhower and his advisors and the Joint Economic Committee and its advisors. Clearly a growth in housing outlays following the liberal housing

*An address by Dean Upgren before the Corporate Fiduciaries Association, Boston, Mass., Dec. 2, 1955.

legislation of 1954 had surpassed all expectations and some modest restraint was needed when in hardly a year we passed goals set for a year no less than 10 years ahead. Nevertheless, those who specialize in this field give us assurance that at least 1,200,000 houses will be started in 1956 and with slightly higher average costs total expenditures here should closely equal total dollar activity in 1955.

A word now should be added with respect to the longer run. We now have many estimates that we can attain a Gross National Product of $500 billion sometime between 1962 and 1965, the latter being the estimate of President Eisenhower and the Joint Economic Committee and the former year being the estimate for achievement of the goal by President Harlow H. Curtice of General Motors.

What could injure these prospects?

The three most common causes of economic recessions and depressions are inventory liquidation, substantial decrease in business plant expenditures, and the failure or "complete collapse of the money supply." We have had considerable recent experience with inventory liquidation and the recessions that they produce are very modest in size and of short duration. We can live with them.

It now happens that industry is taking substantial responsibility for maintained capital expenditures. That minimizes the second cause of deeper recessions. In fact, with rising productivity and rising wages, with known and in-use improvements awaiting application to all other productive facilities of any industry with many plants, with a very rapid rate of population growth and a minimum growth in the population at the working ages, there will be every incentive, cost-wise and market-wise, to continue recent high rates of business plant expansion. In brief they pay for themselves as did the diesel locomotive.

This leaves us to cope with the third cause of deep recessions. It is the complete collapse of the money supply. This had occurred no less than six times in the 60 years from 1873 to 1933 and in these years there were three long sustained periods of deep economic depression. We now have the good fortune to possess a liquid banking system and a central monetary authority which understands its task of providing adequate money supplies as it did not understand its task in 1921, in 1929 and in 1933. The causes of past deep economic depressions are man-made and therefore through the adoption of wise policies can be corrected. Further than that, the structure of the economy, consisting of such factors as the amortized mortgage, unemployment compensation, or old age pensions, the liquid banking system, the automatic built-in flexibility of the Federal tax structure and many other features give us an economic structure far better able to resist shocks that we have ever known before. Close analysis of the policies used so greatly to minimize the recession of 1949 and 1954 very strongly sustain these views that we can control our economic future for great gains in the general welfare!

Grady Thomas Pres. Of Southern Inv.

CHARLOTTE, N. C.—Grady G. Thomas, has been elected President and Treasurer of Southern Investment Company, Johnston Building. He has been Executive Vice-President & Treasurer. He was with General Motors 10 years prior to entering the investment business in 1942.

Bank of America Group Offers San Francisco Bonds

Bank of America N. T. & S. A. and associates are offering $13,250,000 City and County of San Francisco, Calif., 6%, 2¼% and 2% various purpose bonds, due Jan. 1, 1957 to 1972, inclusive.

The bonds are scaled to yield from 1.50% to 2.25%, according to maturity.

Other members of the offering group include: The First National City Bank of New York; Blyth & Co., Inc.; Lehman Brothers; Harriman Ripley & Co., Incorporated; Phelps, Fenn & Co.; American Trust Company (San Francisco); Merrill Lynch, Pierce, Fenner & Beane; Weeden & Co.; Seattle-First National Bank; F. S. Moseley & Co.; R. W. Pressprich & Co.; Heller, Bruce & Co.; Wm. R. Staats & Co.; J. Barth & Co.; Paine, Webber, Jackson & Curtis; Clark, Dodge & Co.; The Boatmen's National Bank of St. Louis; Reynolds & Co.; Trust Company of Georgia; Shearson, Hammill & Co.; Kean, Taylor & Co.

B. W. Pizzini to Be NYSE Member Firm

B. W. Pizzini & Co., a partnership will be formed with offices at 25 Broad Street, New York City, as of Jan. 3. The new firm will be members of the New York Stock Exchange. Partners will be B. Winthrop Pizzini, W. Gurden Halsey, Walter V. Bradley, and Benjamin E. Bampton, the Exchange member.

With Herbert H. Wigh

(Special to THE FINANCIAL CHRONICLE)

KINGSBURG, Calif.—David H. Thiesen has become affiliated with Herbert H. Wigh & Co., 1515 Draper Street.

H. C. Wainwright Co. To Admit Edmundson

H. C. Wainwright & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Robert T. Edmundson to partnership in the firm.

Dugent Now in Trading Dept. of John C. Legg

BALTIMORE, Md.—Charles A. Dugent is now associated with the Trading Department of John C. Legg & Company, 22 Light Street, members of the New York Stock Exchange. Mr. Dugent, who has been with the firm for many years, formerly acted as Cashier.

The Economic Weather We May Face Ahead

By W. G. PAUL*
President, The Los Angeles Stock Exchange

Prominent West Coast investment broker, in viewing the economic outlook, finds as a basis for optimism the potential markets provided by the increasing personal consuming capacity and the rising standard of living of our steadily growing population. Compares statistical data for the years 1929 and 1940 with those of the present, and holds present level of consumer debt in relation to accumulated savings is lower than in prewar years, and is not out of proportion to current high level of production. Traces changes in income distribution which indicate more potential consumer purchasing. Stresses opportunity for encouraging investment of consumers' surplus income, but points out this is "a real selling job."

My assignment implies the application of research. The fabulous Wilson Mizner is reputed to have said "when you steal one fellow's writing — that's plagiarism but when you steal from many — that's research." Not being an economist or an analyst I have researched my subject by weighing and combining the studies and conclusions of those who are either one or both. I give you this background neither as an apology nor as an excuse — merely to explain the source of some of the data supporting some of the conclusions I shall venture or those in which I concur although they have been made by others.

W. G. Paul

In the first place I am an optimist. I am bullish on the United States of America. I think we are in a period where the economic momentum is so favorable and so strong nothing but minor periods of consolidation and temporary areas of dislocation will impede its progress for some time to come. I have expressed this basic belief many times. I reiterated it when interviewed by the press of Honolulu after President Eisenhower's illness. On that occasion I expressed the belief that our economy did not depend on any one man or political party and that while the President's regrettable illness would have an adverse effect on the stock market, I thought it would be temporary and I saw no reason to turn bearish on either our economic future or the market.

The 1950s—The Dynamic Decade

To estimate the future we must look at the past. Some economist once labeled the 1950s as the "Dynamic Decade." Certainly as we near the close of 1955, we must agree that so far the '50s have been dynamic. In fact the economic progress at all levels during the '50s has been such as to establish a pattern of progress which optimistic economists use to project their predictions for the future.

President Eisenhower, in his economic report to Congress on Jan. 20, 1955 must have used past progress as his yardstick when —looking ahead to 1965—he said "our country can within a decade increase its production from the current annual level of about $360 billion to $500 billion, or more, expressed in dollars of the same buying power." And, in its October, 1954, study, the Joint Committee on the Economic Report pointed to a goal of $535 billion gross national production in 1965.

Now, as salesmen, you naturally say to yourself, "there go the slide rule boys again—increasing production. But, who will buy it? Where and how can we sell it"? Well, there are obviously three areas in which to sell. One: Government, Federal, State and local. Two: Business and industry. Three: The consumer public. Let's look at the potential of each.

First, government. Since Geneva, I think we can safely assume that the communist attitude of smiling good fellowship was just a surprising and pleasant interlude marking no real change in communism's antagonism to capitalism. The "Cold War" is still on. We will unquestionably continue a policy of alert and adequate preparedness. This means—much as we may dislike and deplore it — that Federal expenditures for defense will continue at not less than the rate of some $41 billion per year. A sum representing slightly more than 10% of expenditures for our total estimated 1955 production. Other Federal and local government expenditures will total some 9%. So, as we look ahead, if all phases of government consumption of our national production are held to existing percentages, government should be a customer for almost 20% of production. As a matter of fact the persent trend toward increasing public financing of more highways, schools, hospitals, sanitation and other projects to meet the needs of our growing population may ultimately establish local and Federal Governments as customers for 25% instead of 20% of our national production.

Then, business and industry are good customers. Expansion and growth necessitate plant construction, new and more equipment, increased inventories and expanding research facilities. In 1954 such expenditures amounted to almost $47 billion or 13% of our national product. In 1955 they should approximate $56 billion or almost 15% of our estimated gross national product. In each instance about half represents expenditures for new plants and equipment. The Nov. 25 issue of "U. S. News and World Report" states that in the 10 years (1946-55), United States business invested $232.6 billion in new plant and equipment compared to a total such investment of $218.8 billion in all the preceding 46 years. While present estimates of business expenditures in 1956 indicate some decline from 1955 figures, they still are expected to exceed 1954 and represent some 13% of the 1956 potential gross product.

Basis for Optimism

And now comes the area in which you as salesmen will find your greatest challenge and — I hope as I am sure you do — your greatest opportunity. In fact it may well be that in some ways the extent to which you and your colleagues across the nation measure up to the one and enjoy the other will determine the pattern of our economic future to say nothing of making my observations tonight either reasonably warranted or woefully wrong. I refer to the potential markets provided by the increasing personal consumption capacity and the rising standard of living of our steadily growing population.

At this point I must use some statistics to justify my opinions. I considered the preparation of charts to present them visually. However, as I attempted to develop charts, it seemed each called for another and so for fear I would not only confuse you but could find myself unable to explain them, I decided to risk trying your patience by briefing and presenting statistics verbally.

Economists have devised the term "gross national product" which simply means the total volume of goods and services produced in the United States during a given period as measured in dollars. In 1954 this volume of goods and services was $360.5 billion. For 1955 recent estimates place the figure at $387 billion, an increase of $26.5 billion or 7% more than 1954. If we maintain the continuity of the growth pattern of the dynamic 'Fifties, the gross national product for 1956 could be $403 billion. Since government and industry consumption in 1956 will probably closely approximate 1955 figures this means that personal or public consumption must increase some $16 billion over that of 1955 if the "dynamic decade's" growth pattern is to be maintained.

At this point I expect many of you—and especially those who are old enough to recall the "two chickens in every pot" predictions of the 1929 forecasters—may be inclined to classify the goals I have outlined as "trying to lift ourselves by our own boot straps" or "trying to spend our way into prosperity." Well, let's look at some comparisons between three significant periods. 1929, 1940 (prewar) and the present.

The Level of Consumer Debt

I am sure one of the first things we all wonder about is the present level of consumer debt. It is presently estimated at $122.4 billion which includes home and farm mortgages as well as short-term consumer credit. But, this debt, large as it seems, is lower in relation to accumulated savings than in prewar years. Moreover, 71% of the increase in consumer debt since 1940 represents loans to purchase homes. It is not unrealistic to consider this increased home debt as no serious threat to our economy in the absence of a major economic recession since the monthly payment on the typical amortized home loan is the equivalent of rent. To a great extent the amortized monthly payments on typical home loans are normally no more if they are not actually less than prevailing rents and so the increase in consumer home debt is merely a reflection of the decided trend from renting to home ownership. And furthermore, approximately half of the non-farm owner-occupied homes in 1954 were entirely free of debt and each year sees unpaid balances on the remainder reduced.

Short-term consumer debt—the credit extended for the purchase of automobiles, home appliances, charge accounts — is now somewhere around $32 billion. This is four times the 1940 level of $8 billion. But consumer discretionary spending power is currently five times the 1940 level and it is estimated it will be six times as great in 1956. Discretionary spending power is gross income less taxes and less basic living costs. In 1940 discretionary spending power was $18.6 billion — more than twice the consumer credit of $8.3 billion. Today it probably exceeds the $32 billion consumer credit at least three and one-half times. Putting it another way, the ratio of consumer credit to discretionary spending power has dropped from 31% in 1940 to about 22% in 1955. Using the 1940 level as a base, this means if short-term consumer credit were expanded to the 1940 ratio of debt to discretionary spending power, it would add some $20 billion to installment purchasing power.

Forecast of a Continued High Level of Production

Any optimistic appraisal of our economy obviously contemplates a continued high level of production. So while present debt levels might appear high it seems significant that the ratio of total debt to total production has declined rapidly in comparison to 1930. As of that date, 1930, our public and private debt represented a total more than double a year's national production. While the current debt total is three times greater than in 1930, it represents only 160% of a year's production as compared to the 1930 figure of 210%. Of even greater significance perhaps is the fact that today private debt (corporate and individual) represents only 91% of a year's production as compared to 176% in 1930.

Now let me translate these figures into more specific consumer potentials. I referred to the home ownership trend. It reflects a healthy and desirable trend to family life. Family formations—marriages — are increasing. Our young folks are marrying at an earlier age. More families are having children and there are more children per family. There are 67% more children in the under five years of age group in our population today than there were in 1940 and 61% more in the five to nine year age group. Two, three and four children families today have reversed the trend which for years marked a decrease in the size of American families. It takes no wizard to translate this family trend into increasing levels of public consumer expenditures. In fact expenditures for all items having to do with family living have increased considerably more than average the last few years while expenditures for such things as spectator amusements have declined despite increased purchasing power and an increasingly higher overall standard of living.

Changes in Income Distribution

These trends reflect among other things the significant change in income distribution since 1940. Disposable income in terms of 1955 dollars has increased since 1940 as follows:

Highest fifth income group has increased 34%.

Second fifth income group has increased 50%.

Third fifth income group has increased 72%.

Fourth fifth income group has increased 93%.

Lowest fifth income group has increased 105%.

In real purchasing power one economist estimates the increase as follows:

Highest fifth has increased 69% vs 34% in dollars.

Second fifth has increased 90% vs 50% in dollars.

Third fifth has increased 117% vs 72% in dollars.

Fourth fifth has increased 143% vs 93% in dollars.

Lowest fifth has increased 159% vs 105% in dollars.

Still another approach to appraising the potential purchasing power reflecting increasing families and incomes is to consider the following:

	1941 (millions)	1956 (millions)
Families	39.3	56
Income over $3,000	5.7 (14½%)	37.5 (67%)
Income over $5,000	1.5 (4%)	19.6 (35%)

Finally the number of family formations should increase for the declining trend in the number of persons becoming 21 years old reached its lowest point last year. The trend is now reversed and will be rising for the next 10 to 15 years. If these rising numbers reaching the family formation age continue, the present trend of early marriage, two or more children families and home ownership the effect on potential consumer purchasing will be proportionately important.

It would seem the immediate as the long-term future outlook is favorable to those who sell goods or services. I like to believe such an outlook is especially warranted here in our area. Government should continue to be a good customer of ours. Secretary of the Air Force Quarles virtually assured us when he spoke here two weeks ago that any dispersal program for defense industry did not contemplate reducing or moving present capacity from its established areas. This may mean we can anticipate no major plant expansion expenditures in our larger defense industries. However, their equipment and inventory expenditures will continue. These coupled with the influx of new industries as well as expansion of old should provide a total of local industrial investment in 1956 closely approximating current levels.

Employment and payrolls in our area should therefore maintain present levels at least if not continue their rising trend of recent years. Consumer demand should similarly be not only sustained but increased to the extent advertising and selling are successful in converting disposable income and savings into greater purchasing commitments.

Encouraging of Investment of Surplus Income

I can assure you the securities industry intends and expects to encourage the investment of some portion of surplus income and savings in American industry. Our purpose is not only that of profit from the conduct of our business but to insure the flow of essential capital to industry. The rapidly expanding economy I have discussed plus the changing income status of the individual makes it imperative that new sources of capital — new investors—be found. We like to think that in the process we will not only provide the required capital but in widening the base of industry ownership just as in widening the base of home ownership, we will be creating a wider understanding of and desire to protect and preserve our private capital economy.

I am aware of possible adverse factors. Russia and its satellites are unpredictable and can be disturbing factors. 1956 is a Presidential election year and I have no doubt there will be periods of uncertainty as political factors exert their influence. I am reasonably sure securities markets will be affected by political factors and their fluctuations in turn may have at least a sympathetic effect on other segments of our economy. But, I believe such influence will be temporary and not alarming.

I imagine each generation feels it has lived in a period in which the greatest progress and change has been recorded. I know many today think that between 1900 and 1950 we were privileged to enjoy the greatest period of invention and industrial development the world has ever known. But as I look back and then forward at this point in the dy-

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*An address by Mr. Paul before the Sales Executive Club, Los Angeles, Cal., Dec. 7, 1955.

The New Role of Tourism Abroad

By RALPH T. REED*
President, American Express Company

Estimating American tourists have spent $1 billion in foreign countries this year, Mr. Reed hails this as a "trump card" in East-West rivalries. Forecasts tourists overseas annual spending will double in next decade, while U. S. earnings from foreign countries will show a vast increase and will expand rapidly in undeveloped areas. Holds U. S. tourist expenditures play a major role in reducing need for U. S. foreign aid, and urges all business and social groups should cooperate on well-timed efforts to increase flow of tourism.

I want to say a few things about the American tourist, and the very considerable influence he is having and can have on the future of the entire free world. Particularly, I would like to say something about the role of our travelers in the vital job of communicating America's ideals to our friends abroad. And, also, the effects of their expenditures in the economic drive for global prosperity in which we are taking part, for the greater well being of men in every country.

Ralpn T. Reed

These are themes which have received a good deal of individual attention in the past. At the same time I cannot see that they have ever been generally accepted as a single, large, many-sided subject—of immediate importance to all free nations in the present profound ferment of ideas and loyalties going on all over the world. I think U. S. tourism has this role, and I think it constitutes a field of development with an astonishing potential, as yet unrealized, towards improving the material well-being of all nations and in fortifying their independence.

One of the basic conditions of our present era of shrinking distances is that the economic stability and self-reliance of each country of the Free World has become specifically important to every one of us here in the United States. The fact is that today sustained and widespread poverty, coupled with an underdeveloped economy, in any nation will of necessity eventually harm our own country in one way or another. We need strong, sound neighbors in the community of nations—and the problem is how to improve the condition of those countries who are **not** now in good health, without harmfully draining our own resources.

The urgency of this problem is increased immeasurably by the spiritual and economic rivalries which we know so well between East and West. While we will continue to seek for an improved climate between Russia and the Western powers along honorable lines, there seems little doubt that these rivalries will be with us for a long time to come.

At the same time the signs indicate that this East-West competition is shifting to new grounds. The Russian leaders are now evidently devoting priority attention to the economic front—to an attempt to win over to their side all those underdeveloped nations who have only recently begun to realize that opportunities exist at last to throw off their age-old poverty and despair.

The Middle East and Asia would appear to be the first and most crucial areas on which the Russians are concentrating. They have offered the Egyptians financial aid for the building of the Nile Dam at Aswan — a project which appears essential to the country's future development. Such aid, if accepted, will have powerful psychological, as well as material implications to the Egyptians. The Russian leaders are now visiting India and Burma and Afghanistan — presumably with offers of financial and technical assistance. They are hard at work wooing the countries of the Arab bloc. In fact, during coming months they will probably be showering all so-called "neutralist" countries of this and other areas with attractive offers of assistance.

At the same time we are doing a lot to help build a world in which all men can be productive and prosperous — and have been doing a lot for quite a few years. Personally, I am convinced that we are going to have to do more. We have a tremendous stake in the future of these countries, and, as the world continues to become smaller and smaller, our stake will proportionally grow. We want mutual trade with them, we want their counsel, and cooperation and assistance in solving present vital international problems. We want to keep the minds of their people free.

I certainly would not presume to discuss the over-all strategy which the West should take to answer this challenge. I do, however, suggest that U. S. tourism, if properly encouraged, can have a profound effect in helping build these countries towards prosperity and true independence.

To document this thesis properly, I have to follow a rather round-about route, covering the present size and importance of our tourist expenditures, a word or two regarding the future potential, and a few concrete ways and means whereby this potential can be still further developed. I also want to touch on some of the broader implications of travel around the world by our citizens. I hope you will bear with me.

A Billion-Dollar Tourist Expenditure

In 1955, we expect the U. S. tourist will spend about $1 billion in foreign countries and more than a quarter of a billion more on foreign carriers. These expenditures are enough to pay for rather more than a tenth of all the merchandise we sent to these countries. They are equivalent to about 12% of the revenue secured by overseas nations from imports sent **into** the United States. And they're considerably over **double** what our country will have spent during 1955 on **all** its non-military aid programs to overseas nations. In fact, during the current year, our travelers abroad will have contributed roughly $100 dollars to every $36 dollars which the Government sent over in all its assistance programs. It would appear from current estimates that a comparison of 1956 figures will show even more startling percentages in favor of the tourist dollar.

Further, these figures represent a large advance made in a very few years. U. S. foreign travel expenditures have almost doubled from what they were in 1948. We've come quite a distance in the last eight years.

Such tourist expenditures are interesting not only for their astonishing rate of growth and present size. More important, it should be noted that they represent **voluntary consumer expenditures** in the **open market**—value given for value. I think we can all agree that this kind of free functioning of economic demand and supply through tourism is far superior to any sort of aid, however necessary, from one nation to another, and that it's a very healthy sign when the one can replace the other. The benefitting nations develop far greater self-sufficiency and initiative from such revenue, secured through their individual efforts, and the revenue itself moves quicker and more spontaneously into the productive channels of capital investment in basic industries.

This is not to imply either that U. S. foreign aid is not a far-sighted and admirable long-range necessity. It is — and apparently will be for some years to come. However, I do believe that U. S. tourist expenditures abroad have a major role to play in **reducing** these aid dollars, and perhaps, in due course, in helping to eliminate them.

Future Tourism

This, then, is the size of U. S. tourism today. I can tell you that I am very optimistic about its future development. We are faced with quite a number of unique factors which appear to be of profound importance to the **coming** development of international travel.

First — rapid transportation. When American jet passenger planes are put into service four years hence, U. S. travel industry will inevitably begin a new epoch in its development. In these jet transports, it will take about six and one-half hours to fly from New York to Paris, as opposed to an average of 12½ hours today. Seattle to Tokyo will take nine and one-half hours, compared to 17 now. And a Chicago tourist will be able to get to London not in 13 hours, but in a little over six.

At the same time the other carrier industries are in the process of vastly improving the speed and capacity of their equipment. More people are getting more rapidly to where they want to go—for vacations and for business—and the limit of future development in this area is hard to foresee.

Under such conditions the "weekend in Europe" can become an active reality for many tourists, while many other resort and travel areas, before restricted to the traveler with a month or two to spend, will soon be open to the two and three week vacationist. And much time which he now spends getting **to** these areas, he will then spend **in** them.

With these physical changes in the speed and capacity of carrier services, their cost will presumably go down somewhat, permitting even greater numbers of lower income citizens to go abroad who have not done so heretofore.

I also want to draw attention to two other apparent conditions of our developing economy which deserve careful attention and foresight. Our Gross National Product has now reached an annual rate of $391 billion, an increase of about 9% over what it was only last year. President Eisenhower has stated his belief that it will reach $500 billion within the next 10 years, and many able economists make still more optimistic predictions. We are developing a giant consumer appetite for goods and services—and we are simultaneously developing a unique industrial plant to feed that appetite.

On the basis of these and similar figures, we can predict with moderate certainty continuing prosperity for the next decade, barring war or any unexpected major economic upheaval. Such prosperity carries with it dramatic effects for the travel industry, as to the number of travelers who will be going abroad and the frequency of their trips.

Further, our current prosperity is producing very unusual results in the development of a far wider base of consumer discretionary spending, than has before been dreamt of except by the most extreme optimists. As of 1954, 14 million U. S. families belonged to the $5,000 or over income group — just about double the number of families in that class as of 1939. And these represent one-third of all the families in our country.

With such a condition of general prosperity during coming years, it would appear that travel records will continue to be broken on all sides. The average income American is coming more and more to discover that international travel is a wonderful source of knowledge, fun, and relaxation.

Then, too, we seem to be entering a new and dramatic era of industrial development—the age of automation and atomic energy. In recent months we have all heard a lot about automation, and I certainly do not wish to discuss this subject in any detail. However, there's no doubt that eventually it will mean longer vacation periods, greater leisure and higher skilled, better paid workers. All of these, too, will be prospects for travel.

Taking these facts into consideration, along with many others such as pension funds, longer vacations and so forth, it hardly seems an exaggeration to say that we are moving into a revolutionary period for U. S. travel abroad. I would be willing to predict that, barring any convulsive world conflict and assuming proper encouragement, the number of United States tourists traveling to other countries will increase 50% in the next five years, and at least double within the next 10. And even if such records are only partially realized, the fact remains that international travel will have to be given far more careful notice than is being paid to it today.

"Point 5" in Foreign Policy

In previous talks and articles I have suggested the term "Point 5" as a suitable and much needed designation for the vast power of this flood of tourist dollars. Point 5 is the private citizen's counterpart to our Government's Point 4 program of technical and economic assistance. Though Point 5, the American people can speed the development of stable economies for the free nations abroad through vast and ever-expanding tourist expenditures.

Like the name "Point 4," this term "Point 5" has the added advantage of suggesting an actively developed **program**, under which these expenditures can be increased in volume and expanded to new economic areas through wise planning and encouragement. It also suggests something of the vital role of the tourist as a means of spreading the beliefs of free men—particularly their powerful desire for peace and their mutual self-respect.

The **encouragement** of foreign travel is still a vital necessity. I mentioned earlier the steady rise in disposable income available to our citizens and the possible effect of this on international travel. It should perhaps have been added then that this rise has not **as yet** been reflected in our actual overseas travel statistics. The fact is that in 1929 we spent about eight-tenths of 1% of our disposable income for foreign travel. We are now spending only half of 1% for this purpose.

It's my own belief that this proportionate drop can largely be accounted for by the simple absence of the "travel habit" among most of our citizens with leisure and means available for an oversea trip. As every travel expert knows, the best potential client for the future is the one who has traveled before. A trip to the West Indies this season very often paves the way for a European tour next year or the year following. Travel is a habit. Hence, the problem of those who want to encourage this market is, first to convince the potential tourist to travel and, second, to provide him with necessary modern facilities when he reaches his destination.

In other words, in order to make Point 5 a program in the proper sense of the word, rather than a name tacked on to a spontaneously originated and self-sustaining trend, it is necessary that business, transportation and government leaders of all nations —as well as social, cultural and religious groups — collaborate on further carefully planned and well-timed efforts to increase the flow of tourism.

I wish I could discuss today the many concrete measures which overseas nations can take to encourage U. S. tourism. This is a very large and fascinating field —in which much has been done already and much more remains to be done. However, it might be helpful to suggest briefly a few general areas of activity in which specific action can be taken.

Most important for these nations, is the development of larger promotional programs in the United States designed to capture the interest of our own tourists. These are best implemented by strong national and regional tourist organizations, developed by the governments, transportation interests and business groups of the countries concerned.

Increased government and private investment in hotels, transportation, consumer and recreation industries almost always prove financially fruitful through resulting tourist revenues. If the facilities for tourism are inadequate, the market cannot be developed.

Elimination of unnecessary red tape in customs, border crossing formalities, health restrictions and exchange controls is vitally important.

Personnel to handle tourists must be recruited and trained.

Special seasonal resorts, festivals and sport areas, appropriate to the country, can be developed to attract special categories of travelers and to encourage off-season business.

Government restrictions on travel through special taxes, discriminatory exchange rates and the like must be eliminated or adjusted favorably to the incoming tourists.

A Recommendation

These are the principal areas of activity through which travel can be encouraged. I would urge the private businessmen and government leaders of all overseas nations wishing to improve their dollar earnings to consider these broad measures with specific reference to their own countries, asking themselves where improvements can be made. I can guarantee that such improvements will produce results which far outweigh the money and effort involved.

We have learned that one of the most universal and interesting traits of the tourist in his inexhaustible curiosity. He always wants to see new places, people, cultures, and climates—only provided there's good transportation to get there and a decent bed at the end of his day. Also many travelers seem to want to go

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*An address by Mr. Reed before the New York Chamber of Commerce, New York City.

Progress and Problems of Consumer Credit Financing

By ELMER E. SCHMUS*
Vice President and Cashier
First National Bank of Chicago

Though presenting the situation in instalment financing over past year as favorable, Chicago banker warns there has been a deterioration of quality in automobile financing due to low consumer down payments and over-long credit terms. Urges finance companies and banks educate dealers on credit terms to eliminate sub-standard instalment paper. Cites recommendations of the Instalment Credit Commission of the American Bankers Association urging sounder consumer credit, and discusses the problems arising from the subordination of one class of credit to another.

We are now nearing the end of a year which has been most gratifying from an operating standpoint, particularly as to volume and earnings. You have all enjoyed a large volume of purchases, for our composite figures at June 30, '55, which represent a continuation of the series The First National Bank of Chicago have prepared since 1935, reflect a volume for the six months of nearly $10.5 billion. This approximates the volume of paper purchases for the entire year 1950. Present indications point to a volume this year greatly in excess of the volume in 1953, an all-time high for our composite figures.


Elmer E. Schmus

The net profit for the first six months of this year, computed on an annual basis, as compared with net worth, reflects about the same earnings as last year, but I dare say the result for the full year will show a decline compared with 1954. Net profit for 1954 showed a decline for the sixth consecutive year but amounted to nearly 12⅜% of average net worth, a quite satisfactory return. The principal factors in the decline in earnings the past years were increases in taxes and in operating expenses, as well as the failure to maintain rates commensurate with increasing costs.

Greater competition has had the effect of lowering consumer charges. Reasonable competition in rates is desirable cut, unfortunately, we continue to hear scattered reports of extremely low rates quoted on both instalment sales and instalment loan credits by some credit agencies. These reports give cause for considerable concern, because by any sound measuring stick the charges reported are not sufficient to cover costs of operation, loss, and deferred income reserves attuned to the longer-term paper purchases and a reasonable margin of profit.

The extremely low rates I have referred to are apparently the result of a belief that reduced rates acquire business. The experienced finance operator does not subscribe to this theory, for he is aware that the rate, so long as it is reasonable, has never been a primary consideration. It is intelligent and understanding service in handling the mine-run paper of the consumer and the willingness to service the dealers in their financial requirements that will develop instalment credit business. There is a great hazard in attempting to acquire volume through reduced rates.

The finance industry has always been highly competitive, and the threat of greater competition may result in such a scramble for paper that rates may well be broken below their present level, the lowest point in the history of the industry. This certainly will be true unless the industry employs self-restraint and adheres to sound credit practices and policies. Obviously, excessively low rates may not permit the development and maintenance of adequate reserves, which at this time more so than at any time in the history of the industry are so necessary because of the substantial volume of long-term, low-down-payment paper purchases.

Our composite companies have been conservative dividend payers and last year as well as this year were no exceptions. Only 43⅝% of net profits were disbursed in dividends during the first six months of this year.

Total outstandings of our composite companies amounted to nearly $6,200 million dollars, an all-time peak, and the aggregate capital structure of the companies amounted to a few thousand dollars short of $800 million, an increase since the end of 1950 of slightly over $268 million, or approximately 50%. Long-term debt, consisting of $575 million of subordinated debentures and $2,107 million of unsubordinated debentures, or a total long-term debt of $2,682 million, shows a very substantial increase of over $1,855 million, or over 224% in the period from the close of 1950 to June 30, 1955. This increase was the principal factor in making it possible for the companies to handle the very substantial increase in volume of paper purchases since the end of 1950.

It was with considerably more than ordinary interest that I reviewed our June 30, 1955, composite ratios, made from information supplied by many of you with your mid-year audit reports. My greater interest was only natural, for I was well aware that volume was continuing at a high level but in a less favorable market for both new and used cars.

Our last composite analysis shows that the credit experience for the first six months of this year was quite satisfactory. At June 30, 1955, balances delinquent over 60 days were the equivalent of slightly under ¼ of 1%. The percent of repossessions to net worth was slightly under 1% and the precent of loss to retail paper liquidated was only a bit over ⅝ of 1%. Certainly it can be said without fear of contradition that this credit experience for the first six months of the year was most favorable, influenced of course to a considerable degree by the high level of the economy of the country.

A Look Back

Suppose we go back a short time and see the result of operations under a somewhat less favorable economic climate. In the Spring of 1953 sales were setting all-time high records in appliances as well as in automobiles, and banks as well as sales finance companies were expanding materially their instalment paper outstandings. The credit agencies were scrutinizing their paper purchases, since they were in a position to be careful of the quality of business put on the books. Around the middle of 1953 consumer spending began to taper off and it was not long before appliances were backing up on the dealers' floors. Used car prices started their downward slide and we moved quickly into a buyers' market on new cars. Volume in 1953, according to composite figures, reached an all-time high. At year-end balances delinquent over 60 days were only ¼ of 1%. However, the percent of repossessions was as high as at Dec. 31, 1949 and Dec. 31, 1940, which you will remember as quite substantial loss years.

In the Spring of 1954, we failed to experience the customary upswing in sales of all durables. Appliances continued in large supply, but by mid-year this condition was well on the way to correction as a result of the revised production schedules of the manufacturers. Used car prices continued to decline, resulting in substantial repossession losses. As in 1953, the experience in 1954 as to delinquent balances was quite favorable. However, the percent of repossessions at June 30, 1954, of better than 1½%, was an all-time high since 1937. Loss to retail liquidated was also high at 1.36%. This trend indicated the consumers were relinquishing cars to the financing agencies for other reasons as well as the inability to meet instalment payments. An important factor in this trend was, of course, the continuing decline in used car prices.

Deterioration in Quality of Instalment Paper

Throughout the period I have just reviewed, there has been a progressive deterioration in the quality of instalment paper purchases and at this time there appears to be a tendency to abandon some of the sound rules and credit principles of instalment selling. One of the most serious violations of sound principles is to sell credit on the basis of terms alone. This may create some additional volume, but, on the other hand, will draw many people into obligations which they will find difficult to meet. As a result, repossessions will increase and the credit agencies, banks, and finance companies alike will experience sizable losses.

In my opinion, the reasons for substandard volume lie principally in several directions. First, there are always certain credit agencies with less competent management who, without due regard for the safety of their credits, reach out for the less desirable but more profitable paper, thereby forcing others to follow the pace set by them. Secondly, the finance companies, and latterly the banks, obtain the major portion of their paper from the dealers—and, therefore, it is to them that they have to cater. The dealers, of course, have principally one interest, the sale of automobiles, and as a result often give terms entirely unjustified for the risk involved.

I do believe that if responsible credit agencies, banks, and finance companies combined in refusing paper with little equity and extreme terms and tried to educate dealers on terms and down payments, a good part of substandard paper might be eliminated. This reminds me, and I said this to you last year, that in 1941 the executive committee had presented to it a request of the National Automobile Dealers' Association and the Automobile Trade Managers' Association for assistance in a program of educating dealers to economic problems and the efforts of these groups to curb what they then designated "wild trading and undesirable terms." It might be well for your Conference to make a request at this time of these same bodies for assistance in a similar program.

During practically all of this year, as well as in 1954, the inventory position of new and used car dealers gave cause for considerable concern. This condition resulted in price cutting, bootlegging, overtrading and sales made on a basis of trading dollars, which influenced greatly both the new and used car markets. Recent information indicates that used car stocks in the hands of new car dealers have passed 30 days' supply for the first time since last Spring, and I suspect we may see some new car dealers selling new 1955 cars from their lots for some time, while the new 1956 models are being delivered at the front door of the showroom. If this inventory situation exists in the midst of a model changeover period, we may well see "wilder" trading and experience greater pressure to accept longer-term paper with a small equity or no equity in the merchandise financed. This would be most unsound, and is best illustrated in a chart prepared by your association involving the sale of an automobile on terms of 36 months with a true down payment of 25%. This chart shows that the creditor has an exposure of 22½ months. In other words, the purchaser builds no equity in the car for nearly two years.

My presence here and my remarks to you should not carry the implication that I place the matter of substandard paper at your doorstep. The Instalment Credit Commission of the American Bankers Association, also recognizing the unsound trend in instalment paper recently issued a bulletin, "Timely Notes on Instalment Credit," to its membership. I quote excerpts from this bulletin:

Credit Policy

"Under existing business conditions, easy credit and more extended terms have created some apprehension among governmental and banking authorities. The battle against inflation being waged by the Federal Reserve Board has been moving from an easy money policy toward a more restrictive money policy. This effort to avoid further inflation deserves the support of all bankers, but the situation creates quite a dilemma for lenders. They are supporting a high rate of business activity, employment, and production on the one hand and exercising restraint on the other hand; and they are trying to maintain confidence in themselves and in their borrowing public yet at the same time warning against excesses. This is no easy task.

"In the opinion of the ABA Instalment Credit Commission there is nothing wrong with the instalment credit picture that reasonable self-restraint and careful selection of credit risks will not remedy.

"Lending policies should be geared to the ability and willingness of the borrower to pay and to making certain that adequate or sufficient true equity exists in any merchandise purchased. There is no need to tighten credit to good risks. It might be well to tighten up on the definition of 'credit worthiness.' Loan applications should be more closely examined to determine if a prospective borrower or purchaser was getting too far in debt and through a process of selectivity, fringe credit risks could be held to a minimum. It is almost impossible at this time to hold the extension of instalment credit to a rigid set of terms. Therefore, controlled flexibility appears to be the sound policy to follow, and relaxation of terms to meet unsound competition should be guarded against."

What Price Equity

"The inability to determine true selling prices of new automobiles has created considerable doubt as to the real equities in contracts purchased. Any attempt to establish correct retail prices that could be used as a guide would be futile because in most cases these figures are unavailable. It is a known fact that in most price classes automobile dealers are offering tremendous discounts from factory lists and the promise of more if a trade-in is involved. This has added to the confusion in this financing field.

"In an attempt to arrive at true equities, the practice of the more experienced bank instalment loan operators and of the finance companies is to adhere strictly to advances of 85 to 95% of the dealer's costs or factory invoice. In a number of instances, retail advances are being predicated on the basis of $100 to $200 less than dealer's wholesale costs. The factory invoice seems to be the one stable item in this confused and chaotic price structure. When wholesale floor planning is involved, this does not present a problem for the lending bank, inasmuch as prices can be checked easily with invoices. When such financing is not engaged in, then local distributors or factory representatives should be contacted."

To emphasize further the importance of real equity, reference is made in the bulletin to a special brochure issued by the American Finance Conference, Chicago, Ill., entitled "The Equity Position of Buyers on Terms Longer Than 24 Months." I am certain each of you must have made a special study of this brochure. If not, do so, for it is enlightening.

Keeping Our Economy on an Even Keel

"A continued flow of instalment credit on a sound, constructive and sensible basis will help maintain our economy on a high level. At the same time all pressures to extend instalment credit on excessively liberal terms should be resisted. Our major responsibilities as bankers are to advise and guide our customers and our communities in the sound use of instalment credit to the end that "people" maintain their credit and personal finances on a sound basis. In this way, we in banking will be making a tremendous contribution toward maintaining our present economic standards which have helped to make this country the greatest in the world."

And I should like to read a message from your President, Bob Oare, which appeared in the September issue of "Time Sales Financing." You have undoubtedly read Bob's message, but I would like to have you think about it again.

"On many occasions in the past and, I anticipate, numerous times in the future, automobile finance companies which are independent of manufacturers have made common cause together to promote the social and economic worth of automobile time sales financing.

"Today we of the American Finance Conference are spearheading public understanding of the value of sound terms in automobile instalment selling. Yesterday it was our joint opposition to consumer credit controls which led the fight to maintain the inalienable right of the individual's freedom to buy and to sell.

"Tomorrow we again may be engaged in that fight, or any other in which it is to the best interests of the general public and our member companies to establish full understanding of the necessary role of instalment credit to maintain and extend the American standard of living.

"The future of the automotive industry, America's greatest em-

Continued on page 35

*An address by Mr. Schmus at the 22nd Annual Convention of the American Finance Conference, Chicago, Ill.

The Dixie Crop Situation

By ROGER W. BABSON

Mr. Babson in discussing the crop situation in the South, says, because of price-supports, the "old reliables,"—cotton and tobacco—will add materially to Dixie's farm income during 1955-56. Calls attention to increased production of sugar, sweet potatoes and rice, and says orange crop promises to be larger than last year. Concludes South's great strides in industry, combined with a strong agriculture, is now "hard to beat."

Southern agriculture has come a long way since the days when Dixie was largely a two-crop country. Besides cotton and tobacco, she now raises a wide variety of valuable farm products, the sale of which greatly enhances the nation's total farm income.

Roger W. Babson

The bulk of the domestic cotton crop is grown in the South. This year's indicated total U. S. outturn is surprisingly large in view of the sharp cut in plantings last spring. Were it not for the government loan, this ability of southern farmers to get more out of less would wreak havoc with cotton prices this season. However, with prices supported at a good average level, the white staple will add materially to Dixie's farm income during 1955-1956.

Tobacco has long been a major crop in the South. Millions of Americans smoke, and now with women unfortunately smoking, the number is bound to increase. As the scare over possible lung malignancy from smoking appears to have subsided, this year's above-average U. S. tobacco crop should have no difficulty moving into consuming channels at a fair price. Incidentally, I am told that increased use of filter-tip cigarettes should sharply boost demand for lower-grade tobacco. However, I am not an expert on smoking problems!

Sugar, Sweet Potatoes, and Rice

A sizable amount of sugar cane is grown in the South, principally in Louisiana and Florida. This year's indicated crop of 7,056,000 tons is well above average, but is by no means excessive. The sweet potato crop also is mostly southern-grown. The 1955 estimated U. S. crop of 36,100,000 bushels is 21% above the short crop of last year, but is 23% below the 1944-53 average. I forecast a good demand at satisfactory prices.

Rice is a fairly important crop in Arkansas, Louisiana, Mississippi, and Texas. Although the 1955 crop will be well above the 10-year average, it will by no means prove burdensome, since the outlook for U. S. consumption and exports is excellent. Prices, in fact, are likely to average somewhat higher over the longer term.

Golden Harvest

Your morning glass of orange juice or grapefruit juice probably originates in Florida, Texas, or Arizona. Barring a sudden freeze, I expect an early and mid-season orange crop for 1955-56 of around 67,000,000 boxes—down about 3% from the year-earlier outturn. Florida's Valencia crop should be in the vicinity of 39,000,000 boxes—up 7% from a year ago. Arizona and Texas should produce an additional 1,000,000 boxes. Florida tangerines should be around 4,600,000 boxes—down 10% from last year. A good total outturn of grapefruit is indicated in Florida, Texas, and Arizona; but at a wickedly low price.

The processing end of the citrus industry has forged ahead rapidly. Demand for canned and frozen products this season undoubtedly will be heavy—a fact favorable to prices of fresh fruit. I forecast further growth for the processing division of the South's citrus business, but I urge that quality be maintained at a high level.

Other Miscellaneous Products

The South is a major producer of fruits and vegetables for winter consumption. Given favorable weather, the outlook for the season ahead is good. I must also mention peanuts, pecans, and tung nuts, which contribute to southern prosperity. The pecan crop this year is short, but the peanut crop is close to average. The South's teeming forests are a major source of raw materials for the naval stores, the lumber, and the booming paper and pulp industries. I expect a continued good demand for these products, allowing for the usual seasonal variations.

Although Dixie is not without its agricultural problems—particularly cotton — research, know-how, and patience should solve most of them over the longer term. The progress already made augurs well for the future. The South has also made great strides on the industrial front. A strong agriculture, plus booming factories, will be a combination hard to beat.

Kuhn, Loeb & Co. to Admit Three Partners

The investment banking firm of Kuhn, Loeb & Co., 30 Wall Street, New York City, members of the New York Stock Exchange, have announced that Charles J. Ely, Kenneth N. Hall and Henry Necarsulmer will be admitted to general partnership on

Charles J. Ely

Kenneth N. Hall

Henry Necarsulmer

Jan. 1, 1956. The three men have been associated with the firm for a period of years.

Mr. Ely, with Kuhn, Loeb & Co. since 1943, is Manager of the Investment Advisory Department.

Mr. Hall, who joined Kuhn, Loeb & Co. in 1921, is Manager of the firm's Institutional Sales Department.

Mr. Necarsulmer, Manager of the Buying Department, became associated with the firm following his graduation from Dartmouth College in 1924.

Shearson, Hammill to Add Yankauer, Moxley

Shearson, Hamill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange on Dec. 29th will admit Theodore Yankauer, Jr., member of the Exchange, to partnership, and on Dec. 31 will admit William N. Moxley to the firm.

Shields to Admit Three New Partners

Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Homer F. Locke, Thomas H. McGlade and Eugene H. Catron to partnership.

William Blair Co. to Admit Brewer to Firm

CHICAGO, Ill.—William Blair & Company, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Jan. 1 will admit G. Fabian Brewer to partnership. Mr. Brewer has been with the firm for some time.

Cyrus Lawrence Admits Three New Partners

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 3 will admit Homer A. Vilas, Jr., James C. Dudley and Jerome C. Eppler to partnership.

Bache & Co. Will Admit New Partners

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Harry A. Jacobs, Jr. and Frank E. Beane to general partnership, and Herbert B. Seeley, Max L. Young and C. Martin Wood, Jr., to limited partnership.

Three New Partners For Hayden, Stone Co.

Pierre R. Bretey, John J. McMahon and O. Lynn Shurtleff will be admitted to partnership in Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Hiller & Gross Join L. D. Sherman & Co.

L. D. Sherman & Co., 30 Pine Street, New York City, have announced that Melvyn Hiller and Stanley Gross have become associated with the firm as Co-Managers of the retail sales department.

Both were formerly with Philip Gordon & Company.

D. M. Campbell Opens

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Donald M. Campbell is engaging in a securities business from offices at 815 Seventeenth Street under the name of Donald M. Campbell Investment Company. Mr. Campbell was previously with J. K. Mullen Investment Company.

With California Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Mimi S. Wen has been added to the staff of California Investors, 3924 Wilshire Boulevard.

From Washington Ahead of the News

By CARLISLE BARGERON

A couple of weeks before the Administration announced that it was going to ask Congress for more than double the initial commitment, that is, more than $5 billion for foreign economic and military aid next year, I attended a small newspaper luncheon to hear John B. Hollister, head of the International Aid Corporation or agency, or just whatever the give-away unit is now called.

Carlisle Bargeron

I went particularly because when Hollister, a Taft follower, was appointed about a year ago amid the apprehensions of the global spenders, in an Administration effort to save foreign aid, Congress apparently being against it—I had written that the global spenders' apprehensions about Hollister were wrong because once in the job, once breathing the bureaucratic atmosphere, he would probably turn out to be as good a spender as any of them.

At this particular luncheon I learned that I had been wrong. Hollister has been fighting to put some realism, namely reduced expenditures, in foreign aid. But just when he thought he would be able to recommend a reduction the Russians "stepped up their Cold War" as the expression goes. They began promising aid to Egypt, Afghanistan, India and all intermediate points.

Immediately there started in this country a clamor among the global thinkers that it was up to us to give even more aid to these countries. We simply couldn't let Russia out-do us. Indeed, this would be unthinkable.

It was in this atmosphere that Hollister appeared before the pundits. Had he said it was all nonsense and that we could continue to cut down on our foreign aid, my guess is that he would have been run out of office within three days. Such is the Washington propaganda situation.

At this luncheon I saw 25 newspapermen, foreign correspondents, and therefore, global minders, pounding Hollister mercilessly to say that our foreign aid had to be stepped up to meet the Russian promises. This would have meant headlines in the so-called Cold War. "United States Steps Up Foreign Aid to Meet Russian Threat." It would have been front page news.

I couldn't help admiring Hollister's resistance. He kept repeating that under the new circumstances we could make no "substantial" reductions in foreign aid. He tride to explain to the newspapermen that Russia's promises and Russia's actions were two different things. He tride to explain that, if every time Russia promised some assistance to a foreign nation, it would be ridiculous for us to run in and out-do the Russian promises. And then he came up with a proposition which I thought was tremendously smart and which would silence the globar spenders. He said he intended to ask for an increased emergency fund from which aid could be given to foreign countries whenever the Russian activities warranted it. An emergency fund, of course, does not have to be spent at all. Under most administrators it would be. But it would serve to quiet the global spenders.

I must say that Hollister didn't make a good impression on the newspapermen. They were quite plainly disappointed. Personally, I thought he made sense.

It so happens that on the same day Secretary of State Dulles held a press conference at which he said practically the same thing that Hollister did.

You can imagine my surprise then when the Administration blandly announces that foreign aid is to be doubled. I don't believe it. If it should be there is no chance of any tax reduction, there would seem to be little chance for a highway program or a Federal aid to education program which the Administration spouts so much about.

What some brilliant thinker in the Administration seems to have sold is that the proposal of a more than $5 billion foreign aid program is the way to flabbergast the Democrats and throw them on the defensive. Like a bunch of fierce terriers they have been for months yapping at the Administration's heels about its "penny pinching" in the matter of foreign aid "at a time of peril." They have been similarly yapping about the Administration cutting the military budget and throwing us upon the mercy of the enemy. Incidentally, the Administration has decided to boost the military budget by a billion.

This is really very clever politics. Unquestionably the Administration's action has taken the steam out of the Democrats. They are left aghast. Presumably they will not turn around and launch an attack on the Administration for being extravagant. But the taxpayers are likely to get caught in the middle of this clever game.

"MERRY CHRISTMAS"!

THE MARKET . . . AND YOU

By WALLACE STREETE

Backing and filling continued to characterize the stock market this week with the awaited year-end rally still not showing up to any considerable degree. Except for rather persistent strength in the aircrafts, most major groups ended more times than not in a thoroughly mixed up condition.

* * *

The only real action generally was in issues featured in the news, notably Westinghouse which blew both hot and cold as the long-drawn strike of its major plants assumed different facets. Westinghouse is one of the issues that has had relatively harder treatment this year than the industrial average which is still hovering at a definitely lofty plane. It sold above $80 earlier in the year before the strike troubles and an unfavorable earnings statement clipped some $30 from its best price.

* * *

Kaiser Aluminum, which has had a pretty buoyant appearance up to here, apparently disliked the plan to group it and other Kaiser ventures into a renamed Kaiser Motors, quite obviously to use the fat tax loss credit to offset the earnings of the other enterprises. The stock was easier with some persistence after the sketchy announcement of the plan that didn't disclose any of the pertinent facts such as the basis of exchange, etc.

* * *

Chrysler took the news of slow auto sales relatively harder than the others in the auto section, although General Motors was no stranger to small minus signs. This action of the giants was enough to keep the independents restrained although Studebaker had shown tentative signs of being a bit more favored than the others by the market observers. To a good number of market students, the motors have become an important barometer of general business conditions with the fate of the steel industry linked rather importantly to auto sales.

Jet Strength

A good bit of the aircraft strength was largely due to the forthcoming shift of transport lines from propeller to jet power and Boeing was in demand when it announced that it was well along to solving the two major problems of excessive noise and reverse thrust for braking the high-speed planes. Little of the investor enthusiasm was able to spill over to the aircrafts themselves, largely because there are some important financing problems connected with buying the new fleets and partly because, as several of the market men point out, something like only 10% of the population has ever traveled on commercial aircraft.

Split Candidate

Warren Foundry was an individual favorite for reasons not too apparent, although it has now assumed the status of a split candidate. This issue, available in the last half dozen years in the $20 bracket, rushed to an all-time peak on some multi-point gains, and was apparently in position to do joust with the par barrier since it already has forged across the $90 mark. The company has been dividend-less for the last decade and owes a bit of its volatile market behavior to the fact that the floating supply of stock is below 100,000 shares with the president and his family owning more than half of the issue.

An Outstanding Loser

The outstanding issue on the weak side was United Dye which has come on hard times since its unexplained runup to above $38. Some hard drops this week came close to clipping the issue a full $20 under that optimistic level. In one session alone it lost some 12% in value.

* * *

Chemicals generally were on the heavy side with du-Pont more times than not leading the way downhill on rather wide losses that are attributable mostly to the fact that stock split hopes have proved groundless up to here. In the drug issues, Schering had an uncertain time of it after its recent good advance had finally bumped into profit-taking.

* * *

Metals followed the general market pattern rather faithfully with mixed price moves at any given time that are mostly barren of any great significance. Steels have been subject to some selling at times with Bethlehem giving ground somewhat easier than the rest. Alcoa has been the better-acting member of the aluminum section with Aluminium, Ltd., the poorest acting since it has important problems to cope with in the water shortage that is forcing drastic cutbacks in production.

* * *

Oils were somewhat more buoyant, which isn't surprising since their popularity is usually at a peak when the winter weather booms the heating oil business. Houston Oil, around which myriad and largely nebulous rumors are swirling, was able to skyrocket at times and Warren Petroleum was able to do well occasionally as demand centered on it. Gulf and Jersey Standard Oil among the industry leaders have featured on fair strength without fanfare.

Gingerly Cautious

Tax selling appears to be a continuing handicap to general market progress, despite some earlier indications that it was starting to dry up. Market letters, consequently, were definitely on the cautious side and delving gingerly among the secondary issues and those most depressed by the year-end selling.

* * *

International Telephone was something of a pet since there is room for a further improvement in the dividend, in the opinions of several market spectators. Another of the secondary issues that was featured in several of the market discussions was Blaw-Knox which recently acquired Continental Foundry. The stock has been anything but a market sensation since the company has been faced with large outlays, not only for acquiring its new subsidiary but also for improving its plant.

The Six-Month Outlook

For the longer pull, running to at least the mid-year of 1956, the general expectation is for an eventual penetration with vigor of the 1955 peak for the industrial average. So far the buildup in auto inventories and the slowing down in the housing field hasn't assumed the proportions of anything too serious. Despite the fact that prices have pretty well discounted the good results that the annual reports will disclose, earnings for at least the early portion of next year should be bright reading for investors and help bolster market sentiment. The failure of the year-end rally to get going long before this is only mildly disappointing, apparently.

[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.]

J. Cassato Joins Albert Frank Agency

John Cassato, Jr., has joined the public relations department of Albert Frank-Guenther Law, Inc. Mr. Cassato was formerly a financial writer for the "Chicago Daily News."

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Arthur E. Stewart is now associated with Harris, Upham & Co., 415 Fifteenth Street. Mr. Stewart was previously with Walston & Co. and Schwabacher & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

The outlook for bank stock earnings continues to improve, and those of the leading New York City banks will not only be at an all-time high, but will better 1954 by something of the order of 10% to 12%.

A recent offering of short-term government paper was not so well received, but it is not at all to be wondered at because for some time there has been a steady erosion of holdings of government obligations, coincident with practically the same rate of gain in loans and discounts. And this is a logical development as the latter category of earning asset gives the banks an average rate of return that is about 70% greater than that from governments. In the 12 months to Sept. 30, 1955, government obligations in these banks' portfolios contracted about 25%. Loans and discounts expanded by some 22%. This shift gives them a more lucrative earning asset, while at the same time their holdings of cash and governments enable them to maintain a strong position as is a requirement for banks in a central reserve city.

Interest rates have continued to firm. There have been several increases in the discount rate at the Federal Reserve; bankers' acceptances and other short-term business paper have seen several upward changes in rates in recent months; and this year the rate on prime name loans went from 3% to 3¼%, with lesser name rates rising proportionately.

Six of the leading New York banks have announced dividend increases this year: Bankers Trust had two, with the dividend going first from $2.40 to $2.60, and then to $2.80; Chemical Corn first announced a 10% stock dividend, and then, for early 1956, rights to subscribe to new shares; First National City an increase from $2.40 to $2.60; Guaranty while maintaining its $3.20 regular, increased the extra to 80 cents; Irving increased from $1.20 plus 10 cents extra to a regular of $1.50 plus an extra of 12½ cents; Manufacturers announced a two-for-one split, putting the new stock on a $1.75 dividend versus $3.20 on the old; United States Trust plans a five-for-one split.

With the strong earnings trend and low average pay-out ratio, further increases are a logical expectation for 1956. Along with these, several of the banks are expected to raise new capital by offering rights to their shareholders. None of them show deposit ratios much above the long-standing orthodox 10-to-1 ratio, so any increases in capital funds via rights cannot be said to be at all necessitous for the protection of deposits. But they could come about to take care of the banks' expanding business. With industries growing bigger, demands on the nation's supply of credit grow, and the fore-handed banker anticipates this and is prepared for it in time.

While probably it is correct to say that because we are coming to an election year, the Treasury will not be too avid about hardening interest rates further, the position of the Federal Reserve is one of tightening credit, which in turn tends to increase rates; and the banks derive what advantage comes from this. And, after all, historically, money rates are not high. There is no reason why they may not go higher by a modest amount and still be at a reasonable level. And as it takes some months for banks to get the full benefit of increased interest rates because loans already on their books are not affected until they mature, it will be obvious that the full effect of the rise in the prime name rate to 3¼% is only now beginning fully to be felt.

There have been some losses taken in security holdings by the large banks, but these are very small compared with the large profits shown in 1954 by many of them. The security losses are used as losses for tax purposes, offsetting operating profits to reduce the tax liability.

"MERRY CHRISTMAS"!

John Bleakie to Be W. E. Hutton Partner

BOSTON, Mass.—John M. Bleakie on January 1st will become a partner in W. E. Hutton & Co., members of the New York Stock Exchange. Mr. Bleakie is New England Sales Manager for the firm with headquarters in the Boston office, 75 Federal Street.

Kidder, Peabody to Admit Cates, Pereyra

Kidder, Peabody & Co., 17 Wall Street, New York City members of the New York Stock Exchange, on Jan. 1 will admit Dudley F. Cates and T. Edwin Pereyra to partnership in the firm.

Prospects for the Automobile Industry in the Coming Year

By JAMES F. COUSINS*
Controller, National Automobile Dealers Association

Spokesman for automobile dealer industry discusses the conditions which boosted auto sales in 1955, and, on the basis of the present economic situation with its high level of activities, he estimates that 1956 auto sales will lie between $7\frac{1}{2}$ to 8 million units. Says automobile distributors will again be confronted by the Herculean task of selling, distributing, and servicing a record number of passenger vehicles.

Economic data from all sources appear to agree that most of the basic indicators relating to the nation's economic health are around record highs. While statistical data brings unanimity of opinion with regard to the current status of the economy, there is a good deal of variation in the opinions expressed regarding the duration of this condition. These differences of opinion indicate the difficulty encountered in attempting to forecast economic activity in the next 12 months.


James F. Cousins

Perhaps no industry is currently the subject of more contradictory predictions for 1956 than is the automobile industry. During the past few months economic and industrial seers and prophets have forecast automobile sales and production for next year ranging from a low of 4.7 million to well over the 8 million units produced during 1955.

One forecast giving a range from 4.7 to 6.0 million units is based on the assumption that annual growth in the number of American cars is at a rate of 4 to 6% per year. Following this reasoning, a 6.0 million automobile production year would be the peak of possible 1956 automobile sales. This would mean a cutback in production and sales of some 2 million units from the record height reached during the current year. Such a drastic reduction in 1956 would, we believe, take place only if a substantial economic disturbance should occur. While such an event is always within the realm of possibility, it is most certainly not a probability. It is true that consumer expenditures on automobiles are extremely sensitive to economic fluctuation. Studies conducted by the Department of Commerce indicate that the reduction of the consumer disposable income by $1 will result in a $2 decrease in expenditures on automobiles. However, presently there are certainly no indications that 1956 will be characterized by decreasing economic activity or that consumer income will be decreased.

To the contrary, predictions for 1956 indicate a continuation of the present prosperity, and it appears certain that barring a major catastrophe, such as war or sudden economic collapse either of a deflationary or inflationary character, the nation will reach new heights of sound economic levels during 1956.

The 1955 Auto Sales

It is now a matter of history that 1955 set new production and sales records in the automobiles. In late 1954, predictions of a 6.5 or 7.0 million unit year during 1955 were among the more optimistic. Frequent upward revisions were made until the 8.0 million unit figure became the byword and earlier prophecies receded into the background.

Many explanations have been given for the phenomenal sales of 1955. Certainly the drastic model changes introduced by certain manufacturers were an important factor in molding consumer demand for new cars. The availability of easy credit also played a major role in the record breaking sale of automobiles. Basically, however, the over-all prosperity enjoyed by the nation provided the solid foundation for auto sales.

Based upon past trends, sales of between 6.5 and 7.0 million units would have been reasonable for 1955. The introduction of substantially revised models, the availability of credit and the optimism of the public resulted in sales of about 1 million units above the normal level.

In general the 1956 models are not radical departures from the 1955 models. It is unlikely therefor that the model change will bring into the market a large number of purchasers who find new units irresistable by virtue of their appearance!

The credit situation is still in a state of flux. While the Federal Reserve has gradually and cautiously been tightening the credit reins, there is at present no indication that this has had an effect upon the credit policies of lenders or that auto sales have been curtailed as a result of a dearth of credit.

What then does 1956 hold in store for the automobile dealer? How many units will be retailed in this year? Naturally the answer to this question will be determined primarily by the state of economic activity and the expectation of the consumer.

Presently all indications point to continued high levels of economic activity and of consumer optimism. The McGraw-Hill Publishing Company Survey of October outlines the plans of business for substantial increases over 1956 in outlays for fixed investment. Most industry groups, according to the survey, plan increases in plant and equipment spending next year.

In durable goods lines inventory stocks are below the 1953 level while sales are strong and the increase in book value of inventories held by manufacturers and distributors from the 1954 year-end low to the end of September, 1955, is in part due to price increases rather than an expansion of physical volume.

These in addition to many other considerations point to an increase in Gross National Product and disposable income for 1956. Let us assume that Gross National Product rises 5% from 1955's rate of $385 billion to $405 billion in 1956—and a 5% increase is certainly not unreasonable in the light of current business activity—and let us further assume that disposable income rises at a rate roughly correlated to the Gross National Product increase.

Department of Commerce studies show that for every 10% increase in disposable income, the increase of expenditures on automobiles is approximately 20%. On this basis sales of approximately one million automobiles over the normal 6.5 to 7.0 million originally expected for 1955 may be anticipated. This means that 1956 sales would lie somewhere between 7.5 and 8.0 million.

An additional factor must be considered. This factor does not lend itself to economic forecasting or analysis. It involves quite simply the determination of automobile manufacturers to obtain record levels of production.

Naturally this brief analysis is by necessity an over-simplification, nevertheless, it appears that in 1956 as in 1955 automobile distributors will again be confronted by the Herculean task of selling, distributing and servicing a record number of passenger vehicles.

*A National Automobile Dealers Association forecast released to the press by the U. S. Chamber of Commerce, Dec. 12, 1955.

Harriman Ripley Co. Names Two V.-Ps.

Harriman Ripley & Co. Incorporated, 63 Wall Street, New York City, announced that W. Scott Cluett and John M. Walsh have been elected Vice-Presidents of the company.


W. Scott Cluett


John M. Walsh

Mr. Cluett has been Assistant Vice-President of the Syndicate Division since December, 1952, and except for about four years of military service, has been identified with the Syndicate and Sales Divisions since his graduation from Williams College in 1935.

Mr. Walsh has been Assistant Vice-President, Municipal Division, since December, 1952. He has been identified with the Municipal-Canadian Divisions of the company since its formation in June, 1934. Prior to that time, he was a member of the staff of the National City Company of New York.

S. F. Exchange Gets Slate for 1956

SAN FRANCISCO, Calif. — R. William Bias, Jr., Chairman of the Nominating Committee of the San Francisco Stock Exchange, announced the nominees for vacancies on the Governing Board to be elected at the annual meeting of the Exchange on Wednesday, Jan. 11, 1956:

For Chairman of the Board:

William H. Agnew, Shuman, Agnew & Co.

Governors (each for a two-year term):

Richard P. Gross, Stone & Youngberg. Joseph A. Johnson, Stern, Douglass & Co., Inc., and George J. Otto, Irving Lundborg & Co.

The following Governors, who still have one year to serve, will complete the Board:

George W. Davis, Davis, Skaggs & Co., and Warren H. Berl, Edwin D. Berl & Sons.

Ronald E. Kaehler, President of the Exchange, is also a member of the Board.

Cahill & Bloch to Admit

Cahill & Bloch, 11 Wall Street, New York City, members of the New York Stock Exchange, will admit Robert L. Cahill, Jr. to limited partnership Jan. 1.

Construction in 1956

By WILLIAM G. DOOLY, JR.*
Assistant Manager, Public Relations
The Associated General Contractors of America, Inc.
Washington, D. C.

In predicting another all-time record of new construction activity in 1956, Mr. Dooly estimates that non-residential construction, both public and private, may approach $28 billion in the year, representing a gain of about 10% over 1955. Says public construction of State and local works is increasing steadily "under terrific demand."

Present indications are that during 1956 another all-time record of new construction activity will be established for the 11th consecutive year.


William G. Dooly, Jr.

Official estimates of the U. S. Departments of Commerce and Labor are for a total of new construction, both residential and nonresidential, amounting to $44 billion, or 5% above the 1955 peak. In my opinion the estimate is on the conservative side — insofar as nonresidential construction is concerned. If residential volume continues near the high level attained this year, as has been forecast by both government and industry sources, new construction in 1956 should exceed this year's highest achievement of $42 billion by more than 5%.

Preliminary estimates of the Associated General Contractors of America, indicate that nonresidential construction, both private and public, may approach $28 billion in 1956, representing a gain of from 9% to 10% over the record-shattering year of 1955.

The private categories will be paced again by substantial increases in industrial and commercial activity, and bolstered by a continuing high level of work by privately-owned public utilities. In the lesser categories, church construction seems headed for another boom year.

Public construction increases will be almost entirely accounted for by State and local public works which are increasing steadily under terrific demand. These are principally highways, schools and sewer and water projects. Bond issue approvals by local bodies continue at a high rate, with a near-record $2.5 billion in such proposals for public works approved this year.

Increases can be expected next year in practically all kinds of nonresidential private construction such as industrial, commercial, religious, educational and other institutional. (Government) estimates are that private nonresidential construction will increase 14% over this year to approximately $8.7 billion. There are indications of a $9 billion potential, with booming commercial building a major factor.

Increases are also expected in practically all classes of public construction. While there have been record-breaking levels of construction in recent years, most communities throughout the nation have not yet been able to catch up on furnishing all of the public facilities required by a growing population. The total of public construction next year is expected to reach $13.2 billion, an increase of 10% over this year.

Major public expenditures for public projects will be $4.6 billion, a 12% increase, for highways; and up to $2.8 billion, a 10% to 15% increase, for public schools. Even if Congress adopts legislation for an expanded highway construction program and Federal aid for school construction at the next session, it is doubtful that it will have much effect on construction in 1956.

An encouraging announcement this morning by the Commerce Department and Securities and Exchange Commission indicates that for the first quarter of 1956 business expects expenditures for plant and equipment to be 12% above the average rate for 1955 at a rate of $31.2 billion annually. The $28.3 billion expected to be spent this year is as much as was spent in the record year of 1953.

A constant headache for contractors next year probably will be continuing slow deliveries of steel and cement. While both the steel and cement industries are adding capacity, the constant increase in the volume of construction will use up much of the added supplies.

When maintenance and repair operations are added to the value of new construction, total construction activity in 1956 probably will account for approximately 15% of the Gross National Product, and construction directly and indirectly will provide jobs for about 17% of the gainfully employed.

Questions and Answers

Q. Will the industry be able to take on a greatly expanded highway program?

A. Speaking for the general contracting industry, the A.G.C. has presented evidence to the Clay Committee and to committees of Congress that highway contractors have ample capacity to gear their operations to any increased construction program that has been contemplated. As to cement and steel, it should be noted that these industries have large expansion programs under way, and any increased highway construction program would gain momentum slowly. As an example of expansion, the cement industry is understood to be planning over 50% more outlays on facilities in 1956 than in 1955.

Q. How about bond issues?

A. This year's total of local bond issues for public works, at about $2.5 billion, is second only to the $2.8 billion voted last year. Defeat of the big $750 million highway issue in New York should not necessarily be considered a trend. Its very size attracted considerable attention in the press. Also, it should be noted that less than half of all bond issue proposals are submitted in November elections. They are considered on other occasions all through the year.

*A statement by Mr. Dooly at the Press Symposium of the United States Chamber of Commerce, Washington, D. C., Dec. 8, 1955.

Reginald W. Pressprich

Reginald W. Pressprich, of 485 Park Avenue, founder of the New York Stock Exchange firm of R. W. Pressprich & Co., died suddenly Dec. 15 at St. Luke's Hospital. He was 79 years old.

Mr. Pressprich was one of the pioneer bond salesmen in New York State and was employed by Vermilyea & Co. and Wm. A. Read & Co. prior to forming his own firm in 1909. At the time of his death he was a limited partner of R. W. Pressprich & Co. and a trustee and member of the Executive Committee of the Franklin Savings Bank in the City of New York.

Automation

By DR. ELMER W. ENGSTROM*
Senior Executive Vice-President
Radio Corporation of America

Dr. Engstrom distinguishes automation from mechanization, and says automation is more than a continuing evolution in the direction of greater mechanization. The introduction of electronic control has accelerated evolution of automation, since it replaces human decision-making functions, and frees man's work from routine, while providing increased scope for the exercise of man's highest skills. Says it is a step toward increased productivity required by our expanding economy, and thus will lead to higher living standards.

Automation means many things to many people. Therefore, it would be well if I could start with a simple definition which would serve your need in understanding what I am about to say. However, automation as I am going to consider it, is no such simple matter, and I shall attempt no simple definition. Rather I shall attempt to give the concept of automation broad meaning by discussing its evolution and its present and future significance for our industry and commerce and for our living.


Dr. E. W. Engstrom

From Mechanization to Automation

The Industrial Revolution started long ago and continues to the present time as an evolutionary process in which human and animal labor are steadily being replaced by machine labor. At first, machines took over the task of supplying and applying power. Today, man does not supply the energy necessary to accomplish a production task, except in those cases where the amount of power required is relatively small and where the complexity of control involved is very great. The next phase of the Industrial Revolution was the mechanization of repetitive tasks which involve the production of large numbers of pieces. This development is continuing at the present time and at an ever increasing rate, to involve more and more complex tasks.

Production is carried out by machines in which there are controls to direct the performance of each operation in the right sequence and during the right time interval. Very often these controls will detect a gross malfunctioning of the machines, but they rarely do more than signal the operator that something is wrong. In the next phase of this evolution, sensing devices are added to control the machines as determined by the progress of the work itself. Thus, the machine begins to take over some of the control functions normally provided by human operators. It is at this point, where such sensing and feedback controls are introduced, that many like to introduce the word "automation." However, there is today no clear dividing line between mechanization and automation. Much that I have to say will concern manufacturing activities falling in the gray area between these two concepts, because we are today in this area.

I should like to point out that the concept of machines incorporating some of the control functions previously provided by human operators is more than just an evolutionary process in our industrial development. An essential ingredient of the Industrial Revolution was the removal of the limitations of power imposed by the capabilities of humans and animals. Now it is some of the decision making and control functions of humans, with the characteristics of human limitations, which are being superseded. Electronic systems can handle information and can control mechanisms at enormously greater speeds and accuracies and, therefore, in vastly greater quantities than humans can. Thus, while the intelligence of the human being will never be superseded by a machine, there is no question but that electronic systems have already surpassed human information handling capabilities. Because of this, some of the new concepts of automation are revolutionary. For this reason, the coming of automation is sometimes referred to as the Second Industrial Revolution.

Let me make clear that the concept of automation which I am developing for you is broader than that of machines controlling other machines. Rather, in considering automation, we are now beginning to deal with industry and commerce on the basis of a complete system taking into account the whole process from raw material to consumer. This is the objective in automation, whether or not we so define it, for this is surely to be the final outcome of the steps now underway.

Broadly stated, an industrial process includes, among other steps, the following:

(1) The production of articles of manufacture including the related elements of raw materials, facilities and labor.

(2) The transport of raw materials, partially manufactured articles, and completed articles through marketing channels to the customer.

(3) The marketing of the completed articles, reflecting the competitive situation and customer acceptance.

(4) The financing, beginning with raw materials, facilities, and labor, and ending with billing and collecting from the customer.

We enter the area of automation when we begin to include two or more steps of this whole process in a system so controlled or programmed in the electronic sense that each step reacts with and feeds back control information to each other step.

Let us now project our present thinking regarding automation into the distant future and take a look at the concept of a completely automatic factory. This leads to the idea of a very large black box into which flow a great many varieties of raw materials and a large volume of automatically handled data. Both the raw materials and the data are processed, "untouched by human hands," so that the right amounts of the right products are distributed to the right places at the right times. However, there will be many human workers in this black box, even though they will have no direct connection with processing the product. Some will be the technical maintenance men who will keep the machines operating. Others will design and install new machines to take care of the changing product. There will be production men who will no longer schedule production of the parts of a given product but instead will service the programs of machines in accordance with management decisions to cope with changing markets. There will be engineers and stylists who will develop new products and who, when necessary, will develop and design new automatic machinery or modify existing automatic machinery for making those new products. There will be top-management men who will survey the behavior of the machines and the electronically processed manufacturing and market data, and, on the basis of this, make decisions as to when there should be a change in the product line. Most of the functions of present day management will be present in this future setting but in modified form. The routine work content will be low but new management skills will be needed.

Present Status of Automation

At present, the concept of the automatic factory is wholly theoretical. The technical developments which would be necessary to put such a factory in operation have not yet taken place, but there is no fundamental technical reason why we could not design such a factory. The basic reasons why nobody has seriously attempted to build a completely automatic factory are economic in nature. No manufacturer will introduce an automatic method of manufacturing a product or part of a product unless the total cost per unit of work done by automatic means is less than the total cost of the same unit of work by human labor or by humans controlling simple machines. Such a cost comparison is usually the immediate governing factor in any decision to buy or develop a piece of automatic machinery or an entirely automatic system. It is not yet established that the cost of a completely automatic factory for all products can be written off over the period of acceptability of the products it produces. This question is extremely difficult to answer for a completely or nearly completely automatic system. Careful observations of what happens as we approach complete automation will be necessary to throw light on the matter.

On looking into the present status of automation in American industry, we find that we are still far from the automatic factory and that there are great differences in the degrees of automation present in different industries. For instance, industries which deal with bulk materials that can be handled in a continuous stream already have a high degree of automation as compared to those where the product must be manufactured or processed unit by unit. The petroleum industry is an example of an industry dealing with bulk products. Here, entire refineries involving a multitude of chemical processes may be controlled continuously and automatically and the type of product may be changed within certain limits when desired. Similar situations exist in other chemical industries and in some food industries. In the processes used in these industries, continuous sensing and testing devices provide the information which, after some calculation or manipulation by automatic means, is used to control valves, temperatures, or other process variables. These controls can be adjusted either manually or automatically, through predetermined programs, to vary the nature or the character of the product.

In the industries dealing with unit products, automation is not nearly as far developed. However, it is in these industries that we encounter a very high degree of *mechanization*. You are all familiar with the very large automatic machines for fabricating of automobile components and for machining automobile-engine cylinder blocks. Some degree of mechanization will be found in practically any plant producing a unit product. The amount of automation is still relatively small.

Industrial leaders are much interested in mechanization for offices and are beginning to place orders for large-scale electronic data-handling equipment. To date, however, only a relatively small number of these equipments have been installed. Almost without exception, these have been applied to routine clerical operations. It is clear, however, that such machines will be used to provide integrated data processing within a plant and to control some aspects of production and distribution in accordance with the processed data.

Automation in the Electronics Industry

In the electronics industry we find a two-sided interest in automation. In the first place, much automatic equipment is electronically controlled. Electronics provides the means of replacing human judgment and control. It provides the sensing devices, the means of communication, and the computing devices. The more complex the task, the larger is likely to be the share of the electronic equipment in performing it. Electronics also provides the possibility of introducing automation into the small production run. A typical example is the magnetic-tape-controlled milling machine, which can be used to turn out special wing sections of airplanes. One can hardly anticipate that a large multi-engine bomber will ever be manufactured on an automatic production line. However, there are obvious advantages in being able to produce a complicated shape, used in the bomber, by means of numerical programming. The electronics industry has a large stake in data-handling devices. This aspect of automation will undoubtedly become a major responsibility of electronics manufacturers.

In the second place, mechanized processes are used for the production of electronic equipment. In some cases, a high degree of mechanization is already in use. In other cases, theories of modular design are being developed which may introduce true automation to short-run products. The electron-tube manufacturers provide a good example of the first situation. This industry was a natural development from the highly mechanized light-bulb industry. As a result, the pumping, processing, and sealing of the tubes have always been almost entirely done automatically. It is only recently, however, that machines have been developed to mechanize the assembly of the elements within the tube. Even in their most advanced stages, these processes have little in the way of automation in the narrow sense.

In the production of television picture tubes, there is also a high degree of mechanization. The tube envelope making is a highly mechanized art. The components of the electron gun of the tube are often assembled manually. However, the mounting of the gun in the tube, the laying down of a fluorescent screen, the aluminizing of that screen, the pumping, the heat treating, and the sealing of the tube can be done without manual handling. In some cases, each of these operations is performed automatically but there is manual handling of tubes between equipments for each operation.

In the production of television and radio receivers, where large production runs of complicated equipment are encountered, there has recently been a very rapid growth of mechanization. Early production techniques involved proper placing of the individual conductors and individual components, joining them together, and soldering the individual joints thus produced. This procedure has now been modified by the development of the printed-circuit technique. This technique uses a laminate consisting of an insulating layer coated with a copper sheet which is etched through in such a way that the remaining copper provides the electrical connections to be made. Electronic components are then threaded through holes in such a printed-circuit board to make contact with the proper copper strips. All of these contacts can then be soldered by one operation. Because the board is regular in shape and puts all of the conductors into one plane, the electronics industry is thus provided for the first time with the means of handling its product in automatic machinery. Furthermore, that machinery has sufficient simplicity to satisfy economic requirements. The development of machines, somewhat like stapling machines, for mechanically inserting the components into the printed-circuit boards has proceeded rapidly. RCA has been a pioneer in this area and has already produced well over two million printed-circuit boards in which at least some of the components were inserted mechanically. The electronics industry is introducing this and other forms of mechanization as fast as it is able to develop the necessary machines and economically justify their use.

In order to avoid too great disparity between the cost of custom-made electronic equipment and the cost of that which is mass-produced by mechanical means, electronics manufacturers are looking for ways to mechanize their production of special equipment. In these cases, the manufacturing runs are extremely short and the problem of mechanization is an entirely different one. It is hoped that the standardization of circuits and the use of modular design, along with general-purpose mechanization, will provide considerable saving in the cost of producing these special products.

Automation and the Armed Services

I do not think that I should leave this discussion of the status of automation without mentioning automation in the armed services. This is an area where economic considerations are not the basic controlling ones. The speeds of our air fighters and the bombers have become so great that the requirements for their operation far exceed the capabilities of humans. As a result, these airplanes are very advanced examples of automation. One of these planes will search out, track, and shoot down a moving target without the pilot doing much more than monitoring the operation and making what might be called the long-range decisions.

In the area of air defense, the scheduling of the instrumentalities from early warning to recognition as an enemy target, to "lock-on" of the target in the defense area, to alerting of fighter, missile launcher, rocket launcher or gun, to the direction and control of the weapons, and to the final closing on the target, these all become matters of automatic or semi-automatic environments.

Here also has been fertile ground for the development and the utilization of automation. These are but two examples of how automation serves the military. They can be taken as indication and promise for constantly expanding use of automation in

*An address by Dr. Engstrom at the Centennial Symposium on Modern Engineering, University of Pennsylvania, Philadelphia, Pa.

the practice of warfare and of defense.

What of the Future?

Returning to the commercial field, it is certain that we will see the introduction of more and more automation as our economy continues to expand. In fact, with our economy growing faster than our labor force, automation appears to be necessary if we wish to keep improving our standard of living. On the other hand, I think it is extremely important to realize that, while automation provides a means to an expanding economy, it will not be the only significant controlling factor in the expansion. We must be realistic and recognize that the future outlook of the consumers and of the business population will continue to be important in determining the future health of our economy. High productivity by itself can become a liability when the consumer is not interested in buying.

The rate at which we shall move into this new era of automation will be determined not so much by the state of technology or by any limitation of engineering or the physical sciences as it will be by the economics of the whole process and by our ability to understand this economics. We do need to be sure of the economics of the use of materials and facilities, of the economies of the use of labor, of the economics of the marketing process, and of the economics of the management of the enterprise. As I see the future, it is these factors, coupled of course with creative planning and engineering, which will define the areas for automation, the rate of growth, and the extent of use.

Since we are in an expanding economy which depends for its continuing expansion upon greater productivity, automation may be a real solution—for it will mean that we can grow beyond the limits that seem to be imposed today by the estimated total of the labor force that will be available tomorrow.

If automation were basically just an advanced way of making a product, then an employment problem might go hand-in-hand with it. However, automation affects basically the whole of the industrial process. Its effect on employment will depend in a fundamental way on the qualifications of the people to be employed.

With automation, we shall no longer have large groups of people who are themselves part of a production machine. Instead, as pointed out earlier, we will have many persons employed to design, to build, to service, to control, and to make decisions. This will call for greater skills and for more training and education. It will mean a general upgrading of personnel. Assuredly, this will mean continual adjustment and re-alignment of personnel. Management and labor must tackle with reasonableness the growth processes involved, in order to lighten transitional burdens and insure maximum mutual gains.

"Modern Industry" for September of this year carried an editorial entitled "Automation and Common Sense." I shall quote one paragraph from this editorial:

"Men who labor for a living in mine, mill, and factory have always feared the machine as a device which may take away drudgery, and bread, too. But it hasn't happened that way in the whole history of invention—despite the dark promises made about the Watt steam engine and all the power inventions that have followed. No craftsman in our day would throw aside his power tools for the strictly amateur or artistic pleasure of making a wagon wheel or spinning wheel."

Much has already been said about automation and employment or automation and unemployment. Much more is likely to be said as the processes of automation expand and come into general use. I do not possess the wisdom to illuminate the subject very far into the future. Our illumination will have to penetrate further as automation itself progresses and evolves. The light of wisdom here will come in small steps forward, just as light in the literal, physical sense comes in quanta. But as one who for over 30 years has been engaged in research, in engineering and in bringing the products of research and engineering into public use, I clearly see the advantages of automation and the need for it. I recognize the possible disturbances to labor but I feel that these may be avoided by careful planning. If our standard of living is to be improved through research now underway and if we are to reap the fruits of ever accelerating research in the future, then we need the kind of industrial system that we are beginning to call automation. We need the increased productivity which automation promises so that all of us may have a richer life.

While automation is bringing about new and broader patterns in the use of labor, it will, as I have outlined also create a large group of managers of a new type, men who will be the directors of the new automation traffic of materials, products and marketing. Here in the work of the administrators of business, will be the real revolution of automation. To be efficient and effective, systems of automation must be directed toward an integrated business. Automation must not be directed just toward production, as was the case for the mechanization of manufacture. Automation is a system, a method, a working arrangement of the whole business.

In industry as we have it today, the productive process is responsive to the demands of the market and the rate of production of goods fluctuates accordingly. With automation, the capital investment per worker in an enterprise will rise, and in some cases in ratios of tens or hundreds. The facility — the capital investment—must be kept working at a steady rate if appropriate return is to result from the investment. As a result, both capital and labor must be kept continuously busy.

This being true, the table will be turned. Marketing and sales will in the future have to be adjusted to a constant or at least a slowly changing flow of goods and services, instead of production being adjusted to sales. I do not propose to indicate just how this may be done or just how one might best achieve such a changeover in principle of operation. Rather I point to this reversal to show the need for a new and creative management.

To make its task easier, the management of the future will work with much improved and more current data on the operations of its business. This will be the direct result of the use of constantly improving electronic business machines. It will also result from the character of automation as a system that feeds back data and information to control its operations and to permit effective management decisions.

Four Concepts

(1) The movement to automation is a natural one under the developing circumstances of our technology and the growing need to increase productivity. The factors which move industry into automation are so deep rooted and profound that this movement will continue even though the changes involved create problems. There is need for a clear understanding so as to minimize the growth problems as these appear.

(2) The rate of the movement to automation and its effective use in industry and commerce will be determined by the economics of the enterprise as a whole and of its parts under the impact of automation.

(3) To be effective and efficient, automation must be considered as a method for doing business—as a working arrangement of the whole business, where the enterprise must be treated as an integrated system.

(4) Automation may make an industrial unit more flexible as to the product manufactured but economy of use will determine that the facility and the people who man it must be kept continuously engaged. This will mean a nearly continuous flow of goods requiring new merchandising procedures so as to absorb this flow of goods.

Conclusion

Automation is more than a continuing evolution in the direction of greater mechanization. The introduction of electronic control has greatly accelerated this evolution, but it has also added a new dimension. Mechanization replaced human skill by machine skill in repetitive tasks. Automation does more than this. It replaces human decision-making functions. Mechanization has in some respects made the worker a part of the machine. Automation reverses this process and frees man's work from routine. It provides increased scope for the exercise of man's highest skills. Automation involves the industrial system as a whole. Its development is limited primarily by economic factors involving the state of the entire business situation. It is the only approach which we can now envision for obtaining the increased productivity required if our economy is to continue to grow and to expand. Automation will necessitate many adjustments by both labor and management but will increase the assurance of full use of the contributions of each. Automation is a way to an expanding economy, to a higher standard of living, and to happier living for all.

Lee Higginson to Be NYSE Member Firm

On Jan. 1 Lee Higginson Corporation, 40 Wall Street, New York City, will acquire a membership in the New York Stock Exchange. Officers are to be N. Penrose Hallowell, Honorary Chairman of the board; Charles E. Cotting, Chairman of the board and Treasurer; Richard deLa Chapell, President; Frederick H. Schroeder, Executive Vice-President and Assistant Secretary; James W. Brooks, member of the New York Stock Exchange, Charles A. Capek, J. T. Foster, Francis L. Higginson, Schuyler Van Vechten, Barrett Wendell, Frederick H. Foster, John H. Stafford, Jr., Roland Merrell, John A. Norman and A. Sumner Gambee, Vice-President; Henry S. Rogerson, Vice-President and Secretary; William H. Owen, Jr., Vice-President, Assistant Secretary and Assistant Treasurer; Donald B. Fleming and William F. Lecraw, Vice-Presidents and Assistant Secretaries; David H. Wolfe, Joseph M. Cronin, Simon P. Larson, Donald C. McCotter and Stuart L. Southgate, Assistant Secretaries.

Joins Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harold W. Bradford, Bert S. Hodges, Bernard G. Rand, Jack Sonnenshine and David D. Stein have become affiliated with Daniel D. Weston & Co., 140 South Beverly Drive.

Britain's 1956 Business Prospects

By PAUL EINZIG

Contending business conditions in Britain in 1956 will largely depend on the Government's ability to neutralize the effects of basic inflationary factors, Dr. Einzig reviews the uncertainties in the British economic outlook. Finds stability of the Sterling exchange rate only temporary, and says the trade unions should realize that it is not to their interest to accentuate the current wages spiral.

LONDON, Eng. — At the approaching turn of the year we become increasingly conscious of the difficulty of forecasting business trends during the next year. There are various conflicting trends in progress. We have in Britain acute inflation but we also have a deflationary monetary policy which the Government has declared itself determined to enforce. Business conditions will largely depend on the Government's ability to neutralize the effects of basic inflationary factors. At the moment of writing, it is highly uncertain whether the Government will be able to arrest the rise in prices.

Paul Einzig

Everybody realizes, but few people dare to state in public, that the success of Mr. Butler's disinflationary drive depends on his ability to reduce employment. If this end can be achieved by simply forcing industries to cut out overtime, so much the better. But in some industries, at any rate, the credit squeeze and other disinflationary measures may have to go further. There may have to be actual unemployment to release workers and thereby to mitigate the scarcity of workers that is forcing up wages and prices in other industries. This is the case with the motor industry. For years it has been attracting labor from other industries which are unable to pay such high wages. If a number of these workers should become unemployed, they may have no choice but to return to those industries which, owing to scarcity of labor, are now forced to raise their wages and their prices.

From this point of view Mr. Butler's monetary policy is assisted by the restrictions on the imports of automobiles in Australia and other Commonwealth countries. Mr. Butler's restrictions on instalment credits are primarily aimed at preventing the automobile industry from selling in the domestic market the large numbers of cars which they are no longer able to sell overseas.

The success of this policy would not be without its dangers. The decline in the demand for cars coincides with an expansion of the industry's capacity. A number of new factories, or extensions of existing factories, will be ready to begin production next year. If they should begin production, the total output of cars would increase far beyond the demand, which has become curtailed by instalment credit restrictions at home and import restrictions abroad.

Beyond doubt, the motor industry has become a vulnerable spot of the British economy. Fortunately for Britain, in spite of postwar expansion of the motor industry, it does not occupy such an important position as it does in the United States. A recession in the automobile trade in Britain need not develop into a nationwide business recession, unless it is allowed to proceed too far. To avoid this Mr. Butler may have to remove or mitigate his instalment credit restrictions sometime in 1956. At the moment, however, he is more concerned with making these restrictions effective to check inflation. Today's peril is naturally more important than tomorrow's peril.

Sterling appears to close the year with a firm trend. On the face of it this seems to conflict with the marked deterioration of the balance of payments during November after its improvement in October. The apparent contradiction is explained by the fact that during August and September, a big short position developed in sterling. Seasonal requirements of dollars were covered well in advance, for fear of a depreciation of sterling. As a result there is no need for British importers to buy dollars for the goods which appeared in the November Customs Returns. Moreover, foreign banks which reduced their sterling balances below the level of their normal requirements during the Summer and early Autumn are now replenishing these balances. And foreign importers of British goods who had deferred their payments in the hope of benefiting by a depreciation of sterling are now making these deferred payments. All this is supporting the sterling rate.

But this favorable influence cannot be expected to continue much longer. Once it has spent its force, the effect of the adverse balance of payments will influence sterling, provided that the import surplus cannot be reduced in the meantime. This again will depend on the success of Mr. Butler's disinflationary measures.

A development which might have a far-reaching influence on the trend of prices next year is the decision of the Portland Cement Group to abstain in all circumstances from raising prices during the next six months. Other industries are likely to follow this example, so that quite conceivably the rise in prices may come to a halt or at any rate it may slow down considerably during the first half of 1956 in spite of the upward trend of wages. For a short period industry can afford to pay higher wages without raising prices. There has been in 1955 an ample profit margin which will be available for that purpose, if business firms pursue a conservative dividend policy. In adopting this line, British industries respond to Mr. Butler's exhortations to keep down dividends and profits.

It remains to be seen whether this attitude will be appreciated and imitated by the trade unions. Assuming that the example of the Portland Cement Group will be followed by a large number of industries, this would materially weaken the moral claim for higher wages. In this respect the experience of 1953-54, when pressure for higher wages continued unabated in spite of the absence of any rise in the cost of living, is not exactly encouraging. But possibly the unions may have learned in the meanwhile that it is not to their interest to accentuate the wages spiral. If so, the temporary stoppage of price rises may well lead to lasting stability. If not, the balance of payments is liable to deteriorate further, because, in the absence of price increases, the purchasing power of higher wages will increase and an even larger proportion of the output will be absorbed by the domestic market.

"MERRY CHRISTMAS"!

The Eisenhower Administration's Social Welfare Philosophy

By HON. MARION B. FOLSOM*
Secretary of Health, Education, and Welfare

Administration's spokesman on social welfare policies traces the rise of social insurance in this country and indicates what is needed for its future progress. Discusses the expansion of private pension plans, and asserts "we need more and improved private retirement plans, and we need improvements in many plans already in effect." Upholds voluntary health insurance plans, and urges insurance companies to aid in this task. Indicates Administration favors some form of governmental health reinsurance, or other methods of pooling or sharing risks. Concludes "we face great needs and great opportunities in increasing the economic security of the people."

You must experience a sense of satisfaction in reviewing the status of life insurance and planning future activities which will be useful to your business and to the Nation. Part of this satisfaction can properly stem from the healthy and expanding nature of the life insurance business. Never before have the American people owned so many policies and had so high a degree of financial protection.

M. B. Folsom

I should like to express some kinship with your satisfactions in the progress of life insurance. The fact is that fate has been very dogged about keeping my hand in the insurance business. When I took a short course in insurance at Harvard Business School, my teacher generously suggested I might have talents for actuarial work as a career. Although I did not follow that suggestion, some of my richest experiences, within industry and government, have been in the insurance field. Some 15 years after Harvard, I found myself developing a group life insurance, retirement and disability plan for employees of the company where I was working. I thought I would have little to do with insurance when I became Under Secretary of the Treasury three years ago. But several of us became impressed by the poor insurance example the government was setting as an employer. So the Federal employees group life insurance plan was developed—the largest policy ever written. Ninety-five percent of Federal workers — more than 2 million altogether—chose to come under the plan, which has a face value of $10 billion. I want to compliment your industry on its splendid cooperation in developing this plan, which provides low-cost protection to so many people. In this example of progress, I think, we may find good portents for the future.

Many complimentary things can and should be said about the development of the American life insurance business to its current all-time peak. Overriding all of them, I think, has been the ability of the business to adapt to—and serve the needs of — our social and economic growth and change.

No major country in history has undergone the growth and change which have taken place in America in the past century. In this period we have shifted from an essentially agricultural basis to an industrial basis—with all its economic and social adjustments. We have grown in population from about 23 million people to over 166 million. We have increased our national product from less than $10 billion to over $391 billion. Our working population has grown from less than eight million to about 65 million.

This period of 100 years has also marked the development of modern life insurance. It is true that the oldest life insurance company in the United States, the Presbyterian Ministers' fund of Philadelphia, was organized in 1717. And incidentally, it was called the "Fund for Pious Uses" —a good name for insurance, I'm sure you will agree. But the real basis of our *modern* life insurance was laid only about a century ago by several companies which developed effective plans for sound and reasonably rapid growth.

Over the past 100 years, except for two brief periods of marked economic depression, the amount of life insurance in the United States has always shown an upward trend. It has grown with our money economy and the advance of science. Nearly 100 years ago, our private life insurance per capita was only $5.47. Today it is over $2,000.

The life insurance industry pioneered in creating public awareness of the need for family protection when the breadwinner died. Your industry also led the way in developing protection against loss of income in old age. Diversity and versatility, I believe, have been the keystones of your progress. You have adapted insurance policies and sales techniques to meet changing conditions and changing needs; you have often shown initiative, enterprise, imagination, a will to venture into new ground even at some risks.

The Coming of Governmental System of Insurance

Because of the initiative and energy of the people and our natural resources, we were the last industrial country in the world to feel the need for a national, governmental system of insurance. As late as the 1920's, I felt with many others that economic protection for individuals and families could be provided through the efforts of employers and workers. The depression of the 1930's, however, with its devastating effects on jobs, savings, and the economy generally, made it clear that the Federal Government must help provide a basic foundation of protection on which individuals and families could build a more secure future.

And so we developed the Federal system of old age and survivors insurance, one of our strongest bulwarks today against human distress. At the outset there was quite a little opposition, some of it from members of your industry. Fears were expressed that the social security system would dampen individual initiative, industry and thrift. But the fact is that since social security was started, individuals on the whole have built more economic security for themselves than ever before. They have greatly increased their savings accounts, cash deposits, savings bonds, life insurance, health insurance, home ownership, annuities, and investments in stocks and other securities.

Fears also were expressed that political pressures would increase social security benefits all out of line with a sound program. But the fact is that when this Administration took office, we found benefits were too low. They had failed to keep pace with wage increases and living costs. So President Eisenhower recommended and Congress approved last year a far-reaching series of improvements. Protection was extended to an additional 10 million persons, so that nine out of ten workers are covered today. Benefits were increased on a sound basis. I am confident that objective analysis will show the system is still in harmony with the original objective of providing a basic minimum of economic protection. If it were not for this system today, many more persons would be forced to turn to public relief to meet their essential human needs.

We look forward to continued improvements in social security, with extension of coverage to the few groups who are still excluded and other steps which can be taken wisely at this time. On the other hand we must always be especially careful that proposals for new benefits are equitable and sound: that they are actually in keeping with the changing conditions of our times, including trends in population, employment, and social life in general. And we should remember there is a limit to the social security taxes the people may be willing to pay to support the program in all the years ahead. This Administration will follow a policy of keeping the social security system as sound and fair as possible.

Expansion of Private Pension Plans

Along with the growth and improvement of our social security system, one of the heartening developments has been the expansion of private company pension plans. In 1935, the year the Social Security Act was enacted, there were only about 1,000 private plans in existence with a coverage of only about 2,600,000 employees. Today there are over 18,000 such plans with a coverage of about 13 million employees. Almost one million retired people now receive benefits under such plans—twice as many as four years ago.

In all this pattern of private and public effort toward economic security, we see the strength of diversity and versatility—first, and foremost, the worker's initiative, foresight, and thrift; then privately sponsored pension plans; and finally the national system of old-age and survivors insurance protection.

Although our strides have been great in the private pension field, there is a crying need today for a renewed display by the insurance industry of its traditional enterprise and ingenuity. Even with our advances, many millions of workers still lack sufficient protection. We need more and improved private retirement plans, and we need improvements in many plans already in effect.

As you know so well, the establishment of a sound pension plan involves a number of complex issues. One of the problems associated with industrial pension plans is the period of service required before an employee builds a permanent right to a pension under the plan. I think employees, employers, and the insurance industry should cooperate to provide better protection for the shorter term worker. From the point of view of the economy as a whole, and individual security, a shortening of the period of service required for employees to secure pension rights would be desirable. If the lowering of the period is made gradually, a financial hardship can be avoided.

Protection Relating to Sickness And Disability

The imagination and energy of the insurance business should also be brought to bear with renewed vigor on still another serious gap in the economic protection of many American people. This is the field of sickness and disability.

I believe firmly—and I know you agree—that medical research is the first line of attack. We need more and better research into the causes and cures, prevention and treatment of disease. In recent years we have seen dramatic discoveries which are producing humanitarian and economic rewards today. Much suffering has been relieved or prevented and millions of lives have been spared. We stand now, without doubt, on the threshold of solving more great mysteries of disease. So the possibilities for further advances are great, and the nation should reinforce its research efforts in many ways. Further, we must speed and improve the application of the fruits of research to the daily lives of people throughout the nation.

And we must take a dual approach. While striking at the root causes of illness, we must also help ease the mounting burden of the *costs* of medical care.

In 1953, half a million families were stricken with medical costs as large or larger than their entire annual income. For one million families, the costs of medical care were half or more of their annual income. The total medical bill of American families has increased to more than $10 billion a year now. Think of these costs not in terms of statistics—but instead, in terms of the worker whose savings are wiped out, the family which cannot pay for critical medical needs, the man who loses independence and is forced to turn to public welfare. In human as well as economic terms, we must provide better protection for the American people against the costs of medical care.

I am convinced that voluntary health insurance is a sound and practical means of increasing security against medical costs. The nation has seen a remarkable growth in private health insurance in recent years. But the truth is that we have hardly scratched the surface. There are remarkable opportunities for the future that should bestir us all.

While life insurance was a fledgling one century ago, and retirement insurance began to take hold about 30 years ago, health insurance is the newcomer in the trio. Sixteen years ago, only about six million persons had any form of prepayment protection against the costs of medical care. The combined efforts of the insurance industry and organizations like Blue Cross and Blue Shield, especially since the end of World War II, produced a dramatic change in the voluntary health insurance picture. Today about two out of every three in the entire population are covered with some form of health insurance. In the past 14 years, the number of persons with hospitalization insurance has increased from 14 million to 102 million and the number of persons with insurance to cover surgeons' expenses has increased from approximately 7 million to 86 million. Protection for general medical expenses has expanded from 5 million persons to 47 million in 10 years.

The measure of the problem, however, is not what has been accomplished but what remains to be done. And so let us look at the other side of the same coin. Despite the rapid strides, there are still about 65 million Americans with no form of hospitalization insurance. Almost half the people—about 80 million—have no surgical insurance protection. And more than two out of three—about 120 million—have no insurance against general medical expenses.

Of the total of more than $10 billion in private medical care costs, about $2 billion—20%—is met through insurance benefits. We do not, of course, expect insurance to meet 100% of medical care costs—but insurance can and should meet much more than 20%.

I think you will agree that the creative spirit your industry has shown in *life* insurance—the willingness to venture, the ever pressing desire to develop new and better policies, new and better techniques—must now be carried to the field of health insurance with new enthusiasm and energy.

The protection of health insurance must be extended to more people. Many older persons, for example, find they cannot obtain any type of health insurance now at a reasonable cost. I think it is a sound insurance principle to add a little to premiums throughout the earlier years and thus provide increased protection for older people, including those who have retired. Further, there is a big gap in coverage in rural areas, due partly to higher administrative costs and the lack of opportunity for group policies. I believe special policies or special techniques can and should be developed to meet this need.

Further, the degree of protection provided by the policies should be increased. Too often, especially in severe or prolonged illness, benefits are exhausted long before major costs are met; even among the insured, family savings thus are wiped out and many are forced to turn to public aid.

A hopeful beginning has been made in coverage of such severe or prolonged illness—often called "catastrophic" illness. More than three million persons receive comprehensive medical and hospital *services* through independent, group prepayment plans. In addition, the number of persons with major medical expense *insurance* has increased from a few hundred thousand in 1951 to more than two million at the end of 1954 — and the figure is much higher now. But the great bulk of the people still are unprotected against the crushing costs of severe or prolonged illness.

Thus, much more needs to be done. The "deductible" and "co-insurance" principles have already been applied successfully to some health insurance plans in industry. These principles should now be applied widely in the development of many new plans. In this way, I believe, increased protection against the costs of catastrophic illness can be provided at very reasonable premiums.

Believing that voluntary health insurance is a sound step in meeting the costs of medical are, this Administration seeks to stimulate extension and improvement of this protection for the American people. We believe some form of reinsurance, or other methods of pooling or sharing risks, will speed this process and help reach our goals.

Regardless of the method, we must recognize that the problem of paying for adequate medical care for all the people will yield to no easy or overnight solution. The needs are so great they will require a strong, continuing effort for many years to come. And we should recognize, I think, that the improvement and expansion of health insurance will not in itself be the total answer. We still have the problem of those who cannot afford to buy such insurance. The plans you in industry and we in Government have in mind, we believe, will

*An address by Mr. Folsom at the annual meeting of the Life Insurance Association of America, New York City, Dec. 14, 1955.

help lower the costs of health insurance so that many more low income families will be protected. But all of us need to give more study to the problem of providing security against the costs of medical care for the hard core of families who may not be able to purchase insurance even if premiums are reduced.

Part of the answer to this problem lies in progressively reducing the number of low income families. A favorable economic climate, in which our production can continue to flourish and increase, will give more and more people the economic ability to purchase voluntary health insurance.

Conclusion

And so we face great needs and great opportunities in increasing economic security for the American people. In the American tradition, this is a challenge to you as a private industry—a challenge to your initiative, your enterprise, your creative spirit. The history of your own industry points the way. Your own experience shows that when attractive policies are developed at the lowest possible prices, and when these policies are offered with drive and ingenuity, they are accepted in large volume. This process is in the tradition of Yankee enterprise and know-how. It is good business for you, it helps people, and benefits the Nation. As you in private enterprise meet the needs of the people, then the people will not find it necessary to resort to broad Government action.

With its record of great growth in the past, and with great needs still to be met, one thing is certain — private insurance has not achieved the full place destined for it in our society.

With the "magic of the averages" in life insurance, you have worked wonders in advancing human welfare. You should now put this formula to work with even greater vigor and on a wider scale in the field of pensions and health insurance.

The full meaning and broader purpose of insurance are not defined alone in economic or business terms. The true meaning and purpose of insurance are to protect people against want and to advance human aspirations. No service could be more fundamental to the general welfare of the Nation.

Washington Analysts Meet

WASHINGTON, D. C. — At a program dinner meeting of The Washington Society of Investment Analysts held Tuesday, Dec. 13, at the Occidental Restaurant in Washington, D. C., it was announced by the President of the Society, Nelson J. Foster, that the local organization (of some 62 persons) has been admitted to membership in the National Federation of Financial Analysts Societies.

The speaker of the evening was Dr. Pierre R. Bretey, of Hayden, Stone & Company, the Editor of "The Analysts Journal," who gave an excellent talk on "The Outlook for Railway Securities."

David Weisz Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—David Weisz is conducting a securities business from offices at 840 South San Julian Street.

A. A. Hans Opens

Albert A. Hans is engaging in a securities business from offices at 90 John Street, New York City.

Charles Lachman Opens

Charles R. Lachman is engaging in a securities business from offices at 745 Fifth Avenue, New York City.

That Mighty "Trickle"

By WILLIAM JACKMAN*

President, Investors League, Inc.

Investor organization official maintains 1953 tax cut, which was designed to encourage investment in new plant and equipment, has been largely responsible for current business boom. Mr. Jackman contrasts large real gains to workers resulting from "trickle-down" method of tax reduction with pittance that would have resulted from $100 increase in personal exemption. Urges continuing tax reduction to conform to investment incentives, including halving of capital gains levy.

When the government's tax-take romps merrily ahead of all expectations it becomes an obvious fact that taxes are too high.


William Jackman

It is further obvious that in a Presidential election year, both major political parties will seize upon this opportunity to propose tax reductions in the next session of Congress. What *methods* of reduction they propose, however, will bear careful watching. The last reductions were so planned that they put this nation well on the road to prosperity. There's no reason now to upset this boat.

Last January President Eisenhower sent to Congress a budget estimating government expenditures of $62,400,000,000 against government receipts of $60,000,000,000 for the 12 months period ending June 30, 1956, resulting in an estimated deficit of $2,400,000,000.

With personal and corporate income now zooming beyond most optimistic hopes, it is apparent that the Treasury's tax-take is going to result in a substantial surplus, rather than a deficit, for the current fiscal year.

How should this surplus be used? To reduce the national debt or to further reduce taxes? The answer seems crystal clear. It was primarily wise tax reduction that gave us a boom in face of the dire predictions of a few political demagogues that we were headed for a bust. A furtherance of the sound method of tax reduction, which encourages investment in the tools of production, should in both the long- and short-term most benefit all of our citizens.

"Trickle" Becomes a Waterfall

As the benefits of the $7,400,000,000 "across-the-board" tax cut of 1953 started "trickling down" through the national economy, and much to the astonishment and dismay of our gloom and doom spendsters, the "trickle down" became a mighty waterfall of business incentive, bringing in its wake the soundest era of prosperity that has been witnessed in our generation.

After years of deficit financing, "emergency" spending, business-baiting, rabble-rousing and punitive socialist methods of "soak-the-rich" taxation, we were finally given last year our first dose of tax relief openly designed to strengthen the American capitalist system by encouraging private, not government, investment in tax-paying enterprises that create new jobs and a higher living standard for all without further debasing the purchasing power of the dollar.

We now have an annual national income approaching the $400 billion mark, up from only $300 billion the year before, with the cost of living practically unchanged during the period, with the nation enjoying the largest degree of peace in the memory of most of our children, and at the same time, with an actual **decrease** of $11 billion in government spending.

How were these accomplishments made possible? And who got the benefits?

Capital Investment At Work

First, due largely to the Administration's desire for and sensible approach to tax-reduction, the businessman's confidence in the Federal Government was revived. Secondly, the confidence of our ten million investors was revived by the constructive tax-reduction steps initiated in their behalf. They became willing not only to put their own savings to work, but also willing to forego receiving in dividends half of the earnings after taxes which the corporations they own were making. All of this money belonging to the investor was put into building new and better jobs for his fellowman, knowing that he, too, would share in the prosperity created by the increased production of goods that was bound to follow.

As a result of this resurgence of confidence, the annual rate of new plant and equipment expenditures of all industries is setting a new high peacetime record of over $29 billion, up $3 billion over the previous years rate.

It is generally conceded that it takes an investment of over $12,000 to provide a job for each worker in industry. At this rate an annual investment of $29 billion would create over 2,400,000 new jobs each year. (Business spending for new plant and equipment for 1956 is now estimated at over $33 billion, according to a survey by McGraw-Hill Publishing Co.)

No wonder that in spite of our steadily growing population and increasing lifespan, more people are now employed than a year ago (65,500,000 at present) and the number of jobless (1,050,000) is at the lowest ratio ever, and only half what it was a year previous. And all this with higher wages too! The average earnings of factory workers are now $77.11 a week, up 9% in the past year. This annual increase in wages amounts to about $330. After paying a 20% Federal income tax on this raise, the worker had a net wage gain of over $260, available for savings or for consumer spending—and there were those who wanted to buy the worker's vote by promising him a paltry $20 a year increase in spending money through a $100 a year increase in tax exemptions.

How did the investor share in all this prosperity? His faith in our American capitalist system paid off handsomely. It is estimated by National Securities Research Corporation that corporate dividend payments for the full year 1955, including a flood of year-end extras, will reach a total of $11.3 billion, up 13% from the $10 billion amount paid in 1954. This is by no means all "gravy" unfortunately. The investor will now have to shell out from 20% to 90% of his dividend take to Uncle Sam's income tax collector.

Long Live "The Goose!"

Perhaps no year in history has proven so convincingly that the investor is "the goose that lays the golden egg" and as such, must be nurtured at all cost. As an awakened voting public becomes increasingly familiar with the fundamental economic differences between Socialism or Communism on the one hand, and Capitalism on the other, they will be compelled to realize that the investor is really the free world's most important person.

In recent years stock ownership has rapidly spread from Wall Street, N. Y., to Main Street, U. S. A. Over two million workers in industry now own stock in the companies for which they work. Our scattered farm population has become large owners of shares of mutual investment companies. Millions of widows and retired people depend upon dividends from stocks to supplement their pensions or social security payments.

Our elected representatives in Congress and those who will aspire to replace them in 1956 will find investor-baiting no longer popular, and desperate "issue-hunting" investigations of big business by Congressional Committees will be mistrusted as being inspired merely by political expediency. It is now at long last politically fashionable to encourage investment incentive. And nearly every one of our ten million investors has a vote.

Reduce the Capital Gains Tax

There is one important area of tax relief started in the last session of Congress which, if enacted into law, will help keep our industrial boom rolling along on a high plateau.

There is a bill before Congress, in Committee, which, among other things, would **cut in half** the present **tax on capital gains.** This is known as the "Boggs' Bill" (H. R. 2815).

If a sufficient number of investors will only make their voices heard collectively at the right time in Washington, we feel confident that this Bill can be passed in the next session of Congress.

The present tax on capital gains can no longer be defended politically. It is generally conceded that the Federal Government would not lose a penny of revenue if this tax were cut in half. In fact, these lower rates would encourage holders of billions of dollars worth of securities to sell part of their holdings and reinvest them in new and growing enterprises. Such increased volume of trading would result in higher revenues to the Treasury from this tax than is now the case.

A great many people fail to realize how this tax is affecting them right now and how it may affect them, seriously, even if it is only once, at some time in the future. Here's how this happens:

Let's start with homeowners. At some time in life most people find their old homes too large. Their children have grown up and left them. Perhaps the husband has died. At this stage of life, the homeowner wants to sell and buy or merely rent a smaller home. Due largely to government planned inflation over the years, the old home is probably now worth twice its cost. Let's say a $20,000 value against a $10,000 cost. If the owner sells and doesn't buy a new house, he gets clipped for a tax on so-called "capital gains" of $2,500. His neighbor, whose house has gone up just as much in value, doesn't sell so the government doesn't confiscate $2,500 of his property. Is this fair?

And the same thing goes for the farmer. A farmer who has put his life's work into building something of value, rarely sells in order to buy a bigger farm. He usually sells when he's ready to retire. Why rob him of a substantial portion of his life's savings just when his need is greatest?

Next come our millions of widows living on income from trust funds provided under wills and managed by bank trustees. How many of them realize that one of the reasons they can't get a higher income in an otherwise booming economy is because their trustees can't afford to sell stocks when the market is too high and they no longer return an adequate yield. To do so would involve dissipating the estate to the extent of 25% of the "profit" involved.

If anyone thinks the capital gains tax is just a method of soaking the rich investor, he has been badly misinformed. Perhaps the largest group which it hurts are the workers in industry. In the first place, millions of these workers are not only home-owners but also holders of stock in companies for which they work. But of far more importance is the fact that the workers' job security depends primarily on the willingness of investors to put billions of their savings into creating the new jobs constantly needed by our ever increasing population. A reduction in the capital gains tax would create important new investment incentive.

As the facts become known to millions of our citizens, we believe they will demand the partial relief from this unwise tax, as offered in the **Boggs Bill,** and urge its passage.

*A talk by Mr. Jackman before the New York Society of Security Analysts, Dec. 1, 1955.

Paine, Webber Will Admit Four Partners

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, will admit four new partners on Jan. 1, it was announced by Lloyd W. Mason, managing partner of the coast-to-coast investment banking and Stock Exchange firm. They are: Albert P. Everts, Jr., Sales Manager in the Boston office. Henri de La Chapelle, Manager of the firm's office in Los Angeles; James W. Davant, Investment Manager in the Minneapolis office and Thomas O. Peirce, Paine, Webber Branch Manager in Beverly Hills, Calif.


Albert P. Everts, Jr.


Henri de La Chapelle


James W. Davant


Thomas O. Peirce

Following these admissions to the partnership, Paine, Webber will have 38 general partners and 14 limited partners. The firm maintains 40 offices in 37 cities and holds memberships on 18 major stock and commodity exchanges in the United States and Canada.

Balanced Economic Expansion Feature of Canada's Growth

By A. C. ASHFORTH*
President, Toronto-Dominion Bank, Canada

Picturing Canada as in a new era of expansion, prominent Canadian banker points to this nation's increased productivity, but warns there must be a balanced economic growth. Says Canada must continue to increase its exports of raw materials, and not put too much stress on exports of manufactures in the highly competitive international markets. Warns rising debts can be an unstabilizing force, and holds Canadians should not let opportunities for domestic investment fall entirely in the hands of foreign investors and foreign companies. Looks for as great economic expansion in Canada in next quarter century, as in the past similar period.

For free nations of the world including Canada, 1955 has been a year of substantial progress in their struggle toward a nobler civilization. Not only has their economic status improved but the international political horizon has a brighter glow. The clouds have not disappeared but at least they look less likely to blow up into a major storm.

A. C. Ashforth

The Summit Meeting at Geneva last summer replaced the cold war by a cold peace. While it did not resolve the differences between the nations of the Western World and the Communist Bloc it did create a better world atmosphere. However, the Summit Meeting generated too much enthusiasm just as the failure of the recent conference of Foreign Ministers at Geneva has resulted in too much gloom. The most important accomplishment was recognition of an atomic stalemate. The danger of a nuclear war will always exist, but the chances of one developing have dwindled. Fear of a major war has lessened.

Another fear which has haunted the people of this Continent has been the repetition of a major depression such as we had in the 30s. Eighteen months ago the prophets of gloom thought it was on its way. The Canadian and U. S. economies withstood the test and this year will achieve new records in economic activity.

A New Era of Expansion

Economic expansion has not been confined to Canada and the United States. During the past two years Western Europe has experienced a striking recovery. Most of the free nations of the world are enjoying a boom. Prosperity is commonplace. Standards of living are rising. The danger in most countries is not deflation but rather inflation. Many economic and political problems remain to be solved, but it is possible today to take a more optimistic outlook of the future than at any time in a quarter of a century.

Another depression like that of the 30s is not likely to occur. Perhaps I should say it will not be permitted to occur. This does not mean that we will avoid ups and downs in business activity—periodical adjustments such as we experienced last year. Adjustments of this type are inherent in a dynamic and expanding economy, but they need not develop into prolonged and serious depressions if the nations of the world make intelligent use of the economic knowledge they have gained over the past 25 years.

If international political difficulties can be resolved and some of the resources now channelled into weapons for defense diverted to peaceful purposes then the Western World should be in for a new era of expansion.

Consumers Confident

This confidence in the future is something with which the average citizen has become imbued. How else can you explain the rising level of consumer spending, a major impetus behind the current upsurge in business? Consumers tend to defer spending when they hear talk of recession. They did not behave that way last year. They felt that the recession would be mild and shortlived and they were right. Consumer spending has continued its upward trend throughout 1955 and the two other principal generating forces in the economy—exports and capital investment—have also been favorable.

A few weeks ago I was walking down the main street of an Ontario city when I overheard a man remark to his companion that "Canadians never had it so good." These six words are an apt and picturesque description of the Canadian economy.

Canadians in 1955 have produced more, imported more, exported more, earned more, spent more, consumed more, borrowed more, saved more and invested more than in any previous year. With prices remaining relatively stable, there has been a marked gain in physical output and in the real standard of living of our people.

The level of business activity this year has exceeded all expectations. Not only has the Canadian economy regained the ground lost in 1954 but it has resumed a rapid rate of expansion. While final data will not be available for some time a gross national product in excess of $26 billion is assured.

The outlook is for continued economic expansion. Since personal disposable income continues to rise there is no reason to look for any curtailment in consumer spending. With most of the Western World enjoying a high level of prosperity, export prospects, except in the case of wheat, remain favorable, though some uncertainty exists because of inflationary problems in Great Britain. Then, again, Canada's international trade position has been improved by the decline in the value of the Canadian dollar in terms of the U. S. dollar. This should help us to meet international competition in foreign markets and should tend to discourage imports.

In light of the prevailing level of consumer spending and the favorable outlook for exports, continuance of high level of new capital investment is a reasonable expectation.

All the indicators suggest that general business will be maintained on a high plane through the first half of 1956. The momentum of current business activity will be a strong factor in this. However, the rate of expansion is likely to slow down as the economy is very near a state of full employment. Our rate of growth in 1955 has been abnormal. A potential danger is that strong inflationary pressures will develop since production in many lines is approaching capacity of plant or available labor.

The danger of further inflation and the possibility of "a boom and bust cycle" explains the recent action taken by the Bank of Canada to restrict credit expansion. The increase from $2\frac{1}{4}\%$ to $2\frac{3}{4}\%$ in the official "bank rate" was a signal that the monetary authorities had decided it was time to curb the boom. In other words, they are of the opinion that the rate of business expansion this year has been too rapid for the long term health of the economy.

The effect of the increase in the bank rate will be to dampen credit expansion and to make credit more costly. Recently, some chartered banks have been borrowing from the Bank of Canada. Such borrowings have been made less attractive and more difficult.

The economy is being given a dose of preventive medicine. Canadians generally should applaud the strong action which has been taken and its objective—namely, the avoidance of further inflation.

Productivity Has Increased

In 1955 economic paradox is that while production has surpassed its previous peak, unemployment has remained above the 1953 level. More people have jobs today than there were in the labor force in 1953 but a tendency for job opportunities to lag behind the growth of population and the number of people able and willing to work remains apparent.

Production and employment figures tell another story—one of great importance to our economic welfare. Productivity has shown a marked gain. This year's larger output in a wide range of industries was produced with fewer employees than in 1953.

Some students of business feel that a periodical slackening in sales is a healthy development since it provides an impetus to more efficient operation. This has been one of the results of the decline in business activity which occurred in 1954.

During the first nine months of this year industrial production ran 5.1% higher than in 1953 while industrial employment was about 1% lower. This trend was apparent in the mining, manufacturing and construction industries. Greater employment opportunities occurred largely in the trade, finance and service fields.

The advance in productivity has made possible the increase in wage rates granted this year. A fundamental which we must not lose sight of is the fact that increased wage rates without greater productivity means higher prices.

Farm Income; A Soft Spot

The gains in business activity have been widely dispersed throughout the economy. If there was a significant soft spot it was in agriculture. I refer not to the volume of farm output—which was bountiful—but to the divergence in price trends between farm and industrial products and between farm income and the income of urban dwellers. This is not a new trend but its continuance is disturbing.

The softness in farm income and prices has prevailed in the face of sharply rising incomes in other sections of the economy. Farmers received better than 12% of the national income in 1951. Today, they are getting about 7%. There are fewer people working and living on farms but even allowing for this there is an obvious disparity.

The decline in farm income has occurred at a time when prices of goods and services bought by farmers have been going up. This, of course, has accelerated the drop in the purchasing power of the farm population.

Changes in farm productivity are not easy to measure but available data indicate that farmers have done an exceptional job in increasing productivity and in passing on to consumers the benefits of greater efficiency. Wholesale prices of farm products have dropped 22% since 1951 whereas those of manufactured products have dropped only 7%.

Greater benefits might have accrued to the general welfare of the community if a larger share of the increased productivity of manufacturing industries had been reflected in further price reductions rather than higher wages.

Wheat—A Major Problem

Since all farmers are not engaged in the same type of production, experience and problems vary. The grain farmer in Western Canada has been hit the hardest. We are faced not only with a huge surplus of wheat but a declining share of the world market. Increased productivity in grain growing abroad, subsidization of domestic production of wheat by some European countries, price supports for wheat in the United States, the farm surplus disposal program of the United States and our own large crops — all of these have contributed to our wheat problem.

There can be little doubt but that the wheat situation is one of the most difficult economic problems facing Canada at the present time. Broader markets are an urgent requirement. In 1956 the wheat problem should have No. 1 priority. The prosperity of a large section of the Canadian economy is dependent on the problem being solved.

Balance Economic Growth

Because the most spectacular developments in the postwar period have been in the field of resource development many people are under the impression that Canada has become increasingly dependent upon the production of raw materials. This is not so. A balanced economic expansion has been one of our postwar achievements.

The physical volume of manufacturing production today as compared with the 1935-39 period shows a greater rate of growth than does mining output. Trade, service and finance industries have shown similar expansion. To put it briefly, manufacturing, mining and the tertiary industries have all gained in importance and the gain in manufacturing has been greater than in mining.

Many Canadians are of the opinion that a more rapid expansion in the manufacturing segment is desirable. We would all like to see more of our manufactured products going into the export market. Further development of our manufacturing industries is desirable and national policy should be directed to that end. But let us not forget that we have to export to be prosperous and there is no assurance that we can find markets for these materials in manufactured form. To export, we have to produce things our customers want.

Take iron ore as a case in point —10 years ago we were substantial importers of iron ore. Today, we are net exporters and the indications are that our exports will grow steadily in the years that lie ahead.

It would be wonderful to have this ore converted into fabricated metal products in Canada. But where would we sell the fabricated products—in the United States? I think not, and if we were to place obstacles in the way of exports to that country she would merely turn elsewhere for her supplies. Canada is not her only foreign source of this basic industrial material.

In iron ore, and other raw materials, Canada has an economic advantage. We can produce them cheaply and efficiently. We will achieve greater prosperity and a sounder economy by concentrating on those things we can do best. This is also the surest road toward further expansion of our manufacturing industries.

Exports of Raw Materials Will Increase

Rising exports of raw materials have made possible our postwar development of secondary industry. Without these larger exports we would have been unable to pay for the machinery and equipment which we needed in order to expand our manufacturing facilities.

To attempt to force our way into foreign markets with fabricated products would be costly. If Canada is to achieve the destiny most Canadians hope for then her exports of industrial materials—in which we enjoy distinct advantages — will increase rather than decrease. Down this path lies the way to continued prosperity and economic security.

Fortunately an expanding market for the materials Canada can produce cheaply and efficiently seems a reasonable prospect. According to a recent estimate, industrial raw material demand in the free world in 1980 will be almost twice as great as in 1950. International trade in materials is expected to expand in much the same proportion.

Debt Can Be An Unstabilizing Force

While Canadians are earning more and saving more, they are also going deeper into debt. Consumer credit outstanding is now in excess of $2,100 million. A disturbing feature of the boom this year has been the extent to which the expansion in consumer spending has been financed by credit. More than half of the increase in retail sales in the first half of this year was accounted for by a rise in credit sales—more particularly, instalment sales.

From the rise in instalment sales and in consumer credit outstanding it is apparent that many Canadians are buying goods and services not only on the basis of what they are earning today but also on the basis of what they expect to earn in the future. This may be an expression of confidence in the future, but we should remember that it is possible to mortgage the future too heavily.

Consumer credit is only part of the debt picture. Private, municipal, provincial and corporation debts as a ratio of national income have risen steadily in recent years. If the ratio continues to rise then debt could become an unstabilizing force.

While a rise in debt has been a necessary component of our postwar expansion, it is a matter of concern that some types of debt have risen at a more rapid rate than national output. If debt keeps rising faster than the production of goods and services, the burden of interest charges can become too heavy. Historically, this has resulted in deflation followed by inflation—both of which we wish to avoid.

The Federal Government is the only major part of the economy that has achieved a reduction in debt and an improved ratio of debt in relation to national income. This is one of the reasons for the pressure that has developed for an adjustment in Federal-Provincial and Provincial-Municipal financial relations. Another factor, often overlooked, is that the provinces and municipalities, because of the growth in

*The address of Mr. Ashforth at the Annual General Meeting of Shareholders of the Toronto-Dominion Bank, Toronto, Can., Dec. 14, 1955.

population and because of industrial expansion, are experiencing growing pains.

Federal-Provincial Finance

The demands of the provinces for a greater share of tax revenues are not without merit. The same is true of the requests for greater financial assistance made by municipal authorities to the provinces. Both of these levels of government are faced with large commitments to meet the needs of a growing population and an expanding economy. It can also be argued that the excellent financial record of the Federal Government has been achieved, in part, at the expense of the provincial and municipal governments and that a continuing sharp rise in provincial and municipal debts will make these levels of government increasingly dependent on Federal financial assistance.

Some re-arrangemeint of Federal-Provincial financial relations would seem to be required. But the taxpayer must not be the forgotten man at the table. Taxation needs to be reduced rather than increased. If the total tax revenue is to be expanded it must be achieved through a rising national income rather than higher tax rates.

The present Federal-Provincial Taxation Agreements are far from perfect. Business and Canadians generally need to give serious consideration to the alternatives which have been suggested. A return to the tax jungle of prewar days must be avoided. The consequences of weakening Federal control of fiscal policy must be weighed. As the experience of the postwar period has shown, fiscal policy can and does influence the economic climate. Less control over taxes by the Federal Government means a less effective fiscal policy.

Are Canadians Overlooking Their Opportunities

Recently, there has been some criticism of foreign companies in Canada not making it possible for Canadian investors to share in the ownership and rewards of their enterprises. More important than securing investment participation in existing enterprises which are controlled outside of Canada is for Canadians to open their eyes and not let so many of the opportunities that are available be seized by foreign investors and foreign companies.

Week after week one reads of foreign concerns purchasing Canadian firms or establishing new plants and factories in Canada. The same opportunities are available to Canadians. Why don't we grasp them?

Lack of capital, or perhaps I should say savings, is one factor. In some cases, it reflects greater technical knowledge on the part of the foreign company. In others, it represents the establishment of a manufacturing plant in Canada by a company that is already selling its products in this country. But this is not the whole explanation. Evidence is accumulating that Canadians are not showing enough vision, enterprise and courage in relation to the opportunities open to them.

Risk-taking is essential to a dynamic, expanding economy. In the mining field, Canadians have proven that they are prepared to take risks, and the rewards have been substantial. More of the same enterprise and courage is needed in other sections of the economy.

Far-Reaching Changes

Twenty-five years is a short time in the life of a nation but in that period the Canadian economy has undergone a revolution. Encompassed within the past quarter-century has been the worst depression in history, a major war and a period of unsurpassed prosperity. It is not surprising that there have been far-reaching changes.

A person who went into a Rip Van Winkle sleep in 1930 and woke up today would wonder if he was in the same Canada. Today, the economy is bigger. Goods formerly regarded as luxuries are now necessities. New products are commonplace. Everything is produced in greater quantity. Mechanization of production processes has made rapid strides. New industries and new communities have come into being. Not only do we have more people but they are better off. We now have a predominately middle class market. Most families have a car. More people own their own homes. Fewer persons live on farms and more in urban areas. Labor unions are now a powerful force in the economy. Universal pensions are paid to the aged, allowances to families for children and compensation to the unemployed. The government plays an important role in economic affairs and is pledged to use its effort to maintain an expanding economy.

These are only some of the changes. The list could be extended considerably.

The Next 25 Years

What of the next 25 years?

No one can speak of the future with complete assurance but the changes in the next quarter of a century should be just as great.

At the outset of my remarks I suggested that one can now take a more optimistic view of the outlook than for many years and that the Western World should be in for a new era of expansion if peace can be maintained.

One might say that the new era of expansion has already begun. The trend of events in Canada and the United States this year suggests that the decline in business activity experienced in 1954 was merely a temporary setback in the long term upward trend. Western Europe is in the midst of a boom. Industrial production there has been rising since early 1953. In two years it has gone up more than 25%.

Increasing interest is being taken in assisting underdeveloped countries. Not only are governmental plans such as the World Bank and the Colombo plan making progress but private investment abroad by the United States, Great Britain and even Canada is increasing.

A new era of expansion for Western Europe, a prosperous United States economy, increasing overseas investment and industrial expansion of underdeveloped countries means an expanding volume of world trade. In the latter we have a major stake. Provided we keep our costs in line, Canada should be able to obtain a fair share of any increase in world trade.

Population growth has been a prime force in Canada's economic expansion. We have had two strings to our bow — natural increases and immigration. The rate of natural increase remains favorable but the flow of immigrants has dwindled due to a combination of government policy and prosperous conditions in Europe. This could slow down our expansion. Canada needs more people. Immigration should be encouraged.

In closing I should like to reiterate that the past year has been an active and constructive one for the Canadian people. It has also been an active and constructive one for The Toronto-Dominion Bank. The Bank has contributed to and shared in the growth of the economy. We have a deep-seated faith in the future. It is with confidence in continuing progress that we look forward to 1956.

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A Stock Market Forecast, And Issues That Look Attractive

for alarm. It was of the dangers of dollar depreciation, these bank depositors, bondholders, investment insurance policyholders, mortgage lenders and plain cash hoarders, needed warning.

Cash or Equities

It is always a question of cash or equities. There is no third alternative.

What is more, if you own equities at a profit as most shareowners do today, there is an exit ticket to buy. That of course, is the tax you pay.

I think therefore, that the stock market is going to be with us for a while. It is not yet the time to expect a bear market.

Since 1942, the investor who has remained completely invested in equities and has only shifted from one to another has had by far the best investment record. He has done far better than the man who has attempted "timing." He has done far better than those that have tried adjusting to a varying percentage of bonds or stocks. We may now be near to the time when after 13 years a change in investment policy will be called for.

My particular way of looking at the stock market is to try and find a big buy for any given year.

I aim at above average results. This can only be obtained by out of the ordinary investment approaches. The primary need is to single out the best. Put all your eggs in that one basket — and watch the basket. Just a year ago that buy was New York Central around $22. It went up to $49 as you all know. I think the "big buy" for 1956 will develop sometime during the year, possibly in the early Spring. I do not know what it is now.

To examine the general possibilities let me reiterate another statement I have made many times. That "big buy" is not some unknown or obscure issue. Most of the time it will be one of the stocks in the Dow Jones Averages. This is a professional audience and I am sure I don't have to tell you the number of stocks in the Dow averages that have doubled or more than doubled during this market. New York Central is only one.

Stock Selection—a Key to the Investment Problem

How do you make your 1956 profit? Profits are only made for a reason. The 1955 profit in New York Central for example, was made because a new management came into a situation of great potentiality at the right time. Other profits since 1953 were made because of increasing earnings and dividends and increased general confidence which raised the price earnings ratio valuation and despite higher earnings and dividends, reduced the acceptable yield. The reasons for next year's possible profits are currently not obvious. To hazard a guess, good timing will now be more important. In other words, being prepared to buy on a decline if we have a setback, as I think we will before spring. Selection is still always a key problem. Next year it might well be selection of issues that will improve in public regard and market valuation. No wide gain in earnings next year seems likely among the Dow issues now.

Always get out a pad and pencil and write down WHY a stock you propose buying should sell higher. It is a good check on your own thinking.

To get back to the thought that you do not have to go to obscure shares to make substantial profits today, I will discuss almost entirely, issues among the Dow stocks. You have a choice from issues selling at over 20 times earnings to one selling at under nine.

This is tax selling time. Of the Dow Industrial shares near their lows, perhaps the most interesting is **National Distillers.** It's earnings next year should be higher. It's dividends could be. I do not see much risk in buying it. However, it is not one of the popular favorites of the day. It is true that its current price earnings ratio is above its average of the best years and also its income yield is below that average. That means there is already some anticipation of a change for the better in the current price, but not excessively so. My principal reason for not getting too enthusiastic about National Distillers is that I think its rate of gain industrywise and marketwise may be slow. I think this is the only Dow issue subject to tax selling now that seems even remotely of interest.

Some Individual Issues

I think I said before that I felt that December-January this year would not be the best time to buy or select for 1956. Nevertheless, you want me to talk about some individual issues today and there are a few that appear in a better light than the majority.

Reverting now from those near their lows to those near their highs, I next think of the real quality shares. Shares like **du Pont** and **General Electric** for example. These stocks sell for generous price earnings ratios and at low income yields. They are not likely to move very much next year because of individual influences. They can be considered as yardsticks by which all shares may be measured and unless they are worth the price they are selling at, then most so-called "special situations" or "secondary issues" are not apt to be either.

Different stocks have different values for different purposes. Issues like these still are the basis of any well selected portfolio.

The groups I think are likely to be the most attractive for those looking for better than average gain are the aircraft manufacturers and the oils and perhaps the steels.

The representative of the aircraft manufacturers in the Dow is **United Aircraft.** I think it is the very best company of its group in the world.

Aircraft shares have for long been misunderstood as "war babies." As a result, in the last ten years, United Aircraft has sold at an average of about 7.9 times its expanding earnings. In 1953 and 1954, **Douglas** sold under 5 times its net. And **Boeing** less than 4 times in 1953.

The fact is that I think one can make a better forecast of United Aircraft earnings for the next five or even 10 years than a forecast of many companies which sell at many times higher price-earnings ratios.

United Aircraft earnings are not partly "peace" and partly "war" but rather partly government orders and partly commercial. Government orders must be kept high because our far flung frontiers demand it. And also because of rapid obsolescence of engine design (which in turn makes obsolete airframe design). The government has discovered that it is very costly to close down and open up as it were, and that the greatest economy and efficiency is obtained by maintaining a relatively steady level of production. Replacement needs constantly raise the floor beneath aircraft company sales.

United Aircraft made a high last January and consolidated its position with about six months of reaction. Now, it is on the move again. Selling at 12 times earnings and yielding over 4% there is plenty of room for higher market prices from higher earnings and dividends. The trend towards improved price earnings ratios and lower acceptable yields should also continue. There are less than 5,000,000 common shares outstanding for a three-quarter billion dollar business.

Before passing to the next issue let me say that current developments suggest greater selectivity in aircraft shares in the coming years than in the past. If you buy United Aircraft, you will be buying the best.

The oil group has seemed undervalued for years and still seems so. Price earnings ratios are moderate and yields are liberal. The cash flow in the oil industry is high. Growth is assured. Tax shelter is outstanding. Everything considered, for those that feel they must buy now, I would favor this group. Or to put it another way, oils are the last stocks I would sell out of a portfolio.

No need to look further than **Standard Oil of New Jersey,** and **Standard of California,** and the **Texas Company,** which are three Dow oils. Actually, the growth trend in a stock like Standard Oil of New Jersey in the last decade is roughly equivalent to the growth trend of stocks like duPont, General Electric and Union Carbide. The market price is not.

Now we reach the point where timing seems to me to become of vital importance. The steel group, for example, in my view comes next and is a bit more controversial.

There are those that think 1956 will be a better year than 1955 and those that think the opposite. Steels are of course affected by the automobile business. The accepted view is that far less cars will be built and sold. There are, however, those that do not agree and think that 1956 production will approximate 1955 production and that dealers will simply have to hustle. In any event, I think the steel outlook is reasonably good and that steel issues should reflect this. In addition, they still seem to sell more on an old fashioned "prince or pauper" basis when as a matter of fact their earnings and dividend records justify a better valuation. **U. S. Steel** is the issue I favor among the Dow steels but all seem good —**Bethlehem,** and **National** included. I think steels have to be bought when they are under pressure next year and sold later when they become strong again.

These then are the issues in the Dow I think deserve the most attention.

As to other stocks, let me repeat I think the "big buy" of 1956 will become evident during the spring months of the year rather than in December or January. I look for weakness after the turn of the year rather than strength. The strength may come later.

Outside of the Dow, I will mention **Studebaker-Packard** as an issue sold to a standstill because of generally bearish advices, tax selling, and poor earnings. Its problems are very great—but its management is very capable.

This then is the market outlook as I see it on Tuesday, Dec. 13, 1955. I end on this chronological note because markets change, the news changes and our opinions change. This is a time favorable to short-term commitments.

I was more bullish over a month ago up in Buffalo with the market lower than it is now. I think I will be even less bullish in mid-January. I expect again to be very bullish several months from now.

Continued from first page

How Firm Is Our Economic Foundation?

Treasury, we are also working continuously with the agricultural credit agencies on financing the crops.

A practical, realistic farm program is now being threshed out in consultation with the ablest people in the business. This will be presented to the Congress by the President and Secretary Benson.

The Foundations

But you have asked me today to talk to you about the problems and programs of the Treasury. So I have taken for my title, "How Firm A Foundation," the opening words of a grand old hymn which many of us here have sung since our early youth. I have chosen it because, in the Treasury, our main concern is to maintain and strengthen the foundations of peace and prosperity in the United States. That is our business—and it is, in truth, big business—the biggest of all.

A nation, like a family, has to be built on a sound foundation. A sound foundation for life is as broad as life itself. It includes the moral qualities of integrity, diligence, and understanding. But a sound foundation also requires economic solvency.

It is the special responsibility of the Treasury to see that our country is solvent—that the economic base for our national life is solid and secure. Only on such a base can we build with assurance for our children and grandchildren.

There is a particularly important reason for examining our economic foundation today; we are engaged in a great world struggle which is testing our strength and character to the utmost.

In this struggle, we must maintain military power which will deter any aggressor. At the same time, we should exhibit to the world a constantly greater realization and appreciation of the unique advantages of the free way of life which we Americans have inherited and developed. These are the two most effective methods for preventing communism from engulfing the world.

The kind of life we seek to maintain is at the opposite pole from communism, in which the individual is the slave of the state—kept so by fear and by force. We seek a life of the greatest possible freedom and opportunity for the development of the individual, the family, and the community. Not for us the rule of controls and restrictions. We believe that a life of freedom is what all mankind basically desires.

We must frankly recognize that the need for military strength, which calls for spending many billion dollars a year, makes more difficult our quest for the freer, better life. We are for example paying taxes that are very heavy, taxes which in themselves levy certain restrictions upon all of us. But we have no alternative.

Our joint objectives place heavy strains upon our Government; they force us to examine and strengthen our foundations. We cannot afford unsound, opportunistic spendthrift government. And, if a sick situation develops, we cannot afford to attempt to cure it with short-sighted and temporary nostrums. We must diagnose the trouble and seek to cure it at the source.

Our Great Tradition

In this situation, we should be thankful every day for the great traditions of this Nation—for the principles of freedom and self-government and integrity which were built into our Government.

In the field of finance, where I labor, we have them too, and I should like to take a few minutes to refresh your memories about them.

Every day in my office at the Treasury, I am surrounded by reminders of these traditions. My room, which dates back more than 100 years, housed many distinguished public servants. Portraits of former Secretaries of the Treasury hang on its walls; Alexander Hamilton, Carter Glass, and Ogden Mills.

These, and other former Secretaries, faced problems astonishingly like our own: difficulties in raising taxes and borrowing money, despair over the spending pressures upon the Congress, emergencies arising from wars and economic fluctuations.

It was under these leaders that we developed the great financial traditions which have shaped the course of our history as surely as have the Declaration of Independence and the Constitution.

It was in the year 1789, immediately following the adoption of the Constitution, that Alexander Hamilton became the first Secretary of the Treasury. He was the first Cabinet officer appointed by George Washington, who, incidentally, as you all know, was one of the leading farmers of his day.

The country's most immediate and challenging problem was that the country had no money that could be trusted. There were some coins of various nationalities and some paper money issued by the States and the Continental Congress. "Not worth a Continental" was the common phrase which characterized the value of that money. This phrase has come down to us today—and still means what it did then—something which has no soundness or integrity.

Our leaders of that day realized that a politically independent and permanent nation was impossible without national financial stability. To achieve this in a raw, new country, with credit virtually destroyed both at home and abroad and with the 13 States strongly opposed to taxation by a Federal authority, seemed an almost insurmountable task.

Hamilton's bold plan for reestablishing the Nation's credit involved recognizing and funding the Nation's debts, paying interest on them, and retiring them as they came due. The domestic debts owned by the Federal Government, the depts incurred by the 13 colonies in fighting the war, and debts owed to foreign countries amounted, in all, to $78 million, a towering sum in those days. Perhaps no more courageous step was ever taken by a financial statesman than Hamilton's action in committing the country to pay this debt in full, even though bonds representing the debt sold in the market at 10 cents on the dollar, or less. But he knew that the surest way to establish confidence in the new Government's financial integrity was to start immediately on a sound program to pay its debts.

Before the Government could put the plan into effect, it needed money, and needed it badly. No sound financial program was possible without adequate Federal income to pay interest on the debt, to retire the debt as it matured, and to meet Government operating expenses.

But the possible sources of Federal revenue were limited. The individual states were jealous of their own prerogatives in levying taxes. The colonists, under the British crown, had vigorously resented such imposts as the stamp tax on tea and had taken pride in evading British levies on imports. This attitude made the administration of any system of internal taxation extremely difficult.

For this reason, and because of the country's heavy dependence on imported products, the Government decided to rely on import duties for most of its income, adding levies on distilled spirits to cover domestic production as well.

These first steps were designed to make sure that the Nation's income would be adequate to meet its current expenditures, as well as to begin some payment on the debt. In other words, we started with a firm resolve to balance the budget, and we did it in 94 out of the first 140 years of our history. But since 1930 we have balanced it only three years out of 25.

To go back to our ancestors, the second equally important step in support of a program of sound finance was the establishment of the Bank of the United States, which was chartered in 1791 to act as a central bank and be the core of the new American banking system. This is the principle carried on today in our Federal Reserve System.

These policies of Alexander Hamilton, supported by the great moral force of George Washington, were adopted by a reluctant Congress and carried out under great difficulties. The result was that the foundations were laid for making the dollar the best money in the world. Those of you who have traveled in other countries know what this means. The dollar today is a standard of value for the whole world. "Sound as a dollar" has taken the place of "not worth a continental."

In the main and in the long run, the American people have clung to the concept of sound money, and the dollar has been so secure in people's minds that the flow of trade and business could go on unimpeded by worry about the value of their money. This, of course, is one of the reasons for the great prosperity and economic growth of this country.

Some Questions

But, in the past few years, some voices have been raised to question these old principles.

World War II, followed so soon after by Korea and the continuing cold war, together with faulty fiscal and monetary policies, produced an inflation which seriously reduced the buying power of the dollar and brought hardship to people who were depending on savings or were living on pensions or fixed incomes. Although certain groups, such as your own, appeared at times to achieve greater prosperity, it was not the kind that lasts.

Some people, watching their shrinking dollar, have come to doubt whether traditional policies of sound money could be maintained. I am sure you have heard people say, "What's the use of saving your money, because it will not buy as much when you come to spend it."

Some economists have even gone so far as to predict that this and other countries would face continually rising prices and a gradual decline in the value of money.

Our Policies Today

Let me reassure you. Today in the Treasury Department we do not believe this. Quite the contrary; we believe firmly that this country can have sound, stable money which will retain its value down the years. We believe, also, that this is the best foundation for a sound and growing economy.

Today in the Treasury we are following policies which, while, of course, adjusted to the current needs, are nevertheless aimed at the same objectives as those chosen by Washington and Hamilton 165 years ago. Let me list them.

(1) We believe in, and are working toward, a balanced Federal budget. The first year we came into office (1953), there was a deficit of $9½ billion, which we inherited from our predecessors. This we have reduced so that today we have real hope for a balanced budget. This has been done, primarily, by reducing expenditures by more than $10 billion. With the recognition that our tax rates are too high for the maximum dynamic growth of the economy and the knowledge that big changes in government spending must be cushioned, taxes have been reduced by $7.4 billion.

The road block in the way of further substantial economy is the cold war and the imperative need it imposes to keep our country's defenses strong.

This is not a problem which can be decided and then forgotten. It represents a struggle which is never-ending—one which we must meet each day.

(2) We have sought by many means to distribute the debt more widely among more people. We are trying to lengthen its maturity by the sale of long-term and medium-term bonds. The amount of the floating, or short-term, debt has been reduced. The Savings Bonds Program has been stepped up. This is a direct way in which every citizen can help and in which your organization is helping.

(3) We have worked unceasingly to carry out Hamilton's policies of an effective central banking system as the core of a sound financial mechanism. Our principal objective has been to make sure that the Federal Reserve System is assured independence of action for the welfare of the people, without distortion from political pressures. Federal Reserve policy during the past three years has, I believe, contributed positively to our economic strength and stability.

Is This Dynamic?

What is our answer to those critics who say that these old-fashioned principals are lacking in dynamism and that more and more government spending is required to assure the country's growth and prosperity?

Our reply is that the dynamic growth of the United States has exceeded that of any other country in the world. The principal that good money is the best foundation for economic growth is supported by our economic history. Confidence that comes to our citizens from government's adherence to sound principles is proving the best stimulus to dynamism that could be found.

All of this may seem remote to some of you, but, in reality, it is very close.

The principles I have been talking about — the firmness of our foundation — are interwoven in the fabric of our whole economy. They apply to industry, to trade, and to the professions. They apply to agriculture, too. No one suffers more when the economy is whipsawed by inflation and succeeding deflation.

It is difficult, of course, for the farming community in the present perplexing period to view the prosperity of the country as a whole with entire satisfaction. Nevertheless, a strongly based general economy is an essential background to any sound solution of the farm problem. Sound monetary policies can protect the value of the farmers' savings, which are so necessary a buffer for lean years. Sound policies help towards restraining the inflationary pressures on prices of agricultural equipment and fertilizers and the other things he buys.

Furthermore, a sound general economy stimulates rising standards of living, higher standards of nutrition, and increased demand for an ever-widening variety of farm produce. A sound economy stimulates progress, scientific advancement in farm machinery, in fertilizers, in the use of antibiotics. Sound money undergirds a high volume of world trade.

The forward movement of the economy has provided job opportunities for those who leave the farm, and has provided others with part-time jobs that added to their farm incomes. This has helped to protect the per capita incomes of our farm population.

While it would not be appropriate for me to try to give you the solution to the farm problem of today, I venture this prediction: That the solution which succeeds will follow the fundamental principles of freedom, integrity, individual self-respect, and confidence based on economic soundness that have made this country great. As George Washington once said:

"If, to please the people, we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and honest can repair. The event is in the hands of God."

Legg to Admit Rogers to Firm

BALTIMORE, Md. — John C. Legg & Company, 22 Light Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Philip O. Rogers to partnership. Mr. Rogers has been connected with the firm since 1930, except for military service in the Air Force.

Schwabacher to Admit Two New Partners

SAN FRANCISCO, Calif. — On Jan. 1 Clarence E. Heller and Jacob G. Schurman III will be admitted to partnership in Schwabacher & Co., 100 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — George E. Grieger, Nathaniel I. Levin, Roberta J. Sutton and Henry H. Quillen have joined the staff of Hamilton Management Corporation, 445 Grant Street.

Charles Altsman Opens

Charles Altsman is engaging in a securities business from offices at 425 Broadway, New York City.

Join J. Logan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Daniel O. Lamb, David L. Schloredt, Delmar Gladstone and Lewis Akmakjian have joined the staff of J. Logan & Co., 210 West Seventh St.

M. D. Maynard Opens

(Special to THE FINANCIAL CHRONICLE)

FREEPORT, Ill.—Myrl D. Maynard is conducting a securities business from offices in the State Bank Building. He was previously with S. A. Sandeen & Co.

Form Northern Secs.

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—Northern Securities Co., Inc. has been formed with offices in the Ward Building to engage in a securities business. Officers are Lawrence L. May, President; A. M. May, Vice-President, and Lawrence L. May, Jr., Secretary.

Helen R. Lee, Maxine Roe and Mary DeLouche have joined the firm's staff.

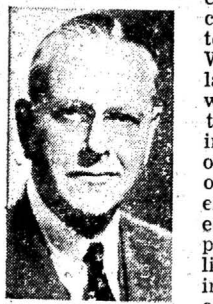
So People May Prosper

By HENRY G. RITER, 3rd*

Retiring President, National Association of Manufacturers
President, Thomas A. Edison, Inc.

Retiring NAM President calls attention to monopolistic aspect of the AFL-CIO merger and the threat to form a labor party or to use its political power in national elections. Calls present income tax structure discriminatory, inequitable, and almost confiscatory, and a threat to freedom. Praises new Administration and points to large capital outlays of business as assuring better jobs, more and better goods for more Americans, so the people may prosper. Stresses value of individual freedom.

If there is one fundamental American principle, which must be maintained "so people may prosper," it is the principle of equal application of laws to all citizens. Within the last 48 hours, we have seen the amassing in the hands of a few men of the greatest potential economic, and possible political power, in the history of this country.



Henry G. Riter, 3rd

The American Federation of Labor and the Congress of Industrial Organizations have become one. And not a raised eyebrow, nor even a whispered dissent from those who clamor stridently in the press and in the courts against mergers in business.

Now, the NAM has historically been opposed to unregulated monopoly of any kind, in business, in labor or in government. And the NAM, like all other business corporations, is prohibited under its New York State Charter, and by Federal Statute, from participating in partisan politics or contributing financially to party campaign funds.

It has been insisted by some that the new labor organization cannot possibly be viewed as a monopoly, and at the same time, it has been boasted that the merger of the two unions brings together some 15 million workers, representing, with their families, 50 million Americans, or nearly one-third of our whole population.

Again, it is asserted that there is no intent to form a labor party, but there is also the flat warning that the full weight of the merged groups will be thrown into the fight for a Congress, packed with "friends sympathetic to labor's cause."

And, of course, the political action committees of the two parent groups are merged, too. Already, it is reported, the combined committees are working to compile the voting records of every member of Congress. And these records, presumably with comment, are to be sent to every last one of the more than 15 million members of the new organization—one of the biggest mailings in history, and the union bosses hope it will reach from 40 to 60 million voters.

Not a labor party?

Not a labor monopoly?

For years we've seen countless and flagrant examples of monopolistic practices by unions. But nothing could be done, or can be done, to curb them, because unions are specifically exempted from the anti-monopoly statutes applied to business. And apparently, they are exempted from the statutes applying to political activities, as witness a long train of examples from a half-million dollar contribution to a Roosevelt-New Deal campaign chest, the expenditure of millions in an unsuccessful attempt to defeat the late Senator Taft in Ohio, to the expenditure of more than $2,000,000 by 51 labor organizations in the 1954 Congressional elections, and now, the forthcoming distribution of a union "black-list" of Congressmen.

Inequality of Taxation

Let's measure another facet of our day-to-day life by that all-important yardstick of freedom, equality under law. If it is true that our American prosperity stems from freedom, then we Americans should recognize that the power to tax is the power to destroy — the power to destroy freedom.

This is not the time to discuss taxes simply because they are high, or because they reach an indefensible rate of 91% on individual incomes. But if there is a more dramatic example of inequality under the law than in our discriminatory, inequitable and sometimes almost confiscatory, Federal tax laws, you name it.

The day will come, pray God not too late, when the American people will realize that their present income tax law is an almost literal translation into our economy of a fundamental Marxian philosophy.

Over 100 years ago, Karl Marx wrote that the way to destroy capitalism is to destroy capital, and the way to destroy capital, Marx said, is by a steeply graduated income tax. Today, that Marxian plan to destroy capital is, of all incredible things, the American way by law, and unthinkingly accepted by millions as part and parcel of our capitalistic, free enterprise economy.

Committed as we are and have been since the founding days to a just reward for individual enterprise and initiative, the better job we do today, the greater success we achieve, the smaller the portion of a fair reward we are allowed to keep.

In his acceptance speech on Aug. 14, 1924, Calvin Coolidge said: "I want the people of America to be able to work less for the government and more for themselves. I want them to have the rewards of their own industry. That is the chief meaning of freedom. Until we can re-establish a condition under which the earnings of the people can be kept by the people, we are bound to suffer a very distinct curtailment of our liberty. These results are not fanciful, they are not imaginary; they are grimly actual and real, reaching into every household in the land."

To tax away willingness to risk, to sap initiative by undue and unfair levies, and to penalize success as the result of hard work constitutes the very antithesis of the American tradition, of the American way of life you and I were born into and the way of life we want restored for our children's children, and their children.

What happened to that way of freedom and progress?

For 20 long years we lived, from emergency to emergency, from crisis to crisis, from fear to fear. We had bureaucratic ceilings over our heads, and bureaucratic floors under our feet. We were walled in. We were controlled and cramped until we knew not which way to turn.

The New Administration

For all of those 20 years we lived and worked in the choking air of restraint and confinement. And then an Administration came along that did not have its finger constantly on the crisis button. No longer were the odds on public ownership. Government spending was checked. The tax burden was lightened. Federal deficits were greatly reduced—and a balanced budget is now in sight. Some controls were lifted, and for the first time, business had a chance to breathe.

Yes! For the first time in almost a quarter of a century, our economy could stand up, full of new life.

And what has been the result?

We have prosperity undreamed of, a Gross National Product of close to $400 billion, more than 65½ million of our people gainfully employed, a national income of over $300 billion for only the second time in our economic history.

I remember, just a year ago, when I first took office as President of NAM, I made a little prediction for the newspaper people. I said that business might improve as much as 5% during the year. In the weeks that followed, I sometimes wondered if that had been one of my saner moments.

Well! I think that, by the time this year ends, it will be seen that I was conservative. Not only has 1955 been the biggest and most prosperous we've ever had, but 1956 can be even bigger. NAM member companies, large and small, are betting literally millions and billions of dollars that the magic carpet of our economy is going to carry us to new plateaus.

This is far different from the talk of those who spell prosperity in terms of big government spending, "give-away" programs and government-made security.

I could go on for an hour naming the companies who are investing billions in the only real security, the security achieved through individual initiative and private enterprise. By the end of 1955, industry will have spent $27.5 billion and, it is reliably estimated, that in 1956 it will invest another $33.5 billion in new plants, new machines and new equipment.

The sums of money industry thus puts into productive equipment mean more and better jobs, more and better goods for more and more Americans. That's America on the move! That's individual initiative and private enterprise at work so people may prosper!

But! We must not become so engrossed in the material evidences of our prosperity, or in the glowing prospects for our future, that we lose sight of the freedom which has made today's prosperity possible, and which is one, if not the only, assurance that our glorious future can be realized.

More than a century ago, Macaulay wrote; The Americans will perhaps lose their freedom when they begin to reap the fruits of it, for the energy necessary to acquire and hold freedom, and the ease which follows the enjoyment of it, "are almost incompatible."

NAM, for nearly 60 years now, has stood foursquare for the traditional American way of life, for individual economic, religious and political freedom, for the individual's right of choice, his right to work without compulsion to belong to any organization, his right, in our capitalistic profit and loss system, to exercise his individual initiative to make a profit and risk his savings.

Those are only some of the principles NAM is for. And when you are unreservedly committed to time-tested principles such as those, you are duty-bound, and must be equally committed to oppose, with every force at your command, to fight whenever and wherever and by whom, those principles are assailed.

NAM is so committed.

NAM is for an expanding economy in a growing America. We're for full speed ahead on an open highway—and we're against and will continue to fight against—any roadblocks on that highway of progress.

NAM is for a free America—and a free industry "So People May Prosper."

*From an address by Mr. Riter at the 60th Congress of American Industry, sponsored by the National Association of Manufacturers, New York City, Dec. 7, 1955.

The Outlook for Disarmament and Peace

By HAROLD E. STASSEN*

Special Assistant to the President for Disarmament

Asserting more people thoroughout the free world are now employed in peaceful pursuits than ever before, Mr. Stassen ascribed this achievement to President Eisenhower's devotion to a durable and honorable peace with freedom and justice. Extols work of top Cabinet officials, and denies nation's defense has been weakened. Holds our real strength is by far more powerful than in 1952.

The year 1955 which is now drawing to a close is the first full year for a generation during which the entire world has been at peace. It has been a year that included many tense situations, serious continuing dangers, and new potentials for violent outbreak, but nevertheless, a year in which no wars were waged anywhere around the globe.

Harold E. Stassen

At the same time it has been a year of a most significant economic advance in this country and in the world. I believe that when the final statistics are in the gross product of the entire globe in 1955 will approximate $1,000 billion for an all-time record high level. More people are employed today in peaceful pursuits than ever before.

This amazing record has been due in large measure to the policies and program of the President of the United States, Dwight D. Eisenhower. His devotion to the objective of a durable and prosperous peace with freedom and justice has been and is of historic significance.

During his recent illness an unprecedented result occurred. The active role of a President is so unusual that in every previous instance of the illness of an incumbent of the White House, the administration of the country began to split and weaken, confusion and dissension became notorious.

This time the Cabinet moved even closer together, and a tightly knit organization of the government of this great country carried forward successfully and effectively the policies and program of the President. As you men are well aware, this is one of the highest tests of an executive.

I would like to talk with you a bit this noon about the top quartet of the President's Cabinet who deserve a large measure of thanks from this nation for the record of the three years and the exceptional results in the recent crisis.

These four men, senior in the Cabinet, are John Foster Dulles, Secretary of State; George M. Humphrey, Secretary of the Treasury; Charles E. Wilson, Secretary of Defense; and Herbert Brownell, Attorney General.

They have been crucial in the establishment of a successful foreign policy, a stable currency, an effective defense, and sound and just counsel.

The interrelationship of this effort to the President's objective of a just, durable, and prosperous peace is obvious. They are all men who were outstandingly successful before they entered the Cabinet. They have all been subjected to the pounding of public attack. I predict that they will stand in history as one of the most significant top fours of the Cabinet of the United States since the days of the founders of the Republic.

One of the attacks recently made will serve to highlight the results of the work of these men under the policies of the President. The charge was made that the defense of the United States had been weakened in these three years. Presumably the basis of the claim is the fact that defense spending has been reduced by several billion dollars a year and the number of men in the Armed Forces has been cut from 3,600,000 men in 1952 to 2,900,000 men in 1955.

But what are the facts of the defense strength of America. In 1952, many thousands of the men were in Korea, in an exposed outpost, and many thousands were in military hospitals as casualties. By ending the Korean War, building up the army of the Republic of Korea, improving production, modernizing the Armed Forces, economizing day after day, checking the inflationary spiral, spectacular results have been achieved.

Thus today in real strength the United States is more powerful by far than it was in 1952 or in any other peacetime year. This strength is due in large measure to the leadership of the President and of the top four. This strength is devoted and dedicated to a durable prosperous peace with freedom and justice.

*Summary of remarks of Mr. Stassen at the 60th Annual Congress of American Industry sponsored by the National Association of Manufacturers, New York City, Dec. 7, 1955.

To Be Dunscombe Partner

Harvey J. Burnett on Jan. 1 will be admitted to partnership in Dunscombe & Co., 111 Broadway, New York City, members of the New York Stock Exchange.

Thomson McKinnon Add

(Special to The Financial Chronicle)

WEST PALM BEACH, Fla. — Charles H. Block has been added to the staff of Thomson & McKinnon, Florida Bank Building.

Harry Goodman Opens

HOUSTON, Tex. — Harry D. Goodman has opened offices at 3311 Montrose Boulevard to engage in a securities business.

Richard Kohn Partner

NEWARK, N. J. — On Jan. 2 Jane K. Wallerstein will be admitted to limited partnership in Richard E. Kohn & Company, 20 Clinton Street, members of the New York Stock Exchange.

Railroad Securities

By GERALD D. McKEEVER

Lehigh Valley Railroad Co.

There is considerable evidence of the easing of the pressure on Lehigh Valley stock. This stock held quite steadily in the 21-22 range through the late summer and properly ignored the news of the August floods which dealt relatively lightly with the Lehigh Valley and no real pressure was evident in the market price of the stock until the latter part of September. Then and for some two months thereafter it hovered in the 19-20 area for no apparent reason other than tax selling. The latter part of November brought recovery and on Dec. 1, Lehigh Valley rallied to 23¼. Taking advantage of the firming, a "secondary" sale of 76,547 shares at 21¾ was accomplished on Dec. 5. It was not stated who the seller was but it is noted that as of the 1954 year-end the Pennsylvania Company owned 376,547 shares of Lehigh Valley.

With tax selling for this year so largely out of the way and no other large block known to be overhanging the market, it may be fairly questioned what stands in the way of the recovery of Lehigh Valley to a point more in line with the 1955 high of 25⅛. It is expected that 1956 earnings may be even a little better than the $4 per share that is estimated for the current year, and they will be of sounder quality. Almost 30% of the estimated 1955 net is attributed to the $1,751,000 tax credit received in the early part of this year, although it is also to be recognized that some 57% of this advantage was offset by flood damage costs of about $1,000,000.

The official estimate of $4 per share or a little more for 1956 is a sound figure. It is without benefit of any such large tax credits as bolstered 1954 and 1955 net, and furthermore, this estimate takes into account some $1.8 million annual increase in wage costs resulting from the recent and pending hourly wage boosts while it does not assume any part of the 7% increase in freight rates that the roads are applying for. The 1956 projection is based on a 2½%-3% increase in revenues from traffic sources, a net reduction of some $850,000 in interest charges and a saving of almost as much in local taxes due to the relocation of the Buffalo Terminal, but it is also based on the assumption that the road will pay no Federal tax. The latter will probably be avoided largely because of the road's tax deferral of about $1.5 million annually due to fast amortization, or around the $1 per share figure for the current year, as well as the tax deduction for the $1,332,000 premium on the $1,850,000 consolidated 6s of 1989 which the road called for payment last September at 117. This deduction is to be carried over into 1956.

Once a consistently prosperous road when anthracite coal was the "black diamond," the Lehigh Valley has been a marginal earner for the better part of the last three decades. Although anthracite shipments still account for about 13% of its revenues, the Lehigh Valley is highly sensitive to general industrial conditions, and particularly to the level of steel operations sharply affecting traffic in and out of Bethlehem, Pa. Accordingly, revenues suffered the sharp drop to $64.6 million in 1954 as against the 1951-53 average of $78 million. Until recent years, however, the revenue trend of the Lehigh Valley has made a fairly good showing relative to both the Class I total as well as that of the Great Lakes roads. The Lehigh falls into this ICC regional grouping although it describes the road's territory only vaguely. The main line of the road extends from Jersey City to Buffalo via Bethlehem and Wilkes-Barre, Pa., and Geneva, N. Y., with principal branch mileage including lines to Rochester and Canastota, N. Y., a network serving the Wilkes-Barre-Hazelton area, and a branch to Philadelphia.

The Lehigh Valley is in good financial shape. The 1949 debt adjustment, among other things, extended the maturities of divisional mortgage bonds which became underliers as a result of their assumption by the Lehigh as part of the plan, and it placed half of the road's junior general consolidated bonds of 2003 on a contingent interest basis. The plan also set up two sinking funds —the prior lien sinking fund of not more than $600,000 annually and the general sinking fund of 50% of net income plus dividends paid until total interest charges were reduced to $4,498,297 annually, which was accomplished by the beginning of 1954. The general sinking fund was then reduced to the stipulated 25% of annual net plus 50% of dividends paid within the year.

As a result of the operation of these sinking funds and the application of cash from other sources the Lehigh Valley achieved a reduction in debt that was notable not only for its amount, but also for the relatively short time in which it was accomplished. Between the 1950 year-end and the close of 1954 bonded debt alone was reduced from $109,424,000 to $67,593,000, or some 38% and total funded debt including equipment obligations (which latter showed a temporary increase in this period) was reduced from $134,912,000 to $88,669,000. The upshot of this operation is that the earliest bond maturity now amounts to only $2.5 million in 1969.

This showing is the more creditable since the debt requirement was not effected at the expense of the road's physical condition. During the 1951-54 period $20,158,000 was spent on additions and betterments. Dieselization had already been completed, operations having become fully dieselized in September 1951. Also the road's current finances were well maintained throughout this period of heavy expenditures, and have since been built up to higher levels. With the help of proceeds from the sale of its former Buffalo terminal properties to the New York Thruway Authority, cash items totaled $14,300,000 on August 31 this year as against $11,058,000 a year earlier while net current assets showed an even larger gain to $12,489,000 as against $7,393,000 on Aug. 31, 1954. This comfortable position was undoubtedly a factor in the road's decision to redeem its $7,840,000 consolidated 6s at the total cost of $9,172,800, borrowing less than half of this amount, or $4½ million from banks.

Finances are thus not the problem of the Lehigh Valley. What the road needs most is more traffic to offset heavy terminal expenses, and help in this direction is seen in industrial expansion at Bethlehem, Ithaca and in the Buffalo area, to say nothing of enlarged anthracite operations in the Hazelton district. A better level of traffic and revenues should bring automatic improvement in the road's cost ratios, and particularly in the Transportation Ratio. The Lehigh has not "created" earnings by reducing its maintenance charges out of line with traffic and revenues. The situation of the stock—there is only one class—is thus basically sound, and the maintenance of at least the $1.20 dividend rate that has been in force since the resumption of the dividend at the beginning of 1954 is a reasonable expectation. The 5½% yield that it produces at the current price of about 22 is on the low side considering the speculative quality of the stock, but an increase to a $1.50 annual rate may again be foreshadowed by recovery of the price of Lehigh Valley stock to the 25 area where it was at this year's high.

"MERRY CHRISTMAS"

Continued from first page

Are We Heading for Trouble?

seems to be on paper. How long can this thing go on?"

Prophets of Boom and Doom

These misgivings are in sharp contrast with the happy-go-lucky optimism we find among some people. Now, as always during a boom, we have with us prophets of perpetual prosperity. Industry, they say, is making giant strides into a new era—this time the real thing, atom-powered and jet-propelled—and nothing can possibly go wrong.

But to many of us these glib assurances are not reassuring. Indeed, they are disturbingly reminiscent of 1929. Our economy has been boiling along now without much interruption for more than 15 years, the biggest boom in our history; and we know that in the past, booms have always sooner or later come to an end.

No Fear of Gloom and Doom

It should probably be made clear at the outset that we are not talking about a collapse of the 1929 variety. None of us, I feel sure, fears another holocaust like that. We all know that our economy is structurally far more stable than it used to be. Our banking system is in strong condition. We have an impressive array of safeguards against adversity — the farm support program, unemployment insurance, lay-off payments, and the like. Government has assumed responsibility to help stabilize the economy, and we have a better understanding of how monetary and fiscal policies can be used effectively.

These considerations rule out a deep and prolonged depression. But they do not necessarily rule out a decline larger than the gentle dips of 1949 and 1954—something more nearly comparable perhaps with 1937-38 when stock prices declined 25%, industrial production slid 20%, and unemployment increased by 3½ million. No, we are not worrying about another 1929; but we do wonder whether a fairly serious recession may be in the making.

Projections Not the Answer

Some people are blithely happy about the future because they are so impressed by the enormous growth that lies ahead for the American economy. They seem to be hypnotized by projections of the vast markets that should exist by 1965 or 1970.

Now all of us are surely aware of the future promise of the American economy — and after-dinner speakers can be depended on not to let us forget it. What is more, we can be confident that our strong growth factors — and the anticipation of growth—will help to sustain economic activity over the years ahead.

On the other hand, we know that the mere existence of a big growth potential does not guarantee stability. After all, we had big growth potentials in 1920 and in 1929 too. Indeed, our entire history has been one of remarkable growth which has been interrupted from time to time by serious setbacks. We are still left with the question as to whether we are now heading for such a setback.

Start With 1950

To answer this question, we need to analyze what has been going on in our economy during the past six years. The decade of the 40's was dominated by the effects of World War II. By the end of 1949, however, we appeared to have become fairly well adjusted to these wartime influences, partly through expanded production and partly through higher prices.

In examining our economy today, therefore, we should regard what happened during the 40's as being largely ancient history. In 1950 we started to write a new chapter in our economic history. What concerns us now is how this new chapter is going to turn out.

During the first phase of this new chapter, the economy was stimulated by the Korean War and the rearmament build-up. Now, after a brief readjustment in 1954, we have moved into a new phase, consisting of an old-fashioned peacetime boom. These two phases have much in common. Many trends have continued with little interruption since the new chapter began in 1950. It is clear that, as of today, the forces operating throughout the past six years have not worked themselves out in the form of a stable, well balanced economy.

Spotlight on Durable Goods

Looking at the record of these six years, we can see that economic expansion has received its chief impetus from the exceptionally high production of durable goods — plant and equipment, housing, automobiles, and the like. Now it is true, of course, that an expanding economy needs large quantities of durable goods. It is also true that vacancy rates are still low in many localities, that there is a strong movement to suburban areas, and that there is a marked trend toward putting two cars into every garage—if you can squeeze them in. New patterns of living have been emerging; and it may well be that with the rapid growth of the middle-income group, the markets for housing and for automobiles have taken on new and much greater dimensions.

But the question remains: Is the durable goods boom durable? This question cannot be answered by pointing to unfilled needs for housing or to the public's passion for more cars and for more car per car. The durable goods section of our economy has always been a volatile one. Perhaps it has become less volatile now than formerly, but should we assume that it can now go only upward—and steadily?

Boom on the Cuff

In analyzing this question, the fact stands out that the durable goods boom of the past six years has been accompanied by a huge expansion of debt. The rise in public borrowing, including state and municipal obligations, has not been great; but private indebtedness has expanded by almost $160 billion, an enormous increase.

The key factor in this picture has been a phenomenal rise in personal indebtedness; namely, consumer credit and residential mortgages. Since the end of 1949, consumer credit has increased by $17 billion or 100%; and personal mortgage debt has increased $47 billion or 126%. Total personal indebtedness has risen about $65 billion or 118%. Never before have so many owed so much more so fast. In addition, this inflation of personal debt has been responsible for a large part of the expansion of borrowing by business concerns.

The real import of this rapid increase in personal indebtedness does not seem to be widely understood. A whole array of arguments has been advanced for being complacent about it; such as: (1) that it has been accompanied by a large volume of personal savings, (2) that it has not caused a huge expansion of the money supply, (3) that it has not resulted in overall price inflation, and (4) that the present level of personal debt is not dangerously high.

These are all interesting points so let's take a brief look at each of them.

Have Savings Helped?

First, the savings picture. It is true that since 1950 personal savings have been fairly large. However, savings are normally large during a boom — for example, 1927-29 — and they have not proven to be the stabilizing factor that some people assume.

During the past six years, most savings dollars have been channelled into the durable goods industries (including the construction industry) and have stimulated this volatile part of the economy. Dollars injected into these industries probably have a higher rate of turnover, a higher multiplier effect, than they would ordinarily have. Also, rapid expansion in these industries has resulted in substantial wage increases, and it so happens that wages in these industries tend to set a pattern for others.

Moreover, personal savings since 1950 have not risen as fast as personal incomes. In fact, for the past several years, personal savings have been declining not only in relation to personal incomes but even in dollar amount. Recently, demands for credit have been running far ahead of the supply of savings.

Faster Dollars

Second, the money supply. There has been a considerable increase in the money supply—demand deposits plus currency — since the end of 1949; but, if looked at by itself, the expansion has not been alarming. But the point is that money supply should not be looked at by itself. We cannot ignore the factor of velocity, the rate at which money has been turning over.

When we do take into account this factor of velocity, the picture looks quite different. While the money supply has been expanding fairly rapidly since 1949, its rate of turnover has also been increasing and very appreciably. Recently the turnover of demand deposits in leading cities outside New York has been averaging more than 25% higher than it averaged during 1947-49.

So when you put the factors of money supply and money turnover together, they multiply out to a very substantial monetary expansion over the past six years. Not only are there more dollars; but most dollars are being handed around faster, being made to do more work. For example, manufacturing corporations are today doing about 35% more business per dollar of cash on hand than they did during 1947-49.

Significance of Velocity

All this suggests that too much attention may have been given to the volume of money and not enough to its velocity. A moderate increase in the money supply should not be regarded with complacency when money velocity is rising rapidly at the same time.

For instance, some observers seem to derive great comfort from the fact that the increase in bank loans this year has been largely offset by a reduction in bank holdings of government securities. As a result of these divergent influences on the volume of bank deposits, money supply will not show an extraordinary increase for the year.

However, some of the government securities sold by the banks were purchased with funds otherwise idle, whereas most of the dollars that have been borrowed have been quickly put to work. This is reflected in the sharp rise in the velocity figures.

If these points seem rather academic, it may be well to recall that the situation during 1927-29 was in some respects parallel. During that period, the boom in durable goods and the stock market inflation were financed not by an expansion of the money supply but by an increase in the velocity of money turnover.

What About Prices?

Some people dismiss these considerations as being theoretical. They point triumphantly to the comparative stability of overall price indexes since 1951 as proof positive that nothing can be seriously wrong. This argument also calls for analysis.

In the first place, it is misleading to talk about prices since 1951 without looking back a little further. After the Korean outbreak in June of 1950, some sensitive prices shot up rapidly and subsequently reacted to somewhat lower levels. Other slower-moving prices began to advance and have continued to rise ever since without much interruption. For proper perspective on the price situation today, therefore, the price inflation since June, 1950, should be taken into account.

Moreover, a big reason for the overall stability of prices over the past few years is that agriculture has still been in process of adjusting to postwar conditions. Declines in agricultural prices have masked the strong upward trend in many other prices. Sooner or later, farm prices will stop declining. When that happens, the inflationary trends in other parts of the economy will be more evident in the general price level.

Inflation at Work

Overall price stability since 1951 has therefore reflected a continuance of inflationary pressures. Otherwise, more prices would have receded when the shortages after Korea were overcome. It should be remembered, too, that price movements in recent years have adversely affected many people—not just farmers and home buyers, to cite obvious examples, but millions of others as well.

The steadiness of the overall price level since 1951 has tended to hide imbalances in our economy, notably the debt-financed boom in durable goods. Again there is a similarity to the late 1920's. Then as now the stability of prices was widely cited as a reason for confidence. In retrospect, it seems clear that the price stability of the 20's concealed the development of unstabilizing trends in the economy.

We have now reached the stage in the present boom where, unless its pace abates, the pressure on prices will increase. During a large part of the past two years, this pressure has been alleviated by the fact that we have had some slack in the economy. Now that this slack has been taken up, the situation is quite different. This has been clearly evidenced in recent months by increasing shortages and price advances for more and more products.

In short, the present period of expansion has not been by any means devoid of inflationary elements, as some people seem to assume. Now that we are operating at full capacity, inflationary pressures are becoming intensified.

Deceleration Inevitable

Now we come to the argument that personal indebtedness is not dangerously high at the present time. It is pointed out that people's incomes have risen substantially and that their debts are not excessive when related to personal disposable income, or especially if related to so-called discretionary income.

Now this question of whether personal debt has now become "too high" is one that can be argued all night. Fortunately, however, we do not need to try to settle it here, for the simple reason that from the standpoint of the future stability of the economy, it is not the main point at issue.

The crucial point is this: regardless of whether personal debt is now "too high," its **rate of increase** in recent years cannot possibly continue forever. No one can say just how long this rate of increase might be maintained—perhaps for a number of years—but sooner or later it inevitably must slacken. When that happens, there are bound to be repercussions in the durable goods industries and throughout the economy.

To put it differently, our present prosperity has been powered by an increase in personal borrowing at a rate that cannot be sustained indefinitely. The question is how serious the shock to our economy will be when this rapid inflation of personal debt decelerates.

The answer will depend on three factors: (1) on the abruptness with which this shift occurs, (2) on what is done to cushion its impact, and (3) on whether it is aggravated by other unstabilizing developments.

Will We Adjust Smoothly?

As to the first of these factors, the longer the rapid increase in personal debt continues, the more abrupt the eventual change is likely to be. Also, the longer it continues, the greater the danger that other imbalances may develop. It would be less disruptive to have some slow-down in debt expansion now while our economy is in generally strong condition than to have an abrupt change later on when our economic health may be less vigorous. The sooner debt expansion slows down to a more reasonable pace, the better.

Will we achieve a fairly orderly transition to a slower rate of debt expansion that will sustain prosperity and growth but will not be inflationary? There are some indications that we may. In the field of mortgage credit, inflationary tendencies have recently shown some abatement. As for instalment credit, it is contended by some that the stimulus provided by the easing of terms is now about over. In the case of both of these types of debt, the rising volume of repayments will tend to slow down the growth of the totals.

In addition, the Federal Reserve's policy of monetary restraint has helped to dampen inflationary pressures. Whenever the inflationists step up their criticism of the Federal Reserve, you can be pretty sure that our credit control machinery is operating as it should to combat inflation. We can be quite confident that it will continue to be helpful over the period ahead.

Some observers believe that monetary policy combined with the self-correcting tendencies at work in both mortgage and instalment credit will suffice to bring about a fairly satisfactory balance in the economy in the not-too-distant future. They may be right; and all of us, certainly, hope they will turn out to be.

Possible Complications

But they could be wrong. We know from experience that self-correcting tendencies are not always reliable, to put it mildly. Moreover, even the most skillful monetary policy cannot assure economic stability. Indeed, we may be in danger of placing too much faith in what the Federal Reserve can accomplish.

One limitation of Federal Reserve policy is that it operates primarily through its effects upon the banking system, whereas most personal credit is extended by nonbank lenders. Consequently, the influence of Federal Reserve policy on personal indebtedness is largely indirect, delayed and uncertain. This being the case, monetary policy should not be regarded as a precise and efficient weapon for dealing with the present situation.

Much will depend, too, upon what is done to cushion the adjustment to a slower rate of debt expansion. As this adjustment proceeds, there will undoubtedly be pressures for the application of stimulants—demands for tax reductions and for increased government spending and stimulation of residential construction. Also, if business recedes, Federal Reserve policy will doubtless shift in the direction of ease.

Now it may well be that some stimulants will be desirable during the adjustment period. However, if stimulants are carried too far, we may whirl off on a new extension of the boom, and one more inflationary than the present phase. This would mean building up to worse trouble later on.

Excesses Could Develop

If the boom does continue for a while, various excesses could develop which might lead to trouble. One danger is the possibility of inventory speculation, which has frequently accentuated the fluctuations in our economy. As yet, there has been little evidence that business inventory policies are becoming speculative. This still could happen, however, especially if there are increasing signs of shortages and higher prices.

Unwise policies with respect to wages could also have a seriously unstabilizing influence. Available evidence suggests that wage increases over the past year may have exceeded the average increase in productivity. Too rapid wage increases could undermine economic stability and complicate the problems of the readjustment period.

The stock market is another potential danger spot. It has caused trouble in the past and could again. Much of the market rise since 1942 has been justified by the higher price level, the plowing back of corporate earnings, and the enlarged productive and earning capacity of American industry. The market today is not floating on a sea of credit as it was in 1929. With margin requirements now subject to regulation, it is less explosive than it used to be.

Nevertheless, even if the market is not fantastically high, it is certainly in very high ground and the possibility of a substantial break cannot be ruled out, especially if prices go much higher. Such a decline would undoubtedly have a depressing effect on spending both by business and by many individuals.

Excesses in any of these areas could have serious consequences, especially if they were to occur in several areas at the same time.

Need for Restraint

What can we conclude? First, it seems clear that some unstabilizing trends have developed in our economy. Now that our productive resources are being strained to capacity, the problems created by these trends are becoming more acute.

Somewhere along the road we are going to have to do some adjusting. It remains to be seen whether we will adjust smoothly. If we use restraint and common sense, there is no reason why this cannot be done. Perhaps there is some danger of slowing down too fast, but there would probably be greater danger in further sustaining unsustainable trends and thereby risking worse trouble later.

To sum up, our economy has been on a bit of a spree. So far the party has not gotten very wild. If we taper off fairly soon, we should be in good condition tomorrow. But if we prolong the party and keep on having just one more for the road, the after-effects may be very unpleasant.

Our Ultimate Objective

In concluding, perhaps we should look at our economy in broader perspective. All of us are aware of the tremendous achievements of American industry. These are not to be measured simply by material standards; they are important because they have made it possible for most Americans to live more fully and more meaningfully. Economic progress is contributing to a finer America.

As for the future, we are clearly confronted with enormous opportunities. In these United States, we are actually well on our way toward the abolition of poverty, that age-old curse of man. Over the decades ahead, if we keep our economy functioning properly, we can further improve the living standards of all Americans and greatly raise our standards of health and education. This is our vision for the future. It is up to us to make it come true.

Joins J. Logan Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Violette V. O'Gara is now with J. Logan & Co., 721 East Union Street.

Elects Two Directors

Mrs. Dorothy Dillon Allen and August Belmont have been elected directors of United States and Foreign Securities Corporation, one of the country's largest closed-end investment companies. Mrs. Allen, one of the principal stockholders in the company, is a trustee of Foxcroft School, a member of the Directors of the Associate Alumnae of Barnard College, and a member of the committee of five appointed by the Eisenhower Foundation for the restoration and refurbishing of the Eisenhower homestead in Abilene, Kansas.

August Belmont

Mr. Belmont is a Vice-President of Dillon, Read & Co., and a director of American Viscose Corp., Chemstrand Corp., and Congoleum-Nairn, Inc.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John F. Fox is now with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

With Standard Bd. & Shr.

(Special to THE FINANCIAL CHRONICLE)

ROCK ISLAND, Ill.—Ronald D. Brotman is now with Standard Bond & Share Co., Rock Island Bank Building.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — John W. Smith, Jr. is with Hamilton Management Corporation, 127 Fremont Street.

With American Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

GREENLEY, Ohio — Robert T. Kittleson is now with American Securities Company of Colorado, 1515 Eight Avenue. He was previously with Glenn Kolb & Co. of Denver.

MARKET MILEAGE

Ellen Sehr sends an order slip on its way at six miles per hour via a 134-foot conveyor belt in the 120 Broadway headquarters of Harris, Upham & Co., nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange. Operated by 50 trained specialists during market hours, the belt carries transaction notices at 8.5 feet per second to seven different color designated stations, enabling the firm to quickly and efficiently execute New York Stock Exchange round lots and odd lots, American Stock Exchange Securities, out-of-town Exchange orders, over-the-counter listings, bonds and commodities.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Election of G. Edward Kattel as Executive Vice-President and Harvey V. Delapena as a Director

G. E. Kattel

Harvey V. Delapena

of the **Grace National Bank of New York** was announced on Dec. 15 by Ralph S. Stillman, President. Mr. Kattel assumes the number two post in the bank following 30 years of service with the Grace organization. As Executive Vice-President, he will be in charge of the bank's general operations. Mr. Kattel was elected a Vice-President in 1951 and a director early this year. Mr. Delapena, a Vice-President, has been with the Grace Bank for 30 years, serving in various capacities. He is in charge of business development. Mr. Stillman also announced appointment of William De Verna, Gordon Stokes, John R. Wetzel, Jr., Archibald F. Mathers and Nicholas S. Ryan as Assistant Cashiers. Edward H. White was named Assistant Trust Officer.

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The First National City Bank of New York announces the appointment of a Vice-President, two Assistant Vice-Presidents and four Assistant Cashiers at a regular meeting of the Board of Directors on Dec. 20. All of the officers are assigned to the bank's Domestic Division. E. Theodore Gardner was named Vice-President, and Clarence F. Michalis and Richard S. Smith were named Assistant Vice-Presidents. Mr. Michalis and Mr. Smith are both with the Indiana-Ohio-Michigan District. Anthony C. Howkins and John J. Reynolds were named Assistant Cashiers in the Finance Companies Department of the Special Industries Group. Thomas H. O'Brien was appointed Assistant Cashier and assigned to the Public Utility Department, Special Industries Group. Clifford Curtis Wood, Jr. was named Assistant Cashier and assigned to the Central Atlantic District.

E. Theodore Gardner

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Irving Trust Company of New York announced on Dec. 16 the promotion of Gordon T. Wallis to Vice-President. Formerly an Assistant Vice-President, he is in charge of the pension and profit-sharing activity of the Personal Trust Division. He joined the staff of the Irving in 1940.

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Edmund Leone, Comptroller of **Manufacturers Trust Company,** of **New York,** has been appointed a member of the bank's General Administrative Board and a General Administrative Officer, it was announced on Dec. 21 by Horace C. Flanigan, President. In 1924, Mr. Leone joined the **Capitol National Bank** which merged with Manufacturers Trust in 1928. He was appointed an Assistant Vice-President in 1947, Auditor in 1949, and Comptroller in 1954.

The appointment of David V. Austin as a member of the Advisory Board of the Fourth Avenue Office (386 Fourth Avenue at 27th Street) of **Manufacturers Trust Company of New York,** is also announced by President Flanigan. Mr. Austin recently retired after 33 years with Manufacturers Trust Company where he was Vice-President in Charge of Branch Loan Control.

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Henry C. Brunie, President of **Empire Trust Company of New York** announced on Dec. 20 the election of William H. McElnea, Jr. and Peter L. A. Folliss to Vice-Presidents. Mr. McElnea, formerly Assistant Vice-President, will continue with the bank's Chemical Division, while Mr. Folliss, formerly Assistant Vice-President, will continue in charge of special investment situations in the international field.

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Directors of the **Royal State Bank of New York** at 245 Fifth Avenue, **New York** have recommended stockholder approval of the payment of a 10% stock dividen, the sale of 36,670 shares of new capital stock and a merger with the **Royal Safe Deposit Co.,** it was announced on Dec. 14 by Henry G. Barber, President of the Royal State Bank. If these recommendations are approved by the stockholders at their Jan. 18 meeting, said Mr Barber, the dividend will be paid to stockholders of record as of Jan. 25. Each stockholder, in addition, will be eligible to purchase one and a half shares of the new stock issue, at $16.50 per share, for each 10 shares now held. If and when these recommendations take effect, the new caiptal structure of the Royal State Bank will be $1,500,000 in capital and $2,500,000 in surplus. The directors also decided to increase the reserve account to $1,250,000.

At a Christmas Party of the directors, officers and clerks of the bank, at the Concourse Plaza Hotel, Mr. Barber announced the payment of a 10% bonus to all officers and employees, based on their respective salaries for the year now ending.

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The death of Charles E. Mitchell, Chairman of the Board of **Blyth & Co., Inc.,** was announced on Dec. 14. He had been ill of a circulatory ailment for more than a year. Mr. Mitchell was born 78 years ago in Chelsea, Mass., and began his business career as a clerk with the Western Electric Co. in Chicago, becoming Assistant Manager about five years later. In 1907 he became Assistant to the President of the **Trust Company of North America of New York;** in 1911 formed his own securities firm, **C. E. Mitchell & Co.;** and in 1916 was elected President of the **National City Company of New York.** In 1921 he became President of the **National City Bank** and in 1929 was made Chairman of the Board of the **National City Bank, National City Co.** and the **City Bank Farmers Trust Company.** It was under Mr. Mitchell's guidance that the National City Bank entered the then unexplored field of bank credit to the small borrower and established as its trust affiliate the **City Bank Farmers Trust Company,** formerly the **Farmers Loan and Trust Company.** In 1933 Mr. Mitchell resigned all his connections with the National City Bank and in 1935, at the age of 58, opened his own firm, **C. E. Mitchell, Inc.,** financial counselors. In June of that year he assumed the Chairmanship of **Blyth & Co., Inc.** and started a comeback which won him the admiration of the financial community. His prestige and ability it is said contributed heavily to the growth of Blyth & Co., one of the important investment banking firms in the country.

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A reception was held on Dec. 14 by **The Marine Midland Trust Company of New York** for its directors, 300 business men and the press, to "preview" the expansion and renovation just completed in the company's Midtown Office at 250 Park Avenue at 46th Street. In addressing the guests at the party, George C. Textor, President, said, "As some of you may know, we have had an office in the Grand Central area since November, 1928. In 1944 we moved over to this location, and since that time, our business at this branch has increased by 250%. Early this year, when this office had become one of our largest branches, it became apparent that, with eight new office buildings with an estimated total office space of 5½ million square feet, completed or scheduled for completion in 1956 within a radius of 1,000 feet from here, we were in the center of an area housing the executive offices of some of the greatest companies in the country. We therefore determined to expand its facilities to adequately take care of our present customers and allow for the future growth which we anticipate." Our new officers' area provides space for additional officers who have been added to the staff of the branch and additional desk space and a conference room have been provided for the use of customers from our 11 affiliated Marine Midland Banks in upstate New York and we anticipate that they will make this their headquarters when they are in the City."

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The Board of Trustees of **Central Savings Bank of New York** announced on Dec. 13 that for the quarter ending Dec. 31 the bank will pay a dividend at the rate of 3% per annum on all deposits which have been in the bank one year or more. The bank will pay a quarterly dividend at the rate of 2¾% per annum on savings which have been on deposit less than one year. The Trustees added that it is the intention of the bank to continue to compound interest quarterly and to pay interest from day of deposit. The Trustees also pointed out that more than 80% of all money on deposit would receive the higher rate of 3% per annum for the current quarter. Central Savings has an uptown office at 73rd Street and Broadway and a Union Square office at 14th Street and 4th Avenue.

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Schuyler Merritt II, Chairman of the Board and President of Reciprocal Managers, Inc., and F. Briggs Dalzell, President of the Dalzell Towing Co. have been elected trustees of **Dollar Savings Bank of the City of New York,** it is announced by Robert M. Catharine, President of the bank. Mr. Merritt is also a member of the Advisory Board of the 46th Street Office of the Chemical Corn Exchange Bank, etc. Mr. Dalzell is President and a director of a number of other marine organizations.

It is likewise made known that Robert Weiss has been elected Secretary and Fred A. Hanken an Assistant Vice-President of **Dollar Savings Bank of the City of New York, according** to an announcement this week by Mr. Catharine, the bank's President.

An oversubscription by the stockholders of the **Long Island Trust Company of Garden City, Long Island, N. Y.** for a capital stock offering of 10,000 shares, has been announced by Fred Hainfeld, Jr., President. A total subscription of 15,554 shares was received from warrant-holders by the end of the subscription period.

Because of the large percentage of subscriptions by present stockholders with basic rights, which amounted to more than 95% of the 10,000 shares offered, those stockholders who subscribed to additional shares will be allotted only a small fraction of their oversubscriptions it is announced. The additional stock issue, together with the current stock dividend, bring the total of shares outstanding to 112,000. Capital and surplus of the bank now totals $2,500,000. It is estimated that capital, surplus, undivided profits and valuation reserves by Dec. 31 will aggregate approximately $3,300,000. The proposed issuance of the additional stock was noted in our Nov. 24 issue, page 2200.

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George Marron and Fred W. Midgley, Jr., have been made Assistant Treasurers of **The County Trust Company of White Plains, N. Y.** Mr. Marron is manager of the 355 South Broadway, Yonkers, office of the bank and Mr. Midgley manages the Hastings-on-Hudson office. Mr. Marron has been with County Trust since 1927, Mr. Midgley since 1948.

At a meeting on Dec. 14 directors of **The County Trust Company** voted a quarterly dividend of 12½ cents per share to be paid Jan. 16, to stockholders of record on Dec. 22. According to a statement by Andrew Wilson, Chairman of the Board, the dividend is the bank's 181st consecutive distribution, maintaining a string that started in 1904, the year after The County Trust Company was organized. Mr. Wilson said it was decided at the Dec. 14 meeting that stockholders would vote on a 5% stock dividend at their annual meeting on Jan. 18. Previously approved by directors, the stock dividend will be on the basis of one new share for every 20 now held and will be payable to stockholders of record at the close of business Feb. 1. In his statement, Mr. Wilson pointed out that during 1955 the bank's deposits have increased substantially over and above some $50 million acquired through mergers. The stock dividend, if approved by stockholders, will be County Trust's fourth in as many years. It will increase the number of shares outstanding by 63,372 to 1,330,822. At $5 per share par, the value of stock outstanding following the stock dividend will be $6,654,110.

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A consolidation of the **First National Bank of Glens Falls, N. Y.,** with common stock of $1,000,000 and the **Washington County National Bank of Granville, N. Y.,** with common stock of $100,000, became effective on Dec. 2, under the charter and title of the **First National Bank of Glens Falls.** At the effective date of the consolidation the enlarged First National Bank of Glens Falls had a capital of $1,187,500, in 47,500 shares of common stock, par value $25 each; surplus of $1,187,500 and undivided profits of not less than $970,000.

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H. Frederick Hagemann, Jr., President of the **Rockland-Atlas National Bank of Boston, Mass.,** announced on Dec. 19 plans for a new office at 32 Huntington Ave., in the Copley Square Building, to be opened about Feb. 1. This Copley Square office, Mr. Hagemann reported, is the third new office to be opened since 1952.

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Following a regular meeting of the Directors of the **Worcester County Trust Company of Worcester, Mass.,** President Edward L. Clifford announced that a dividend at the rate of 70 cents per share was voted for the quarter ending Dec. 31. This is the equivalent of $2.80 per share annually and compares with quarterly dividends at the rate of 62½ cents per share, or $2.50 per share annually, which have been paid for the past several years. In August 1955, the bank increased its capital stock 10,000 shares to 120,000 shares which are outstanding at the present time with a par value of $25 per share. The dividend is payable Jan. 3, next, to the holders of record on Dec. 21, 1955.

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Stockholders of **Market Street National Bank** and **Tradesmens Bank and Trust Company,** both of **Philadelphia,** at separate meetings on Dec. 14 approved plans for the merger of the two institutions. It is expected that the merged bank, retaining the name of the **Tradesmens Bank and Trust Company,** will begin operating on Jan. 3. It is announced that it will be the fifth largest in the city and the seventh largest in the state, with combined assets as of Nov. 30, 1955 of $302,780,000 and total deposits of $261,200,000. Reference to the merger plans appeared in our issue of Sept. 29, page, 1316.

As previously announced, R. Livingston Sullivan, President of Market Street will be Chairman of the Board of the combined bank, and James M. Large, President of Tradesmens Bank will continue in that position. Percy C. Madeira, Jr., Chairman of Tradesmens Executive Committee and Warren H. Woodring, Executive Vice-President, will continue in those positions. The main office of the merged bank will be at Broad and Chestnut Streets.

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Harry T. Kilpatrick, Vice-President in charge of the Correspondent Banking Department of **Girard Trust Corn Exchange Bank of Philadelphia,** will retire as of Dec. 31. Mr. Kilpatrick has been with the bank since 1929, at which time he went to Philadelphia after service with the **First National Bank in Atlanta** and the **National Bank of Commerce, Tampa, Fla.** He was responsible for building up the Correspondent Banking Department in the Girard Corn Exchange. Geoffrey S. Smith, President of Girard Corn Exchange, said that the bank plans to expand correspondent bank coverage by having a Vice-President in charge of this activity in each of its geographical divisions. The Vice-Presidents in charge of these territories will be George R. Clark, Floyd A. Crispin, Harold W. Hogeland and Robert R. Williams, Jr. These men will be assisted by Lewis G. Cordner, L. Warren Elwell and James F. Feeney, Jr., Assistant Vice-President, plus additional officers who will be added to this staff. George H. Brown, Jr., Executive Vice-President of Girard Corn Exchange, will have over-all responsibility for correspondent bank activity. In addition, Charles E. Baus, Assistant Vice-President, who has been head of the Transit Department, will devote all of his time to servicing correspondent accounts at the bank's Main Offing.

Mr. Kilpatrick said he expects after the first of the year "to devote my time exclusively to retirement." He is is a member of the Association of Reserve City Bankers and has served in many capacities on numerous committees of bankers' organizations over the past 25 years.

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The Philadelphia National Bank of Philadelphia, Pa., will officially open and dedicate its new main banking home at Broad and Chestnut Streets on Jan. 16, according to an announcement made on Dec. 19 by Frederic A. Potts, President. Fronting on Broad St. at the corner of Chestnut and extending a full city block to South

Penn Square, the bank's new location places it at an important intersection in Philadelphia. Visitors on opening day will witness the formal dedication at 11 a.m. Regularly-scheduled guided tours have been planned by Philadelphia National to assure guests a 30-minute trip through the six floors and two mezzanines.

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On Dec. 3 a consolidation was effected between the **First National Bank of McKeesport, Pa.,** with common stock of $1,893,750 and the **Citizens Deposit & Trust Company of Sharpsburg, Pa.,** with common stock of $250,000. The consolidation was effected under the charter and title of the First National Bank of McKeesport, which at the effective date of the merger had a capital stock of $2,193,750, in 219,375 shares of common stock, par value $10 each, surplus of $3,806,250 and undivided profits and reserves of not less than $1,400,000.

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Directors of **Harris Trust and Savings Bank of Chicago** on Dec. 14 authorized an increase of $2,000,000 in the bank's surplus by transfer of a like amount from the undivided profits account. This action will increase surplus from the present $18,000,000 to $20,000,000. The directors also voted to propose to stockholders a 25% stock dividend, increasing the bank's capital stock from $12,000,000 to $15,000,000 by transfer of $3,000,000 from undivided profits account. This proposal will be presented to the stockholders at their annual meeting on Jan. 11. In announcing these steps, President Kenneth V. Zwiener indicated that "subject to favorable action by stockholders, it is anticipated that dividends will be continued on the increased number of shares at the present $12 annual rate."

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Hord W. Hardin, an attorney and partner in the law firm of Shepley, Kroeger, Fisse & Shepley, has been elected a Vice-President of the **St. Louis Union Trust Company of St. Louis, Mo.,** it was announced on Dec. 15 by David R. Calhoun, Jr., President. His election becomes effective Jan. 1. He will head the corporate trust department of the Trust Company upon the retirement next year of H. J. Miller, Vice-President, who is now in charge of that department.

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Wiley R. Reynolds, Jr., President of the **First National Bank in Palm Beach, Fla.,** has announced that the regular semi-annual dividend of 75 cents per share, plus an extra 15 cent dividend, was declared by the Board of Directors at their regular monthly meeting held Dec. 8. This cash dividend of $90,000 makes a total for the year of $165,000 paid to more than 340 stockholders. The dividend will be paid on Dec. 30 to stockholders of record as of Dec. 23. The Directors voted a transfer of $500,000 from the undivided profits account to the surplus account, making it total $2,500,000 and leaving an excess of $1,000,000 in undivided profits. The capital stock of the bank remains at $1,000,000. It was also announced that the employees' regular year-end bonus was declared.

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The Security National Bank of Alexandria, La., increased its capital effective Nov. 18 from $150,000 to $400,000. A stock dividend of $150,000 provided for part of the increase which was further realized by the sale of $100,000 of new stock.

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Election of James W. Aston, Vice-President of the **Republic National Bank of Dallas, Texas,** to the post of Executive Vice-President of the bank was announced on Dec. 13 by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President of Republic. He was elected to the newly-created office at the regular monthly meeting of Republic's Board of Directors. As Executive Vice-President, Mr. Aston will work closely with the President, Fred F. Florence. Mr. Aston joined the official staff of Republic Dec. 1, 1945, as a Vice-President. As Officer in Charge of Construction, he was instrumental in effecting completion of the bank's new building, dedicated Dec. 1, 1954.

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As of Nov. 30 the **First National Bank in Big Spring, Texas,** increased its capital from $400,000 to $500,000 by a stock dividend of $100,000.

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Effective Dec. 1 the capital of the **First National Bank of Midland, Texas,** was enlarged from $1,000,000 to $1,500,000. The sale of new stock yielded $400,000 of the addition while $100,000 of the increase resulted from a stock dividend.

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The Walker Bank & Trust Co. of Salt Lake City, Utah, merged on Nov. 1, under its charter and title with the **Farmers' & Merchants' Bank of Provo, Utah,** both State members of the Federal Reserve System. A branch was established in the former location of the Provo bank.

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Frank L. King, President of **California Bank of Los Angeles,** announced on Dec. 13 that the directors on Dec. 12, elected to Vice-President G. J. Carter and John W. Kenney, of the Beverly Hills Office; J. C. Ellsworth, G. J. Hoskin, D. S. Lockie, John M. Miller, and Fuller M. Rothschild, Head Office; F. G. Tanner, Jr., Sixth and Grand Office; and A. D. Jennings, Vernon Office. Elected Assistant Vice-Presidents were J. R. Van der Zee, Beverly Hills Office; C. D. Baillie, C. H. Nutt, W. J. Thomas, Head Office; D. Pedlow, Jr., Reseda Office; R. W. Wagar, San Gabriel Office; J. J. Lovett, Sixth and Grand Office; and A. D. Aston, Van Nuys Office. G. H. B. Kane, Head Office, was elected Trust Officer and G. C. Coombs, Edward E. Gregg, and Lawrence Raether, Head Office, Assistant Cashiers.

Continued from first page

As We See It

event. First of all, a national election is in the offing and the politically powerful farmer feels aggrieved at his lot. Under stimulation from a fatherly Federal Government, he has continued to produce much more than can be sold at prices to bring him a profit, and the largesse supplied at the expense of the taxpayer fails to make up the difference, or at least fails to provide the farmer with the income he feels he needs and presumably is entitled to. The Democratic party which has long boasted of its friendship for the farmer has been having a good deal to say about what it would do for him if it is returned to power next year.

Growing Restive

The Administration and the Republican party in general have been growing increasingly restive in these circumstances, and are said to be preparing plans for using guineas to heal the hurt the farmer feels. The public has not been told the details of their plans, but it is a safe guess that it would require many guineas. Washington observers seem more and more to be taking it for granted that "in this political year" the howls of the farmer will be heard above the cries for debt reduction and even above the clamor for tax cuts. How all this works itself out in actual practice, the future must disclose but there can be no question at all that the budget makers in Washington and members of Congress who must place their seal of approval upon whatever is done are finding this situation definitely demanding.

Then there are the claims of the world situation, in particular the requests of the military forces which are charged with keeping us in a defensible position in these troublous times. For some time past the Secretary of Defense has been struggling with rising costs, and intimating that one result of higher wages, higher prices and higher charges all round might well be a rising defense budget even if programs were in no way enlarged. It now seems fairly well assured that our defense forces will require appreciably more money than they had last year, to say the least. And, there have always been those who decry such economy as has been instituted, and who presumably would be more than ready to enlarge appropriations for the military establishment.

To add to the stresses and strains of the situation, the Kremlin has now begun to snarl through its smiles. Perhaps it would be more accurate to say that they are stepping up their efforts to make trouble and win friends. At the same time, reports emanate here and there suggesting that the Soviets have made more progress in arming themselves for modern warfare than had been supposed and that despite all their talk about disarmament, they have no intention of reducing their efforts in this direction. Of course, we have always had those amongst us who believed that we were not doing all that is required to protect ourselves against the menace of Kremlinism.

Whether reports that have been emanating from Washington to the effect that the Administration will presently ask for several billion more for foreign aid will presently prove to be well founded in full or not, we, of course, have no way of knowing. Certain it is that influential politicians and self-styled statesmen are quite ready to support such a program. In point of fact they have long been advocating such a course. At any rate there is evidently some strong force behind such a move which is even now preparing the public for its impact. Here, then, is another threat to either tax reduction or a retirement of debt.

Always With Us

Of course, the poor, the underprivileged, and the do-gooders we always have with us. They are now clamoring for more Federal funds as they are usually doing. It is not easy to see why "social welfare" outlays are warranted in larger amounts than they have been in recent years. In point of fact, employment is so full and prosperity so widespread that one would suppose that less funds would be required for such purposes. But, of course, the better financial position of the Federal Government — which has been so sedulously publicized of late — is always a shining target for those who always want money. Greater health, education, and general social welfare demands on the budget are now being pressed with extraordinary vigor. We shall have to wait to see what success these demands will enjoy, but they are certainly another of the problems of the budget makers in this pre-election time.

Already it is being said that these demands, even if met, would impose no great new burden upon outlays during the next fiscal year—as if adding to the burden two years from now is less to be regretted! The fact that so often programs of this sort are launched with support of just such claims, and later prove virtually irrevocable, is one of the most dangerous and insidious attacks upon sound fiscal policies. There is no reason, of course, to expect the fiscal year beginning on July 1, 1957 and succeeding years to be more in a position to absorb such outlays. Some way needs to be found to block this type of reckless fiscal policy.

It now begins to appear that not tax reduction, but extravagant additions to outlays constitute the real danger next year. This is not quite what had been foreseen, but it appears increasingly likely as time passes. We can only hope that both tax reduction and extravagant outlays are not our fiscal fate.

"MERRY CHRISTMAS"!

Political War Against Poverty

"It is a shocking thing that over one out of every five families in our country have incomes less than $2,000 a year. In our own State, one of the richest in the Union, one out of every seven families has an income of less than $2,000 a year, and all too many have less than $1,000 a year."

W. Averell Harriman

The general state of business has the most influence on incomes, of course, but much could be done to improve them and many ways to fight poverty could be found "if we get the Federal, state and local governments together with fine civic institutions, churches, labor unions, business organizations and charitable organizations."
—Governor Harriman of New York State.

The Governor's advisors should have warned him of such easy use of duteous statistical materials.

But, by and large, the low income groups, whatever their status, are in the low income brackets because they are low producers. The problems they present are not what the Governor seems to suppose.

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The Economic Weather We May Face Ahead

namic fifties, I have little doubt the second 50 years of the century will far overshadow the first. Who dares predict a future in which electronics and atomic energy together with other scientific development will bring into reality products and services which today seem fantastic? Who would hazard their effect on the individual, his income, his standard of living? All I can say is that history shows we inevitably progress. We experience roadblocks and detours now and then but the path of our economy has always been and should continue to be forward. How in the light of the past can we possibly be doubtful of the progress awaiting us in the years ahead?

Here we are on the threshold of a new year—1956. As usual we face a selling job. Government and business will be ready made and good customers. Why should we be afraid of our third customer—the consuming public? Frankly, I think those who doubt our ability to do a real consumer selling job are apt to be one of three types. Those whose selling experience was gained during the years of our sellers' markets. Those who assume consumer markets are saturated. And, finally those who are just plain lazy — mentally and physically. Fortunately real salesmen are in the majority although like all kinds of help today, the demand exceeds the supply.

Consumer Markets Are Not Saturated

I agree with those economists who maintain consumer markets are far from saturated. Let's take household appliances first. Do you believe every housewife has all the labor saving devices she wants—perhaps needs—and can afford? Has her husband all the mechanical gadgets he wants for personal or household use and which he can afford? Have they raised their standard of living as high as they might? Of course not. In the same vein I am sure there are millions of families that want and should own their own homes and can afford them. Prospects — good Prospects — for goods and services are everywhere but they must be found or developed before they can be sold.

We read and hear so much today about overproduction of automobiles and the resulting plight of dealers. I would be most presumptuous to venture opinions on that problem. But, I can't help but wonder whether the manufacturers haven't some considered basis upon which they are predicating their production goals. And also I can't help wondering whether some dealers aren't waiting and hoping for customers to come in rather than seeking them out. I mentioned the "two chickens in every pot" slogan of 1929. As I recall there was another at that time "two cars in every garage." Today, a quarter of a century later that slogan is much more timely. Look around you. How many families do you—the people in this room — know that have only one car? A car that father drives to work each day leaving mother stranded at home without transportation that she really needs for family or social use. Have you two cars in your family? Could you afford two? How old is the car you drive? Can you afford a new one? How long has it been since an automobile salesman personally called on you? I am not trying to second guess the automobile industry or suggest solutions to their problems. But, there must be a replacement market for aging cars plus a wide open market for second cars in families that present sales methods aren't reaching. I have dwelt on this one industry not only because its success is so vital to so many other elements of our economy but because the challenge it faces in selling its production points up the selling job all industries and business must do to maintain the economic progress pattern of the dynamic fifties.

In short, we face a real selling job in all lines of products and services. As a Kibitzer, I can call the signals but you — the sales force — must carry the ball. I frankly confess I am not a salesman. But I know there are two basic elements of salesmanship, imagination and perspiration. I like to tell of a close friend of mine who proved what a little of the first and a lot of the second can do. He was a cub salesman in New York for an old, well known and highly respected securities firm. All the older salesmen had the so-called good names as their prospects and he inherited the dog list. He soon discarded it for he found in many instances it was literally a dead list. Right around the corner from his firm's office was one of those New York skyscrapers that is virtually a city in itself. He started at its top floor and worked down floor by floor calling "cold turkey" on almost every tenant and in one year he was the firm's top salesman and practically all of his customers were in that one neighboring building—just around the corner. The reason I was no great shakes as a salesman was not because I lacked the practical imagination which convinced him that plenty of customers were "just around the corner" but because I didn't have his driving energy—I didn't work up a sweat hunting them up as he did. I followed tailor made leads. He tailored his own. I became a desk jockey with its salary limitations, he is still one of the largest producers in the securities industry with an annual income that contributes more to Uncle Sam's Treasury each year than it does to his own substantial personal fortune.

Conclusions

So my conclusions as to the future are first that the economic climate will be favorable. I had reached this point in preparing these remarks when I read what almost seemed to be excerpts from them in the economic forecast for 1956 of the Prudential Insurance Co. as reported in the financial section of last Sunday's Los Angeles "Times." You may recall I said a few minutes ago, "if we maintain the continuity of the growth pattern of the dynamic 'Fifties, the gross national products for 1956 could be $403 billion." Well, Prudential economists predict—and I quote—"the value of all goods and services produced next year (1956) will reach an unprecedented rate of $410 . . . an increase of $15 billion over the estimated current record rate of spending by the public, private business and Federal and local governments"—unquote. If I had only waited until Sunday to prepare my remarks I could have used the Prudential story almost in its entirety and saved myself "researching" the other sources I had to find. In any case Prudential says we will have a gross national product greater by $7 billion than my estimate which makes me look somewhat conservative.

My second, and last conclusion, is that we can and I think will attain the estimated or predicted new high in our economy but it will take all the imagination and perspiration America's sales executives and their sales forces can muster. So far as our own area is concerned the answer rests largely with you here tonight. I think our sales potential is as favorable as any area anywhere. I know the growth of Los Angeles Stock Exchange has been and is reflecting its fortunate location in this great southwest of ours—one that has been aptly termed—"The Nation's Area of Destiny." I feel sure we are looking forward to 1956—and even as far as 1965—with confidence of bigger and better markets. I commend the same philosophy to you. Our nation has developed because of optimists with courage. Someone has said there is no such thing as fear—but there is such a thing as a lack of courage. You have all heard the story of the half filled glass. The pessimist says—"it's half empty." The optimist says—"it's half full." The pessimist sees only the empty half and fears it will be drained. The optimist sees the filled half and looks forward to a glass running over as the empty half fills up. Let's us—you and I—be optimists. Above all let's look forward with confidence to a bountiful future that we ourselves can assure if we have the necessary faith and courage plus some imagination and lots of perspiration.

DuPasquier Landeau Inc.

The partnership of DuPasquier & Landeau will be dissolved Dec. 31 and a new corporation, DuPasquier & Landeau, Inc. will be formed with offices at 61 Broadway, New York City. Officers of the firm, which will be members of the New York Stock Exchange, will be Pierre Du Pasquier, President; Serge Landeau, member of the Exchange, Vice-President and Treasurer; and Beatrice Landeau, Secretary.

McCormick Co. Adds

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Cyrus R. Bohannon, Charles R. Klingensmith and John S. Robinson have been added to the staff of McCormick & Company, Security Building.

P. L. Meaders Opens

AUSTIN, Tex.—Paul L. Meaders, Jr. is engaging in a securities business from offices at 1010 Brazos.

Thomas Morris Opens

(Special to The Financial Chronicle)

SHREVEPORT, La.—Thomas L. Morris has opened offices at 3544 Greenway Place to conduct a securities business.

Orbit Secs. Opens

Orbit Securities Corporation is engaging in a securities business from offices at 120 Wall Street, New York City.

Martin Revson Opens

Martin Revson is engaging in a securities business from offices at 745 Fifth Avenue, New York City.

With State Bond & Mfg.

(Special to The Financial Chronicle)

NEW ULM, Minn. — John W. Cooper and Melvin C. Dubbels have been added to the staff of State Bond & Mortgage Co., 28 North Minnesota Street.

Two With Shaiman Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Walter G. Asmus and W. Bonner Brice have joined the staff of Shaiman & Company, First National Bank Building.

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The State of Trade and Industry

caused one to one-and-a-half day losses at Chrysler Division, DeSoto and Packard. Budd supplies body framing elements to these producers. Saturday assembly was on tap at American Motors and 13 Ford Division facilities. However, no other producers indicated "extra" day activities.

Elsewhere, Mercury lost a full day at its Metuchen, N. J., assembly plant while manufacturing changes were made. General Motors divisions except Pontiac came in for sharp drops in scheduling, dipping the corporation's anticipated yield last week 8% below the 89,716 cars built in the preceding week. Ford Motor Co., American Motors and Studebaker-Packard scheduling remained comparatively firm, said "Ward's."

As a consequence, "Ward's" noted, the industry will be some 316,300 cars short of the coveted 8,000,000 goal by week's end with only nine work days remaining. Even at full-tilt operations, 35,000 cars per day is hardly possible and only a few producers are currently working at full capacity.

Across the border, Canadian car making on Thursday of last week reached a new all-time high for any single year as year-to-date production topped 366,535, the previous peak set in 1953. This despite the still unresolved 89-day-old General Motors strike, and the 110-day strike which kept Ford of Canada idle until Jan. 27 this year.

November new business incorporations declined for the second straight month. This brought the total for the month to 10,157, from 10,698 in October, or a drop of 5.1%, Dun & Bradstreet, Inc., reported. It was the smallest monthly total since November, 1954, and showed a rise of 4.3% over the 9,735 recorded during that month.

A record number of 128,112 new corporate formations were listed during the first 11 months of 1955. This represented a gain of 21.8% above the 105,183 for the comparable period last year.

Steel Output This Week Set at 97.5% of Capacity Compared With All-Time High Record of 100.3% a Week Ago

Upward pressure on steel prices is near a bursting point, "Steel" magazine, the metalworking weekly stated on Monday of this week. Already there have been some leaks in the form of scattered increases, mostly in price extras.

Other steelmaking materials headed up are ferroalloys. New prices will become effective Jan. 1 for contract users and immediately for spot buyers. Increases average 3.6% on manganese alloys to 7.6% on silicon alloys. The increases are attributed to rising costs, particularly for ore and scrap, this trade journal noted.

Meanwhile, steel prices hold firm, so that "Steel's" price composite on finished steel remains at $128.14 a net ton.

There's no letup in demand for steel, declares this magazine. The automobile industry expects its first-quarter production to push 16.6% over the 1955 fourth quarter. Projected are 2,338,350 passenger cars. Shortages of plain material for the construction industry are forcing delays on a number of structural projects under way. Demand for plates and structurals will be heightened further by the needs of steel plants themselves.

The steel industry produced steel for ingots and castings at 100.3% of capacity in the week ended Dec. 18. That's an increase of one point over the preceding week, setting an all-time high record for the industry.

In the steel and iron scrap market users contend this week that the jump in exports plays a major role in the sudden upsurge of scrap prices. In the week ended Dec. 14, "Steel's" price composite on steelmaking scrap was at an unprecedented $50.17 a gross ton, a $1.34 rise over the preceding week which broke the 1951 record. This marks the seventh consecutive week of hikes. A year ago, scrap was $32.42, "Steel" comments.

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 97.5% of capacity for the week beginning Dec. 19, 1955, equivalent to 2,353,000 tons of ingot and steel for castings as compared with 100.3% of capacity and 2,416,000 tons (revised) a week ago. The latter figure representing an all-time high record for the industry.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 100.1% and production 2,416,000 tons. A year ago the actual weekly production was placed at 1,726,000 tons or 72.4%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based an annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Sets a New All-Time High Record In the Week Ended Dec. 17

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 17, 1955, was estimated at 11,602,000,000 kwh., a new all-time high record for the industry. The previous all-time high record was established in the week ended Dec. 10, 1955, when 11,426,000,000 kwh. were produced, according to the Edison Electric Institute.

This week's output increased 176,000,000 kwh. above that of the previous week; it increased 1,693,000,000 kwh. or 17.1% above the comparable 1954 week and 2,706,000,000 kwh. over the like week in 1953.

Car Loadings Showed a Slight Contraction in the Week Ended Dec. 10

Loadings of revenue freight for the week ended Dec. 10, 1955, decreased 988 cars or 0.1% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 10, 1955, totaled 727,223 cars, an increase of 73,697 cars, or 11.3% above the corresponding 1954 week, and an increase of 75,277 cars, or 11.5% above the corresponding week in 1953.

U. S. Automotive Output Fell 6% Below Prior Week Due to a Suppliers Strike and General Absence Of Saturday Work

Output in the automotive industry for the latest week ended Dec. 16, 1955, according to "Ward's Automotive Reports," declined 6% below preceding period.

Last week the industry assembled an estimated 168,357 cars, compared with 178,409 (revised) in the previous week. The past week's production total of cars and trucks amounted to 195,115 units, or a decrease of 11,164 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 10,072 cars, while truck output declined by 1,092 vehicles during the week. In the corresponding week last year 151,912 cars and 21,909 trucks were assembled.

Last week the agency reported there were 26,778 trucks made in the United States. This compared with 27,870 in the previous week and 21,909 a year ago.

Canadian output last week was placed at 6,320 cars and 851 trucks. In the previous week Dominion plants built 6,422 cars and 860 trucks, and for the comparable 1954 week, 5,333 cars and 696 trucks.

Business Failures Continue to Rise In the Latest Week

Commercial and industrial failures climbed to 247 in the week ended Dec. 15 from 219 in the preceding week, states Dun & Bradstreet, Inc. At the highest level in any week since Feb. 3, failures exceeded considerably the 208 which occurred a year ago and the 210 in 1953. However, the toll was 9% below the pre-war level of 270 in the similar week of 1939.

Failures involving liabilities of $5,000 or more rose to 207 from 186 last week and 173 a year ago. Small failures with liabilities under $5,000 numbered 40 as against 33 in the previous week and 35 last year. Twenty-nine concerns failed with liabilities in excess of $100,000, rising sharply from the 12 of this size a week ago.

All industry and trade groups reported increases except manufacturing where the toll dipped to 47 from 51. Failures in retailing mounted to 118 from 98, in construction to 35 from 25, while the toll among wholesalers edged to 26 from 25 and among service concerns to 21 from 20. More businesses failed than last year in all lines except commercial service, with the most notable rises from 1954 in retail trade and construction.

The week's increase was concentrated in the Middle Atlantic States where failures jumped to 89 from 63, in the South Atlantic to 31 from 17, in the East North Central to 33 from 26 and in the East South Central to 9 from 6. Declines prevailed in the five other regions, including the Pacific States where failures dipped to 56 from 66 and in New England to 7 from 16. Failures exceeded or equalled the 1954 level in all regions except New England and the Pacific States.

Canadian failures rose to 40 from 23 in the preceding week and 35 in the comparable week of last year.

Wholesale Food Price Index Declines to Pre-Korea Level

The wholesale food price index, compiled by Dun & Bradstreet, Inc., resumed its downward trend last week and fell 3 cents to stand at $5.96 on Dec. 13. This was the lowest since June 20, 1950, just before the start of the Korean War, when it also stood at $5.96. It compared with $6.74 on the corresponding date a year ago, or a drop of 11.6%.

Higher in wholesale cost the past week were wheat, corn, rye, oats, and barley. Lower were flour, hams, butter, cheese, coffee, cocoa, eggs, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Made Further Mild Gains the Past Week

The general commodity price level rose moderately last week largely due to firmer grain prices and continued advances in steel scrap. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 278.87 on Dec. 13, as compared with 276.91 a week previous and 275.93 at this time a year ago.

Grain prices, particularly in the cash markets, moved higher for the second successive week, influenced to some degree by Washington reports intimating there would be a return to high support prices for high quality grain.

Wheat was also stimulated by potential export business and continued dry weather over most of the hard Winter wheat belt. Export sales of wheat were fairly large but had little effect on trading. Corn edged upward as producer marketings dropped 30% below those the week preceding. Industry buying of yellow cereal was quite active. Oats moved higher with marketings insufficient to cover the demand. Trading in grain and soybean futures on the Chicago Board of Trade the past week averaged 41,100,000 bushels per day, down from 48,300,000 the previous week, and 55,400,000 in the same week last year.

Trading in the domestic flour market continued on a routine basis at the mill level but some jobbers were reported moving fairly good quantities of hard wheat flours to small bakers in anticipation of holiday business. Coffee prices continued easier as the result of week-end liquidation of nearby positions in the futures market and a lack of demand in the actual market where roasters showed only a limited interest in green coffee offerings. Clearances from Brazil were lower for the week.

Demand for cocoa was spotty. Prices were irregular and closed moderately lower for the week. Warehouse stocks of cocoa were up 10,514 bags from a week ago and totaled 296,514 bags as against 99,064 bags on the corresponding date last year.

Raw sugar prices were steady at the lower basis established early last week with a broader interest in new crop sugars noted as the week ended.

Hog prices continued at around the lowest levels in 14 years. Lard prices also worked lower as a record volume of hog marketings over-taxed packing plants and made for increased lard production.

Cotton prices moved in a narrow range and showed little net change for the week. The market turned somewhat firmer in the latter part of the week, stimulated by continued large loan entries and the generally unexpected decline in the official crop estimate, issued last Thursday.

The report placed the 1955 yield of cotton at 14,663,000 bales, a reduction of 180,000 bales from the Nov. 1 estimate, and 561,000 bales smaller than had been suggested by the average of published private estimates.

This year's crop compares with 13,696,000 bales produced in 1954 and the 1944-53 average of 12,952,000 bales. CCC loan entries in the week ended Dec. 2 were reported at 488,200 bales, bringing total entries for the season through that date to 3,896,400 bales.

Trade Volume Continued to Rise Last Week With the Near Approach of Christmas

Consumer spending rose noticeably in the period ended on Wednesday of last week and the total dollar volume was slightly above the level of the similar week last year. Considerable gains were scored in household gifts, toys and children's clothing.

A noticeable drop in automobile sales was reported.

The total dollar volume of retail trade in the week was 1 to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels by the following percentages: New England —2 to +2; East and Pacific Coast +1 to +5; South +3 to +7; Middle West, Northwest, and Southwest +2 to +6%.

Apparel retailers reported increased volume in children's clothing, with principal gains in boys' slacks and sport shirts. There was an increased call for men's furnishings, while volume in coats and suits dropped considerably. Blouses, handbags, and jewelry were best-selling women's accessories and interest in women's sportswear rose sharply. Volume in fur coats expanded noticeably, and equalled the level of the corresponding week last year.

Consumers boosted their purchasing of household furnishings last week.

There was an expansion in volume in china, glassware and gifts, while linens and towels were extremely popular. Furniture stores reported increased interest in end tables, dinette sets and lounge chairs; volume in bedding and bedroom suites dropped somewhat. The call for lamps, lighting fixtures, and mirrors was at a higher level than that of the previous week. There was a rising interest in floor coverings and draperies.

A high level of food buying at retail was sustained the past week and the dollar volume was slightly higher than that of a year ago. Housewives boosted their purchases of poultry, while volume in fresh meat was high and steady. Eggs and butter were popular dairy products, but interest in cheese declined somewhat.

Wholesale orders expanded moderately a week ago, and the total dollar volume was noticeably above that of the similar week last year.

Among the best-selling items were furnishings, women's accessories, household gifts and juvenile furniture. Deliveries were behind schedule in some textile lines.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 10, 1955, increased 5% above that of the like period of last year. In the preceding week, Dec. 3, 1955, an increase of 3% was reported. For the four weeks ended Dec. 10, 1955, an increase of 5% was recorded. For the period Jan. 1, 1955 to Dec. 10, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week continued, according to trade observers, to top the 1954 pre-Christmas sales volume. The increase of last week was estimated at 2%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 10, 1955, increased 1% above that of the like period last year. In the preceding week, Dec. 3, 1955, a decrease of 2% (revised) was recorded. For the four weeks ending Dec. 10, 1955, no change was registered. For the period Jan. 1, 1955 to Dec. 10, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

Continued from page 2

The Security I Like Best

A purchase of 100 shares of Procter & Gamble in 1890 would have required only a $10,000 investment, yet today, had rights been exercised, the shares would have appreciated to around $4,200,000, with much of this value having been added in recent years.

I am rather proud of the fact that I have followed the daily market action of Procter & Gamble stock for over 40 years. During this time, I have never known a day when I could say to a client, "Now buy P & G if you want a quick profit." And yet I can say with equal candor that it has been, and is now, the best investment stock on the Big Board (New York Stock Exchange).

All of us in the investment field are aware of the many investors who are eternally trying to make a few quick points and at the same time fail to profit from the broad general market advances. It is far easier to double your money in P & G stock over a period of years than to make a trading profit in the the stock. When one studies the company, the reason becomes obvious.

The growth and development of Procter & Gamble is planned and executed with a precision and smoothness which can only be described by the use of the term automation. With such consistently brilliant management, it is not surprising that the stock traditionally sells at approximately the same price earnings ratio. And when a shareholder receives his dividend check, he knows that he can look P & G's customers, their employees and the community squarely in the eye.

Procter & Gamble has literally accomplished miracles in the soap business. With wages and taxes equivalent to over 40 times the wages and taxes of 75 years ago, with raw material prices three times what they were, a cake of Ivory soap that cost five cents in the 1880's, costs around a dime today. With equal genius the company has mastered the field of detergents. On soap products it has become a billion dollar giant—now P & G is moving into foods, cosmetics and chemicals with new ideas.

All financial people have the statistics on the company, but I always wonder how many of them have ever made a study of the company's way of doing business, and if any investor has ever taken the time to make an analysis of the statements of the officers of P & G. Here are two examples.

P & G is building a new head office building in Cincinnati. It won't compare with the striking and lavish structures that line Park Avenue, for the building is modest in conception and conservative in design. Now it also should be remembered that P & G is one of the largest spenders for advertising in the country. Clearly, the company is equally skilled at saving dollars and intelligently spending millions.

The annual report contains many well guarded sentences which do not show their true significance until tied in with other statements by the officers. We read that "the company is now getting the benefit of work which we have now done over the past years in research and development." We must keep this thought in mind as we read a recent statement by Mr. Deupree, Chairman of the Board: "Our country turns over every 10 years—we are in fact a new country every 10 years." All evidence suggests that P & G will at least keep pace with the country. Need we read, "that the plant in Florida for the production of chemical pulp from wood is now in full operation — that the trying 'shake-down period' is now over and we can look forward to a successful operation in Florida from here out?"

The immediate outlook for P & G is best summed up by the words of its Chairman: "As we look ahead to next year, we are reasonably confident that business will be good. Generally speaking, the economy in this country and in most of Europe seems to us to be on a sound basis. Of course, there are points of weakness that we would like to see corrected, but that statement can be made at almost any time." If I were to put the spirit and optimism of these words into the jargon of Hollywood, I know you would buy some P & G stock before reading further.

There is much that the investor in other cities can do to become more familiar with Procter & Gamble. I suggest you visit the large supermarkets and notice the amount of space that is devoted to P & G products, ask your druggist about his sales of items bearing the P & G label, and get a copy of Moonbeams, the magazine for its sales force. Or if your are a broker, write me and I will from time to time send you data on Procter & Gamble that might otherwise not come across your desk.

The other day I was reading about P & G and the facts were mentioned that the President, Mr. McElroy, was to visit Washington and Miss America had been a plant guest. I couldn't help smiling. For if the mixed emotions with which we view the Office of the President and Miss America can be fused into one—this is how thousands look upon Procter & Gamble.

Mutual Funds

By ROBERT R. RICH

T. V. Fund's Tripp Cautious; Cites Need for Patience Now

Total net assets of Television-Electronics Fund, Inc., at the fiscal year-end on Oct. 31 amounted to $105,847,907, equal to $11.05 per share, compared with $55,868,018, or $9.47 per share, a year earlier, according to the fund's annual report. Number of shares outstanding on Oct. 31 this year were 9,574,053 against 5,901,271 last year.

Television - Electronics Fund started operations on Sept. 7, 1948, under the sponsorship and management of Television Shares Management Corporation of Chicago with net assets of only $112,000 and 25,000 shares outstanding.

In his report to shareowners, Chester D. Tripp, President, said "Our studies continue to reveal that despite the great growth to date in the usages of electronics, it is insignificant when compared to the future potential of this science."

He added that keen industrial competition will continue to bring about rapid developments in electronics functions "regardless of the state of the country's economy."

"Because we are more certain than ever of the great potential growth in the sciences of electronics and nucleonics," he stated, "we feel that current conditions are affording those of us so vitally interested, an opportunity to further entrench ourselves in these fields to best advantage."

Mr. Tripp told shareowners that at the beginning of the 1955 calendar year, the fund's assets were approximately 97% invested in equity securities—with such investments comprising a well diversified portfolio of companies engaged in various growth phases of electronics and nucleonics. This invested position was approximately maintained during the first half of the year, but subsequently additional emphasis was placed on issues "with greater defensive characteristics."

Toward the end of the third quarter "we gradually increased our reserves of cash and equivalent to approximately 10%," Mr. Tripp added.

"We were thus better prepared," he explained, "for any serious market reaction. As a result, we succeeded in investing a substantial sum on the first business day following the distressing announcement of President Eisenhower's illness.

"As of now, we see nothing on the horizon to cause us to change our conservative and cautious attitude. It will take patience and fortitude during the coming months, but we feel strongly that exercising these qualities will be rewarding to all."

A study of the fund's portfolio for the Oct. 31 fiscal year-end date compared with a year ago shows the addition of the following bond issues (whereas no bonds were held last year); $80,000 principal amount of American Electronics, Inc. convertible 5s, of 1957; $188,000 principal amount of American Telephone & Telegraph Corporation convertible 3⅞s of 1967; $150,000 principal amount of Litton Industries, Inc. convertible subordinate 5s of 1965; $200,000 principal amount of Servo-mechanisms, Inc. convertible 5s of 1966; $100,000 principal amount of TelAutograph Corp. convertible subordinate 4¾s of 1965, and $2,000,000 principal amount of United States Treasury Bills, Dec. 15, 1955.

Common stocks eliminated during the year included 9,000 shares of American Bosch Arma Corp., 26,000 Theodore Gary Corp., and 3,000 shares of United Shoe Machinery.

Additions included 33,000 shares of ACF Industries, Inc., 15,000 shares of Babcock & Wilcox Co., 11,300 shares of Bell & Howell Co., 23,000 shares of Bullard Co., 8,300 shares of Consolidated Electronics Industries Corp., 10,000 shares of Continental Telephone Co., 5,400 shares of E. I. du Pont de Nemours & Co., 25,000 shares of Food Machinery and Chemical Corp., 9,000 shares of General Mills, Inc., 30,000 shares of General Telephone Co., 10,000 shares of Litton Industries, Inc., 8,400 shares of Lockheed Aircraft Corp., 29,000 shares of Pullman Inc., 18,400 shares of Ryan Aeronautical Co., 11,000 shares of Servo-mechanisms, Inc., and 13,000 shares of TelAutograph Corp.

With Sec. Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Edmund C. Johnston is now affiliated with Security Associates, Inc., 137-139 East New England Avenue, members of the Philadelphia-Baltimore and Midwest Stock Exchanges.

Crabb Ends Thirty-Year Career With Investors Diversified Services

The resignation of Earl E. Crabb, former President and Chairman of Investors Diversified Services, Inc., from the Board of Directors of the company, brings to a close the long and remarkable career of a financial leader in the upper Midwest. When he retired from active management of the company about two years ago, Mr. Crabb had served as an officer and director since 1925. He will continue his association with IDS as consultant to the president.

"I have seen Investors grow from $12½ million of resources in 1925 to almost $2 billion of assets under its control and management today," Mr. Crabb said at the IDS home office in the Investors Building today.

"The demands and responsibilities of management have grown commensurately and will continue to grow during those years of my life when I ought to be relinquishing some of my activities, not adding to them."

Earl E. Crabb's career is a typical American success story. From a minor position in the supply department of the Union Pacific Railroad, he rose through successive promotions in the accounting department, supplementing practical experience by studying accounting at night. He went to Western Bond and Mortgage Company in 1919 as auditor and became Vice-President and Treasurer.

In 1925, with a group of associates from Portland, Ore., he acquired control of Investors Syndicate in Minneapolis, a company then selling a single security in the form of a face-amount investment certificate. Over the following 30 years, the business expanded to become Investors Diversified Services, Inc., now parent company of eight subsidiaries and affiliates, which issue both face-amount certificates and mutual fund shares. This Investors Group of companies represents the largest investment management of its kind in America.

A nationwide sales organization of approximately 2,300 representatives distributes the securities of the Investors Group across the United States, and in Hawaii and Canada. The company services more than 725,000 customer accounts.

One of Investors' most successful enterprises of which Mr. Crabb is especially proud is Investors Mutual, Inc. This mutual type investment company was incorporated in January, 1940, with net assets of $112,000. In less than 16 years it has grown to be the largest balanced fund in the world, with net assets in excess of $880 million.

These achievements are the more extraordinary when the many crises of the period from 1925 to 1955 are recalled. Under Mr. Crabb's guiding hand, the company came through financial depressions, war, and economic adjustments, never failing to meet its every obligation to the many thousands of Americans in all walks of life who had entrusted their investments to its management. The company's phenomenal growth is a living tribute to his foresight and good management.

Mr. Crabb's experience was enlisted when the Federal Government was formulating legislation in regard to investment companies. He took an active part in drafting the Investment Company Act of 1940, particularly that portion of the law which set the standards and statutory requirements governing face-amount certificate companies.

Mr. and Mrs. Crabb now reside in Bellevue, Washington, but will be frequent visitors to Minneapolis, where their son lives.

Raymond C. Koontz, President of Diebold Incorporated of Canton, Ohio, manufacturers of safes, bank vault doors and bank security equipment, business record systems and microfilm equipment, will succeed Mr. Crabb on the IDS board of directors. In the five years he had been with Diebold before becoming President of the company on April 7, 1952, Mr. Koontz had held the positions of Treasurer and Executive Vice-President. Before joining the company, he was Vice-President and General Manager of Maguire Industries of Greenwich, Conn., manufacturers of precision metal products. He is a member of the board of directors of the Easy Washing Machine Company. Born in Asheville, N. C., he attended the University of Virginia. He now resides in Canton with his wife and son.

IDS November Sales Set All-time Record

Total sales of face-amount installment investment certificates and mutual fund shares issued by subsidiaries and affiliates of Investors Diversified Services, Inc. during November broke all monthly records in the company's 61-year history, Grady Clark, Vice-President—Sales, reported.

Gross dollar volume of total sales of four mutual investment funds managed and distributed by IDS totalled $26,634,032. The funds are Investors Mutual, Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc. and Investors Group Canadian Fund Ltd., all affiliates of IDS.

Total maturity value of face-amount installment certificates purchased by individual investors during November was $60,722,513. These certificates were issued by Investors Syndicate of America, Inc., and Investors Syndicate Title & Guaranty Company of New York, subsidiaries of IDS.

H. Hentz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Maurice P. Angland is now with H. Hentz & Co., 120 South La Salle Street.

Joins Krensky Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Julian J. Portman has become associated with Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard.

Hugh W. Long Study Cites Stock Registrations

There are advantages and disadvantages in each of the several ways of owning securities. These are discussed in a study by Hugh W. Long and Company, Inc., national underwriters of Fundamental Investors and three other mutual funds. The study was developed in response to frequent investor inquiries as to the forms in which stock certificates may be issued and registered and certain aspects of the various forms of registration.

In discussing the pros and cons of joint ownership, for example, the study points out that the "John Jones or Mary Jones" and "John Jones, payable on death to Mary Jones" forms of registration, acceptable in registering certain series of U. S. Government bonds, are not accepted in registering corporate shares.

The study discusses joint ownership, usually expressed in terms such as "John Jones and Mary Jones, as joint tenants with right of survivorship and not as tenants in common." While under joint tenancy the individual owners limit their freedom of action in connection with transfer of the shares, they gain certain advantages. One is tax benefits.

For example, under the Internal Revenue Code of 1954, while every taxpayer is entitled to exclude from income the first $50 received as dividends during a year, if his shares are registered jointly, each owner is entitled to this exclusion. Thus, if they file a joint return, the joint owners would together be entitled to exclude $100 of dividends from their taxable income.

Contents of the study include forms of registration in the names of individuals, executors, administrators, trustees, guardians, corporations, partnerships, and associations.

In a section on how to avoid certain restrictions on registration, the study points out that in some cases the aims of an investor may be achieved through the use of a trust or through payment of dividends to other persons.

Hugh W. Long and Company, in releasing the study, emphasized that different consequences flow from different types of stock ownership, and that the subject is one with which investors would do well to become familiar.

With White & Co.

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—Clifford C. Wack is now with White & Company, 216 West Washington Street.

Christmas Spirit Mutual Fund

Wayne R. Benzing, Vice-President of Pioneer Fund (sponsored by Granbery, Marache & Co.) has sent out holiday greetings pertaining to the formation of the "Christmas Spirit Mutual Fund"—

A Confidential notice concerning the formation of the Christmas Spirit Mutual Fund.

Objective

To wish you a bright and heartwarming Christmas and a New Year of even greater successes, good health and happiness.

Diversification

To wish, also, that Christmas and the New Year will bring you a broad cross-section of the good things in life.

Management

To wish further, that you will manage to find increasing time in the coming year for the fruits of your labors.

Distributions

May all that has gone before bring you rich dividends and capital gains in the days ahead.

Liquidity

And may this be the year when you cash in on all of your fondest hopes and brightest dreams.

F I F Increases Rail Investments

Realizing that the railroad industry has played an important part in the development of our country and our economy and strongly believing that the industry will continue to share in future economic progress, Financial Industrial Fund, Inc., during the Fund quarter ending Nov. 30, 1955, expanded the transportation segment of its investment holdings with an initial purchase of the shares of Chicago, Rock Island and Pacific Railroad Company. Additional shares of Pennsylvania Railroad Company were also purchased.

F I F is currently placing increased emphasis on the electronics and electrical equipment industry. As a two-fold increase in the output — consumption of electricity is being projected for the next 10 years, the Fund's management believes that companies active in electronics and related activities will prove to be among the dynamic growth equities of the future. The Fund took advantage of the recent market dip to add to its portfolio the shares of General Electric Company, Westinghouse Electric Corporation, Burroughs Corporation, Philco Corporation and Radio Corporation of America—all of which have an active interest in one or more field of electronics.

In all, during the Fund quarter ending Nov. 30, 1955, F I F purchased securities of 42 companies in amounts totaling more than $5.4 million. As of the recent date Financial Industrial Fund, Inc., held security investments in 96 companies spread throughout 19 major industry divisions.

Net assets of Financial Industrial Fund, Inc., increased to $45.9 million at Nov. 30, 1955, from $40.6 million at the beginning of the Fund quarter, Aug. 31, 1955, and from $28.9 million on Nov. 30, 1954. The asset value per share increased to $3.8894 from $3.2733 a year earlier.

The 80th consecutive quarterly dividend of F I F, payable Dec. 15, 1955, on all shares of record Nov. 30, 1955, at the rate of $0.03 per share, brought to $0.12 per share the dividends from income which have been paid to Fund shareholders in the most recent months. This $0.12 is in addition to a distribution of $0.17 per share from security profits during the same 12 month period.

Group Funds Show Gains

Group Securities, Inc., sponsors of five general mutual funds and 16 industry classes, registered substantial gains in both assets and sales during the fiscal year ended Nov. 30, 1955, according to Herbert R. Anderson, President.

Assets of the fund rose to $99,377,796, an increase for the year of $24,835,803, or 33.3%. During the same period shares outstanding rose 26.2% to 13,001,932 and 5,352 new shareholders were added.

Sales for the year totaled $23,316,395, or 32.2% above the $17,636,447 figure for 1954.

Total 1955 distributions to shareholders from securities profits were $5,163,327 as compared with $497,218 in 1954. Dividend payments from investment income amounted to $3,865,879 in 1955; $3,269,180 in 1954.

The Common Stock Fund of Group Securities reported assets of $18,508,203 at the year-end. This represented an increase of $4,294,751 or 30.2% over a year earlier. Asset value per share increased from $10.85 to $13.06, after adjusting for $1.25 per share distributed from securities profits.

Templeton Growth Fund Assets Up

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%. Common stocks added during the six-month period included Algoma Steel, Asbestos Corp., Canadian Industries (1954), Consolidated Paper, Consolidated Sudbury Basin Mines, Farbwerke Hoechst, Gunnar Mines and Pine Point Mines. Holdings of Imperial Oil were eliminated.

Fundamental Investors To Pay Capital Gains

Fundamental Investors, Inc. has advised shareholders of the Fund in a special message that it is expected a distribution of approximately 55 cents per share from net realized security profits for the fiscal year ending Dec. 31, 1955 will be declared on Dec. 30, 1955, payable to shareholders of record on the same date. It is expected the distribution will be made on or about Jan. 31, 1956.

According to the announcement, it will now be the Fund's policy to declare capital gain distributions, when available, on or about the last day of the Fund's fiscal year, payable to shareholders of record the same date, and to make payment on or about the last day of the following month.

It is expected that the distribution to be declared the end of this month will be payable in additional full shares of the Fund's stock on the basis of net asset value per share at the close of business Jan. 5, 1956, or in cash provided the shareholder expresses this preference.

Douglas W. Paige

Douglas W. Paige passed away Dec. 17 at the age of 75 following a three months' illness. Mr. Paige prior to his retirement in 1936 was a member of the New York Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is very much in the business of making year-end tax adjustments because time is running out for the putting through of these switches. Volume, according to advices, is fairly good, with a bit more breadth being noted in certain of the intermediate and longer-term Government obligations, and this is being attributed to the exchanges which are being made.

The two segments of the money market continue to operate pretty much as separate entities, with the buyers of short-term Treasury obligations still getting the benefits of the tight money policy in the form of favorable yields, even though some temporary ease would not be unexpected.

The more distant Government issues continue to fluctuate within the rather limited range which has been in effect recently. Buyers of the longer-term Treasury obligations do not appear to be too much bothered by the tight money policy of the authorities.

Reduced Credit Demand Expected

It is believed in some quarters that the money market has passed the peak of the squeeze, because it is expected that the demand for funds will tend to lessen somewhat in the near future. It is reported that there has been some decrease noted in the demand for future loan commitments. Also seasonal repayments on inventory and agricultural loans is expected to get under way at the start of the New Year. Likewise, the return flow of currency from circulation, which usually takes place with the advent of the New Year, will have an easing effect upon the money market.

The pattern of business, on the other hand, will have a marked influence upon the demand for money and credit and predictions are that economic conditions will continue to be strong in the foreseeable future. This would appear to indicate that there will be very little or no change, for the time being at least, in the needs of business for financing its operations.

Monetary Authorities Will Maintain Pressure

Since the forecasts are, that the year 1956 will bring with it a continuation of the economic trend which has been in evidence in 1955, it is not expected that the monetary authorities will be inclined to take any of the pressure off the money markets. This most likely means that the interest rate raising and credit limiting policies of the powers that be will not be altered as long as the pressure of the boom is as strong as it has been.

The opinions now around seem to hold the beliefs that the money easing developments, which are expected with the coming of the New Year, will be offset by probable action of the Federal Reserve Banks. This could mean that the Central Banks will be sellers of Treasury bills or even Treasury certificates if there be need, to do so in order to keep the pressure on the money markets. (The Reserve Banks recently altered their policy and bought certificates as well as Treasury bills in order to ease the money market and to help the Treasury financing.) This would appear to indicate that the general credit limiting operations of the monetary authorities will still be felt in the Government market, especially so in the near-term sector of it.

Further Rate Increases Possible

There is no question but what the future trend of interest rates is tied in very definitely with the course of economic conditions and, since the outlook for business is still good, it would not be a surprise in many quarters of the money market if there should eventually be further upward revisions in most rates of borrowings. This could be taken to mean that the "prime bank rate" as well as the rediscount rate would again be raised.

With the pressure of the tight money being felt most in short-term yields, it is believed by not a few money market specialists that the relief which is looked for in some quarters will only be of a temporary nature as far as the near-term Government market is concerned. This is the sector of the money market which has been receiving most of the pressure because, as the words imply, short-term (not of too long duration), means it is subject to quick adjustment in either direction. However, as long as tight money is the policy, near-term rates can move higher. On the other hand, if and when there should be a downturn in interest rates, the short-term rate will be the first to reflect such a development, which means that the reinvestment of these funds will have to be made at declining rates of return.

Why Long Bond Yields Continue at Low Level

This brings up once again the question as to why the long-term sector of the Government market has not been too much disturbed by the tight money policy of the authorities. This is due to the fact that this kind of money does seek an outlet in short-term issues, because these funds have to be put to work at a set or assured rate for an extended period of time. Therefore, most of the public pension funds and some of the private ones have to make commitments in the most distant Treasury obligation in order to get the needed rate of return for many years in the future. This buying, along with the not-too-large offerings of the longer-term bonds, has kept the market for these issues on a fairly even keel, in spite of the tight money conditions.

"MERRY CHRISTMAS"

Securities Salesman's Corner

By JOHN DUTTON

Simplify Your Sales Presentation

People today are in a rush and a hurry. They are also impatient with those who are making demands upon their time and their attention and unless you can show them where their own self interest is going to be served, and you can do it without wasting their time with long-winded sales talks and discussions, you will find that your ability to obtain the undivided attention of your customers and prospects wil be seriously impaired.

The other day I was clearing out my files of some of the collection of sales ideas, sales letters, advertisements, which I collect every year and I was struck with the excessive amount of words that were used to convey ideas that should be done in a simplified manner. There were ads that carried the heavy burden of technical investment wording which could have told their story in half the space and would have been ever so much more effective. There were sales letters that tried to be different, or to be clever, and they didn't because they tried too hard, and there were too many words. The longer I study the right approach to the problem of conveying investment ideas, I am more convinced than ever that if you can say it as briefly and as simply as possible, do so.

People Do Not Understand Investments

Out of the more than seven million people who own common stocks in this country how many do you think could answer the questions in a simple examination that might be required for determining their ability to properly manage an investment portfolio? They just don't know and they trust their friends, their brokers, and their dumb luck. Most people today do not even understand their own particular investment problems. They only know that they are working like beavers to keep up with rapidly advancing inflationary living costs, and confiscatory income taxes, and at the end of the year if they have anything left they would like to invest it so that somehow, some way, they can have a little nestegg for later on in life. Many of them don't even understand how they got this way and where they are going to be someday, if they live.

If you think this is a cynical view of the average professional man, or business executive today, just think it over. Income taxes are taking between $4,000 and $10,000 a year from the middle bracket hard working successful man in all walks of life. In former years this group was the one which provided much of the capital for American business, after those who were in the very high income brackets had initiated and invested in many of our greatest corporations. Today the people in the high income brackets are investing in tax-exempt bonds instead of risking their funds in stocks, and the middle bracket people are paying the government in taxes what they formerly could have invested.

Cold Facts Must Be Faced

When you talk with the business executive or the professional man in his thirties you don't have to bring out an encyclopedia of economics and taxation to make him see where he is heading unless he finds some way to accumulate even a small part of his income after taxes that will enable him to build capital. Just remind him that if he is 30 years of age, and expects to work another 30 years, and is paying $4,000 a year in income taxes, that he will have paid the government $120,000, plus what this money would have earned at interest, over the rest of his working lifetime. His father would have been able to retire on such a sum. It is a chilling and nonreassuring fact that unless he gets busy on some sound plan to build up a list of investments that can GROW, he is going to face a most unpleasant situation when he must consider eventual retirement.

Today you must help people solve the vital problem of saving for the years ahead in a way that gives them some hope at least of being successful, or you must assist those who are faced with the task of keeping their assets invested in the type of securities that provide the income which they now need for current living expenses. There are two big problems which the successful American citizen must solve when it comes to his investments:

(1) How can he retire someday?

(2) How can he live today with the least amount of worry and enjoy the largest current income?

Most people will fall into one of the above categories. Find out what people need, and then show them how you can help them achieve investment success. You must know your business before you can acquire the poise and the confidence which enables people to say to you, "You tell me what to do and I'll follow your advice because I have confidence in your ability and integrity as an investment advisor." When we get to that point in the investment business we will have gained the highest and most respected relationship that we can have with our clients. To expect that the average layman should know enough to invest successfully is a completely unrealistic attitude which must eventually be completely discarded, both by governmental regulatory agencies of the securities business and those engaged in selling securities to the public.

Simplify your own approach to this business by:

Classifying your clients' problems.

Gaining their confidence.

Talking less technically.

Writing shorter letters.

Using the telephone to save time.

Using two words instead of ten whenever you can.

"MERRY CHRISTMAS"!

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The New Role of Tourism Abroad

where their neighbors haven't been . . . there's something a little competitive about travel.

These facts about the tourist have very real meaning for the **underdeveloped** areas of the world—for Free Asia, for the Near East, for Africa, and South America, and the Pacific nations. Each of these regions has a great deal to offer the tourist. Assuming proper encouragement, I would venture to predict that while Europe will continue to attract ever growing numbers of travelers, coming increases in United States tourism will bring greater and greater numbers of visitors to **other** areas, resulting in more equal distribution of U. S. tourist dollars for all parts of the free world.

I would like to add here that our own government is doing a lot to encourage U. S. tourism abroad. The Department of Commerce now has a very able special consultant in the travel field, Mr. Somerset Waters, to coordinate existing data on tourism and to develop specific further technique for its encouragement. President Eisenhower has also reestablished the Special Advisory Committee on Travel under the Department of Commerce—an able group of executives from the travel industry whose function is to coordinate the efforts of government and private business in the tourist field. From the Department of Commerce and its representatives, we can expect much in the months to come.

An Addition to the Voice of America

A few weeks ago, I had the great good fortune to be asked by Theodore Streibert, Director of the United States Information Agency, to take part in a Washington Conference in the White House. President Eisenhower had requested Mr. Streibert to conduct this conference in his absence. Its purpose was to discuss ways and means whereby we could better convey the truth about America and its beliefs to the citizens of overseas countries. Attending were a wonderful group of extremely realistic yet far-sighted American businessmen.

To me the conference was profoundly interesting. In the course of our discussions, we agreed that always our country is best understood through our people—in this case through our individual travelers overseas.

We have all come to realize that such phrases as "good will," "contacts between peoples," "mutual understanding" have developed a special meaning during the last decade. Today, these are powerful strategic weapons in the defense of man's financial and personal freedom. It is rather an interesting paradox that in our age of mass communications the individual traveler still remains probably the most effective medium through which these dynamic ideas can be conveyed to others.

The fact is, that the influence of the average tourist—the vacationer, the student, the casual visitor—is one of America's greatest assets in foreign relations. In the course of many recent business trips overseas on behalf of my company, I have found this to be true again and again. The millions of United States citizens that go abroad each year can and do have a crucial role in explaining America and America's aims. By their easygoing friendliness, their common courtesy, their understanding of others, they can undo many of the misunderstandings that have grown up in the minds of others about the United States and her intentions.

Some of these misunderstandings have grown up spontaneously, others have been deliberately encouraged. An example is the caricature of the self-centered American continually boasting of the 100% superiority of his own country over all others. It's up to the visiting American citizen to correct these misunderstandings, giving an accurate version of the simple truth. He's the one who has to get across his intense devotion to peace, his quiet sense of pride in the things his country stands for, his basic simplicity, honesty, and friendliness.

There is no doubt that the majority of our travelers are doing just this. The tourist visits a hotel, then goes to a restaurant, then takes a train. Everywhere, through his daily contacts, he is making an impression. When he tries honestly to understand the country he is visiting and its habits, his friendliness will add up to a very considerable fund of good will for America.

And I want to add here that in our own overseas operations we have come to realize over and over that some of the most fruitful contacts of this sort are being made by representatives of U. S. companies traveling overseas. The American businessmen is doing a very good job of establishing friendly personal relationships with his opposite number abroad. Meeting on the specific, familiar grounds of commercial operations, he can show most clearly and concisely his ability to give and take . . . to respect the other man's point of view . . . to work out a business relationship of benefit to both parties. Such contacts are of enormous value when well handled, doing a greal deal to eliminate the false notions of American business which from time to time have been propagated.

Keeping in mind these various untrue assumptions that are sometimes made of America and Americans overseas, I would add in passing that there are two points particularly desirable for American travelers to stress to our friends overseas. First, the astonishing proportionate growth of our dominant middle class—a growth specifically the result of our free society. Second, the genuinely peaceful intentions of our bi-partisan foreign policy. Both of these facts are self-evident to **us** here and require no detailed discussion. For various reasons, however, neither of them has received the attention they deserve **abroad**. They are not easy concepts to convey simply and convincingly. Again, it seems to me that the average American traveler can do the most effective job of putting them across.

Incidentally, the United States Information Agency has been doing excellent work in conveying to our travelers, the communications job which has to be done by them overseas. They have put out several excellent leaflets, discussing ways and means of improving relations with our friends overseas and telling them what we think. We at American Express have followed through with a leaflet titled "Ambassadors of Good Will," on the same theme, which we are giving to all our clients.

Role of Tourism Today

It is within this general economic and ideological framework that I would place my earlier statements regarding the role of tourism today.

To keep the underdeveloped nations of the world self-reliant, we need a sustained condition of global stability—where free men can live, and move, and exchange ideas . . . without restraint.

Point 5 seems to be one of our strongest cards to this end. Tourist dollars are spent abroad without strings of any kind attached. They are shared among all who have the initiative and energy to attract them. Most important, they inevitably produce greater self-respect, and less of a sense of dependence than any amount of dollars in aid.

Point 4 and our other aid programs had an important role in the earlier emergency assistance phase of the Cold War—and certainly this role has not ended. In the present competitive phase, however, I believe that Point 5 tourist dollars can play a more important role, not only in the traditional tourist areas, but in all underdeveloped countries needing dollars.

Turkey, the Arab nations, Israel, India—indeed all the countries of Asia and the Middle East—are of particular importance here. Although U. S. tourism is at present not very large to these areas, it is already growing rapidly. The number of U. S. tourists to India, for example, has been increasing approximately 25% per year, rising almost 300% from 1951's figures to 1955's expected total. Earnings from these American tourists even now constitute India's third highest source of earned dollars from the United States.

There remains a tremendous job to be done. It will require the united efforts of government heads, transportation leaders, and businessmen in all these areas towards improving carrier services . . . more building of hotels . . . the training of sufficient personnel . . . and developing effective promotion. The job **can** be done—and if one considers that a potential market of several billion dollars lies available the effect required is very small indeed.

Summary

In summary, U. S. tourism is becoming a powerful weapon in the East-West war of ideas—and in the war of economic competition. I think the growing tide of this tourism gives us a spendid opportunity to show all the world what the free movement of free men can accomplish.

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Progress and Problems of Consumer Credit Financing

ployer, is largely in the hands of America's credit grantors. It is to us, as members of the American Finance Conference, that America looks for sound credit judgment in a healthy and expanding economy.

"Our strength as an organization is founded on the bedrock of our unity of purpose; to make possible the private ownership of automobiles as a principal means of transportation through careful extension of consumer credit which alone is responsible for automotive mass production and distribution."

The major problem confronting the sales finance industry today is that of maintaining sound credit terms. For my part there can be no substitute for the time-tested fundamentals of instalment credit, which permitted this remarkable development of your industry.

Gentlemen, the case rests in the hands of all credit grantors in the instalment credit field.

The Subordination of Debt Problem

I should like to comment now on a matter which I think is of substantial importance to you. This relates to the problem of subordination, that is, the way in which one class of debt is made subordinate and junior in right of payment to another.

The lifeblood of the finance industry is a steady supply of loanable funds. Since no finance company could carry on and grow without the use of borrowed funds, anything which threatens to jeopardize your source of loanable funds is necessarily of importance to you. As you are well aware, the principal borrowings of your companies is from commercial banks, represented by short-term, unsecured notes. The repayment of this debt has a general claim upon your assets. Along with this short-term bank debt, you often have long-term debt from an institutional lender. A large portion of this is subordinated debt, meaning that its repayment is subordinate and junior to the repayment of your short-term notes. To obtain this latter type of borrowing you pay a higher rate of interest and it is largely this higher rate of interest which makes a lender willing to take notes which are to be repaid only after the repayment of the senior debt.

Regrettably, at times in the past there has been dispute over the terms by which the junior class is subordinated to the senior class. The dispute has at times been bitter. Many lenders of short-term senior money have felt that there has been a gradual encroachment upon what they think, and I believe rightly, should be a position of unchallenged superiority. I have discussed this from time to time with many of you. Lenders of subordinated indebtedness, on the other hand, have felt that their position should be junior only in the event of certain happenings, and not otherwise, and that in any case not so specified, they should be on a par with senior debt. I might say, parenthetically, that this dispute is not entirely between commercial banks on one side and insurance company lenders on the other. Some insurance companies have as much or more invested in senior debt as they have in subordinated debt.

With each new inroad on full subordination, as the lenders of superior debt viewed full subordination, protests were raised. But these died out and the structure was progressively weakened. A new feature appearing in one agreement often spreads with surprising speed to other agreements. This was a continuing process. It was inevitable that, as this gradual chipping away at subordination continued, a real impasse was inevitable. Early this year this in fact did happen, and in at least one case this resulted in blocking further borrowing by one of your companies.

All of us with the interest and well-being of your industry in mind can realize that such disputes can only harm the industry. Your companies need a great supply of funds of both types of borrowing if they are to respond to the enormous demand for credit made upon them. Some minutes ago we reviewed how truly enormous this need is. Hence, your companies, as the borrower from both sources, must satisfy each class of lender, the superior lender as well as the subordinated lender. To make you the victim of this battle between the lenders would be wholly unfortunate. The only answer lay in an arrangement which would be agreeable to both classes of lenders and thus end the dispute.

Having in mind this urgent need of a sensible solution to the problem, early this year The First National Bank of Chicago and The Chase Manhattan Bank had their counsel meet with counsel for The Mutual Life Insurance Company of New York, an insurance lender with much experience in this field, and with attorneys of several of the major New York law firms who frequently represent very substantial insurance lenders. I directed our bank's counsel to discuss the problem of good faith and to determine the sore points which were causing the dispute to become increasingly acute. They were than to create language which would, if possible, resolve these sore points and fairly reflect the position of a superior lender in regard to a subordinated lender. They were to remember also that whatever language they produced must bear in mind the best interests of the industry, because we could solve our problems only by a solution which was acceptable to the two classes of lenders and was suitable for the industry.

As an aside, let me add this. Do not feel that banks or insurance companies in being so meticulous in drafting clauses relating to bankruptcy, dissolution and other doleful provisions are fearful that you are on the brink of disaster. Quite to the contrary. Yet, because the subordination agreements extend for a long period, usually 10 to 15 years, all contingencies of this kind must be foreseen.

From that meeting held in early Winter of 1955, there came ultimately a series of drafts of subordination language. I took great interest in them and from this work I grasped a sense that the problem was soluble so long as each side was seeking in fairness an equitable solution.

It was decided by the draftsmen that it would be impossible at that time to start absolutely anew in drafting their language, for everyone was generally familiar with previous patterns. The draftsmen therefore decided that they must work from existing patterns of language to mold it into something to fit the problem. Finally, by late August of 1955, the draftsmen agreed upon a final set of provisions. The two banks and the insurance company, originally the moving parties in its creation, agreed that the language would satisfy them.

This new language is now familiar to some of you and I suspect that it is very rapidly becoming familiar to most of you. In asking you to give it an open-minded reception we do not suggest that it is a perfect document. Far from it. There are any number of ways to reach the desired result and no single draft could possibly please all of us. Yet when we remember the state of things existing previously, we think by comparison the language is commendable.

In the last few weeks the response reaching us from representative lenders in both classes scattered throughout the country has been very gratifying. The typical comment reaching me has been along the lines — we have needed this type of cooperative approach and the suggested draft of language is a fair compromise.

If you would like my own personal comments, they are these. I think the industry will be benefited by having subordination language available which will satisfy the majority of lenders in each camp. As representing a large commercial bank, naturally I would like the senior lender position as strong as possible. Because reaching a compromise involves horse-trading, we have had to give way to some things. And so, too, did the other side. There are some things I would have liked to see added but, on the whole, I feel the new language is adequate to our need and fair between the parties. But let me add this. In my opinion, this language is as far as a senior lender could go without seriously weakening this position. It represents the bare-bones minimum we must have. We cannot take less. In particular situations we will undoubtedly insist on more. But for the sound, well-managed company, I think this is adequate and fair. My personal feeling on this has been reflected by many of my fellow bankers who have studied the language.

It is too early to speculate upon the reception the new language will receive. Early indications, with one vigorous dissent, have been generally quite favorable.

Because the finance industry is still in a state of aggressive development, it may be that a much better solution to the problem of subordination may appear. If this happens, I shall be delighted. Unfortunately, however, the millennium is not at hand. This is a carefully considered draft which should well fit many situations. Because I am convinced that the availability of generally accepted subordination language will benefit all of us, I urge you to acquaint yourselves with it and to give it an open-minded reception.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Richard L. MacPherson is now with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Elisa A. Freeman and Donald Leitch have become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr Leitch was formerly with H. Hentz & Co.

Joins Barth Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Willis E. Mathews has become associated with J. Barth & Co., 210 West Seventh Street. Mr. Mathews has been conducting his own investment business in San Marion and prior thereto was with Dean Witter & Co.

Public Utility Securities

By OWEN ELY

Outlook for the Gas Industry

A year or two ago it was thought that the period of major pipeline construction was about completed, but despite a highly confused regulatory picture at Washington, the industry has not hesitated to plan a vast new construction program, tapping new sources of gas in Mexico and Canada as well as in established U. S. areas. When the Pacific northwest pipeline is completed, 46 out of the 48 states will be receiving natural gas. Greater use of underground storage facilities will also make it possible to increase the househeating load instead of selling summer supplies of gas at low prices as boiler fuel, etc.

The FPC authorized construction of about 4,500 miles of transmission line in 1955, of which about two-thirds has been completed; and 22,000 miles of distribution and storage lines which did not require FPC approval were also constructed. The total represented about a 5% increase.

The industry spent an estimated $1,385 million on new construction in 1955. For next year the amount is forecast at $1,205 million and for 1955-1958 inclusive at $4,300 million. The industry now has nearly $16 billion in gross assets.

The gas industry is now serving nearly 37 million customers, including about 7.5 million isolated houses served with bottled LP gas, and 5 million customers who still use manufactured or mixed gas. The number of natural gas customers increased almost 2,000,000 in 1955, some of this gain being at the expense of manufactured and mixed gas customers, as additional customers converted to use of straight natural gas.

Natural gas sales reached a new high, 8.4% over 1954, while manufactured and mixed gas sales increased 3.9%. Natural gas revenues increased 16% while manufactured and mixed gas revenues gained only 0.4%, the average for the industry being nearly 14%.

Some of the major construction projects now under way are the American-Louisiana Pipeline Company's 1,200-mile line from Texas to Michigan, and the 1,800-mile line of Pacific Northwest Pipeline Company from the San Juan Basin to Oregon and Washington. Major projects still in the planning stage are:

(1) A line from the Peace River area in western Canada down to the U. S. border, which will serve gas to British Columbia and also to the U. S. through a connection with Pacific Northwest Company, nearly doubling the latter's potential supply.

(2) The 2,200 mile Trans-Canada Line (to be financed by Texas and Canadian interests, with the Canadian Government also contributing) to bring gas from the west to Ontario and Quebec.

(3) Tennessee Gas Transmission's proposed 1,112 mile line from Tennessee to Minnesota which will get half its gas from the South and half from Canada through a connection with Trans-Canada.

(4) Texas Eastern Transmission proposes to build a line from the Mexican border to Beaumont, Texas, to bring in gas from Mexico.

In addition a number of applications to the FPC have been made for substantial construction of loop lines, compressors, etc.

Referring to the underground storage program, early this year there were 6,395 active storage wells in operation in 172 pools located in 17 states. The 12 pools now under construction will add about 200 billion cf of storage space to the 1,859 billion cf capacity at the beginning of the year. About $75 million was spent on these facilities in 1955 and it is estimated that $187 million will be spent for the period 1955-58.

Recoverable reserves of natural gas reached a new high level of 212 trillion cf at the beginning of 1955. While over 9 trillion cf had been taken out of the ground in 1954, this was more than offset by new discoveries, etc.

A potential market for nearly 60 million gas appliances of all types is thought to exist over the next five years, if consumer purchasing power remains at present levels. Of this number, about one-third would be gas heating units of all types. It is anticipated that space heating requirements by 1957 should be about 53% ahead of 1954.

In 1955 about 1,146,000 gas househeating units were sold, a gain of 21% over the previous year. Sales of gas ranges increased about 13%, water heaters 23%, and automatic clothes dryers 34%, while sales of gas refrigerators were the highest in recent years. Sales of gas air-conditioning and gas incineration units also are reported to be increasing, but research work on these appliances is still actively progressing.

The current housing boom has been primarily responsible for a marked increase in gas utility customers, and in sales. Nearly 1.2 million starts have been made thus far in 1955. The great preponderance of these homes were constructed within franchise areas of gas utilities, who have added approximately $1.0 million customers since October 1954.

"MERRY CHRISTMAS"!

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John E. Gallagher, Bertram S. Urbach and Jerome Zonis have become associated with Samuel B. Franklin & Company, 215 West Seventh Street. Mr. Urbach was formerly with Edgerton, Wykoff & Co. Mr. Zonis was with Cantor, Fitzgerald & Co., Inc.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif.—Lawrence S. Mortenson is now with Lester, Ryons & Co., 1606 North Main St.

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. Statement withdrawn Nov. 29.

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 & Foreign Resources, Inc.**
Dec. 19 (letter of notification) 198,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For acquisition of mineral, etc. properties, for exploratory work and for working capital. **Office**—80 Wall St., New York, N. Y. **Underwriter**—None.

★ **Anchorage Gas & Oil Development, Inc.**
Dec. 19 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to development of oil and gas leases. **Office** — Anchorage, Alaska. **Underwriter** — Grace C. Tucker, Seattle, Wash.

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. Statement effective Nov. 4.

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%.

★ **Atlas Plywood Corp. (1/12-16)**
Dec. 19 filed $3,000,000 of 5½% convertible subordinated debentures due 1975 and $3,000,000 of 5% sinking fund debentures due 1971. **Price**—100% of principal amount. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Atlas Plywood Corp.**
Dec. 19 filed 49,684 shares of common stock (par $1) to be issued upon the exercise of stock purchase warrants, which warrants are to be issued in exchange for warrants to purchase shares of common stock of Plywood, Inc.

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.

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.

★ **Burch (John K.) Co., Grand Rapids, Mich.**
Dec. 16 (letter of notification) $100,000 of 20-year 5% debentures. **Price**—At par (in denominations of $500, $1,000, $2,000 and $5,000). **Proceeds**—For general corporate purposes. **Office**—217 Division Ave. South, Grand Rapids, Mich. **Underwriter**—None.

★ **California Eastern Aviation, Inc., Washington, D. C.**
Dec. 6 (letter of notification) 14,521 shares of common stock (par 10 cents) to be offered to certain individuals in satisfaction of outstanding indebtedness at rate of $3.81 per share. **Office**—1744 G Street, N. W., Washington 6, D. C.

Canuba Manganese Mines, Ltd.
Oct. 27 filed 500,000 shares of capital stock (par $1-Canadian). **Price**—$1.50 per share. **Proceeds**—For exploration of mining properties in Cuba. **Office**—Toronto, Canada. **Underwriter** — Baruch Brothers & Co., Inc., New York.

● **Caribou Ranch Corp., Denver, Colo.**
July 15 filed 505,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisiiton of property and equipment, construction of additional facilities, etc. Statement withdrawn Nov. 17.

● **Cascade Natural Gas Corp.**
Nov. 18 filed $3,589,450 of 5½% interim notes, due Oct. 31, 1960, and 71,789 shares of common stock (par $1), being offered first to common stockholders of record Dec. 9 in units of $50 of notes and one share of stock on the basis of one unit for each six shares of stock held; rights to expire on January 4. **Price** — Set at $54.50 per unit. **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. **Offering**—Expected in January.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of non-assessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of non-voting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

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.

★ **Coastal States Oil & Gas Co. (1/12-16)**
Dec. 19 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay off loans incurred for land purchases, for construction of gas pipelines and for further drilling. **Business**—To develop oil lands. **Office**—Corpus Christi, Texas. **Underwriter**—Blair & Co., Incorporated, New York.

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.

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. Statement effective Nov. 8.

Cross-Bow Uranium Corp.
Aug. 29 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (six cents per share). **Proceeds** — For mining operations. **Office** — 1026 Kearns Bldg., Salt Lake City, Utah. **Underwriters**—Potter Investment Co., and Mid-America Securities, both of Salt Lake City, Utah.

● **Cuba (Republic of) (12/27-30)**
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.

★ **Danly Machine Specialties, Inc., Cicero, Ill. (1/10)**
Dec. 16 filed 180,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — Together with $4,750,000 to be received from loan by institutional investors, to be used to retire present funded debt and to expand production facilities. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

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.

★ **Del-Valley Corp.**
Dec. 13 (letter of notification) $235,000 of junior lien bonds due in two years from date of issue without interest. **Price**—80% of principal amount. **Proceeds**—To reduce mortgages and for construction cost. **Office**—Cherry Hill, near Camden, N. J. **Underwriter**—Blair & Co. Incorporated, Philadelphia, Pa.

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.

★ **Dunham Woods Riding Club, Wayne, Ill.**
Dec 12 (letter of notification) $125,000 4% second mortgage bonds due Feb. 1971. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—For construction,

expansion, remodeling and improving of the Club buildings and facilities. **Office**—Wayne and Dunham Roads, Wayne, Ill. **Underwriter**—None.

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.

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) 99,900 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.

★ Ford Motor Co., Detroit, Mich. (1/18)
Dec. 21 filed 10,200,000 shares of common stock (par $5). **Price**—To be supplied by amendment (expected to be around $70 per share). **Proceeds**—To Ford Foundation. **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.

★ Ford Motor Co., Detroit, Mich.
Dec. 21 filed 800,000 shares of common stock (par $5) to be offered pursuant to the company's Savings and Stock Investment Program for Salaried Employees. **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.

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 Public Service Corp. (1/5)
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); rights will expire about Jan. 18. **Price**—To be supplied by amendment. **Proceeds**—To add investments in the company's portfolio. **Underwriter**—Stone & Webster Securities Corp., New York.

● Georesearch, Inc. (12/28)
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.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **Underwriter**—None.

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

★ Hammermill Paper Co., Erie, Pa.
Dec. 20 filed 166,400 shares of common stock (par $2.50) to be offered in exchange for shares of capital stock of Watervliet Paper Co. in the ratio of 26 shares of Hammermill common stock for each 25 shares of Watervliet stock. **Underwriter**—None.

★ Hathaway (C. F.) Co., Waterville, Me.
Dec. 15 filed 35,311 shares of common stock (par $1) to be issued upon exercise of outstanding common stock purchase warrants which were issued in 1950 and 1951 to the purchasers of 24,000 shares of 5.8% cumulative preferred stock at the rate of one warrant for 1½ common shares (before adjustment) for each preferred share. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None.

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.

★ Highland Telephone Co.
Dec. 12 (letter of notification) 2,500 shares of common stock (no par) and 2,000 shares of 4½% preferred stock (par $100). **Price**—For common, $40 per share; and for preferred, at par. **Proceeds**—To repay debt and for construction of plant. **Office**—145 North Main St., Monroe, N. Y. **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.

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NEW ISSUE CALENDAR

December 27 (Tuesday)
Cuba (Republic of)—Bonds
(Allen & Co.) $2,000,000
Industrial Plywood Co., Inc.—Common
(Standard Securities Corp. and Weill, Blauner & Co., Inc.) $300,000
Stone (E. B.) Finance Co., Inc.—Preferred
(R. S. Dickson & Co., Inc.) $225,000
Stone (E. B.) Finance Co., Inc.—Common
(R. S. Dickson & Co., Inc.) $75,000

December 28 (Wednesday)
Georesearch Corp.—Common
(Bear, Stearns & Co. and Keith, Reed & Co. Inc.) 400,000 shares
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 3 (Tuesday)
Puerto Rican Jai Alai, Inc.—Common
(F. H. Crerie & Co., Inc.) $1,875,000

January 4 (Wednesday)
Maine Fidelity Life Insurance Co.—Common
(P. W. Brooks & Co., Inc.) $1,125,000
McLean Industries, Inc.—Common
(White, Weld & Co.) 240,000 shares

January 5 (Thursday)
General Public Service Corp.—Common
(Offering to stockholders—to be underwritten by Stone & Webster Securities Corp.) 1,652,176 shares
Magnavox Co.—Preferred
(Reynolds & Co.) $6,000,000
Outboard, Marine & Manufacturing Co.—Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 313,845 shares

January 9 (Monday)
International Metals Corp.—Common
(Gearhart & Otis, Inc.) $400,000

January 10 (Tuesday)
Danly Machine Specialties, Inc.—Common
(A. G. Becker & Co. Inc.) 180,000 shares
Korvette (E. J.), Inc.—Common
(Carl M. Loeb, Rhoades & Co.) 222,000 shares
Techbuilt Homes, Inc.—Debentures
(Aetna Securities Corp.) $300,000

January 11 (Wednesday)
New Orleans Public Service Inc.—Preferred
(Bids 11:30 a.m. EST) $6,000,000

January 12 (Thursday)
Atlas Plywood Corp.—Debentures
(Van Alstyne, Noel & Co.) $6,000,000
Coastal States Oil & Gas Co.—Common
(Blair & Co. Incorporated) 500,000 shares

January 16 (Monday)
Silvray Lighting, Inc.—Common
(Milton D. Blauner & Co., Inc.) 225,000 shares

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.) 10,200,000 shares
Seattle-First National Bank—Common
(Offering to stockholders—may be underwritten by Blyth & Co., Inc.) 100,000 shares

January 23 (Monday)
Clark Oil & Refining Co.—Preferred
(Loewi & Co.) about $1,800,000

January 31 (Tuesday)
Northwestern Bell Telephone Co.—Debentures
(Bids to be invited) $25,000,000
Southern Mining & Milling Co.—Common
(Franklin Securities Co.) $300,000
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 23 (Thursday)
Southern Indiana Gas & Electric Co.—Common
(Offering to stockholders—may be underwritten by Smith, Barney & Co.) 83,030 shares

February 28 (Tuesday)
Texas Electric Service Co.—Bonds
(Bids to be invited) $10,000,000

February 29 (Wednesday)
Northern States Power Co.—Common
(Bids to be invited)

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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.

★ Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

Incorporated Mortgage Investors
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. (12/27-30)
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.

★ Inland Mineral Resources Corp., N. Y.
Dec. 12 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—42 Broadway, New York, N. Y. **Underwriter**—G. F. Rothschild & Co., same address.

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.

★ Insurance Co. of the South (Fla.)
Dec. 13 (letter of notification) 1,466 shares of class A common stock (par $10) and 2,490 shares of class B common stock (par $10). **Price**—Class A, $35 per share; and class B, $10 per share. **Proceeds**—For working capital, etc. **Office**—564 Osceola Street, Jacksonville, Fla. **Underwriter**—None.

International Investors Inc., New York
Aug. 23 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—To invest in foreign securities of the free world outside of the United States. **Underwriter**—I. I. I. Securities Corp., 76 Beaver St., New York, N. Y.

● International Metals Corp. (1/9-13)
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

★ Juniper Oil & Mining Corp., Denver, Colo.
Dec. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining and development expenses. **Office** — 1019 Mile High Center, Denver, Colo. **Underwriter**—None.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York New York.

★ Kemir Corp. of America, Fresno, Calif.
Dec. 7 (letter of notification) 20,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For inventory, establishment of outlets, working capital, etc. **Office**—354 W. Sierra, Fresno, Calif. **Underwriter**—None. George C. Underdown and Lorenzo S. Higley are pre-incorporation managers.

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.

★ Korvette (E. J.), Inc., White Plains, N. Y. (1/10-13)
Dec. 16 filed 222,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—To operate a chain of retail stores in New York City and suburbs. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

★ Land and General Finance Corp.
Dec. 13 (letter of notification) 30,000 shares of Class B common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase and development of land and future contingencies. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

★ Lear, Inc., Santa Monica, Calif.
Dec. 21 filed $3,000,000 of subordinated debentures due Dec. 1, 1970 (convertible through Nov. [illegible], 1965). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — Smith, Barney & Co., New York.

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.

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.

★ Little Queen Mines, Inc., Atlanta, Idaho
Dec. 16 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—None. Sales to be made through officers and directors of company.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of nonassessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

★ Loxcreen Co., Inc., Atlanta, Ga.
Dec. 13 (letter of notification) 10,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—To purchase machinery and raw materials. **Office**—1516 First National Bank Building, Atlanta, Ga. **Underwriter** — None.

● Magnavox Co. (1/5)
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 45,000 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.

Mari-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. No general offer planned.

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.

★ Moab Minerals, Inc., Grand Junction, Colo.
Dec. 14 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—$10 per share. **Proceeds** — For expenses incident to mining. **Office** — 740 East Main Street, Grand Junction, Colo. **Underwriter**—None.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of nonassessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

★ Monitor Exploration Co., Denver, Colo.
Dec. 9 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—623 First National Bank Building, Denver 2, Colo. **Underwriter** — Globe Securities Corp., Jersey City, N. J.

★ Montana Mining & Milling Co., Inc.
Dec. 13 (letter of notification) 300,000 shares of capital stock par 10 cents. **Price**—$1 per share. **Proceeds**—For expenses incident to mining. **Office**—230 Fifth Avenue, New York City. **Underwriter**—None. Offering to be offered by officers and directors of company.

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 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**—Not expected for two or three weeks.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of nonassessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

New 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.

★ New York University Club Inc.
Dec. 15 (letter of notification) $250,000 of 5% debenture bonds due March 1, 1966. **Price**—At par (in denominations of $250 each). **Proceeds**—To modernize club rooms and for working capital. **Office** — 123 West 43rd St., New York, N. Y. **Underwriter**—None.

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.

★ **North Star Oil & Uranium Corp.**
Dec. 12 (letter of notification) 15,000 shares of common stock (par 5 cents). **Price**—At market (about 75 cents per share). **Proceeds**—To selling stockholders. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

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 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.

★ **Outboard, Marine & Manufacturing Co. (1/5)**
Dec. 15 filed 313,845 shares of common stock (par 83⅓ cents), of which 213,845 shares are to be offered for subscription by common stockholders of record Jan. 4, 1956 on the basis of one new share for each 10 shares held (rights to expire on Jan. 23); the remaining 100,000 shares to be offered to the public for the account of two selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

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.

★ **Petroleum Utilities Corp., Albany, Ga.**
Dec. 12 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For working capital and other general corporate purposes. **Office** — Allen Building, Albany, Ga. **Underwriter** — None.

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% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

★ **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. (1/3-4)**
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.

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.

★ **Reno Hacienda, Inc., Inglewood, Calif.**
Dec. 19 filed 4,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase real property, for construction of buildings and other facilities and for general corporate purposes. **Underwriter**—Wilson & Bayley Investment Co.

Republic Benefit Insurance Co., Tucson, Ariz.
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

★ **Republic Pictures Corp.**
Dec. 13 (letter of notification) an estimated 2,000 shares of common stock (par 50 cents). **Price** — At market (about $9 per share). **Proceeds**—To stockholders entitled to receive fractional shares in connection with 5% stock dividends payable Jan. 3, 1956. **Underwriter**—None.

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., Washington, D. C.

★ **Riddle Airlines, Inc., Miami, Fla.**
Dec. 20 filed 967,500 shares of common stock (par 10 cents) to be offered for subscription by stockholders at the rate of one new share for each four shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Rogers Corp., Rogers, Conn.
Oct. 3 (letter of notification) a minimum of 5,883 shares and a maximum of 7,453 shares of class B common stock to be offered to stockholders on a basis of one share for each four shares held. **Price**—($29 per share). **Proceeds**—To replenish working capital due to losses sustained in recent flood. **Underwriter**—None.

San Juan Racing Association, Inc., Puerto Rico.
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of non-assessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

Sans Souci Hotel, Inc., Las Vegas, Nev.
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.

★ **Silver Creek Precision Corp.**
Dec. 12 (letter of notification) 13,333 shares of common stock (par 40 cents). **Price**—$1 per share. **Proceeds**—To selling stockholder. **Underwriter** — Weill, Blauner & Co., Inc., New York.

★ **Silvray Lighting, Inc. (1/16)**
Dec. 16 filed 225,000 shares of common stock (par 25 cents), of which 75,000 shares are to be for the account of the company and 150,000 shares for the account of certain selling stockholders. **Price**—To be $3 per share. **Proceeds** — To be used for expansion and working capital. **Underwriter** — Milton D. Blauner & Co., Inc., New York.

★ **South Atlantic Gas Co.**
Dec. 14 (letter of notification) 24,000 shares of common stock (par $5). **Price**—$12.50 per share. **Proceeds**—To repay short-term bank loans. **Office**—630 East Broughton Street, Savannah, Ga. **Underwriters**—Johnson, Lane, Space & Co., Savannah, Ga.; Grimm & Co., New York City; The Robinson-Humphrey Co., Inc.; Courts & Co.; J. H. Hilsman & Co., Inc.; Wyatt, Neal & Waggoner, and Clement A. Evans & Co. all of Atlanta, Ga.; Varnedoe, Chisholm & Co., Inc., Savannah, Ga.; Woolfolk & Shober, New Orleans, La.; French & Crawford, Atlanta, Ga.

★ **Southern Michigan Cold Storage Co.**
Dec. 12 (letter of notification) 802 shares of common stock. **Price** — At par ($100 per share). **Proceeds** — For construction of building a freezing unit. **Office**—Pipestone Road, Benton Harbor, Mich. **Underwriter**—None.

● **Southern Mining & Milling Co. (1/31)**
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.

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.

● **Stone (E. B.) Finance Co., Inc. (12/27-30)**
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 non-cumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

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.

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Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of non-assessable stock (par five cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office** — 728 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

★ Techbuilt Homes, Inc., Cambridge, Mass. (1/10)
Dec. 9 (letter of notification) $300,000 of 6% convertible debentures due Dec. 15, 1965. **Price**—100% of principal amount. **Proceeds**—For working capital and other general corporate purposes. **Office**—55 Brattle St., Cambridge, Mass. **Underwriter** — Aetna Securities Corp., New York.

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.

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 non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Tri-Continental Corp., New York
Oct. 27 filed 2,573,508 shares of common stock (par $1), which will be issuable upon exercise of the common stock purchase warrants presently outstanding. **Price**—Each warrant currently entitled the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

★ Trinidad Brick & Tile Co.
Dec. 14 (letter of notification) 800 shares of common stock (par $100); and $75,000 of 6% construction notes due Dec. 15, 1963. **Price**—At par. **Proceeds**—For paying notes payable and accounts payable and operating capital. **Office**—Trinidad, Colo. **Underwriters**—Fairman, Harris & Co., Inc., Chicago, Ill.

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.

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. Statement effective Dec. 12.

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 some time in January, 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.

★ Uranium Research & Development Co.
Dec. 7 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For mining operations. **Office**—209 Denham Building, Denver, Colo. **Underwriter**—None.

★ Utacal Uranium Corp., Los Angeles, Calif.
Dec. 16 (letter of notification) 500,000 shares of class A stock. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—722 South Western Ave., Los Angeles 5, Calif. **Underwriter** — Roderick L. Reed, Sr., 13279 Raven St., San Fernando, Calif.

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.

★ Vacu-Dry Co., Oakland, Calif.
Dec. 16 (letter of notification) 30,000 shares of class A cumulative convertible stock. **Price**—$10 per share. **Proceeds**—To repay outstanding notes and bank borrowings, and for working capital. **Office**—950—56th St., Oakland 8, Calif. **Underwriter**—Wilson, Johnson & Higgins, Inc., San Francisco, Calif.

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 Greyhound Racing, Inc., Phoenix, Ariz.
Dec. 19 filed 1,950,000 shares of common stock (par one cent), of which 1,800,000 shares are to be offered publicly. **Price**—$1.25 per share. **Proceeds**—To purchase assets of Arizona Kennel Club, and for working capital and other general corporate purposes. **Underwriter**—M. J. Reiter Co., New York.

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.

★ Wytex Oil Corp.
Dec. 15 (letter of notification) 8,700 shares of class A stock (par $1) to be issued upon exercise of warrants (effective Dec. 31, 1955) attached to 5% debentures due 1964 exercisable until Dec. 31, 1959. **Price** — $30 per share. **Proceeds**—To reduce bank loans and debentures and for advances to Wytex Services Corp., its subsidiary. **Office**—100 State St., Albany, N. Y. **Underwriter**—None.

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.

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 of 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.

★ Zylstra Corp., Opportunity, Wash.
Dec. 12 (letter of notification) 1,500 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For initial equipment, working capital, etc. **Address** — c/o Rena-Ware Distributors, Inc., Opportunity, Wash. **Underwriter**—None.

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.

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 & Aroostook 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. **Underwriters**—Kuhn, Loeb & Co. and The First Boston Corp., both of New York.

● Citizens & Southern National Bank, Atlanta, Ga. (1/20)
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 as of Jan. 20, 1956 (subject to approval of stockholders in January). **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

★ Clark Oil & Refining Co. (1/23-27)
Dec. 14 it was reported company plans early registration of about 90,000 shares of convertible preferred stock (par $20) and some common stock. **Underwriter**—Loewi & Co., Milwaukee, Wis.

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 Securi-

ties Corp.; Equitable Securities Corp.; Lehman Brothers; Blair & Co. Incorporated. **Bids**—Tentatively scheduled for Feb. 15.

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.

Federal Pacific Electric Co.
Dec. 13 it was announced directors are considering an issue of subordinated income debentures or possibly preferred stock, together with common stock purchase warrants. **Proceeds** — About $2,000,000, together with $2,000,000 from private sale of notes, to repay bank loans. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co., New York.

★ **Flo-Mix Fertilizers Corp., Houma, La.**
Dec. 12 it was reported early registration is expected of 159,000 shares of common stock. **Price** — Probably $5 per share. **Underwriters**—Fairman, Harris & Co., Inc., and Straus, Blosser & McDowell, both of Chicago, Ill.

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.

★ **General Shoe Corp.**
Dec. 21 directors authorized the filing of a registration statement with the SEC covering a proposed public offering of 160,000 shares of common stock (par $1) and an offering to employees of 36,000 shares of common stock (of which 12,000 are authorized but unissued) and 24,000 shares are to be purchased from time to time in the open market. **Proceeds**—For general corporate purposes. **Underwriter** — For public offering, Smith, Barney & Co., New York.

★ **General Telephone Co. of California**
Dec. 20 it was announced company has applied to the California P. U. Commission for permission to issue 718,862 shares of 4½% preferred stock (par $20), to be first offered in exchange for 5% preferred stock (par $20) of which there are outstanding 1,437,724 shares; unexchanged stock to be offered publicly. **Price**—$20.50 per share. **Proceeds**—Together with funds from sale of $15,000,000 of debentures and $5,000,000 of notes, to retire any 5% preferred shares not presented for exchange; and to pay for expansion program. **Underwriters** — Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif.

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.

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.

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.

★ **Lincoln Rochester Trust Co.**
Dec. 19 it was announced stockholders will vote Jan. 25 on proposed offering to stockholders of 100,000 additional shares of common stock (par $20) on a 1-for-4 basis. **Underwriter**—The First Boston Corp., New York.

★ **Louisiana Power & Light Co.**
Dec. 19 it was announced company plans some financing during 1956 (probably bonds). **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Equitable Securities Corp. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly).

★ **Mercantile National Bank of Dallas**
Dec. 12 it was reported stockholders will vote Jan. 10 on approving a proposed offering to stockholders of 150,000 additional shares of capital stock. **Price**—$25 per share. **Underwriters**—Rauscher, Pierce & Co., Inc., and First Southwest Co., both of Dallas, Texas.

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 England Power Co.**
Dec. 19 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds during first quarter of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New York Central RR.
Nov. 28 company asked ICC for authority to sell $6,600,000 equipment trust certificates to mature Dec. 15, 1956-1970 to Despatch Shops, Inc., a wholly-owned subsidiary, with latter to ultimately offer the certificates through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

New York, New Haven & Hartford RR.
Nov. 18 it was announced stockholders on Dec. 21 will vote on approving a plan of exchange providing for the issuance (a) of not exceeding $58,131,150 of new unsecured non-convertible 100-year 5% debentures, dated Jan. 1, 1956, in exchange for present $55,363,000 par value 5% convertible preferred stock, series A, on the basis of $105 of debentures for each $100 par value of preferred stock, plus $5.25 in cash ($5 of which will be paid as dividend on preferred for year 1955); and (b) of $72,638,265 of new 5% non-convertible general income mortgage bonds, series B, dated Jan. 1, 1956, in exchange for present $69,179,300 of 4½% convertible general income mortgage bonds, series A, due July 1, 2022, on the basis of $105 of new series B bonds for each $100 of series A bonds plus $5.25 in cash, which will include 1955 interest. **Dealer-Manager**—Francis I. du Pont & Co., New York.

Northern States Power Co. (Minn.) (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.

★ **Northwestern Bell Telephone Co. (1/31)**
Dec. 20 directors authorized the issuance and sale of $25,000,000 of debentures to be dated on or about Feb. 1, 1956 and to mature in not more than 40 years. **Proceeds**—To retire bank loans and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on or about Jan. 31.

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.

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.

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.

★ **Southern Indiana Gas & Electric Co. (2/23)**
Dec. 20 company sought permission from the Indiana P. S. Commission for authority to offer to its common stockholders of record Feb. 21, 1956, an additional 83,030 shares of common stock on the basis of one new share for each 11 shares held. Rights are to expire on March 8. **Underwriter**—Smith, Barney & Co., New York, underwrote previous rights offering. **Registration**—Expected about Feb. 2.

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. Bonds may be placed privately.

Texas 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. **Registration**—Expected immediately after the New Year.

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.

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.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 25	§97.5	*100.3	100.1	72.4
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 25	§2,353,000	*2,421,000	2,416,000	1,726,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 9	6,992,500	6,836,400	6,808,050	6,341,200
Crude runs to stills—daily average (bbls.)	Dec. 9	¶7,618,000	7,801,000	7,553,000	7,105,000
Gasoline output (bbls.)	Dec. 9	26,546,000	26,963,000	25,806,000	24,589,000
Kerosene output (bbls.)	Dec. 9	2,437,000	2,312,000	2,278,000	2,685,000
Distillate fuel oil output (bbls.)	Dec. 9	11,863,000	12,475,000	11,091,000	10,777,000
Residual fuel oil output (bbls.)	Dec. 9	8,518,000	8,350,000	7,825,000	7,880,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 9	158,374,000	157,535,000	152,084,000	150,653,000
Kerosene (bbls.) at	Dec. 9	32,005,000	33,221,000	35,762,000	34,210,000
Distillate fuel oil (bbls.) at	Dec. 9	134,413,000	140,103,000	150,606,000	124,067,000
Residual fuel oil (bbls.) at	Dec. 9	42,767,000	44,156,000	45,761,000	52,803,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 10	727,228	728,216	796,632	653,531
Revenue freight received from connections (no. of cars)	Dec. 10	664,474	617,489	681,992	605,204
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 15	$348,805,000	$330,333,000	$401,695,000	$271,757,000
Private construction	Dec. 15	175,233,000	139,050,000	307,848,000	143,677,000
Public construction	Dec. 15	173,572,000	191,283,000	93,847,000	128,080,000
State and municipal	Dec. 15	151,411,000	163,099,000	62,329,000	105,509,000
Federal	Dec. 15	22,161,000	28,184,000	31,518,000	22,571,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 10	10,760,000	*10,380,000	9,850,000	8,878,000
Pennsylvania anthracite (tons)	Dec. 10	562,000	549,000	565,000	631,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 10	236	197	141	224
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 17	‡11,602,000	11,426,000	11,149,000	9,909,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 15	247	219	214	208
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 14	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Dec. 14	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Dec. 14	$52.17	$49.50	$45.17	$32.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 14	45.300c	42.975c	42.950c	29.700c
Export refinery at	Dec. 14	43.450c	44.500c	44.150c	31.125c
Straits tin (New York) at	Dec. 14	110.000	105.375c	96.750c	89.375c
Lead (New York) at	Dec. 14	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Dec. 14	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Dec. 14	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 20	95.19	94.89	95.01	98.70
Average corporate	Dec. 20	106.74	106.92	107.80	110.70
Aaa	Dec. 20	109.79	110.15	111.44	115.04
Aa	Dec. 20	108.70	108.88	109.60	112.37
A	Dec. 20	106.92	107.09	107.98	110.70
Baa	Dec. 20	101.97	102.13	102.80	105.00
Railroad Group	Dec. 20	105.17	105.34	106.21	108.88
Public Utilities Group	Dec. 20	107.27	107.27	108.16	111.25
Industrials Group	Dec. 20	107.98	108.34	109.24	111.81
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 20	2.87	2.88	2.87	2.59
Average corporate	Dec. 20	3.35	3.34	3.29	3.13
Aaa	Dec. 20	3.18	3.16	3.09	2.90
Aa	Dec. 20	3.24	3.23	3.19	3.04
A	Dec. 20	3.34	3.33	3.78	3.13
Baa	Dec. 20	3.63	3.62	3.58	3.45
Railroad Group	Dec. 20	3.44	3.43	3.38	3.23
Public Utilities Group	Dec. 20	3.32	3.32	3.27	3.10
Industrials Group	Dec. 20	3.28	3.26	3.21	3.07
MOODY'S COMMODITY INDEX	Dec. 20	406.2	405.2	398.6	409.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 10	264,700	397,989	249,427	262,344
Production (tons)	Dec. 10	285,519	286,926	295,930	258,595
Percentage of activity	Dec. 10	102	98	102	94
Unfilled orders (tons) at end of period	Dec. 10	638,940	654,613	680,461	398,913
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 16	107.14	107.17	107.06	106.79
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. 26	868,377	1,279,079	991,607	1,103,947
Dollar value	Nov. 26	$49,353,310	$74,162,912	$51,206,914	$53,497,006
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 26	769,032	1,117,375	784,328	1,183,537
Customers' short sales	Nov. 26	5,971	9,797	4,793	7,271
Customers' other sales	Nov. 26	763,061	1,107,578	779,535	1,176,266
Dollar value	Nov. 26	$39,344,687	$59,408,308	$38,548,591	$53,152,371
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 26	214,760	314,300	208,600	371,070
Short sales	Nov. 26	------	------	------	------
Other sales	Nov. 26	214,760	314,300	208,600	371,070
Round-lot purchases by dealers—					
Number of shares	Nov. 26	320,110	479,820	409,290	299,970
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. 26	375,550	549,780	407,330	502,940
Other sales	Nov. 26	9,749,740	12,657,850	9,217,160	13,825,700
Total sales	Nov. 26	10,125,290	13,207,630	9,624,490	14,328,640
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 26	1,157,490	1,727,660	1,181,490	1,579,430
Short sales	Nov. 26	188,990	245,270	209,440	295,180
Other sales	Nov. 26	1,037,560	1,345,820	986,770	1,296,200
Total sales	Nov. 26	1,226,550	1,591,090	1,196,210	1,591,380
Other transactions initiated on the floor—					
Total purchases	Nov. 26	238,870	375,620	248,900	465,700
Short sales	Nov. 26	14,420	47,400	20,300	25,420
Other sales	Nov. 26	250,490	346,980	256,440	409,010
Total sales	Nov. 26	264,910	394,380	276,740	434,430
Other transactions initiated off the floor—					
Total purchases	Nov. 26	411,745	703,430	442,334	533,434
Short sales	Nov. 26	72,040	94,800	54,650	73,420
Other sales	Nov. 26	441,025	614,402	435,947	558,390
Total sales	Nov. 26	513,065	709,202	490,597	631,810
Total round-lot transactions for account of members—					
Total purchases	Nov. 26	1,808,105	2,806,710	1,872,724	2,578,564
Short sales	Nov. 26	275,450	387,470	284,390	394,020
Other sales	Nov. 26	1,729,075	2,307,202	1,679,157	2,263,600
Total sales	Nov. 26	2,004,525	2,694,672	1,963,547	2,657,620
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 13	111.0	111.1	111.1	109.4
Farm products	Dec. 13	83.3	*83.8	84.3	90.2
Processed foods	Dec. 13	97.8	98.0	98.8	103.4
Meats	Dec. 13	71.9	72.4	74.5	84.9
All commodities other than farm and foods	Dec. 13	119.4	*119.4	119.2	114.7

*Revised figure. ¶Includes 817,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons. ‡All-time high record.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN RAILWAY CAR INSTITUTE—			
Month of October:			
New domestic freight cars delivered	12,843	*3,228	2,704
ASSOCIATION OF AMERICAN RAILROADS—			
Month of October:			
Locomotive units installed in service	108	85	33
COAL EXPORTS (BUREAU OF MINES)—			
Month of September:			
U. S. exports of Pennsylvania anthracite (net tons)	302,159	207,475	272,785
To North and Central America (net tons)	265,287	173,847	270,608
To Europe (net tons)	33,873	31,331	1,677
To Asia (net tons)	2,999	2,297	------
To South America (net tons)	------	------	------
Undesignated (net tons)	------	------	500
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Oct. 31:			
Total consumer credit	$34,640	$34,293	$28,975
Instalment credit	26,963	26,699	21,952
Automobile	14,095	13,929	10,340
Other consumer goods	5,917	5,848	5,324
Repair and modernization loans	1,627	1,611	1,637
Personal loans	5,324	5,311	4,651
Non-instalment credit	7,677	7,594	7,023
Single payment loans	2,666	2,657	2,377
Charge accounts	3,218	3,108	2,892
Service credit	1,793	1,829	1,754
COPPER INSTITUTE—For month of October:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	110,071	*109,082	79,231
Refined (tons of 2,000 pounds)	127,765	139,880	92,918
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	133,946	144,571	105,293
Refined copper stocks at end of period (tons of 2,000 pounds)	49,738	53,625	33,290
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Dec. 1 (running bales)	13,052,006	------	12,454,945
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1955 Crop as of Dec. 1:			
Production 500-lb. gross bales	14,663,000	14,843,000	13,696,000
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of October (1947-49=100)	86.0	84.5	83.5
METAL OUTPUT (BUREAU OF MINES)—			
Month of September:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	186,502	*158,974	175,990
Silver (in fine ounces)	2,960,448	*2,797,698	2,827,355
Copper (in short tons)	90,707	*62,257	62,111
Lead (in short tons)	26,677	*26,666	25,001
METAL PRICES (E. & M. J. QUOTATIONS—			
Average for month of November:			
Copper (per pound)—			
Electrolytic domestic refinery	42.964c	43.030c	29.700c
Electrolytic export refinery	43.860c	43.411c	31.259c
Lead—			
Common, New York (per pound)	15.500c	15.500c	15.000c
Common, St. Louis (per pound)	15.300c	15.300c	14.800c
‡‡Prompt, London (per long ton)	£108.165	£106.881	£108.097
††Three months, London (per long ton)	£107.781	£106.589	£103.972
¶Antimony, New York boxed	36.470c	36.470c	31.970c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.500c
Antimony (per pound) Laredo	33.500c	33.500c	29.000c
Platinum refined (per ounce)	$101.570	$94.460	$77.667
Zinc (per pound)—East St. Louis	13.000c	13.000c	11.500c
††Zinc, London, prompt (per long ton)	£92.432	£90.896	£81.219
††Zinc, London, three months (per long ton)	£91.401	£90.696	£81.216
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.461c	91.794c	85.250c
Silver, London (pence per ounce)	79.295	79.958	74.313
Sterling Exchange (check)	$2.80145	$2.79205	$2.79434
Tin, New York straits	97.804c	96.090c	91.109c
§§New York, 99% min.	96.804c	95.090c	90.109c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$279.390	$275.560	$320.333
Aluminum, 99% plus ingot (per pound)	24.400c	24.400c	22.200c
Magnesium ingot (per pound)	32.500c	32.500c	27.000c
**Nickel	64.500c	64.500c	60.938c
Bismuth (per pound)	$2.25	$2.25	$2.25
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Nov.	£53,680,000	£11,190,000	£52,656,000
PORTLAND CEMENT (BUREAU OF MINES)—			
Month of September:			
Production (barrels)	26,938,000	27,861,000	25,522,000
Shipments from mills (barrels)	29,523,000	31,580,000	29,032,000
Stocks (at end of month—barrels)	9,802,000	12,705,000	10,909,000
Capacity used	109	109	106
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—			
Month of September:			
Net railway operating income	103,764,554	109,723,192	80,248,864
Other income	17,445,386	19,963,513	17,969,249
Total income	121,209,940	129,686,705	98,218,113
Miscellaneous deduction from income	4,572,365	4,308,650	4,150,422
Income available for fixed charges	116,637,575	125,378,055	94,067,691
Income after fixed charges	85,242,328	93,786,873	62,429,928
Other deductions	5,645,860	3,177,915	2,901,794
Net income	79,596,468	90,608,958	59,528,134
Depreciation (way & structure & equipment)	44,746,702	44,670,450	43,730,891
Federal income taxes	44,464,555	48,512,325	18,528,551
Dividend appropriations:			
On common stock	17,406,295	29,344,107	17,732,463
On preferred stock	1,027,685	4,537,038	2,510,355
Ratio of income to fixed charges	3.72	3.97	2.97
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	------	$30,687,000	------
Net purchase	$7,893,500	------	$14,238,500

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Our Reporter's Report

The current year is closing out in much better fashion for underwriters and their dealer organizations than had been indicated as recently as a fortnight ago.

At that time all things pointed to the industry going through the year-end with fairly substantial inventories on its shelves. Investors had been in a reluctant mood and displayed little or no inclination to take on new commitments in debt securities reaching market.

Fact of the matter is that investment bankers were pretty much reconciled to lugging a rather healthy backlog over the holidays. But suddenly, so far as the corporate market was concerned, the dam broke and buyers came in to just about mop up everything.

New Jersey Bell Telephone Co.'s offering of $25 million of 40-year debentures, priced to yield 3.33% touch off the last-minute rush to pick up available offerings.

Evidently institutional buyers did not want to finish the year so heavy in "cash" or unemployed funds as they might have been had they persisted in standing aloof. At any rate several came in for large blocks of the Jersey Bell's and that appeared all that was needed to spark the several earlier offerings which had been lagging.

Consolidated Edison's $70 million of 3⅜s, brought out early in the month at 101 to yield about 3.32%, had experienced some rough going. But the sudden surge of demand just about cleaned up this situation.

In the Clear for Ford

The investment banking fraternity could not have found itself in better position for the approaching Ford Foundation's huge Ford Motor stock operation if it had drawn the plans itself.

Other lagging debt offerings, several of which had been turned loose from syndicate in the past fortnight, have since moved into investor hands in a large way. Prices for such issues which had skidded momentarily have since scored good recoveries from the lows.

In short, the underwriters and dealers along with them now find themselves in the enviable position of having the vast bulk of their working capital free and available for seeing them through the gigantic task of marketing 10,200,000 shares of Ford Motor Co.'s stock.

Green Light Ahead

So far as any formidable interference from other borrowers is concerned, the Ford project seems assured of a clear track ahead.

The calendar is literally bare through the end of January and early February before prospective borrowers will be back in the market in any numbers. It is possible, of course, that such companies took their cue from the fact that virtually the entire underwriting industry will be engaged in the Ford operation.

Pennsylvania Electric Co., with $20.7 million of first mortgage bonds and $8 million of preferred up for bids Jan. 17 is the only important prospect prior to the Ford business.

Raising the Ante

Filing of the registration statement to cover the projected offering of Ford Motor Co. stock for the account of the Ford Foundation naturally proved the big topic of discussion through the closing days of this week.

The first surprise came when it was disclosed that the registration was to cover contemplated sale of 10.2 million shares instead of the 6,952,593 shares originally indicated.

Speculation on pricing naturally will be rife between now and the projected public offering date. But those with sharp pencils, figuring that a stock of this caliber should be priced around nine-times indicated earnings, calculated a figure of around $70 a share, based on projections putting this year's earnings around $7.80 a share for the new capitalization.

Hope Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Robley Baskerville is now with E. S. Hope & Co., Inc., 415 Laurel Street, members of the Los Angeles Stock Exchange.

AMSAF Corporation

AMSAF Corporation has been formed with offices at 120 Broadway, New York City, to engage in a securities business.

Mt. States Branch

LAS VEGAS, Nev. — Mountain States Securities Corporation has opened a branch office in the Riveria Hotel, under the direction of Harry R. Lahr.

Schuster & Co., Inc. Sells Cavitron Stock

Schuster & Co., Inc., New York, has announced that its offering of 18,035 shares of Cavitron Corporation common stock has been completed, all of said shares having been sold. The stock was priced at $16.50 per share.

The net proceeds will be used to provide the company with additional working capital to retire short-term obligations and increase inventories.

Cavitron Corp. manufactures ultrasonic cutting devices. As of Nov. 15, 1955, it had a backlog of orders in the amount of $165,-390 for 149 dental units.

The corporation, whose office is located at 42-26 28th St., Long Island City, N. Y., was incorporated in New York on May 14, 1947, under the name of Cobal Corp. The present name was adopted on Jan. 1, 1951.

Opens Branch Office

YAKIMA, Wash.—Mutual Funds Co. has opened a branch office at 10 South Third Street under the direction of Brooks Flewelling.

Western Secs. Branch

POCATELLO, Idaho—Western Securities Corporation has opened a branch office in the Whitman Hotel under the management of Arthur R. Mead.

Firm Name Changed to Williams & McWilliams

ROME, Ga.—The firm name of John W. Williams Company, 3 Broad Street, has been changed to Williams & McWilliams.

David Farrell Opens

LOS ANGELES, Calif.—David Farrell is conducting a securities business from offices at 626 South Spring Street.

Now Havener Secs. Corp.

The firm name of Havener-Hall Securities Corporation, 51 East 42nd Street, New York City has been changed to Havener Securities Corp.

Joins Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY, HILLS, Calif.—Lawrence A. Nessamar has joined the staff of Real Property Investments, Inc., 233 South Beverly Drive.

Davidson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Robert A. Frauenholtz has been added to the staff of Davidson & Co., 925-C North Fulton Street.

A. D. Hodgdon Opens

WASHINGTON, D. C.—Anderson D. Hodgdon is conducting a securities business from offices at 3601 Connecticut Avenue. Mr. Hodgdon was previously with Jones, Kreeger & Hewitt and Auchincloss, Parker & Redpath.

Forms H. A. Hyman Co.

BROOKLYN, N. Y.—Harry A. Hyman is engaging in a securities business from offices at 16 Court Street under the firm name of H. A. Hyman Co. Mr. Hyman was previously with First Investors Corporation.

Bateman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Eva C. Wagner has been added to the staff of Frank B. Bateman, 243 South County Road.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Hector J. McDonald, Jr. is now with Francis I. du Pont & Co., 212 Datura Street.

Joins A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard I. Cottrell has joined the staff of A. G. Becker & Co., Inc., Russ Building. He was formerly with Holt & Collins and Merrill Lynch, Pierce, Fenner & Beane.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Harry K. Strickler has become connected with Harris, Upham & Co., 232 Montgomery Street. Mr. Strickler was previously with Reynolds & Co.

Columbia Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—R. Louis Lawrence has become affiliated with Columbia Securities Company, Incorporated, 407 Main Street.

DIVIDEND NOTICE

JAMES B. BEAM DISTILLING CO.

DIVIDEND NOTICE

The Board of Directors of the JAMES B. BEAM DISTILLING CO. announces Dividends payable as follows:

CASH DIVIDEND

A Dividend of seven and one half cents (7½¢) per share payable January 6, 1956 to stockholders of record at close of business December 27, 1955.

STOCK DIVIDEND

A Dividend of one and one half percent (1½%) stock payable January 6, 1956 to stockholders of record at close of business December 27, 1955.

By Order Of The Board

T. JEREMIAH BEAM,
Vice-President

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

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a final dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1955, payable in Canadian funds on February 29, 1956, to shareholders of record at 3:30 p.m. on January 6, 1956.

By order of the Board.

FREDERICK BRAMLEY,
Secretary.

Montreal, December 12, 1955.

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 32

THE BOARD OF DIRECTORS has this day declared a regular quarterly cash dividend of Forty-Two and One Half Cents (42½¢) per share on the capital stock of the Company, payable on February 15, 1956 to stockholders of record at the close of business January 16, 1956.

R. E. PALMER, *Secretary*

December 15, 1955

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on December 21, 1955, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable January 1, 1956, to stockholders of record at the close of business on December 21, 1955.

The Board of Directors of this company on December 21, 1955, declared a dividend of 20 cents per share on the outstanding Common Stock of the company payable February 1, 1956, to stockholders of record at the close of business on January 10, 1956.

EDWARD FRAHER, Secretary

GAMEWELL

At a meeting of the Board of Directors of The Gamewell Company, held today, Friday, December 16, 1955, a dividend of 40 cents per share was declared payable on the Common Stock of the Company on January 16, 1956, to stockholders of record at the close of business on January 5, 1956.

E. W. Sundberg, Treasurer

Miami Copper Company

61 Broadway, New York 6, N. Y.
November 17, 1955

A quarterly dividend of fifty (50c) cents per share was declared, payable December 22, 1955, to stockholders of record at the close of business November 29, 1955.

An extra dividend of one ($1.00) dollar per share was declared, payable December 22, 1955, to stockholders of record at the close of business November 29, 1955.

An additional extra dividend of one ($1.00) dollar per share was declared, payable January 12, 1956 to stockholders of record at the close of business November 29, 1955.

JOHN G. GREENBURGH
Treasurer.

DIVIDEND NOTICES

UNITED SHOE MACHINERY CORPORATION

202nd Consecutive Quarterly Dividend

The Board of Directors has declared a dividend of 37½ cents per share on the Preferred stock and 62½ cents per share on the Common stock, both payable February 1, 1956 to stockholders of record January 3, 1956.

WALLACE M. KEMP,
Treasurer

December 14, 1955

PACIFIC GAS and ELECTRIC CO.

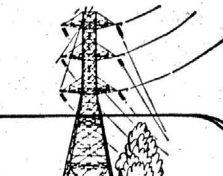
DIVIDEND NOTICE

Common Stock Dividend No. 160

The Board of Directors on December 14, 1955, declared a cash dividend for the fourth quarter of the year of 55 cents per share upon the Company's common capital stock. This dividend will be paid by check on January 16, 1956, to common stockholders of record at the close of business on December 27, 1955. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer

San Francisco, California



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK
Dividend No. 184
60 cents per share.

PREFERENCE STOCK,
4.48% CONVERTIBLE SERIES
Dividend No. 35
28 cents per share.

PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 31
28½ cents per share.

The above dividends are payable January 31, 1956, to stockholders of record January 5. *Checks will be mailed from the Company's office in Los Angeles, January 31.*

P. C. HALE, *Treasurer*

December 16, 1955

Washington . . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the strangest of shows in just about a generation of the annals of politics is this fight over the natural gas bill, a fight in which, incidentally, the chances are weighted heavily against the gas producers.

It was about 1938 when Congress passed the first Natural Gas Act, providing for the regulation of the rates at which interstate pipelines transported gas in interstate commerce. The pipeline was thus accorded its place along with other interstate utilities, whose rates would be regulated to prevent abuses.

When natural gas is sold to a local distributor for piping to the final consumer, that local distributor is usually in turn regulated as a utility by one state agency or another.

Many members of Congress who were around at the time, insisted that the original 1938 act specifically exempted local production and gathering; that the regulation applied only to the interstate transportation of gas by pipelines.

However, the woods around Washington, D. C., in the 1940's were full of ardent regulators, and one in particular, Leland Olds, a former Chairman of the Federal Power Commission, had the reputation of wanting to regulate the price at which natural gas was sold locally at the wellhead as it went into gathering lines for later sale to the interstate pipelines.

One of the curiosities of the gas fight, however, is that neither Mr. Olds nor any one else ever sold the FPC as such in favor of recommending that the producer's price of gas be regulated.

Congress Affirmed Intent

Aware of the purposeful drive of the "liberals" to swallow wellhead gas prices into the vast Federal regulatory maw, however, the gas and oil people in 1950 persuaded Congress by a substantial majority to pass a bill which its sponsors asserted was for the purpose of re-affirming the intent of the 1938 act, to exempt production and gathering from FPC regulation.

President Truman, however, who always had as sharp an eye for the quick and easy vote as the late Justice Oliver Wendell Holmes is supposed to have had for a girlish figure, joined with those who took the view that this was a scheme to gouge consumers and vetoed the bill. The bill failed to pass over the veto.

With the FPC still opposing regulation of production and gathering, the thing rocked along until the summer of 1954 when the Supreme Court of the United States, in the Phillips case, ruled that the regulation of field prices of natural gas was provided in the Natural Gas Act.

Ordinarily, when a Federal court is interpreting the scope of a statute, it attempts to ascertain the "intent of Congress." In this case the court would not have had to engage in any extremely tedious or painstaking research. The 1950 vote affirmed that a majority of Congress was opposed to this regulation. This intent was clearly expressed, an expression hardly vitiated by the fact that Harry Truman killed the bill in 1950.

So this is the second highlight of this fight over natural gas. The Supreme Court by judicial law-making construed an application of a law contrary to the expressed wish of Congress as well as a majority of the regulatory body responsible for the subject.

Local Cost Is Smallest Part

The "liberals" of today are contending that if this bill is passed, it will exempt gas prices from regulation with the result that consumers will be obliged to pay hundreds of millions of dollars more to heat their houses and factories and to cook their food.

It is the contention of the gas and oil industry, on the other hand, that the field price of natural gas in the smallest part of the cost. For instance, the industry asserts that in New York City today the retail price to the individual consumer of gas is $2.08 per one thousand cubic feet. The pipeline gets 23 cents of this and the city gas distributor, $1.77.

Admittedly the 23 cents which the pipeline receives is regulated by the FPC, and the $1.77 of the local distributor is regulated by the State of New York. That leaves only eight cents of the $2.08 which is the bone of contention.

In other words, it is exactly one twenty-sixth of the retail cost to the individual consumer in this specific case which is the narrow field of the controversy. In their propaganda against the Harris bill, the 1955-56 version of the initial forlorn attempt to exempt the field price from Federal regulation, the opponents of the bill are careful not only to avoid narrowing the scope but instead imply that ending ALL regulation of gas prices is the objective of the bill.

Powerful Opponents

Arrayed against the Harris bill, aside from the solid "liberal" phalanx, is the CIO. The CIO made a TV film attacking the Harris bill, and it is being shown around the country by local gas distributors. The local gas distributors also have been mobilized to front the fight against the bill, and have influenced any number of local chambers of commerce to join the pack on the theory they are protecting millions of consumers against higher gas costs.

Regulates Gas Prices

Another paradox of the current political show over this bill is that as passed by the House in 1955 it does NOT exempt — although billed as such by the opposition — the field price of natural gas from regulation by the FPC.

Actually the bill started out in the House with such an exemption but in committee and on the floor, the "liberals" got tacked on amendments which in effect provide that the pipelines must show they are paying no more than the fair field or market price for the gas they purchase from independent gas producers. Whenever a pipeline seeks to raise the price of its gas or extend or add a physical facility, then it comes to the regulatory dock and must make the showing that it is paying not more than a fair market price.

This then ushers in another curiosity of the gas bill. Despite the fact that it DOES provide, via the pipeline, for the regulation of the wellhead price of gas, the "liberal" and CIO opposition is just as implacable in its opposition.

For this there appears to be a simple explanation. The specified objective of the bill is one to exempt the production of natural gas from Federal regulation. In the amendments and in the committee, the bill has departed from its avowed purpose. The explanation of why the "liberals" still are riding it to death as an issue is that it sounds so good as a political issue. It is so much easier to demagogue against a bill designed to "exempt from regulation" than it is to take a fair and factually accurate attitude. As one key figure explained it privately:

"I know that this bill does NOT exempt wellhead prices of gas from regulation, but it is ease to assert the simple, contrary contention, and it takes a couple of hours of technical argument to explain the facts, arguments which millions of voters will not take the time to hear or read."

Why Industry Wants

Since in practical fact the industry has lost the exemption it wanted of the regulation of the price of a commodity, the question arises as to why the industry still wants the Harris bill in its apparently eunuchal form.

This, it is explained, is because of the type of regulation of field price provided. Here it is a question of technical language more than of something which meets the layman's eye.

It is assumed that if the Commission enforced only the "fair market" or "fair field" price, that the gas industry would avoid the strict utility concept of price-fixing, or one which permits the FPC to go down into plant investment and set gas prices at the point of production which regulate some limited return, like the 6% common in utility regulatory bodies.

Such a limited profit might, of course, treat the gas industry like the decaying street car business. It would allow no sure compensation for and writing into the rate structure of the costs of exploration and drilling dry holes.

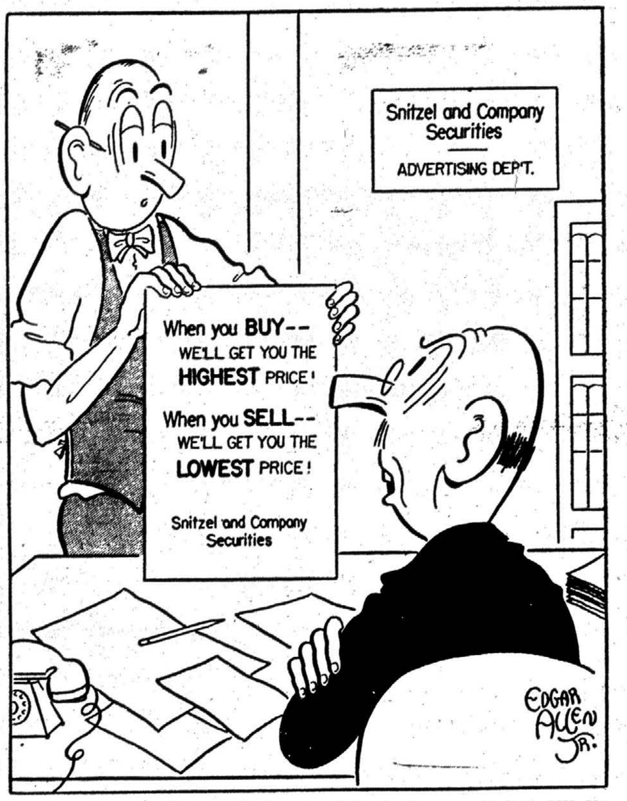
Will Fail

The best paradoxically, that the gas industry can hope for is the failure of the Harris bill even if, it is noted, the industry itself is not apparently that pessimistic. The worst is that the bill might be passed, twisted off course 180 degrees, with a utility standard of rate-making written into the law, and be signed by the President. This would convert the bill into the total reverse of what the industry wants.

For the "liberal" element in Congress or the bureaucracy cannot abide the gas and oil industry's depletion allowances for tax purposes, nor its tremendous success in making fools of each generation of governmentalists who have predicted the ending of oil supplies and the need for government to get firm hands locked around the industry's development.

[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



"Tell me something, Pumpernickel, do you think I'll live long enough to see that grand and glorious day when you finally do a job without botching it up?"

Chittenden V. P. of J. P. Morgan & Co.

George H. Chittenden has been elected a Vice-President of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, it was announced by Henry C. Alexander, Chairman.

Mr. Chittenden, previously an Assistant Vice-President, is in the bank's foreign department, specializing in foreign exchange. He joined Morgan's as a trainee in 1939 after graduation from Yale. He was appointed an Assistant Treasurer in 1948 and an Assistant Vice-President in 1949.

Also announced were the appointments of Joseph P. Dow and Robert V. Lindsay as Assistant Vice-Presidents; Watson K. Blair, Everett W. Cady, Jr., Lewis T. Preston, Sidney G. Butler and Norbert G. Leroy as Assistant Treasurers; John P. McGinnis and E. Grant North, Jr., as Assistant Secretaries; and James H. Brooks as an Assistant Trust Officer.

Mr. Dow, who entered the Morgan bank in 1935 as a trainee, heads its tax department. He is a graduate of Williams College and Brooklyn Law School. He has been an Assistant Secretary of the bank since 1948.

Mr. Lindsay, a graduate of Yale, has been with Morgan's since 1949, becoming an Assistant Treasurer in 1954. He is assigned to the general banking department.

Messrs. Blair, Cady and Preston are in the general banking department; Messrs. Butler and Leroy in the foreign department; Messrs. McGinnis and North in the statistical department; and Mr. Brooks in the personal trust department.

Business Man's Bookshelf

European Coal and Steel Community (Part I) — Bureau of Business and Economic Research, University of Maryland, College Park, Md. (paper).

Fifty Years of Engineering and Construction — Historical brochure—Ebasco Services, Incorporated, 2 Rector Street, New York 4, N. Y. (paper).