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EDITORIAL

As We See It

The President has some real economists at his elbow, and the result is seen in some of the passages of his "Economic Report" issued last week. Such passages as these, taken by themselves, must find a hearty reception in the minds of many men and women who have the good of their country at heart:

"The mainspring of our economy is to be found in the qualities of the American people. Given free institutions and a favorable physical environment, an expanding economy is the natural fruit of the enterprise of such a people. Today, we believe as strongly in economic progress through free and competitive enterprise as our fathers did, and we resent as they did any unnecessary intrusion of government into private affairs."

And again:

"Lasting prosperity of the nation depends far more on what individuals do for themselves than on what the Federal Government does or can do for them. The rate of our economic advance in the years ahead will depend largely on our ability as a people to preserve an environment that rewards individual initiative and encourages enterprise, innovation, and investment."

And then, how we got to be so prosperous:

"Many factors have been quietly adding to the strength of our economy, and the current expansion is fundamentally an expression of their cumulating force. Among these factors are the unexpectedly large upsurge of population in the past decade, the continued growth of scientific knowledge, the onrush of technology, the rapid obsolescence of what is sometimes regarded as fixed capital, the recent development of long-

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Time for Breathing Spell In Our Forward March

By NICHOLAS E. PETERSON*
Vice-President, The First National Bank of Boston

Boston banker reviews the past and present year's economic forces and says the boom is operating on borrowed times unless over-expansion curbs receive popular approval. Mr. Peterson compares the specific guidance provided by the Employment Act of 1946 with the vagueness of the original Federal Reserve Act in re-examining principles and practices of money, credit and fiscal policies as they relate to cyclical management. Urges Federal agencies, including FHA and VA, to discontinue inflationary lending policies.

Business activity is moving upward but currently at a slower pace than prevailed in the first half of last year. This is to be expected as industry is operating near capacity, with reports of growing shortages of materials and labor in many lines. The momentum is so strong, however, that business will reach still higher levels in the first half of 1956. The boom, however, is operating on borrowed time, and a breathing spell is essential in order to correct unhealthy developments.


Nicholas E. Peterson

Expenditures by the major spending groups—consumers, business and government — continue upward. Consumer spending is at near-record levels as a consequence of sharply rising indebtedness and an increase in income from expanding employment and an advance in wage rates, with prospects that further gains to disposable income may be made in 1956 by a reduction in income taxes. Business spending plans for plant and equipment in 1956 are headed for

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*An address by Mr. Peterson before the Society of Painting and Decorating Contractors of Massachusetts, Inc., Boston, Mass., Jan. 20, 1956.

New Horizons in Money and Banking

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

Stressing our central banking system's importance in having sole full-time responsibility for dollar's purchasing power, Mr. Martin asserts 20th Century thinking has evolved into accepting government's responsibility for minimizing economic gyration and preventing major disturbances. Lists as chief problems constantly confronting the Board's Open Market Committee: (1) the requirements of the Treasury; (2) seasonal requirements of business; (3) the economy's growth factor, and (4) psychological nature of the community's expectations.

Now it's no news to anybody in this room that, generally speaking, business and banking opposed the establishment of the Federal Reserve. I think we can be quite superficial in saying, "Well, that shows that business and banking were blind." Quite the reverse. It seems to me it shows that business and banking were aware of the fact that a great deal of power was now being given to a government body—that we were embarking upon a managed currency, something that strikes right at the roots and heart of our way of life and, if mismanaged, would produce all of the dangers and difficulties—perhaps worse—of the money panics which we had been witnessing. But we had reached a point, with the panic of 1907, where the decisions of the marketplace were considered to be so blind, and the difficulties with the evaporation and disappearance of money when it was most needed, and its abundance when it was least needed, had struck


W. McC. Martin, Jr.

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*Transcript of an address by Mr. Martin at the Round Table for Business Executives (Dr. Julius Hirsch, Chairman), New School for Social Research, New York City, Jan. 12, 1956.

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 38.

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

FRANK B. A'HEARN

William I. Rosenfeld & Co., New York City

Members American Stock Exchange

Federation Bank & Trust Co., N. Y. C.

Frank B. A'Hearn

It is a well known fact, that the banking fraternity of the metropolitan area and persons who make it a practice to follow the progress of banks operating in and around New York City, all feel the bank to watch during 1956 is The Federation Bank & Trust Co. Their main office is located at 34th Street at 8th Ave., N. Y. C., with branches at 6 East 45th Street, N. Y. C. and 41-84 Main Street, Flushing, L. I.

The Federation Bank & Trust Co. first opened its doors in May, 1923 and has continued to serve its customers up to the present day.

In April, 1944 there was an important change made in the management. Vice-President Thomas J. Shanahan took over the office of President, President Jeremiah D. Maguire became President of the Board. These two gentlemen made an ideal combination, Mr. Shanahan with his youth and drive, Mr. Maguire with his years of experience in the financial field.

It wasn't long before Mr. Shanahan began to make his presence felt. With his increasing knowledge of the business along with a personality that attracted many friends and his love for hard work the Federation started to draw the attention of major banking institutions in and around New York City.

Mr. Shanahan's and Mr. Maguire's first step was to start interesting local businessmen and civic leaders in the affairs of the bank by offering them directorships. In this way they gradually built up a strong and intelligent Board. These men not only attend meetings and offer their counsel to the officers, but are constantly on the lookout to help build up business for their bank. A great deal of credit goes to these gentlemen for the splendid work and cooperation given to the President and his officers.

The bank's first important move came Jan. 3, 1951 with the opening of its first branch at 6 East 45th Street, N. Y. C. In a short period of time this branch was handling a good part of the business in this section of the city.

With the success of the 45th Street branch assured, Mr. Shanahan not satisfied to stand still continued to be on the lookout for new and fertile fields of business. He finally chose the town of Flushing, L. I. With the backing of his Board, Mr. Shanahan opened the Federation's second branch in April, 1954 at 41-84 Main Street, Flushing, L. I. In a period of 20 months this branch is making plans to move into larger quarters so as to keep pace with one of the fastest growing communities in the New York City area.

The following table shows the increase in a stockholder's holdings from 1944 (the year in which Mr. Shanahan became President) to 1955:

	Shares		Cost to Stockholder
Holder on Jan. 1, 1944 of 100 shares	100		$2,000*
Stock dividend December 1944 7/33 for 1	21 7/33		----
Stock dividend 25% November 1945	30¼		----
Subscription 1 for 4 November 1945	30¼		600
Subscription 1 for 3 January 1953	60		1,200
Subscription 1 for 4 October 1954	60		1,200
Stock dividend 20% October 1954	43		----
Subscription 1 for 5 May 1955	69		1,380
Cost	418		6,380
Market at 12/27 say 29		12,122	
Cost		6,380	
Appreciation		5,742	

In addition $12.725 in dividends per share paid 1/1/44—12/31/55

*Assuming that the stockholders paid $20 for these shares.

Bank stock buyers soon started to take notice of the progress of this institution and the names of Federation's stockholders started to increase. In April 1944 there were 292 stockholders, as of Jan. 1, 1956 there were over 900.

The following statement illustrates the growth of the Federation Bank & Trust Co.:

Dec. 31	Gross Operating Earnings	Capital Stock	Deposits	Dividends Paid—Cash—Per Share	Dividends Paid—Cash—Amount
1943	465,000	825,000	23,700,000	1.00	82,500
1944	570,000	*1,000,000	29,600,000	1.00	82,500
1945	710,000	†1,500,000	37,600,000	1.00	112,428.25
1946	850,000	1,500,000	35,300,000	1.00	150,000
1947	864,000	1,500,000	35,300,000	.875	131,250
1948	915,000	1,500,000	36,800,000	.50	75,000
1949	959,000	1,500.000	46,400,000	.75	112,500
1950	1,113,000	1,500,000	46,100,000	1.25	187,500
1951	1,423,000	1,500,000	47,500,000	1.25	187,500
1952	1,424,000	1,500,000	53,200,000	1.25	187,500
1953	1,650,000	‡2,000,000	56,700,000	1.25	250,000
1954	2,011,000	§2,900,000	86,200,000	1.25	295,000
1955	2,824,000	¶3,480,000	96,500,000	1.35	455,300

*Increase 17,500 shares. †Increase 50,000 shares (stock dividend 25% 25,000 shares); sale 25,000. ‡Increase 50,000 shares. §Increase 90,000 shares (40,000 20% as stock dividend); sale 50,000. ¶Increase 58,000 shares.

Another step forward has recently been made by Mr. Shanahan with completion of plans for Federation's most important move to date. Sometime during the month of April, 1956 the bank will move its main office to The New York Coliseum Building at Columbus Circle, N. Y., the 34th Street office will continue in operation as a branch. The lease was signed Dec. 15, 1955 with many New York City civic and political dignitaries present. The Federation Bank & Trust Co. will be the only bank to maintain offices in The Coliseum Building. This office will be equipped to offer its customers the most modern banking facilities in the metropolitan area.

With the great amount of work and planning that has gone into the opening of this important branch along with the daily business routine, one would think it enough to keep Mr. Shanahan and his associates overburdened with work. But with visions of future expansion this energetic young executive even now is considering several other new locations for additional branches in the New York City area.

So for these reasons I predict greater things for the Federation during the coming year under its young and experienced President.

The range for stock during 1955 was: High 34, low 25, and closing price as of Jan. 20, 1956, 29½.

HAROLD NELKIN

Manager Research Department

Osborne & Thurlow, New York City

Strategic Materials Corporation

Harold Nelkin

Strategic Materials may be a mining empire in the making. The company has interests in 70 properties on some 2,400,000 acres in Eastern Canada. Ore deposits on these properties run the gamut from manganese and uranium to base metals, feldspar, and silica. Engineering estimates have placed the value of the company's presently known ore reserves at approximately $150 million. In addition, and perhaps of even greater importance than the company's mining claims, are the rights which are held to certain metallurgical and mining processes. Some of these are of such major significance that they have attracted the attention of large companies in various fields of mining and extraction. In all, Strategic Materials holds exclusive rights to 18 different processes all of which are the inventions of Dr. Marvin Udy. The four processes that appear to be most important to the company's present operations are:

(a) An electric furnace process by which ferro-manganese can be produced economically from low grade manganiferous ores.

(b) An electric furnace process for the recovery of ferrosilicon, magnesia and ferro-nickel from the asbestos tailings or waste from asbestos mines, of which there is a tremendous quantity on waste dumps scattered throughout the asbestos mining areas.

(c) A process for the recovery of titanium, pig iron and aluminum from bauxite slag as well as from high ferrous bauxite.

(d) A process for the direct production of pig iron from low grade iron ores without primary beneficiation.

The process for the extraction of ferro-manganese from low grade ores is of particular value in connection with the company's Woodstock manganese project. The successful application of this process could free the North American Continent from dependence on foreign manganese ores.

Through the 100% owned Stratmat Ltd., Strategic Materials is exploring two adjoining blocks of land aggregating 27,250 acres near Woodstock, New Brunswick. One

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The Increasing Burden

SEC rule requiring filing of certified annual financial statements termed a paternalistic edict adding an additional burden to an already overburdened industry. Rule, a theory only. Larcenous dealer can walk off with clients' money and securities, certified financial report notwithstanding. Rule X-17A-5 should be abolished and not expanded. Commission overstaffed and its harassment of small businessman gives it the appearance of being busy.

The Securities and Exchange Commission Rule X-17A-5 requires that each calendar year certain members*, brokers and dealers file with the SEC a report of financial condition. This report must be certified by an independent accountant.

Currently, financial statements filed with the SEC by dealers or brokers that do not make it a practice of extending credit or holding customers' funds or securities, except as an incident to transactions promptly consummated by payment or delivery, need not be certified by an independent accountant.

This exemption does not apply, however, in a case where a dealer or broker is already providing a certified statement to some stock exchange or State Securities Commission or Agency.

Now, along comes the Commission, via its "Release No. 5264," and proposes to erase this exemption so that in the future all annual reports of financial condition filed pursuant to this rule shall be certified by an independent accountant.

The SEC has invited all interested persons to submit views and comments on the proposal.

For this latest intended innovation, it assigns the following reason:

"It has been suggested that brokers and dealers now exempt from the certification requirements may owe money or securities to customers in substantial amounts in connection with their transactions and that such customers should have the protection afforded through examination of the books and records and the certification of the financial statements of such brokers and dealers by independent accountants."

When the SEC ostensibly uses the impersonal term "it has been suggested," we grow wary. Suggested by whom? Wouldn't it be more frank to say this Commission suggests?

When this rule first saw the light of day we were against it. Our opposition was based on numerous grounds not the least important of which was the fact that a man's honesty bears no relation to his possessions.

We could not see, then, nor can we see now, any sound reasoning or business policy which should require the filing of annual financial statements with the SEC by brokers and dealers. These, in themselves, constitute no guarantee of honesty, and can be doctored by knaves where the inclination exists.

The present attempt by the Commission to lift the very exemption which it put into that rule is in itself an admission of SEC ineptitude. We have had a spate of releases wherein the SEC has sought to modify the complexion of its own creatures.

In the interim the investing public, the broker, the dealer and the tax-payer have suffered.

The difficulty we find with the SEC philosophy of regulation—if indeed it may be called a philosophy—is that it treats with the brokers, dealers and underwriters as if they were a pack of thieves.

You can't legislate honesty and decency. Rogues will

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*The term "member" as here used means a member of a National Securities Exchange who transacts a business in securities directly with others than members of a National Securities Exchange.

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Bull Market Near Peak

By ANTHONY GAUBIS*

Anthony Gaubis & Company, Investment Counselors

Mr. Gaubis expects sharp market fall to follow early peak. Believes bear market will be of 1937 rather than 1929 variety. Looks for good short-term outlook with well-sustained business activity; with a substantial decline to follow by 1957.

The last time that I had the opportunity to present my views before your Association on the Outlook for Stock Prices, I made the prediction that the Dow-Jones Industrial Average was likely to get above 450 before the bull market ran its course. I hope that you will not be too disappointed, and will forgive your Program Committee, if I present a less optimistic picture at this time. I realize that there are more risks in being "a prophet of doom," and less chance of "making friends and influencing people" by facing unpopular facts than there is in being perpetually optimistic, but I am afraid that I would be misleading you and wasting your time if I talked about the 10- or 20-year outlook, rather than about the prospects, as I see them, over the next 12 to 18 months.

Anthony Gaubis

Before we discuss the question of the outlook for stock prices for this period, it might be well to take our bearings in order to see just how far we have traveled to get where we are.

At the recent high of about 490 in the Dow-Jones Industrials, this Index was 427% above the low touched in April, 1942; 201% above the 160-163 level which marked the lows for each of the years 1946 to 1949; and approximately 92% above the level touched in September, 1953. The bull market has now had a lifespan of almost 14 years, if we date the rise from 1942; of six years and seven months, if we date the rise from 1949; and of 28 months from the last intermediate low point recorded in September, 1953. To secure a little perspective as to the magnitude of the advance since 1942, it might be interesting to note that the rise from 1921 to 1929 was equal to 503%, as compared with the advance of 427% since April, 1942. **It would be necessary for the Dow-Jones Industrial Average to experience a further net gain of only 14% from the recent peak to equal the rise which ran its course in the Summer of 1929.**

I should like to state at this point that I do not believe there is any danger of another decline of the type witnessed between 1929 and 1932, at least during the lifetime of those of us who "lived" through 1929. For one thing, we have a better foundation for the current advance, which represents in part a belated readjustment to the 59¢ (gold) dollar. Furthermore, our so-called "built-in stabilizers" will touch off inflationary forces once business declines sufficiently to bring about a 15% to 20% decline in Federal tax receipts. At worst, any decline in business activity and in stock prices is likely to be limited to about the magnitude of the 1937-1938 readjustment.

My guess at the present time is that the next bear market will get under way before the middle of this year, and prove comparable with that of 1937, when the Dow-Jones Industrial Average declined by about 49%. Assuming that we will have one further rise during the next month or two, to around the 510-530 level in the Dow-Jones Industrials, the subsequent decline may well carry us down to somewhere between 300 and 350. This may sound almost incredible, considering the long-term growth of the country, but it really isn't: the 325 level for the Dow-Jones Industrials would still be equal to more than three times the level touched in April, 1942, and about double the lows touched as recently as 1949. In terms of specific issues such as General Motors, a decline of say 50% from the November, 1955 high of 54, would mean that this stock was still holding at a level of about three times the low touched in 1949. I doubt if anyone in this room would have accused a speaker of being overly pessimistic if he had predicted in early 1949 that by 1957, General Motors was likely to be available at a price equal to only three times the level touched in 1949.

At this point, I would suggest that you look at the accompanying chart which shows the path of Standard & Poor's Index of Industrial Stocks since 1900. The long-term price zone shown in gray is that computed by the Standard & Poor's organization. On the upper right-hand part of the chart is shown another price path which represents the long-term trend lines computed by Standard & Poor's, with our own adjustment for the 59¢ gold dollar.

As you will see from this chart, a decline in stock prices to the lower limits of the revised or "59¢ gold dollar" price zone by late this year or early in 1957 would carry this average down to around its 1953 peak. In terms of the Dow-Jones Industrial Average, this would approximate the 300 level.

With reference to the chart, I might call attention to the similarities of the market's action since 1942, as compared with that of 1921-1929. The initial advance or bull market during the 20's ended early in 1923, and was followed by about two years of consolidation. The next leg of the major advance, or the second minor bull market, ended early in 1926 at just under the long-term trend line. The subsequent shakeout was of brief duration, and was followed by the third leg of the major rise which ended in 1929.

An advance comparable with that of 1921 to 1923 was witnessed between 1942 and 1946, with the longer duration of this latter advance being accounted for by the impact of World War II. The consolidation which followed the 1946 decline was also somewhat longer than that witnessed between 1923 and 1924; and the early 1953 shakeout, which was called a bear market by many Dow Theorists at that time, was quite comparable with the 1926 experience. The rise since September, 1953, seems to have a great deal in common with that of 1927 and 1928, particularly in that the trend of stock prices was upward, while the Federal Reserve Board Index of Industrial Production was declining by about 10% in 1927, and also in 1954. The "New Era" psychology which developed in the late '20's stemmed in part, of course, from the ability of stock prices to rise in 1927, while industrial activity was declining, and the belief that Federal Reserve policies would prevent business recessions from developing because of the limited decline in business activity during 1927.

I am calling attention to the similarities in both the economic and technical background of the market with that of the '20's partly because I think we have all been overdoing the emphasis on the differences between the current picture and that of 28 years ago, while playing down certain similarities. The fact that the business boom in the late '20's was based in part on the spending of borrowed money with securities as collateral, represents both a basic difference and a basic similarity with the current boom in the demand for goods, which is also based in part on borrowed money, but with automobiles and household appliances, rather than securities, as collateral. If and when the public decides to start to cutback its spending to a point where it can reduce its debts, rather than continuing to spend in excess of current incomes, we could have the basis for a downside spiral in business.

Near Cyclical Peak

I believe that we are near a major cyclical peak partly because the current advance since September, 1953, has had a duration of 28 months. With only one or two exceptions in the past, intermediate bull markets such as the one which got under way in September, 1953, or in July, 1934, have seldom enjoyed durations of more than 28 to 32 months. The few exceptions have occurred when the outlook for a further rise in business activity was quite good. The strong probability that business activity is now at or near the highest levels likely to be witnessed for at least the next two years, adds to the prospect of a peak in stock prices during the first half of 1956.

A second technical reason for expecting an early peak in the stock market is the fact that certain Timing Studies, which I first developed some 25 years ago, indicate the presence of three overlapping ten-year cycles. One of these has always run its upside course either early or late in the sixth year of every decade, depending upon whether the trend of the market had been upward for one or two full calendar years at the beginning of the sixth year. This approach called for a peak in late 1936, and in early 1946. It now calls for a top early this year, possibly comparable with that witnessed in the first quarter of 1906, in the last quarter of 1916, or in November, 1936. (The New York "Times" Industrial Stock Average reached a peak in November, 1936, which was not exceeded during the next 13 years. The Dow-Jones Industrial Average, however, reached a peak equal to 4% above its November, 1936 high before declining by 49%.)

* * *

Turning to the question of market levels, our work suggests that the peak for the Dow-Jones Industrial Average is likely to be somewhere between 510 and 530, or 2% either side of the 520 level. The lower limit of this zone is only 4% above the recent high, and as a matter of fact, is below the composite highs for last year of the 30 stocks which make up the Dow-Jones Industrial Average. (Our calculations indicate that if these 30 stocks had all made their highs at the same time, last year's peak for this Index would have been approximately 523. Normally, there is only a 2% or 3% difference between the actual high for the Dow-Jones Industrial Average in any year and the composite high for the 30 stocks which make up this average.) It is obvious, therefore, that if our projections and assumptions are correct, stocks should prove to be a sale on any rise to only moderately above the highs witnessed in December and early January.

We have been looking for a high of only slightly above the 500 level for the Dow-Jones Industrial Average, even though the earnings for this group of stocks during 1955 were close to $36 a share, and will probably hold at that *rate* during the first half of 1956. On the surface, a case could be made for an objective equivalent to 16 to 17 times earnings because such price-earnings ratios were recorded at the major peaks reached in 1929 and 1937. As a matter of fact, the 1929 high for the Dow-Jones Industrials was equivalent to 19 times the earnings for that year, while the 1937 peak was equal to 17 times that year's earnings. In both of these years, however, earnings declined very sharply during the final quarter with many companies actually experiencing temporary deficits. If we adjust for the unexpected declines in earnings during these years, we find that stocks reached peaks equivalent to only about 14 or 15 times the anticipated level of earnings at the time that the highs were witnessed.

Another fundamental approach which would suggest that the market is currently near a cyclical peak is that of yields on common stocks. On the basis of the cash dividends actually paid by the 30 companies whose stocks make up the Dow-Jones Industrial Average, the yield at last year's high was 3.8%. This is still substantially above the yield levels which gave warnings of market peaks in 1929, 1937, 1939, and 1946, but the record shows that yields on stocks have been following a rising rather than a declining trend over the past 30 years. I think that this can be accounted for by the impact of the higher rate of

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*A talk by Mr. Gaubis before the Association of Customers' Brokers, New York City, Jan. 26, 1956.

The State of Trade and Industry

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

For the country-at-large over-all industrial production in the period ended on Wednesday of last week declined slightly, but was markedly above the level of the similar week of last year.

Fractional losses were recorded in the steel, automotive, food processing and construction industries.

In the labor field, it was noted, claims for unemployment insurance dropped moderately. The most noticeable declines occurred in Pennsylvania and New York. Claims rose somewhat in California and Michigan, where there were scattered layoffs in the food processing and automotive industries.

The optimism of steel leaders over the condition of the steel market is not just whistling in the dark, but is backed up by orders on the books and more business in the offing, according to "The Iron Age," national metalworking weekly.

Automotive cutbacks have caused scarcely a ripple in the pattern of incoming business and other consumers are taking up the slack. Automotive parts suppliers, for instance, are happy to get the leftovers, this trade journal notes.

Further evidence is the continuing fast pace of warehouse sales. Steel warehouses have gone through December and January at October sales levels, which means they have done as much business in their normal slump period as they usually do in their peak months.

The piecemeal advance in steel prices through adjustments in extras and, in some cases, base prices, is based on confidence that business will hold up and the need to bring the price structure into line with production costs.

Steel consumers are not likely to let up on the pressure for delivery so long as (1) their inventories are low in relation to productions, (2) the steel labor outlook remains uncertain, and (3) the probability that steel prices will move up in one way or another both before and after the labor settlement, continues this trade authority.

Some other signs of continued strength include (1) new business is running ahead of new capacity, (2) backlogs are growing in plates, structurals, and most grades of pipe, (3) some small and medium size fabricating shops are loaded to the hilt with business and would like to step up production—if they can get the steel, and (4) when most steel firms opened second quarter order books they found enough business being offered to fill the third quarter, concludes "The Iron Age."

In the automotive industry United States car makers are expected to produce 613,900 units in January, "Ward's Automotive Reports," stated on Friday last.

Thus, production for the current month—blemished by industry layoffs and intermittent suppliers' strikes will fall some 10% from December's 682,256 unit total and 6.9% from January 1955's 659,508 unit total.

"Ward's" said that individual corporation output for January would be: General Motors — 317,900 units; Ford Motor Co. — 160,900; Chrysler Corp.—100,700; Studebaker-Packard—19,100 and American Motors—15,300 units.

Thus far in 1956, said the statistical agency, United States automobile builders have turned out an estimated 558,400 units; the count is 11.9% below the 627,510 cars built in the first four weeks of 1955.

The automotive publication said that production for the current week will run to 138,378 cars—a 4.4% drop from last week's 144,738 assemblies and a 13.9% decline from the 160,666 units compiled during the corresponding week a year ago.

Last week's cut, said "Ward's," was engendered by General Motors, whose divisions combined for an 11.8% dip in scheduling

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Observations . . .

By A. WILFRED MAY

THE INESCAPABLY TROUBLE-SHOT

How can the public official possibly assure himself of keeping out of trouble?

This question — deemed to be purely rhetorical by this writer — is triggered now by the self-styled "boner" pulled by Secretary of Agriculture Benson, climaxing a succession of political *rhubarbs*.

A. Wilfred May

Secretary of Defense Wilson suffered as Helpless Victim Number One in our series of political targets—the ammunition in this man-hunt consisting of one part falsification-through-lifting-out-of-context, one part direct misquotation, and two parts pure demagoguery.

The upshot of the politico-journalistic assassination of Mr. Wilson is that he has been viewed, in even some objective sectors, as having unpatriotically glorified Big Business ("General Motors") over his country; with some of the public patronizingly giving him the "benefit of the doubt" in ascribing his allegedly heinous remarks to a temporary fit of stupidity. Merely a simple look at the record would show anyone that in contrast to that horrendous robber baron blast "What's good for General Motors is good for the country," he actually told the Senate Committee, "For years I thought what was good for the country was good for General Motors, and vice versa"—surely an unobjectionable copybook maxim.

Catching the Mayor

Another jam, unavoidable without the use of hindsight, coming to mind, is that which recently involved New York City's Mayor Wagner (a member of the other political party from this writer as well as Secretary Wilson). Surely there was nothing culpable or any opportunity for his personal gain, in his intended supplying of city records for cooperation with TV production.

Appeasement and Context Versus Dulles

Secretary Dulles' big embroglio with his political and other opponents exemplifies our important public officials' Hobson's choice of either being a do-nothing, or getting into politically-prompted hot water — hot water which not even the greatest public relations geniuses can keep their man away from. Here the very intelligent leader of the opposition political party, Mr. Stevenson, stooped to a combination of exploiting the universal appeal of the peace-offering appeasement mirage, via attack on a position completely distorted through deliberate and calculated lifting of published statements from context. Without quibbling over the meanings of "war-brinking" or other nuances of the "Life" magazine interview, no objective citizen having read the article and/or being aware of the unceasing Eisenhower-directed peace strivings, can reasonably swallow the portrayal of Secretary Dulles as the war-mongering and reckless leader of his country into international crises for the purpose of displaying his skill in the "art" of eleventh-hour extrication.

Secretary Ezra Taft Benson's ensuing *cause celebre* exemplifies an extra category of difficulty. For the politically gun-shy Mr. Benson nevertheless got into trouble because of "incompetent" office-mechanics. His forthright recantation indicates that as Secretary of Agriculture he would have had enough "political sense" to desist from forthright endorsement of the certainly valid observation that "our pampered tyrant, the American farmer, is about to get his boots licked again by both political parties," and that too many marginal farmers are being kept in business by subsidies from the public treasury. Only because of the administrative boner was he responsible for making an apparently admittedly "nefarious" attack on farmers.

We can offer no conclusion to all this, except for an adjuration to the public to weigh more carefully its indictments of political officeholders on grounds of alleged stupidity, in their "public relations."

* * *

FROM A FORGOTTEN ECONOMIC AREA

Economists who are inclined to gloss over the cultural and psychological aspects of their field might well take seriously the new volume, **"A Wife Is Too Many Women,"** by **Doris Fleischman Bernays** (Crown. 209 pp. $3.00). With disarming naivete the marital and business partner of Edward L. Bernays, the public relations dean, intersperses her distaff-side observations on publicism, housekeeping, hostessing, sex, wife and motherhood, with significant sociologically laden impressions of business and money (most of the latter in a full-length chapter, "Women are Funny About Money").

For example, she soundly points out that many men find it difficult to understand the young adults whose attitude toward expenditure is basically sociological.

Consumer Credit Evil

On the now red-hot question of consumer credit restrictions, we have this grass roots expression: "I think, too, of the mounting anxiety among experts over the innumerable debts of innumerable people who have been taught by business, through advertising and promotion, to want and purchase too many things that are not justified by their earning power."

Midst the 1951 inflation threat period, she witnessed a dinner party conversation where a businessman and a banker offered the anti-inflation remedies of spending curtailment, tax increases, and the reduction of farm subsidies. The simple complaining rejoinder, "Wipe the farmer out?", was our lady's quick and perhaps typical observation.

On the women-for-Board of Directors agitation, she says it was so exceptional, including the creator of nationwide news, when Dorothy Shaver was made President of Lord and Taylor, and Bernice Fitz-Gibbon a Montgomery Ward director; that such indication of bias, besides injuring women and their families creates competition that is unfair to men.

Chronicling the Great Depression psycho-economically:—"How could any person with an adequate living escape a feeling of guilt, while millions of people shivered on bread lines? Apples, the symbol of desperation, were eaten as medicine for the conscience."

And this a-Keynesian theory of the money function: "Money is a kind of Christmas present. It is a symbol of love designed by men."

* * *

Out of the mouths of babes—and women — come some vital truths, or at least, some reactions to be reckoned with!

The Long-Range Business Outlook

By LIONEL D. EDIE*
Chairman of the Board, Lionel D. Edie & Company, Inc.
Economic Consultants and Investment Counsel

Pointing out that previous forecasting has tended to underestimate subsequent eventualities, Dr. Edie maintains America's long-range business outlook depends on new angles of population trend analysis, stressing family income; and the percentage of income spent on research by business. Notes tremendous upgrading of family income, coupled with great preference for suburban living; which he concludes will greatly raise the norms of auto production, housing, steel, and other sectors of industrial activity. Asserts cumulative high expenditure on research and development, rather than governmental measures, constitute our economy's effective built-in stabilizer.

A short time ago, I heard the head of an American corporation make a comment on long-range forecasts. He said that he had made many of them, himself, both for general business and for his own company, and he had heard other people make many long-range forecasts but he had never known one of them to be accurate: they were all too low!

Lionel D. Edie

That observation gives me a little comfort in making a long-range statement today. As an illustration, in 1953, at this previous meeting, one of the specific projections had to do with the population of the United States 10 years hence. That was a forecast of population for 1963.

Checking up on that forecast, I find that the figure for 1963 has to be revised considerably. That figure for 1963 looked quite optimistic at the time, but it is certainly going to turn out to be too low by 15 to 20%. That is, roughly two and a half years after the original population projection, it has to be revised upward 15 to 20%.

This particular reference has reminded me of the work that was done back in 1952-1953, by the famous Paley Commission, a Commission set up by President Truman to make long-range projections of the requirements of this country for raw materials. Among other projections, they made an estimate of the population of the United States for 1975. The figure which they took for 1975 was 193 million. It is now indicated that the figure of 193 million will be reached in 1965 instead of 1975.

*Transcript of an address by Dr. Edie before the National Industrial Conference Board, New York City, Jan. 20, 1956.

Also, this Paley Commission made some estimates of the probable output of passenger cars, and of housing starts. They made these projections, mind you, for 1975, and in both industries those projections for 1975 were reached or surpassed in 1955.

Long-range forecasts are notoriously under-estimates, as judged by the record. A man pities himself because he might have been too bold or too hopeful and then he usually pities himself because he didn't have the courage of his convictions and let his imagination go without too much concern.

The comments that I have to offer today are divided into two parts: **First**, the long-range projections of business along pretty much conventional lines; and, **second**, a projection of an unconventional nature, trying to take into account new angles, new insights, new forms of emphasis.

I shall slide over rather briefly the conventional type of projection because it is widely acknowledged and accepted, and it has become more or less of a commonplace. This acceptance did not exist two or three years ago.

Present Population Projections

Long-range projections start with the population, which I have already indicated as a figure of roughly 193 million, for 1965, as against 165 million for last year, an increase of roughly 27 or 28 million people in the space of 10 years.

The population projection is used in part as the basis for a projection of the total volume of business. It has become a sort of good American csutom to project American business in terms of Gross National Product, and the usual figure for this purpose is aimed at the year 1965 and the figure is expressed in terms of constant prices in order to give a physical volume calculation. And the usually-accepted figure for 1965 is $500 billion of Gross National Product. That would be as against an average level of Gross National Product last year of about $387 billion. That figure of $500 billion for 1965 was given, in a sense, an official endorsement a year ago when President Eisenhower adopted it as an objective in his annual messages. It has a governmental acceptance and whatever might be the outcome of the elections in 1956, the Democratic Party would have that as an objective just as much as the Republican Party would.

That figure of $500 billion, Gross National Product, in constant prices, for 1965, probably is too low.

The statistical brotherhood is busy raising sights in terms of constant dollars, and raising them still further in terms of estimated price levels that might exist in 1965.

Assuming a tendency of wages to rise a little bit faster than productivity, there is a bias of inflation in the price structure of the economy; and, assuming that to be roughly in the neighborhood of 1½% per annum increase in the price level over the next 10 years, or 15% all told, any figure in constant prices has to be raised by roughly 15% to think in terms of then-current prices.

Allowing for the original underestimate, even of constant prices, and adding to that an estimate for some gradual inflation in price level over a 10-year stretch, we come out with a Gross National Product for 1965 of somewhere in the neighborhood of $575 to $585 billion at then-current prices. That is as against $387 billion this past year.

This is the conventional way of dealing with the long-range outlook. I think it is useful, but each year we have to try to make progress, to learn something new about the long-range outlook. We can no longer be satisfied with the measurements that seemed to be adequate a year or two, or three years, ago.

New Areas in the Outlook

So today I should like to attempt to branch out into certain new areas and to indicate some new concepts and new developments which seem to me to give new meaning, new significance, to the long-range outlook for American business.

At this point I think it may be useful to try to make a very concise, one-sentence, statement as to what my target is in the remainder of this talk. My target is this: that the long-range outlook for American business depends upon new angles of analysis of population trends, stressing particularly family income, and it depends upon the percentage of income that is spent by American business in generating new ideas about processes and products.

What are the new angles that have to do with the population trends? They can be very briefly stated: First is the up-grading of family incomes. Up until the last year or two it was customary to bring the family into statistical analysis by using household formations. But household formations proved to be a rather crude and unsatisfactory tool. And so the attention turned to the upgrading of family income. "Up-grading" means that the number of families having an income of $5,000 or more has shown a pronounced up-trend.

The number of families having an income of $3,000 or more has also shown a sharp up-trend, and this up-grading of family income has to be implemented in order to understand what happened in 1955 in the automobile boom, and in the housing boom.

This is sort of post-mortem, because very few people anticipated the tremendous expansion of the automobile business, in particular. But it was obvious that something was lacking in the previous tools of analysis, so there has developed a body of knowledge and method having to do with the up-grading of family income.

Families with incomes above these minima that I have mentioned are the bulk buyers of new automobiles, new houses, and new electrical appliances. They buy in the neighborhood of 80 to 90% of all these new products each and every year. So any sharp up-trend in these larger family incomes is particularly important as throwing some light on the potential of the American market.

Family Income Projections

Now, applying this concept to the future, I offer these projections of family incomes, that during the next 10 years the number of families with incomes above $5,000 will increase 100%. The number of families with incomes above $3,000 will increase 50%. Those very high percentage increases on a family basis will compare with an increase in the population, of all grades and ranks, of about 16% in the same period of time.

So you have this tremendous up-grading of family income and, along with that, you have another trend in that the American families are showing a great preference for suburban living. There is a population trend and family trend to life in the suburbs, and it is indicated that our suburban population in the next 10 years will increase in the neighborhood of 80%, about four or five times the increase in the non-suburban population.

There is a fairly close identity between the families that have the higher incomes and those that move to the suburbs; they are pretty much one and the same families, so that there has come into play a very dynamic factor. In thinking about the demands of the American people for improvement of their home life, and for all the community amenities that go with the American standard of living in the forms of roads, schools, highways, hospitals, and the like, that plays a part.

As a result of this new emphasis on family analysis, there have developed during the past 12 months certain new concepts of what constitutes a normal year in the automobile business, in the housing business, and what constitutes excess capacity in the steel business and in many other lines of business. I should like to review very briefly three of these new concepts that are the product of the past 12 months.

New Concepts

First, in the field of the automobile, I think that most of you will agree with me that up to a year ago any competent authority on the automobile industry would have said that the average normal year would be 5,000,000 passenger cars. An optimist might have gone as high as 5½ millions. But if you ask the same people today what would be a pretty good average, normal year, I doubt if you would get many people to give you a figure below 6 millions, and most will come nearer to a figure of 6½ millions, not as a boom year but as a good normal-growth requirement year. If you think in terms of my longer-range trends of family incomes and the family movement to the suburbs, you will observe that five years from now the concept of a pretty good average, normal year in the automobile business will not be 6 to 6½ million passenger cars, but it will be 7½ to 8 millions, not as a boom but as a norm.

In the field of housing starts we have a similar new concept and as of a year ago qualified authorities on residential building quarreled as to whether a good, normal building year was 800,000 housing starts or a million. Today nobody would pay much attention to the 800,000 figure; a deep-dyed pessimist might talk now about a million; but the concensus of opinion would now regard something like 1,200,000 housing starts as a norm in the residential building field.

The concept has changed, not only on the part of private business, but also on the part of government. When the government agencies are trying to pull the strings just right, in behalf of full employment, they have come to regard 1,200,000 housing starts as the minimum below which housing should not be allowed to fall unless you wish to have serious unemployment. That is the "peril point" in housing starts, and so the housing concepts have changed.

New Concepts About Steel

The concepts have also changed in the steel industry. During the Korean War period, the steel industry added more than 20 million ingot tons of capacity. They regarded this as in part excess capacity, they were thinking that it would take the steel business five years, perhaps to grow up to this new capacity.

But during the past 12 months this style of thinking has changed. It has been discovered that there is as of now a shortage of capacity on the part of the steel industry to meet peak demands during a typical business year. And so the man who could see only an "excess capacity" a year ago, now joins the rank and file of steel executives in saying that we must build another 30 million tons of steel capacity in the next 10 years, just to keep pace with the growth requirements of the economy.

New concepts in these industries and in other industries, which I shall not try to include here have given us a sort of mental factor in the long-range projections, which is just as important as the statistical factors. As a result of these new concepts, having had this new insight into the family life of the American

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Foreign Policy and Economics In a Political Year

By HON. WILLIAM F. KNOWLAND*
United States Senator from California

Minority Senate leader emphasizes economic realities in analysis of the international scene. Points to the need for a *quid pro quo* sincere voluntary defense agreement due to our inability to afford both a system of collective security and a system of neutralism in the light of our: (1) heavy national debt; (2) $65 billion budget; (3) high taxes; (4) limited resources; (5) postponement of worthwhile U. S. projects, and (6) $52 billion in world aid since 1945. Senator Knowland favors aid for disaster and technical assistance, but suggests reliance on private capital for development of natural resources and industry.

Americans regardless of their party affiliation are pleased to have noted the excellent progress toward recovery that President Eisenhower has made and the fact that he is once again able to resume his duties in the Nation's capital.


Sen. W. F. Knowland

The President has already sent the State of the Union, the agriculture, education and the budget messages to the Congress. All of these documents have recommendations of great importance to our national life.

Now the 84th Congress, as the Constitutional repository of the legislative power, will determine how much of the recommended program will be adopted and in what final form.

Events may take place this year in Europe, Asia, Africa, in the Western Hemisphere, or in the Middle East that could set off a chain reaction of far-reaching significance.

It is important that in this year when political tensions may mount at home and international stresses may take place abroad, that all those in Government should speak with responsibility and with the knowledge that what is said may be distorted to serve the purposes of those who would destroy human freedom throughout the world.

Yet, in a free republic it is equally important that those in government speak with frankness. The American electoral result of 1956 may be one of the great decisive events of modern history.

Our international relations have a great impact on our domestic economy as well as upon other nations. Foreign policy is too important to be left to government alone. It is of concern to 165 million Americans.

The age of colonialism is dead. Our own excellent record in the Philippines and elsewhere has been marred by impressions in Asia and the Middle East that we have allowed ourselves to be compromised by association with the colonial policies of Great Britain and France.

Countries could understand us better with our non-colonial record in the Philippines and Cuba and our own successful fight for independence if we would say frankly that our foreign policy is based on what is best for America.

They know we seek no territory and that we have an intuitive national conviction that our own survival as a free nation will be better served by assuring a free world of free men, than by any system which attempts to hold the loyalty of people by force of armed power and against their national will.

In 1858 a young and growing nation faced a great issue of principle over the expansion of slavery beyond its then limits. Abraham Lincoln, at that time a candidate for the United States Senate, said:

"If we could first know where we are, and whither we are tending, we could better judge what to do and how to do it."

Our aim should be to live in peace with all nations, but to pay tribute to none.

Our desire is for a system of international law and order based on peace with honor and justice. A world in which small or large nations would have to live in fear of imminent violence or to buy a temporary respite by the payment of extortion is not the sort of existence that we or the other free peoples of the world are seeking.

A decade has passed since the conferences of Yalta and Potsdam, the end of World War II and the founding of the United Nations in San Francisco.

Today as part of a series of discussions I intend to carry on in the Senate and throughout the country, I desire to review certain aspects of the problem that need to be considered not only by the Executive branch of the government, but by the Congress and the country as well.

In 1945 this nation was the greatest military power in the world and was sole possessor, as the trustee of free men everywhere, of the atomic weapon. In order to help defeat the Axis powers our resources had been placed at the disposal of our allies in Europe, Asia and Africa in astronomical amounts which had no parallel in all recorded history.

From Dec. 7, 1941, at Pearl Harbor until V-J Day in 1945, our armed forces had made a great contribution to the common effort, and we suffered substantial casualties in helping to bring the war to a successful close.

In all of this mighty effort, costly in manpower and resources, we sought no territory and no reparations. The American people had reason to believe that the terms of the Atlantic Charter would be honored by us, and we expected it to be respect by others.

America's prestige and power were high throughout the world. It was in that year, 1945, when we had the great opportunity to lay a firm foundation for human freedom and for a system of international law and order—for peace based on honor and justice.

When 1945 opened there were less than 200 million people behind the Communist Iron Curtain.

Now, just 10 years later, we are confronted with the following facts:

(1) Over 900 million people are behind the Communist Iron Curtain, and their totalitarian rulers are united in the common objective of making a Communist world.

(2) Governments representing approximately 500 million people have determined to follow a "neutralist" course rather than to assume the responsibilities of an effective collective security system. They can afford this luxury because others have undertaken the necessary burdens.

(3) In the free world we have approximately 900 million people associated together in a series of interlocking mutual defense pacts. The United States of America appears to be the keystone to the arch, but the columns seem at times to be on shifting sands.

(4) The United Nations on its major test as an effective collective security system during the Communist aggression in Korea (1950-1953) had the following record:

(a) Only 17 out of the then 60 members supplied any armed forces to resist the aggression.

(b) The United States of America alone supplied 90% of the military forces furnished by the United Nations members and 95% of the resources to carry on the collective security action.

(5) In the post-World War II period the United States has furnished over $52 billion in grants and loans to allies and former enemy nations.

(6) We have a national debt of $280 billion and a budget of $65 billion. Our taxes, personal and corporate, are high and in some instances confiscatory in character. Many of our citizens have had to borrow funds to meet their income tax bills.

It is not my contention that all the virtues are in one political party or all the faults in the other. Members of both parties can fairly share part of the credit and assume part of the blame.

During the decade, 1945-1955, the Democrats controlled the Executive branch of the government for seven years, while the Republicans have been in control for three years. The Administration in power, of course, has the responsibility for the day-to-day formulation and direction of our foreign policy. In this same period the Democrats have had control of both the House and Senate for six years and the Republicans were in control for four years.

I refer to the past not for the purpose of opening old wounds or in any narrow partisan spirit, but with a deep conviction that in the 1955-1965 decade the survival of our country may be at stake and with it the hope for a free world of free men.

As long as there is a strong America which stands for prin-

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*An address by Senator Knowland before the Economic Club of New York, New York City, Jan. 16, 1956.

Dealer-Broker Investment Recommendations & Literature

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

Airline Companies—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Blau Knox Co.**

America's Southwest—Brochure describing opportunities of the area—Texas Fund Management Company, P. O. Box 871, Houston 1, Texas.

Atomic Commentary—Semi-annual report on status of industry as of Dec. 31, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, Northwest, Washington 7, D. C.

Automation — Revised "Highlights" featuring six automation favorites "Let Robot Do It"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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

Business Outlook for Utah-Idaho Area—First Security Bank of Utah, N. A., Salt Lake City, Utah.

Canadian Gold Stocks — Report — L. S. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

Cement Industry—Analysis—Henry Montor Associates, Inc., 32 East 52nd Street, New York 22, N. Y.

City of Philadelphia and Philadelphia School District Bonds—Semi-annual appraisal — Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **Equipment Trust Certificates.**

Drug Industry — New Booklet — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

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

Japanese Shipbuilding—Analysis in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 5, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Japan's Motion Picture Industry—Analysis in current issue of "Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. and 1-chome, Tori, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is a discussion on Amending Foreign Investmnt Law and Japan's Six-Year Economic Program.

New York City Bank Stocks—Year-end comparison and analysis of 16 issues—Laird, Bissell & Meeds, 120 Broadway, New York 5, 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.

Trading Accounts—Suggestions in February "Investment Letter"—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

World Petroleum Industry—Brochure on future growth and financial requirements—Petroleum Department, The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

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American Broadcasting-Paramount Theatres — Data — Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief report on the **Airlines.**

American Cyanamid Company — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin with data on **Armco Steel, Cigarette Companies, Meat Packers,** and **Illinois Central.**

American Stores — Analysis — Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Amoskeag Company—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles, Calif.

Baltimore & Ohio Railroad Co.—Memorandum—Salomon Bros. & Hutzler, 60 Wall Street, New York 5, N. Y.

Celotex—Annual report—Secretary, The Celotex Corporation, 120 South La Salle Street, Chicago 3, Ill.

Central Vermont Public Service Corp.—Data—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available in the same bulletin are data on **New Jersey Natural Gas Co., Indiana Gas & Water Co.,** and **Northwestern Public Service Co.**

Century Engineers, Inc.—Report—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y. Also available is a memorandum on **Cromalloy Corp.**

Charles Bruning Co.—Memorandum—Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

Colorado Fuel and Iron Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Delta Air Lines, Inc.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dover Corporation—Brochure—D. M. S. Hegarty & Associates, Inc., 52 Broadway, New York 4, N. Y.

Edgewater Steel Co.—Report—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Ford Motor Co. Ltd.—Memorandum—Crerie & Co., Electric Building, Houston 2, Texas.

Hudson Pulp & Paper Corp.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Lincoln Rochester Trust Company — Report — First Boston Corporation, 100 Broadway, New York 5, N. Y.

Longview Fibre Co. — Circular — Pacific Northwest Company, Exchange Building, Seattle 14, Wash.

Los Angeles Stock Exchange—1955 annual report—Los Angeles Stock Exchange, Los Angeles, Calif.

Marlowe Chemical Company, Inc.—Report—General Investing Corp., 80 Wall Street Street, New York 5, N. Y.

Meredith Publishing Company — Report — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Nunn Bush Shoe Company.**

New Orleans Bank Stocks—Circular—Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La.

Northeastern Turnpike—Progress report—De Leuw, Cather & Co., Farm Bureau Building, Oklahoma City 5, Okla.

Pacific Power & Light—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of lower priced **Growth Stocks** and a list of **Road Building Beneficiaries.**

Phillips Petroleum Company — Analysis — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Phillips Petroleum—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on the common stocks of companies operating in the South.

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

Southeast Alabama Gas District — Report — John Nuveen & Co., 40 Wall Street, New York 5, N. Y.

Washington Natural Gas Company—Study—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

York Corporation—Report—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a memorandum on **Climax Molybdenum.**

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The Security I Like Best

of these parcels covers 14,000 acres and is 75% owned, while the other, 100% owned, appears to contain the more valuable deposits.

Exploratory work to date consisting of magnetometer and gravimetric survey and diamond drilling indicates the existence of five major ore structures, at least three of which have been confirmed as manganiferous. The work done so far indicates that this property contains iron-manganese ore that should exceed 200 million tons having an indicated average grade of 12% manganese and 20% iron.

Manganese is a vital ingredient in the manufacture of steel. There are only a few deposits in North America and these can be worked only with the aid of government subsidies. As a result over 90% of the manganese used in the production of more than 900,000 tons of ferro-manganese used by United States steel companies in 1955 was imported, with India, Africa and South America being the primary sources of supply. The importance of the new discovery near Woodstock lies in the fact that not only is there an ample supply of ore but that it appears to be susceptible to profitable treatment through the Udy process. The property is favorably situated with respect to low cost water transportation. Also, from the standpoint of metallurgy it is fortunate that it is adjacent to high grade limestone deposits controlled by Stratmat. The Udy process has so far been applied successfully in pilot plant tests. From the results of these tests, it has been estimated that the total cost of production will range from $83 to $126 per ton for medium low carbon ferro-manganese. The probable cost cannot be more accurately stated at this time because the ultimate price of electricity in the New Brunswick area can only be estimated. And since the Udy process utilizes electric furnace smelting, the price of electricity is a major cost factor.

Present selling prices range from about $180 per ton for high carbon ferro-manganese up to as high as $500 per ton for the low carbon type. The management plans to establish an initial production rate of 75,000 tons of ferro-manganese a year. This is less than 10% of United States demand. But even if medium carbon ferro-manganese sold as low as $300 per ton, profits before taxes could range from $16 million to $21 million per year, depending on the production cost level ultimately established.

The mineral of most immediate concern from the standpoint of Strategic Materials' near term production and earnings is feldspar. Late in 1955 mining equipment and mill facilities having a productive capacity of 300 tons per day of feldspar concentrate were put into operation. Company officials state that feldspar sales in the United States and Western Europe amount to approximately 700,000 tons per year. Of this, 450,000 are produced and consumed in the United States. Feldspar production is handled by the Spar-Mica Corporation Ltd. which is 50% owned by Strategic Materials.

In addition to the properties and processes which are coming close to production, there are many new developments in the company's situation which are impossible to evaluate at this time. Strategic Materials owns a 23% interest in Blue Rock Cerium Mines Ltd. which is presently negotiating for a $100 million contract with the Canadian Government. Strategic Materials also has under development some 80,000 acres in the Head of the Lakes region of Western Ontario. To date, exploratory core drilling indicates the possibility of a substantial nickel, copper, cobalt discovery. Some 60,000 acres are held in the Bathurst areas of New Brunswick where the company believes that it has found a fair sized base metals deposit.

In its present stage of development, Strategic Materials cannot be subject to usual methods of security analysis. Although a standard examination of the balance sheet shows the company to be in good financial condition, current figures are not too meaningful in light of the company's potential. One thing does stand out, and that is the company's ability to make giant strides in exploration and property development without undue dilution of the stockholder's equity. This has largely been due to the efforts of an outstanding and capital gains conscious management. The Board of Directors includes such men as Melvin H. Baker, Chairman of the Board, National Gypsum Co.; Ralph F. Peo, President, Houdaille-Hersey Corp.; Grant S. Diamond, President, Electro Refractories & Abrasives Corp.; and Alwin F. Franz, President, The Colorado Fuel & Iron Corp. Even now, the total capitalization consists of a small minority interest, with only 1,295,000 shares of $1 par common stock outstanding plus options to buy 45,000 shares at $7.50 per share. As the company's properties begin to come into production and sales rise, the small equity base will result in high earnings leverage. This should permit the quick translation of sales improvements into per share profits gains. Strategic Materials now sells at approximately 32 in the Over-the-Counter Market.

Solid Cement

By IRA U. COBLEIGH
Enterprise Economist

Some passing notes about one of our most permanent building materials, and some of the companies which, with unique singleness of purpose, have been producing, and profiting by, its production in steadily increasing volume.

Today we salute a unique industry—a section of our fabulous economy wherein it has not been necessary to seek either broad product diversification or to spend large annual sums for extensive research, to create rising sales, rising earning power, rising dividends, rising retained earnings, and rising share prices in the market. Here, then, is an industry which presents to the students of equities, all of the performance and results characteristic of growth stocks, without most of the standard propellants.


Ira U. Cobleigh

Consider cement. As a building material, it is amazingly uniform, and while it is fashionable among many companies to cite the outstanding quality of their brands, actually you could pour out on a table, individual samples from 10 companies' mills, and you couldn't tell them apart. Equally, by pouring sections of concrete sidewalks, using identical mixtures of aggregates, but a different cement in each section, the resulting pavements would be indistinguishable (and the kids would have no basis of preference as to which section to mark with their initials, or put their footprints on!).

The major changes in the cement industry in the past quarter century have been (1) the heavy switchover from package to bulk deliveries; (2) the "Basing point" decision of 1948 whereby cement is now sold F.O.B. mills, plus actual freight to destination, instead of at a delivered price, which usually absorbed some of the freight costs (especially in shipments from remote mills); and (3) the increasing size of ready mix trucks, from 2½ yards to 9 yard units, whose gross tonnages require double sets of rear wheels, and flirt with the maximum over-the-road tonnage limits of almost every state in the union.

Another characteristic of this trade, which we should note is that still, as in every postwar year, cement is in a buyer's market. This is due to three main reasons. First, the demands pent up by war not only for housing and highways, but for capital expansion, were terrific. Secondly, whereas most other industries, viewing a demand of such magnitude would have rushed into a program of plant expansion to meet it, cement managements proceeded with great caution. Many were still mindful of the chaotic conditions in the early 30s, when, due to too eager plant building in the preceding decade, capacity was overbuilt, and the industry was operating at 25% of capacity. (55% is generally regarded as the standard, break even rate). When apples were being sold on the street corners, cement sold at 50c a barrel (4 bags of 94 lbs. to the barrel) at the mill (it's above $3.00 now). A number of companies had to undergo financial reorganization. So, in the 1945-50 era, the reluctance of seasoned leaders in the cement industry to expand plant capacity, is quite understandable. It was much easier and more immediately profitable to push operations up to 95% of capacity, and run the mills overtime. Which was done.

A third factor, keeping cement on the tight supply side, was price. For example, price control in this industry did not end till 1953; and while between 1939 and 1954 the price of lumber advanced around 400%, the price of cement advanced but 75%. The cement industry did not raise prices enough during all this period to (1) lose its market or (2) to encourage heavy importation of foreign cements into the Eastern seaboard as occurred in the 30s. Some price advances of 20c a barrel (at the mill) have been posted for 1956 but these reflect hardly more than increase in labor costs.

Production of cement has increased in every postwar year, rising from 170 million barrels in 1946 to 261 million in 1953 and 271 million in 1954. You may expect this curve to continue upward. The Bureau of Mines expects production to reach 338 million barrels by the end of 1956, and 407 million by the end of 1959. While, as noted above, plant expansion here was slight for some years, it's moving ahead now. For example, **Marquette Cement** is building a new 1,250,000 barrel mill in Milwaukee; **General Portland Cement** will spend $10 million for a new 1,250,000 barrel mill 19 miles west of Miami, Fla.; **Ideal Cement Co.** plans a $12 million plant in Ada, Okla.

So after a decade of wonderful hunting in the cement industry, including fine earnings and heavy cash plowbacks, there are, today, no financial "weak sisters" in the trade; and even after all these plump years, cement does not appear ready to slow down at all. In fact, it is almost impossible to cite any segment of the building industry, in so favorable a position today, as respects markets, earning power and dividends, as the cement industry.

If that's true, then there ought to be some pretty fine cement stocks to be considered for investment and growth purposes. Well there are. Probably the biggest, **Universal Atlas Cement**, is owned by **U. S. Steel**, so if you want dividends from this one, you buy Steel common. Of the exclusively cement producers, **Lone Star** with 34 million barrel annual capacity, and 12 plants in the U. S. and six in Latin America, is the largest. **Lehigh**, with 22.4 million, would come next; then **Penn-Dixie** with 15.7; **Marquette** with 13.6; **General** with 13; and **Alpha** with 11.5 million. These are all fine companies with good records and strong balance sheets.

We won't have time for detailed study of many today, but we would like to pencil in some market notes about three.

General Portland

General Portland Cement Co., with plants in Tennessee and Florida, and four in Texas, is favored by many because of its growth record, and location in rapidly growing sections of the South where cold weather interferes but slightly with year 'round cement pouring. General has 2,080,000 common shares listed N.Y.S.E. and currently selling at 52½. The indicated cash dividend is $2.10 yielding around 4%. Stock was split 2½-for-1 last year. This looks like a pretty solid value.

Penn-Dixie

Penn-Dixie, which was one of the heaviest expanders in the 20s, has, in recent years, been paying off handsomely on its investment in 10 plants. By the end of this year Penn-Dixie will have an annual plant capacity of 16,600,000 barrels. Nineteen fifty-five sales are expected to be up by around 30% to nearly $40 million, and per share will probably show $2.75 (around 50 cents more than for 1954). For 1956, look for another gain of about the same order. There are 2,655,419 shares of DXC listed on N.Y.S.E. Current quotation is 32 and current dividend rate, $1 — plus 5% in stock in 1955. Dividends might be advanced this year. This comment is based entirely on the trend of earnings; the board of directors having not advised me thus!

Dragon Cement Co.

A smaller company but one with an excellent management, and a terrific growth record for its shareholders, is Dragon Cement Co. In 1944, you might have bought a share of its common (then called Lawrence Portland Cement Co.) for $12.50. That share was split 3-for-1 in 1948, and 3-for-1 again so that, without doing a thing but hanging on for 11 years, your $12.50 investment has now become nine shares times $37, or $333 in market value. And cash dividends along the way were over $60. On this record of performance for stockholders, Dragon, with present plant capacity of four and a half million barrels, looks eagerly forward to another fine year in 1956. Dragon is listed on American Stock Exchange selling at 37 with an indicated $2 dividend.

If there is objection that only three companies were described, this was done because others have been outlined earlier, more will be cited at another session, and, besides, space considerations precluded our delineation at this time of no more than three of those which looked both sound, representative, and attractively priced currently.

It is true that some slackening is expected in the building industry this year. That slippage, if it comes, should least affect the cements because only 14% of production goes into residential building. Highways take 15% of our cement now, but this ratio is expected to increase rapidly. We have an enormous road building program ahead, and if there's a recession, there will be public works. So "Roll out the Barrel," and I use the song title in this instance to refer not to beer, but cement.

R. Montalvo V.-P. of Govt. Devel. Bank

Roberto Montalvo, Executive Assistant to the President, has been appointed Vice-President of the Government Development Bank for Puerto Rico.


Roberto Montalvo

Mr. Montalvo has been in public service since 1935. He became connected with the Government Development Bank in 1949 as Chief of the Division of Economic Research.

Jos. Grogan With Hirsch & Co. Dept.

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Joseph Grogan, member of the New York Cotton Exchange, has become associated with the firm as manager of its commodity department.

Estimated Supply and Demand For Investment Funds in 1956

By GIRARD L. SPENCER

Partner, Salomon Bros. & Hutzler
Members of the New York Stock Exchange

Barring election year uncertainties and changes in international relations, Mr. Spencer estimates $23 billion supply and $25.4 billion demand for long-term capital funds, leaving a $1.7 billion deficiency. Believes this smaller deficiency than 1955 will not put a serious strain upon commercial banks if they supply their part of the required capital market needs. Though expected Treasury long-term offerings will influence interest rate level, stable interest rates are forecast for the period directly ahead.

The 1956 estimates of the supply of and the demand for long-term investment funds are presented herewith. As in the past, they have been compiled with the generous assistance of a small group, expert in various phases of this problem.

Girard L. Spencer

Operations of the United States Treasury have not been included, except that certain deductions have been made from the totals of available funds, as noted in the memorandum. However, if the economic climate and the level of the market permit, it is most probable that the Treasury will again offer long-term bonds as part of its fiscal program. This, of course, will influence the level of interest rates for corporate and tax-exempt bonds, as well as Treasury issues.

Forecasting these estimates for 1956 presented more than the usual possibilities of error due to changes during the year, the impact of which cannot be determined at this time. Possible Congressional actions in a Presidential election year, the question with respect to the Presidential election itself, and the changes which could take place in the field of international relations are three such factors. Swings in the domestic economy could also be larger than usual, following the exceptionaly high level of activity in 1955.

The compilation shows that there will again be a deficiency in the supply of new investment funds in 1956 but it seems probable that this deficiency will be considerably smaller than turned out to be the case in 1955. It should not be sufficiently large to put any serious strain on the commercial banking system if the banks are required to supply part of the funds needed in the capital markets.

The lack of supply of new investment funds is expected to be felt largely in the early months of the year. Some easing of the shortage is likely to occur later.

The expectation of a high level of economic activity, coupled with the expectation that Federal Reserve policy will remain unchanged, even though no steps toward further restriction are taken, would indicate generally stable interest rates for the period directly ahead. Later in the year, there is a definite possibility of some slowing down of business activity which, coupled with even a slight shift toward ease in Federal Reserve monetary policy, would result in a lower level of interest rates.

Estimates of the accumulation of long-term investment funds and the demand for such funds by private borrowers, states, municipalities and public revenue authorities for 1956.

SUPPLY	
Long-Term Investments Funds:	Billion
Life Insurance Companies Assets of life insurance companies are estimated to increase $6.4 billion. However, $0.5 billion is expected to be invested in real estate and to provide policy loans.	$5.9
Mutual Savings Banks	1.9
Savings and Loan Associations	5.6
Private Pension Plans Not funded with insurance companies	2.1
State and Local Pension Plans Assets of these funds are expected to increase $1.7 billion. However, it is anticipated that $0.3 billion will be placed in long-term U. S. Treasury issues.	1.4
Fire and Casualty Insurance Companies	1.2
Other Long-Term Funds Long-term funds accumulated by individuals, personal trust funds, and charitable and educational endowments. It is estimated that $1.9 billion will be put into savings deposits in commercial banks, $1.3 billion into tax-exempt issues, $1.6 billion into corporate bonds, stocks, and foreign securities, and $0.8 billion into real estate mortgages. U. S. Treasury issues purchased by this group are not included.	5.6
Supply of Long-Term Funds	$23.7
USES	
Mortgages Gross mortgage requirements for 1-4 family and multi-family residences and farm and commercial properties are estimated at $22.8 billion, from which are anticipated $7.5 billion of amortizations and repayments and $0.4 billion of purchases by FNMA have been deducted.	14.9
State, Municipal, and Public Revenue Financing Gross increase estimated at $6.5 billion, from which an estimated $2.6 billion of retirements, maturities and direct sinking fund purchases have been deducted.	3.9
Corporate Financing Gross increase estimated at $8.4 billion, from which an estimated $2.4 billion of maturities and sinking fund and other repayments have been deducted. The net increase is expected to be made up of $4.4 billion in bonds and $1.6 billion in preferred and common stocks.	6.0
Foreign Loans Includes International Bank, Canadian issues, and other foreign government and private securities. Gross increase is estimated at $0.8 billion. Maturities and sinking fund repayments are expected to total $0.2 billion.	0.6
Demand for Long-Term Funds	$25.4
Indicated Deficiency in 1956	**$1.7**

A. J. Goodwin, Jr. V.-P. of Lee Higginson

Lee Higginson Corporation, 40 Wall Street, New York City members of the New York Stock Exchange, announce the election of A. Jackson Goodwin, Jr. as a Vice-President and director of the corporation. He will be located in the corporation's Chicago office, 231 South La Salle St.

A. J. Goodwin, Jr.

Mr. Goodwin has been identified with the commercial and investment banking fields and has been active in a number of departments of the Federal Government. He was appointed by President Eisenhower as a Commissioner of the Securities and Exchange Commission, resigning as of Jan. 1, 1956 after serving for 2½ years. He also served as a member of the United Nations Economic Committee in 1955. Earlier he had been associated with Dillon, Read & Co., with the Anniston (Alabama) National Bank as a Vice-President and director and as a director of the Federal Reserve Bank of Atlanta. In 1943 Mr. Goodwin, as a member of the armed forces, was Assistant and aide to the then Under Secretary of War Robert P. Patterson.

Mr. Goodwin's association with Lee Higginson Corporation was previously reported in the "Chronicle" of Jan. 26.

J. Taylor Foster has resigned as Vice-President and director of the firm.

Kidder, Peabody Co. Los Angeles Branch

LOS ANGELES, Calif.—Kidder, Peabody & Co., members of the New York Stock Exchange, have opened a branch office at 510 South Spring Street under the management of Richard B. Williams.

Quail & Co. to Acquire N.Y.S.E. Membership

DAVENPORT, Iowa — Quail & Co., Inc., Davenport Bank Building, will become members of the New York Stock Exchange, on Feb. 9. Officers of the company are: John J. Quail, President, who will hold the Exchange membership; J. H. Ruhl, John T. Gerwe, Harry G. Williams, and George Von Maur, Vice-Presidents; Dorothy I. Scott, Treasurer, and Charles H. Murray, Secretary.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Albert J. Portelance Jr. has become associated with Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street. Mr. Portelance was previously with Zahner & Company.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William C. Bastunas has been added to the staff of Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the Midwest Etock Exchange.

With Mid Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Roman E. Jasper is now with Mid Continent Securities Corp., 3520 Hampton Avenue.

From Washington Ahead of the News

By CARLISLE BARGERON

Your Correspondent remembers the days of the late Senator Bilbo of Mississippi. An established Mississippi newspaperman and a member of the National Press Club, was called to New York and there he met a very money-laden lady.

"Tell me," she said to my colleague, "if I give you $10,000 can you elect a Republican Senator in Mississippi?

Carlisle Bargeron

My National Press Club colleague, being reasonably honest, replied in his southern drawl:

"Oh, Lady, I didn't say nothing like that. All I said was that for $10,000 I can defeat Senator Bilbo."

I tell this story because it shows how certain people in New York, can get so steamed up about relatively inconsequential things. Take, for example, if I were one of those fellows who had made a lot of money but now wanted to be an influence, as the term goes, in domestic or foreign affairs, or wanted to get into a crusade, I could not have gotten excited about Bilbo, or subsequently about Joe McCarthy. If I insisted upon throwing my money around in this way, that is, for this cause or that—whether it is tax deductible, I don't know—but if I had attained wealth and wanted to throw it around by way of showing what a political influence I was—I would put it up against a man like Senator Humphrey, of Minnesota. I simply give him as an example of what men of money, men of presumably good will, men who want, as they claimed in the cases of Bilbo and McCarthy—nothing more than decency in the Senate.

I am a little surprised that I never hear anything in the Eastern Press—that is, nothing critical about the Minnesota Senator. Yet there is to my mind, not the slightest difference between him and Bilbo or McCarthy against whom the Eastern press railed. Senator Humphrey is just as glib of tongue, just as demagogic as they ever were.

Somehow, though, Bilbo came to be highly disregarded in the Senate, although a man of few remarks on the floor, and McCarthy is in disrepute; but Humphrey is generally accepted and is a highly loquacious man.

I want to give you an example of what I mean: Recently, a writer for "Harper's" Magazine wrote a story lambasting the so-called farmers' plight. A copy of the article was sent to the Secretary of Agriculture for his information. One of his stenographic aides, writing an acknowledgment to the Editor, said it was a very good article, and thank you. "It was excellent," said this stenographic aide.

It is apparent the Secretary of Agriculture had never seen the article; it is apparent that a secretarial aide was just trying to be nice.

But in the sheerest demagoguery, Senator Humphrey talks at length on the Senate floor about the matter. It is clear to him that even if a little secretary did write this letter, she was reflecting the attitude of her superior. This, the Senator knows to be true. The Senator makes not one speech about the matter, he makes two or three. He revels in his professed indignation. To him the incident is the genesis of the farmer's so-called plight. He isn't helping the farmer, of course, but that makes no difference. He is making political capital, or so he thinks.

The late Senator from Mississippi, Mr. Bilbo, aroused the wrath of certain wealthy New Yorkers because of his demagoguery on racial relations. You sort of wonder why the wrath of somebody shouldn't be aroused against Senator Humphrey because of his demagoguery in connection with the farmers.

Demagoguery is demagoguery and I can't see why it should arouse any more indignation on the part of anti-demagogues, against a fellow like Bilbo or McCarthy, than against a man like Humphrey. Or is it a question of what you are demagoging about?

Leighly & Robertson Formed in Chicago

CHICAGO, Ill. — William L. Leighly, formerly Executive Vice-President of Dovenmuehle, Inc., and Robert S. Robertson who was also with the same firm have announced the formation of Leighly & Robertson, Incorporated, with offices located in the Field Building.

The firm was organized for the purpose of serving banks, life insurance companies, mortgage companies and similar lending institutions in the analysis, negotiation and placement of long term financing.

In addition the company will act as financial consultants in connection with mergers, acquisitions, product diversification and financing of manufacturing concerns throughout the Middle East.

Prior to World War II Mr. Leightly was identified with banking, mortgage and appraisal activities and joined Dovenmuehle in 1945 as a Vice-President after three and a half years service in the Army Air Force.

Mr. Robertson, was formerly works manager of Hamilton-Thomas Corp., Hamilton, Ohio; President of Fish Equipment Co., Beloit, Wis.; Vice-President of John R. Thompson Co., Chicago; and a security analyst in New York City before his affiliation with Dovenmuehle in 1949.

Charles P. True With First Secs. of Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles P. True has become associated with First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. Mr. True has recently been with J. F. Reilly & Co. Inc. in charge of the Salt Lake City office. Prior thereto he was with Barclay Investment Co. in Chicago and with John C. Legg & Co. in New York.

The Emerging New Capitalism And Its Circle of Critics

By ARMAND G. ERPF*
Partner, Carl M. Loeb, Rhoades & Co., New York City
President, New York Capital Fund of Canada, Ltd., Toronto

World role of U. S. said to be impeded by our leaders' inability to discern and explain America's new capitalism in answer to "frightening" 19th century capitalism views held by foreigners. Mr. Erpf delineates current anachronistic Marxian and traditional text-book views of capitalism from the actualities of our developing "peoples' capitalism." Describes the improved changes and recommends: (1) efficiency rather than size; (2) permanent role of heavy income taxes; (3) use of world private corporations; and (4) rejection of binding classical thinking.

Capitalism to most of the world is a very different thing than capitalism as we understand it here, though I must say that by and large we don't understand our own capitalism even though we live it.

Armand G. Erpf

Hand in hand with this undeveloped capitalism extant in so many areas of the world, one observes certain accompanying peculiarities:

(1) There is a deficiency in morality of business and of politics which is in important contrast to our standards, and unless there is a certain level of morality in a country, capitalism cannot work and will break down.

(2) There is a shortage of competence so that entrepreneurial activities have to be fitted to the skills available rather than fitted to the long-term needs and potentialities of an economy which could be stimulated to growth.

(3) Conversely, when personnel of these areas were sent West for education, frequently the aim was too high. They were qualified for positions which in large measure did not exist because of the lack of a broad business foundation on which the wide industrial structure of capitalism is based. Hence upon return to their cultures this type of personnel, unable to close their eyes to their newly found talents and training or to abandon their intellectual attainments, became frustrated discontenteds, a short step from malcontentment and revolution.

(4) Cognizant of our own experience in overcoming colonialism and then moving from agrarianism to industrialism and capitalism, and expecting time to be compressed in no time, we harbor and foster the shibboleth of independence, thinking that after any July 4 manifesto free men will arise in our image with a rising standard of living. The thought that such new freed societies might be well on their way to a down scale in their living and that chaos rather than progress might follow a release from protectivism is too illiberal to enter our heads. Just think of Indonesia, Burma, Indo China, and unhappy Korea. The release from protection changes the political status but does not necessarily transform the colonial dependent economy into an independent capitalistic industrialism. To believe the contrary is being stubbornly liberal with feet firmly planted in the air.

These are, in fragmentary form, some of the features of that part of the world which is neither communist nor capitalist. How economic growth in these areas is nurtured and developed will not only determine the destiny of a great portion of the globe but may very well determine the fate of the two great opposing cultures.

Communist Strawman

The clash of these two cultures, which blows hot and cold, is also being fought out on the intellectual front where all sorts of attempts are made to define the respective positions and gain allegiance for one's point of view. The communist position has been wonderfully articulated in volume upon volume, furnishing the intellectual arsenal out of which propaganda weapons are forged and hurled. The presentation, while portraying an idealistic position of a society which differs considerably from its actuality, nevertheless is well tailored to the psychological needs and aspirations of many of the less developed areas of the world. This ideological superstructure serves as an effective Potemkin Village (the real prototype of Hollywood settings), deluding the unwary; while simultaneously a similar dialectic is used in diatribes against the capitalistic forms of life which are more or less extinct in the United States. This attack is facilitated by some of the restatements of the principles of capitalism in our text books which in adhering to the thought of the 19th Century give rise to the belief that modern capitalism is the system against which the Communist Manifesto was inveighed. Nothing could be further from the truth.

Communism has succeeded in persuading many and even educated people that it is attacking something which prevails today. They rant about the faults of a system which is a creation of their own, wrought in part from features of a bygone era and in part from theorems which owe their sham existence to the dialectics of historic materialism. Actually very little can be learned as to our modern capitalism either from the attack of our enemies or for that matter from the intellectual formulations of many of our present day theorists. Changes in this century have been many and would be equally baffling for Ricardo or Marx.

New Capitalism Described

It is also somewhat confusing to a Wall Streeter to recognize in the text books the capitalism with which he comes in contact in studying, analyzing, financing, and investing in industries and companies. The structure of these industries has been changing and evolving over the past few decades with increasing velocity. Study of the 50 to 100 industries which compose the basic productive mechanism of this country shows them to be of almost as many species, each *sui generis.* The reports of the several thousand companies which are the building stones of these industries are a portion of the source material of what is involved. A great many of these reports are informative and reveal stewardship on a higher plane than self-interest. They are well worth keeping track of along with the wealth of statistical compilations which are prepared by the government and give the dimensions of the economy, its progress and its direction (such as Gross National Product, the F.R.B. Index, the Flow of Funds, and the monetary data). The study of these, and tax laws, labor regulations, and others, gives a clearer picture of the new capitalism under which we are operating.

What are some of the salient aspects of this new capitalism? Instead of the Iron Law of Wages which proclaimed that under the pressure of competition the entrepreneur would and must pay as little as possible keeping the general wage level just above the subsistence to be paid to the marginal worker, there is the principle, fortified by minimum wage laws and trade unions, that the employee is a consumer as well as a worker and that high purchasing power is as much a concern of industry as cost cutting. This principle becomes workable through stress on productivity, the intensive use of capital, the extensive use of research, and the willingness to scrap the obsolescent regardless of its remaining useful life. We have departed from the classical concept that individual saving must precede consumption, and are expanding purchasing power, and with it industrial output, through the granting of adequate credit facilities. We can do so because employment conditions have become less precarious and future earning power more predictable and have found that as a matter of fact a certain anticipation of future ability to spend serves as a stimulus to individual effort.

As against the endearing but somewhat naive idea that enlightened self-interest would be self-regulative, or the opposing Marxist view that the successful capitalist must of necessity be an unscrupulous exploiter, we have found a balance in the interplay of freedom and regulation, of self-assertion and humanitarian responsibilities which still permits a high premium for initiative and dynamism without crushing the weak. In establishing our great corporations we have enunciated the principle of high volume and small margins related to a high break-even point. This provides large-scale employment with a quantity of products within reach of the masses.

In the development of our capitalism, contrary to Adam Smith and Alfred Marshall, we have steered clear of the temptation to reach for maximum profits and, contrary to the Malthusian prediction, have not impoverished the masses. By progressive taxation, probably now too progressive for maximum incentive, we have spread the wealth and have furnished government with great revenues form any purposes. Furthermore, taxation and social security and monetary management have provided the economy with techniques to lessen the extremes of the business swing averting the monotonous cycle of Sisyphus.

Capitalism in the United States has recognized challenges when and as they arose and by and large has found adequate responses. Other countries did not prove equally resourceful when facing comparable problems. As so often happens, when present conditions appear to present unconquerable difficulties, attempts have been made to escape reality with a time machine. In the case of the European countries with an industrial background and tradition, this escapism has usually taken the form of archaism, that is a return to principles which allegedly were successful in the past. However, not only are the good old days usually more old than good, but time, once it has run its course, cannot be reversed. Thus those capitalist countries which have tried to escape the challenge of the present by turning to the past have not only failed to solve their problems but have increased them.

In most continental European countries the capitalist still follows many of the precepts prevalent in the 19th century. Aside from a few world companies, a highly developed form of corporate achievement, their capitalistic enterprises are secretive, attempt to perpetuate an inner group of control reminiscent of family capitalism out of which these enterprises sprang, and by not disclosing adequate information and nurturing an increasing public stockholder ownership deprive themselves of access to risk capital, all of which has its evil incidence on wages and productivity and tends to separate them from the society in which they operate. Their esteem of frugality becomes self-defeating in slowing the growth of internal markets. Profit calculations are not geared to a high break-even point and equipment is operated beyond obsolescence. These tendencies help create social tensions or at least fail to alleviate them.

Besides archaism we have the problem in other countries of futurism. Economies desiring to emerge from the agrarian and trading stage, in their zeal to emulate the patterns of a mature industrial capitalism tend to commit the error of skipping over a phase or two and jumping in with both feet in the establishment of plants and utilization of techniques beyond their powers. This is encouraged by altruistic but unrealistic thinking on the part of politicians and statesmen, here as well as there, who do not recognize sufficiently the need of consecutive upgrading. Argentina and Australia are examples where the products of agriculture and of mines were subordinated to secondary and tertiary industries, injuring their export capability and not visibly benefiting the internal market, handicaped by a relatively small volume, a paucity of techniques and higher labor costs than the European source of supply. Also by this attempt at premature autarchy the equilibrium of world trade is disturbed. The condition is even more unrealistic in countries which have just gained sovereignty and sever traditional industrial and trade ties in a futile attempt at futurism to the benefit of none.

Since the world has shrunk, the failure of capitalism in any area becomes more of a problem than would have been the case in bygone days. Neither the archaism of European capitalism nor the futurism of other areas can leave us indifferent. While coexistence might have its possibilities, it implies either than no-man's land continues approximately unchanged or that the contest for no-man's land is on. The first is a pause but the second is the reality. It is not a question of empire building or imperialism but one

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*An address by Mr. Erpf at the Annual Dinner of the Alumni Association of the Graduate School of Business, Columbia University, New York City, Jan. 19, 1956.

Lack of Scientists and Engineers A Threat to National Security

By DAVID SARNOFF*
Chairman of the Board, Radio Corporation of America

General Sarnoff, noting the "Soviet masquerade of moderation is ended," proposes a national educational reserve of teachers drawn from the ranks of industry to overcome lack of qualified technologists to train scientists and engineers. Observes that Soviet Russia graduated twice as many engineers as did the United States in 1955. RCA head emphasizes the essentiality of this to our long-range military planning because of the reality of the present-day world. Terms interim five year program to meet immediate situation a fair restitution for those siphoned off from schools to industry.

I am deeply and humbly grateful for this high honor the National Security Industrial Association has chosen to bestow upon me.

David Sarnoff

The James Forrestal Award is an accolade of unique distinction. It bears the name of a great patriot and symbolizes a great ideal to which he was devoted: the ideal of free and full cooperation between industry and government, in the interests of the nation's security. The fact that its first recipient was President Dwight D. Eisenhower adds a special luster to the Award for me, as it will for all subsequent recipients.

Like so many others here tonight, I had the privilege of knowing and admiring James Forrestal. He was a man of immense talent, energy and insight, and these he gave unstintingly to his country. In a time of general complacency after the war, when our military might was being dispersed in an excess of optimism and fatigue, he had the wisdom to discern the Soviet threat and the courage to fight for renewed preparedness. He was among the first to see the true face of Communism and to recognize that only an alert America, morally mobilized, militarily strong and economically sound, could hope to preserve freedom on this earth. He understood the tremendous power of American when Government and Industry are marshalled on a common front. That is why he founded this Association as a bedrock of national security, and it stands today as a living memorial to his foresight.

The Basic Conflict

The central reality of the present-day world is the struggle between Communism and Freedom—a struggle in which the United States and Soviet Russia are cast as the chief protagonists. The past year has demonstrated once more that this reality cannot be wished away or smiled away.

Now the brief summer of Moscow's bogus cordiality is over. The more dangerous of the illusions which flourished in the balmier climate are dying in the wintry blasts of renewed Communist attacks clear around the world. Everywhere the Soviets are today sowing mischief, sharpening existing troubles, tossing lighted matches into powder kegs.

The challenge being spelled out in Asia and Africa, in the Near East and Latin America, in the recent French elections and the spreading rash of so-called neutralism, is one that will impose upon us heavy burdens and sacrifices for a long time to come. Meeting it calls for clear heads, bold measures and patriotic dedication. The reality is grim, but it is less dangerous than wishful thinking and delayed planning.

Such is the background as we gather to think together about our national security, in the spirit of men like James Forrestal.

The United States has given abundant evidence of its deep desire to maintain peace and of its devotion to the ideals of freedom and individual dignity. Unfortunately, however, we must face the fact that there are others in this world who are not motivated by the same high principles. And the bitter facts of experience in the present struggle place certain obligations upon all of us.

Military Preparedness

Our first and obvious obligation is to achieve the strongest practicable military power and to maintain it "at the ready." This is indispensable survival insurance, whatever else we may do to contain and resist Communism.

This is the obligation not alone of government but of the entire citizenry. Modern weapons and methods of war-making have become too complex to be determined solely by budgets and appropriations. They demand many-sided cooperation by every segment of our economy and our society. We must be prepared to fight on land, sea and in the air—and under the sea. We dare not settle for less than adequate well-balanced land power, sea power, and air power, impregnable in their efficiency and mobility.

In his State of the Union message to Congress, this month, the President spoke of "an effective flexible type of power calculated to deter or repulse any aggression and to preserve the peace." He spoke of "the maintenance of this strong military capability for the indefinite future." All Americans, I believe, subscribe to this basic concept and program.

There is a growing body of opinion which discounts the possibility of war on the theory that it has become too obviously suicidal. No doubt there is an element of truth in this view. Even Soviet Russia would think long and hard before unleashing the final catastrophe. But the stakes are too high to justify a gamble on this logic. As long as ruthless fanatics who disdain human life and regard themselves as the chosen instruments of history control modern weapons, we dare not rule out the risk of a surprise attack upon us geared to confidence in a quick victory.

We know that the embers of limited local wars are smoldering at this very moment in a dozen highly inflammable regions. We know that the masters of the Kremlin are deliberately using the bellows of their propaganda to blow little fires into major conflagrations. We have no guarantee that small wars can remain localized. On the contrary, every one of them packs the danger of an unlimited global showdown.

Besides, the argument that war is outmoded because of its supreme destructiveness rests on the premise of a military stalemate—an equilibrium of forces between hostile worlds. But, merely to maintain that stalemate, based on a concept of *dreadful parity*, calls for unflagging military preparedness—especially in weapons still in the experimental stages.

What might have been the fate of the world if Soviet Russia, rather than America, had enjoyed a monopoly of the atom bomb for a number of years? What may be its fate in the future if the Kremlin should come into possession of even more devastating weapons before we do?

I was in the Army in London when German buzz-bombs rained from the skies of Britain. But those bombs, terrifying in their day, seems like BB-gun pellets compared with modern ballistic missiles that can carry thermonuclear bombs and soar through space at fantastic speeds. The fact is that oceans, hemispheric distances and Arctic wastes have been turned into highways for carriers of weapons that can destroy cities and their populations on a scale never before experienced by man. Scientific developments have wiped out the last margins of the immunity once enjoyed by our American continent. But the habits of complacency bred by the long immunity still linger. Here, our obligation is to recognize the changes which have come upon us so suddenly and to adjust our sights accordingly.

Guided Missiles

I have in mind especially the challenge of guided missiles — not only the Intercontinental Ballistic Missile but the types, of shorter range but no less destructive, that can be launched from submarines.

The guided missiles — the so-called "ultimate weapons" — will greatly influence political as well as military thinking throughout the world—until and unless a reliable defense against them is achieved.

Our able Secretary of Defense, the Honorable Charles E. Wilson, was reported in the press on Dec. 20, 1955 to have "estimated that the intercontinental ballistic missile, capable of carrying a nuclear bomb for a warhead, might be attained in five years." The same press report quoted Mr. Wilson as having said that he did not know whether this country was ahead or behind Russia in guided missiles. He pointed out that Russia had taken a great interest in this field since 1945.

Five years is a very short time, even as measured in the life of individuals, let alone nations. And we know that dictators can and do use their power to force the last ounce of strength from their people on crash programs. Standards of life, places of residence, choice of occupation, hours of labor and rates of pay, are determined *for* the workers *by* their masters.

By these brutal methods, supplemented by stealing secret information from free people, Soviet Russia advanced its time schedules and achieved a position in the field of nuclear weapons and air power that endangers the survival of freedom in this world.

We abhor these brutal methods of compulsion practiced in the slave world. We want no part of them for ourselves or for others. But to secure the blessings of freedom and to preserve the dignity of the individual we must be willing and ready to make whatever sacrifices may be necessary. We must meet the menacing competition whereby World Communism has perverted science and technology to its evil purposes.

It would be folly for us to take too lightly the warning by Soviet Premier Bulganin, only a few weeks ago, that "rocket missiles which have been developed, particularly over the past few years, are becoming intercontinental weapons." This long range missile—the so-called ICBM—carrying a cargo of nuclear devastation, is expected to be able to leap the Atlantic in a matter of minutes.

For the sake of our own security and the survival of our civilization, we dare not permit the Kremlin to acquire even a temporary monopoly of such horror weapons. The Moscow leaders would not hesitate to exploit the advantage in order to blackmail the rest of the world. Not necessarily the use of these weapons, but the mere *threat* of their use could serve the Soviets' purposes in the Cold War they wage so relentlessly.

Under President Eisenhower's stimulation, certain organizational steps are now being taken to improve the coordination of our efforts and to accelerate practical developments in this area. It is conceivable that the time can be cut. And we have reason to fear that it *is* being cut by the enemy. The crucial factor is the *degree of acceleration* that can be brought to bear on this critical problem. The question is how quickly will the new organizational concept be translated into dynamic action at all working levels?

The peculiar nature of the missile-bird—especially the ICBM—poses extraordinary problems of research, development and production, all at the same time. This calls for the mobilization of men with the best brain power, imagination, ingenuity, initiative and drive, that can be found and obtained. Fortunately, a number of such men, directly and indirectly connected with our Armed Services, already are hard at work on this project.

Responsibilities can be delegated and organization charts can show them clearly. But leadership and decision are not supplied by charts. The system for securing the required results — in good time — must be built around men as well as departments. This is especially true in huge and complex establishments.

The dividing line between research and production is always a difficult problem that calls for wisdom and experience. In this extraordinary situation, it calls for even more. It demands bold, prompt and definite decisions if a useful product is to be made available in time to meet the possible emergency.

We are fortunate that our Nation has the men, the resources and the experience with which to meet this pressing problem. In the existing circumstances and present stages of development, it would be impractical to duplicate the physical and operational setup of the Manhattan Project which developed and produced the "A" Bomb, or to create a new Agency independent of the Department of Defense, such as the Atomic Energy Commission which developed and produced the "H" Bomb.

But the lessons learned and the experience gained in producing these nuclear bombs—where happily we did win the race—must not be ignored in our present efforts to develop and produce Guided Missiles. They indicate the type of leadership, direction, coordination and supervision that must be supplied continuously by the topmost echelons. They emphasize the urgency of avoiding inter-service rivalries and of resolving them promptly where they do appear.

As Commander-in-Chief and Chairman of the National Security Council, the President should have presented to him, at frequent intervals, realistic reports which would enable him and the Council to keep a close check on progress or lack of progress in this area. Their superior authority permits them to take whatever action may be necessary to expedite results.

Because of the incalculable importance of the guided missiles program, I believe that an informed public and an informed Congress will understand and support whatever it may take to meet the pressing and dangerous situation. It was Lord Nelson who said long ago, "Five minutes may make the difference between victory and defeat." Today we must edit his dictum to read: "The *first* five minutes may make the difference."

Technical Manpower

In this and in all fields affecting our national security, research and engineering are of surpassing importance. There is no substitute for brains, or for practical training in a technical age. Our safety and our industrial strength rest upon our success in expanding the nation's reservoir of physicists and scientists, trained engineers and technicians. Our economy and national security alike will suffer seriously unless we solve this problem promptly and vigorously.

Science and technology are the very hallmarks of American civilization. It comes as a shock, therefore, to be told that Soviet Russia is turning out engineers at a higher rate than we are. Rear Admiral Lewis L. Strauss, the able Chairman of the Atomic Energy Commission, is in a good position to appraise the problem. His warnings must be taken seriously.

"Too many of us," he said recently, "have fallen into the easy attitude of assuming that the Russions . . . could never match us in scientific initiative and progress. This was dangerous self-delusion. Actually, the emphasis which the Soviets are placing on science and particularly on the training of new young scientists and engineers, presents a real and growing challenge to the free world." He summed it up well when he said: "This is the Cold War of the classrooms."

According to one study, Soviet Russia in the 26 years between 1928 and 1954 graduated 682,000 engineers as against 480,000 in the United States. Last year Russia graduated twice as many engineers as we did. One reason for this, of course, is that a police-state can compel its youth to enter careers most useful to the state. It conscripts brains even as it conscripts bodies.

A lack of qualified teachers has developed at grade levels for subjects like physics, chemistry and mathematics. In some areas, New York City, for example, teacher recruitment in mathematics and the sciences is causing considerable concern. Certainly the fact that teachers are underpaid, that the ablest of them can do better in private jobs, is an important factor in the present situation that needs to be remedied. But we cannot wait for long-term remedies. Unless the immediate lack is met quickly, it will show up a few years hence in an even more critical shortage of trained personnel.

National Educational Reserve

In the presence of so many leaders of industry, I wish to offer a suggestion. It may not solve the problem completely but could go a long way towards a solution.

I proposed the establishment of a "National Educational Reserve" comprising qualified teachers in mathematics, physics, chemistry, engineering and related subjects, to be drawn from the technological ranks of industry. I have in mind the release—and with full pay for at least a year—of a reasonable number of men and women for teaching assignments in their local schools. This unique Reserve could also mobilize those who have reached the retirement age but whose knowledge and ex-

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*Address by General Sarnoff at the National Security Industrial Association, Washington, D. C., Jan. 26, 1956.

Boom or Industrial Revolution?

By HUGO STEINER
President, Hugo Steiner, Inc.
FHA and VA Mortgage Financing, New York City

After stressing the dominating impact of increasing population growth upon industrial output and the expected research-development outlay of $60 billion by 1961 compared to $18 billion in past five years, Mr. Steiner concludes the industrial revolution is just commencing. Reviews past economic growth performance and correlates new record highs in 1955 with industry's release from controls and a full year of reduced taxes. Credits Federally underwritten mortgages on a nation-wide basis for the large flow of funds to the South and West from New England and New York savings institutions. Expects (1) increased minimum wages to go into food, clothing and shelter; (2) increasing adoption of Guaranteed Annual Wage; (3) 200 million population by 1968-70; and (4) other dynamic changes to be evident shortly. Hopes educational training shortage will be overcome and closed entry into union membership be reversed.

Recently the Chairman of the Board of one of our largest electronics companies stated at an overflow dinner gathering, "We are at the dawn of one of the most spectacular epochs in human history. Dramatic as the advances of recent years have been, they will certainly be dwarfed by far-reaching changes yet to come." This individual spoke with the authority of tremendous success—his company's gross volume of business has soared over the years to the point where it has just entered the charmed circle of those corporations grossing a minimum of $1 billion; in 1920, the company's volume was $1 million. The point of view expressed was undoubtedly predicated upon the knowledge of research under way by his company and still in the embryonic stage.

Hugo Steiner

At another gathering a prominent government official, after indicating a projected increase in the Gross National Product to $535 billion by 1965 (about 40% above current figures), ventured this unprepared remark, "Our economy is today poised for a new surge forward of such magnitude that it is truly breathtaking."

Past 25 Years

Are these forecasts more imaginative than practical? Are they "politics"? Is there any basis for comparison with the not too distant past? In order to see where we are going, let's step back a brief 25 years and see whence we have come. Let us take the peak year (1929) of another boom era as the starting point for comparative purposes. Utterances from high places in the '30's, proclaiming that the country had attained maturity, that further growth would be slow, that there were no more frontiers to exploit and that the economy had reached a point of stagnation, were recalled. Let's look at various indexes and observe what has since transpired — the large advances from the previous peak in 1929, the gigantic strides from the depression depths of 1932-33, the progress since 1949, a more recently "normal" year. While some of the experts may quarrel with the statistics chosen, they were selected to point up the broad avenues of progress travelled to date.

Here is the box score:

(In millions)

	1929	1932	Dep. low	1949	1955
Population	120	125		148	166.7†
Federal Reserve Index (47-49=100)	56	32	28	96	144
Seasonally adjusted (35-39=100)	104	59	52	234	351
Gross National Prod. (billions)	100	55		295	392. Est
*Steel operating rate percent capacity	95	18		79	99
*Ingot production, million tons	1.32	.27		1.45	2.39
*Electric power Kw hrs.—billions	1.72	1.41		5.37	10.5
Fed. Reserve Rediscount Rate Range	5-6-4½	3½-2½		1½	1½-2½

*For similar week in respective year. †Dec. 31.

Population Growth

The 1955 year-end population figure includes that of the Armed Forces overseas and the arrival, via the stork route, of 4,100,000 new citizens—a new annual peak baby crop and the second consecutive year in which the total ever exceeded four million. The combined sum of 1954-55 registered births is about equivalent to the population of the City of New York or that of the State of Texas. Despite the fact that family formations are at their post-war low, the tendency is strongly toward earlier marriages and larger families. The average age of the present day bride is 20.4 years, that of the groom, when he responds, "I do," is 2½ years older. The net reproduction rate which, in the period from 1935-40, had fallen to .98 showed a sharp reversal in the 40's and, with the return of the G. I. to the home front, the continuing amazing upsurge has confounded population experts. Actual growth has exceeded earlier official predictions; anticipated estimates of a 200 million population, by 1980, have fallen by the wayside. Given peace, or a continuation of the Cold War status, we will reach this figure some time between 1968-70. We should start the coming decade (1960) with a population of 177 million. This strong, rising population curve has forced constant upward revisions of our industrial output. It is the dominant factor pressing on our available resources and gives every evidence of continuing to do so.

Stock Market Credit

Sophisticated stock market students will recognize the "why" of the strong stock price recovery since the Eisenhower heart "reaction" in September-October of last year in the table that follows. The comparison is based on the Dow-Jones Industrial Average and supporting data of two previous peak years. It should be pointed out that today's stock market is utilizing only 2% of bank credit, whereas in 1929 the big advance in prices absorbed about 25% bank credit. The writer, who was on the floor of the New York Stock Exchange in those hectic days, recollects that the call rate (overnight charge to carry stocks on margin) soared to 20%. Such evidence of careless speculation is absent today.

	Sept. 1929	May 1946	Sept. 1955
D. J. Industrials	386	213	488
Earnings	$19.94	$13.63	$36.75
Price earns. ratio	19.3	15.7	13.3
Dividends	12.75	7.50	21.00
Stock yield	3.30%	3.40%	4.25%
High grade corp. bond yield	4.80%	2.55%	3.12%

The tempo of our increasing productivity to supply the rising standards of material living deemed so necessary by our growing middle-income bracket is brought into sharp focus by the following table:

Production Estimates Postwar Period—10 Years to October, 1955

Family homes	10.250 M
Motor cars	48.000 M
Television sets	38.750 M
Refrigerators	38.250 M
Aluminum	8.275 M tons
Steel ingots	887.000 M tons
Crude oil	19,550.000 M bbls.
Electricity	3,425,000.000 M kwhs.

Freer Market of 1955

This enormous post-war output was attained in the face of reconversion problems resulting from World War II effort, Federal controls over credit, materials shortages, prolonged strikes, the Korean "police" action and the two recessionary phases (1948-49 and 1953-54) in our economy. The year 1955, the first in many when industry operated unhampered by controls and under the impact of the first full year of tax reduction ($7.4 billion) granted in 1954, witnessed many records shattered. There are indications that the vigorous demand for consumer credit to finance the items listed in the left-hand column may again result in Congressional action and bring about a reinstatement of some Federal controls. This, despite strong signs that housing starts may be 150,000 units under last year's and automobile output down 15-18% from the all-time high production of 7,942,000 units produced in 1955.

Flow of Mortgage Funds

During this period, with the assist of liberal financing terms by Government agencies (FHA and VA), in excess of $100 billion was channelled into one-family houses. Approximately 57% of the nation's homes are presently owner-occupied, the steepest percentage rise having occurred in such widely scattered cities as Houston, Detroit and Los Angeles. Permissive legislation allowing Savings Institutions to invest funds in Federally underwritten mortgages on a country-wide basis resulted in a large flow of funds to the South and West from New England and New York Savings Institutions.

Even though these two powerful props (autos and housing) to the economy will decline, the slack will be taken up by increases in capital expenditures (machinery, plant and equipment), expanded State and local spending for schools, hospitals and highways, and somewhat higher Federal allocations for defense and foreign aid. Competent authorities believe it will require roughly $7½ billion annually, for the next 15 years, to build essential highways, to modernize existing roads and to maintain our present system in a satisfactory condition for today's motor-driving public.

Looking Forward

Reliving and reminiscing over the experiences and progress of the past two and a half decades, as outlined in some measure above, is very pleasant indeed. But what of the period ahead—the next nine years and 11 months to 1965? Unquestionably, as happens in every dynamic economy, some rough going will be encountered. What projections — what prognostications—can one at this time assume to be reasonable?

Even though the birth rate may level off or decline slightly in the remaining years of this decade (up to 1960), the tendency toward larger families among the home-owner population (now 57%) will keep this rate at a high plateau. Couple this with the fact that, due to advances in medical science, oldsters are living longer; life expectancy in 1900 was 47 years, today it is 70 and still rising. New social problems are being created with the increasing numbers of Americans passing their 65th birthday, 75% of whom have incomes of $1,000 or less annually. Although our population has doubled since 1900, that of those attaining the age of 65 has quadrupled and is showing a sharp increase. We can look forward to a minimum population of 192 million by the dawn of 1965.

Skilled Labor Shortage

Despite the accelerated advance of automation or the push-button era, one-third of this additional population increase will be briskly engaged in providing the goods and services required by the augmented numbers at both ends of the age spectrum—those under 20 years and those over 60. There may conceivably be a shortage of skilled labor in various trades where strongly organized unions are limiting the number of apprentices who may apply for certain types of work, particularly in the building trade.

More and more will the younger group be besieging the gates of institutions of higher learning as it becomes conscious of the rising standard of training required by the more scientific age of industry and the further compelling demands of research. Industry, in turn, becoming more mindful of its needs in this direction, is diverting larger sums to educational institutions. The serious problem that presents itself is to find sufficient numbers of qualified instructors to cope with the situation of teaching these larger groups which will require a broader educational background and sounder technical training. The need for additional schools becomes quickly apparent when it is pointed out that the expansion of school and college enrollment will rise by more than 12 million in the coming 10-year period or about 30% above the present 40 million attendance.

$60 Billion Research Outlay

The task that industry anticipates is amply demonstrated by this simple figure; expenditures for research and development in the period to 1965 to raise further our standard of living are expected to approach the staggering total of $60 billion! The approximate outlay of $18 billion made in the past five years seems very modest by comparison. Refinements of existing products to cut unit costs and increase efficiency and the creation and launching of new enterprises must result from these vast research outlays, in turn creating new jobs and added expenditures for capital equipment.

Certain tangible evidences of a more dynamic changing economy yet witnessed are directly before us. Commercial air travel at higher altitudes and speeds has advanced from the planning board to reality. By 1959 jet thrust will propel the air traveler from New York to London in 6¼ hours, Seattle to Yokohama in 10 hours, New York to Los Angeles in 3¾ hours. Air cargo will quadruple.

Atomic energy will power surface ships of the U. S. Navy.

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Home Modernization Program Spur to Construction Industry

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

Modernization of middle-aged housing viewed by Mr. Cole as a challenge to the construction industry, lenders and municipal authorities as a result of the 1954 Housing Act's new financing concepts. In addition to the 1,300,000 new homes expected in 1956, Housing Administrator anticipates $14 billion expenditure on rehabilitation of individual homes in a national neighborhood-wide campaign to prevent new slums. Program seen bolstering pending advent of housing industry pending new home-building boom in early 60's.

This period was chosen many months ago as the time to start a great national crusade to raise the level of living in all parts of our country. The means by which we will achieve that end is improvement of the fundamental element of living, the homes of America.

Albert M. Cole

This is a joint enterprise. Millions of individuals will take part in it. Thousands of communities will participate. Civic organizations and many special groups, such as the ones sponsoring this meeting, will contribute their energies. Major areas of private industry, including all media of communications, will marshal their powerful forces. The Federal Government will aid in every possible way.

In a moment I will outline this tremendous project. But first I want to tell you from the Government point of view how it developed to the eminence at which it stands today. That will give our program more meaning, more logic, even more presumption of success.

Home Improvement Need

When the present Administration took office not quite three years ago President Eisenhower and his team were keenly aware of the need for more and better housing. Our cities now contain more than two-thirds of the nation's inhabitants. And here I emphasize that the urban segment of our population has been growing faster than the total population. Increasing efficiency of agricultural production in recent years has brought about a continuous exodus of farm workers in successful search of work in our rapidly expanding manufacturing and related industries.

Those of us directly responsible for setting up a more effective program to raise the national level of living did not at the outset know—nor did we pretend to know — all the answers to the problem. We did know that encouraging a continuation of the postwar single- and multi-family housing boom was a very important part. We knew that a realistic amount of public housing for low-income families and aged persons was another part. We knew that slum clearance was still another part. And we recognized that the Housing Act of 1949, although not broad enough, was a valuable point of departure. But the total added up to a good deal less than 100% of the answer.

Our first job was to make the answer more specific. The one thing I felt sure about was that I couldn't find everything we needed to know in Washington, and shortly after I became Administrator I took to the road.

*An address by Mr. Cole before the Home Improvement Year Conference, Washington, D. C., Jan. 16, 1956.

In the following weeks I visited well over a dozen key cities. With the full cooperation of municipal officials and the support of national organizations and countless individuals, I held public hearings wherever I went and had innumerable conversations and discussions at all levels. Those were real "short-sleeve" conferences.

The net result of my travels was a recommendation to the President that he appoint a working committee to hammer out a program.

Early in September, 1953, President Eisenhower named 23 men to his Advisory Committee on Government Housing Policies and Programs. Real estate men, architects, builders, suppliers, bankers, savings-and-loan people, officers of life insurance companies; labor leaders, trade association representatives, spokesmen for the interests of veterans and the needs of our various minority citizens—these formed the committee. Essentially it was your own committee for it was recognized that without the full forces of private industry working enthusiastically with the new Administration and with civic leaders no program could be brought to successful accomplishment.

On Dec. 14, 1953, as Chairman of the Advisory Committee, I forwarded to President Eisenhower this committee's report. Its recommendations, with certain modifications, formed the basis for legislation enacted by Congress: The Housing Act of 1954 and its subsequent amendments. A new philosophy came into being and began to be translated into action.

The Act itself introduced entirely new concepts of housing and home financing. It extended and expanded others. And it took brand-new recognition of a long-hidden but shockingly true element in broad-scale urban renewal: clearing slums was literally a hopeless job—it could not be accomplished — municipal bankruptcy was facing the nation—the richest nation on earth would inevitably become the richest slum on earth—*unless* the flood of new slums could be brought under control by rehabilitating middle-aged homes and other buildings of sound construction.

Middle Age Housing

But on this occasion I want to discuss not slums, not blighted areas in danger of becoming slums, not even those urban sections that touch on such areas. I want to talk about *all* older areas—those in which houses 20 years and older predominate — in all the towns and cities of the United States.

It is in the older areas, many of very high quality, that more than half of the nation's people live today. The total property investment — though not precisely measurable — is considerably in excess of $200 billion.

And we have not been protecting that investment. We have been letting a vast national asset —dwelling place of half the American people—depreciate at a rate no factory or mercantile establishment would tolerate. And business leaders have been partly at fault. They thought only in terms of "somebody else's property." Along with others, they failed to see that this was the nation's property, the nation's economy—and thus the depreciation directly affected us all.

The capital value of our properties has not been keeping pace with other capital values. More important, the dividends have been falling off—and I mean not only municipal tax revenues but dividends in efficiency, comfort, and satisfaction. The dividends in livability have not kept up with the dividends from other sources. Nor have they begun to keep up with the American standard of livability which the restless genius of American home builders is constantly elevating to new heights. Countless thousands of our dwellings not only lack the utility and livability made possible by postwar technical developments, but are limited to facilities popular between 1900 and 1935.

The program recommended by the President's Advisory Committee was substantially written into law during this Administration for private industry to carry out. Today private industry is no longer obliged to subsist on promises of Government cooperation. From the Eisenhower Administration private industry and the American people themselves have actually had that cooperation.

Estimated Construction

Today the building and allied industries—with the continued cooperation of Government — are about to undertake an enterprise of tremendous scope and of a social import that cannot yet be measured. These industries are not only going to construct probably 1,300,000 new homes in 1956, but they are going to improve very substantially 10 million or more existing dwellings at a cost of over $9 billion. An additional 10 million or more homes will receive maintenance and repairs in excess of another $5 billion. The total will be about $3 billion, or 25%, more than was spent in 1955—and I believe it is a conservative estimate. The Chamber of Commerce of the United States, for example, recently published a statement which I will quote:

" . . . These figures certainly indicate that, despite the discovery that the residential modernization market may be about twice as large as we thought, the limit may be far from reached. A possible additional expansion of 25 to 50% of the present activity is within probability."

I also want to read to you the sentence immediately following: "This is a challenge to the construction industry that should not be passed at a time when other sectors of the construction market may be temporarily close to the limits of increased expansion."

This is indeed a challenge to home builders. It is also an opportunity of spectacular dimensions for lenders, realtors, architects, producers, and all allied trades and professions. It will mean a whole new area of employment for labor. And neither the challenge nor the opportunities will be ignored by any of these.

I do not use the term "challenge" lightly, nor as a matter of rhetoric.

For years a nearly hopeless burden has been placed on the individual home owner who wished to improve his home in an older neighborhood. He was usually unable to borrow the funds for a real job of improvement—a new wing, a new bathroom or kitchen —because few wished to lend substantial sums to a home owner in an aging area that showed signs of blight.

Now we have a really fresh approach. We urge broad-scale, neighborhood-wide home improvement, not just pockets of endeavor. And instead of relying solely on the part-time efforts of well-meaning citizen groups—without whom there would be no real progress—we now rely also on the national and local businessman who can find in this crusade the fulfillment of a social and economic need without jeopardizing the interests of his stockholders.

I must at the same time remark that it is the responsibility of businessmen and lenders to be vigilant in the interests of home owners. There is no place in this national movement for greed or careless practices. There can be no toleration of laxity in granting either conventional or Government-insured loans. I urge lenders and builders alike to require identical standards in the granting of both these types of loan.

Decline in Family Formations

Let me assure you that we do not expect shortages of supply, of labor, or of management because of the extension of this large effort in the housing field. You are all aware that during the half dozen years ahead there will be a fall-off in new family formations due to the coming of age of the smaller baby crop born during the depression period of 1930's. An attendant moderate drop in demand for new homes during those few years can be very profitably balanced by satisfying the demand for home improvement — and thus, without risking pressures of an inflationary character, keep fully employed the producers and suppliers of building materials, the forces of labor, and management. At the same time the building industry will be tooling up in preparation for the clearly visible new home-building boom that will get under way in the early 1960's.

As one new and practical step to assist in the home-improvement effort, the Housing and Home Finance Agency will recommend liberalization of its procedures, through both legislation and regulations, to an extent that will bring our mortgage insurance facilities into phase with today's standards. We are also undertaking to send through the country highly qualified teams to aid in training the personnel in all our field offices and thus expedite all qualifying applications for Federal assistance.

The challenge facing us all will be met. From coast to coast, from the Canadian border to the Rio Grande, all elements of the building industry are moving forward to accept the challenge and to seize the opportunity.

Newspapers great and small, magazines of every kind, trade journals, the radio and television chains—all are giving lavishly of their space and time. They, too, have determined to meet the challenge.

Many other industries—some of them not even indirectly associated with the building and building-service industries—have recognized the challenge. They know that anything which makes for a better America must have their support. And they are warmly giving it.

Municipal authorities in thousands of communities feel the challenge deeply. They are very close to the need for improving the homes of America. They know the importance of good homes and sound neighborhoods in maintaining a sound capital structure in their communities. And they know how great are both the financial and social dividends. Their support is being given to the limit.

I believe I am safe in saying that no peacetime endeavor of the American people has ever had such assurance of universal support as this our nationwide home improvement enterprise — a true partnership of private industry and Government. This partnership has no opposition. Everywhere it has support.

In this room here today there are close to 500 strong supporters. In addition to the representatives of many industries, there are present distinguished members of both Houses of Congress. Many of the President's Cabinet and several of the White House staff are with us today, as are other Government officials from a number of departments, state and municipal officers, and community leaders. There are labor leaders, education and health authorities, publishers, editors, news analysts. There are religious leaders and persons eminent in numerous other fields of activity. All of you have come here with a single purpose.

You have come to demonstrate your faith in the enterprise that all of us are undertaking together.

You believe that our postwar technology, which has already greatly raised the level of living in America, will continue to ad-

Continued on page 35

Complete Ford Motor Sale

The first public sale of Ford Motor Company common stock was completed at the Manufacturers National Bank in Detroit, Jan. 26, when Charles R. Blyth, left, President of Blyth & Co., Inc., turned over to H. Rowan Gaither, Jr., center, President of the Ford Foundation, a check for $642,600,000. Shown holding the check with Mr. Gaither is William R. Mayberry, President of Manufacturers National Bank. The money represented proceeds from sale of 10,200,000 shares of Ford stock held by The Ford Foundation. Mr. Blyth's firm headed a syndicate formed to underwrite the largest common stock offering ever made.

Outlook for the Real Estate Mortgage Market in 1956

By RAYMOND T. O'KEEFE*
Assistant Vice-President, Chase Manhattan Bank

New York banker anticipates smaller demand for and larger supply of mortgage funds in 1956 compared to 1955, along with tight market due to unabsorbed outstanding commitments. Looks for supply of commercial bank interim credit to be as generous if as large as that in 1955. Cautions against a possible disturbing decrease in dollar velocity of mortgage warehouse credit unless commercial banks assume warehoused mortgages for an "absolute minimum" period.

As I understand it, my assignment on this panel is to comment briefly, from a commercial banker's viewpoint, on the outlook for the real estate mortgage market in 1956. Because of the limitations of time, only the market for residential mortgage loan on one - to - four family non-farm dwellings for the country as a whole will be discussed.

Raymond T. O'Keefe

Supply and Demand

First, a quick look at the supply and demand factors as I see them. As to supply, the availability of funds for investment in mortgages depends primarily on the flow of savings, on the relative attractiveness of competing forms of investment, and credit conditions generally. Taking into consideration recent trends in savings, and giving particular emphasis to large amounts constantly becoming reavailable from run offs on existing mortgage portfolios, it would seem that the over-all supply of funds for investment in permanent mortgages in 1956 should at least approximate the amount made available in 1955. The supply could be increased appreciably if 1956 should be the year in which the often-rumored entry of the pension funds into the market for government insured and guaranteed residential loans takes place.

On the demand side of the market, it would be my guess that the pressure will be less in 1956 than last year. The rate of new housing starts continues to decline and both VA appraisal requests and FHA applications are down considerably. Personally, I do not believe that this trend will be radically altered due to the action of the VA and FHA on Jan. 17 in restoring home loan limits to 30-year terms. Reports from builders in some sections of the country indicate increased difficulty in selling new houses. This and increasing land, selling, and material costs, together with high discounts on mortgages has the tendency to influence builders to cut back on activities and exercise caution and conservatism in their future planning.

Unabsorbed Mortgages

If the impression is accurate that there is yet a considerable volume of mortgages on houses started in 1955 to be absorbed into portfolios by institutional investors under both firm and standby commitments outstanding, then the general conclusion based on all the foregoing would be that conditions should continue tight well into 1956 with a gradual loosening to provide an ultimate volume of new mortgage loans somewhat less than in 1955.

Up to the present point I have not mentioned a very important ingredient essential to a healthy mortgage market, and that is the availability of a sufficient volume of, what should be, short-term commercial bank credit for interim construction and mortgage warehousing loans. The amount of credit that can be made available for this purpose varies from time to time depending on general credit and economic conditions.

Commercial Bank Credit

We are now in a period and have been for some time in which economic activity has been extremely high with all indications pointing toward a further expansion of the national economy. In such a period demands for commercial bank credit from all segments of the economy have been extremely heavy. In this situation, particularly with evidences of material and labor shortages and other inflationary trends, the monetary authorities have deemed it essential for the common good to pursue a policy of restriction. Under such conditions with the possible expansion of credit limited, it is, in effect, necessary for the banks to ration the available credit as equitably as possible to the various areas of the economy demanding it. Statistics indicate that in the rationing process the mortgage and home building industry faired very well during the past year or so. For example: during the past year bank loans to business borrowers by weekly reporting banks rose by $4.2 billion or by 18.5%. While figures are not available to show that part of the increase attributable to credit extended by banks to real estate and mortgage lenders which are classified under loans to business borrowers, a survey conducted by the Board of Governors of the Federal Reserve System indicates that such credit increased from $606 million on Aug. 11, 1954, to $1.616 billion on Nov. 16, 1955, an increase of 167%. From where I sit, it would seem that most of this increase occurred in 1955 so that it is at least roughly comparable to the 18.5% increase in all bank loans to business mentioned before.

Warehouse Mortgages

Suffice it to say that if the mortgage industry is treated as generously in 1956 as it was in 1955, it should have the use of sufficient commercial bank credit to serve its needs. However, I think there is one disturbing trend with respect to warehousing credit particularly worthy of mention to this audience. That is the tendency on the part of investors to lengthen the term of commitments for the purchase of mortgage investments with the result that mortgages remain in warehouse for much longer periods of time than heretofore.

Therefore the velocity of the dollar of warehouse credit has decreased considerably and cannot do the job it did before when the turnover was more rapid.

If mortgage brokers, mortgage bankers, and mortgage investors are interested in improving the tone of the mortgage market, they can contribute immeasurably by working conscientiously to reverse the current trend and to reduce to an absolute minimum the period commercial banks are required to carry mortgages in warehouse.

*Remarks by Mr. O'Keefe at a meeting of the Mortgage Bankers Association of New York, New York City, Jan. 18, 1956.

F. J. Cullum With W. C. Langley & Co.

Francis J. Cullum has become associated with W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, as sales manager.

Mr. Cullum joins Langley after five years with the First Boston Corp., where he most recently was a manager in the investment department of the New York office.

Anglemyer Opens

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—A. F. Anglemyer is engaging in a securities business from offices at Summit at Eighth Street under the firm name of A. F. Anglemyer Co. Mr. Anglemyer was formerly with Beardslee-Talbot Company.

Van Alstyne, Noel Co. Admit Wm. McElnea

Van Alstyne, Noel & Co., 52 Wall St., New York City, members of the N. Y. Stock Exchange, announce that William H. McElnea, Jr., has been admitted to the firm as a general partner. Mr. McElnea formerly was a Vice-President of Empire Trust Company in the bank's chemical department. Previously he had been associated with Commercial National Bank and Trust Company after graduation from Dartmouth College.

W. H. McElnea, Jr.

Mr. McElnea's admission to the firm was previously reported in the "Chronicle" of Jan. 19.

Trent & Co. Formed In New York City

Trent & Co. has been formed with offices at 39 Broadway, New York City to engage in the securities business. Partners are Anne Trent, Ben Gold and Bernard Weissman, all formerly with Siegel & Co.

Mr. Weissman is a charter member of the Securities Traders Association of New York. Mr. Gold is an associate member of the same organization.

J. H. Lederer Co. In New Quarters

J. H. Lederer Co., Inc. announce the removal of their offices to more spacious quarters at 53 Beaver Street, New York City.

THE MARKET . . . AND YOU

By WALLACE STREETE

The persistent flood of good corporate news finally made itself felt in the stock market this week culminating in a soaring advance in Santa Fe to spark the rails when the long-awaited stock split in this issue was figured out to a 5-for-1 basis. Oils managed to show some sustained strength after Jersey Standard Oil indicated that its 1955 profit would run better than $700 million dollars for the second best year's work in history, second only to the billion dollars General Motors is expected to show for last year.

* * *

International Business Machines, hard-hit by the terms of its anti-trust settlement last week, turned around smartly after the company reported record earnings on the 20th annual report in a row showing better profit results. The issue, selling around 28-times-earnings, is one of the higher brackets in this category despite its recent tumble. At its high, it sold at more than 30-times-earnings.

The Steel Sector

The group that is still priced conservatively by the times-earnings yardstick is the steels, where such as U. S. Steel and Bethlehem are available at 8 to 9-times earnings. Bethlehem has been a perennial split hope, with a bit of disappointment cropping up at each quarterly meeting when no action is taken. The latest one was partially offset by a boost in the "yearend" dividend that comes as the new year starts, $2.50 this year against $2.25 last year at the same time. U. S. Steel voted only the regular at its initial meeting of 1956.

* * *

So far at least the steels have been able to make up any of the business lost by cutbacks in auto production from their other customers. Marketwise the autos have been anything but features, General Motors working right down to the poorest price at which the new stock has sold since the stock split. But a lot of attention was being paid by the market analysts to the fact that the second best production year in history for the business wasn't as dire as some of the market pessimists were painting it and occasionally the issues in the group made something of an attempt at a rebound.

A TV Stock Scrutinized

With the long dormant oils finally perking up, some of the other neglected groups have been getting some scrutiny, including the TV-electronics issues that have had little play since the initial enthusiasm when video first was sweeping across the country. Emerson Radio, with its trend toward diversification including the air conditioning field, was among the favorites in case color television is about to blossom out soon. Emerson has done virtually nothing since the stock was last split in 1950. The stock hasn't come anywhere near its 1950 peak recently and last year's range was about the same as that of 1951 which hardly indicates market progress.

* * *

Another backward group nudging back into the limelight are the cigarette companies, sparked by good dividend action by American Tobacco which reflected the end of the two-year downtrend in production that was reversed last year. The big item for this business has been the filter cigarettes that accounted for nearly 19% of production last year. One of the filter types of R. J. Reynolds was able last year to turn in a whopping 200% increase in acceptance when filter types generally showed a 94% gain in production.

A Farm Equipment Company Diversifies

Farm equipment shares, like those of the cigarette makers, have been anything but popular recently but the entry of Deere & Co. in chemical operations inspired some new examinations of these shares. The company has also turned something of a corner in that earnings for its last fiscal year showed a healthy upturn after dipping to a low point for half a dozen years the previous year. The stock has held in a narrow range of around 10 points' swing at most in the last four years since it was split and for the entire period has built up a range of only around 16 points. In addition to the improvement already shown in earnings, the company posted price increases late last year that could assure a continued uptrend for the current year.

A Textile Bargain

Little following has been built up for the fabric and yarn producers, leaving some like Beaunit Mills selling at only around 6-times earnings against a traditional background of at least a 10-times earnings price. The company was included with those that were to suffer from a fall-off in auto orders but indications are that the replacement tire business, at least so far, is more than adequate to make up for any trims in original equipment volume. In addition, the company has been conducting pilot plant operations in nylon in case there is any mass shift by the tire industry to the more expensive nylon yarns for their products. The company also has posted higher prices that can logically be expected to benefit the profits statements. Also in the wind, according to the trade, are some rayon improvements that will make rayon even more competitive to nylon with even duPont, the nylon developer, active in producing newer and stronger rayon.

* * *

Among the steel issues, the romance would seem to settle on Republic Steel which, in addition to an ambitious steel expansion program, is also working into the titanium circle with a large property in Mexico and negotiations underway for an interest in Crane Co.'s titanium plant. Like the others in the group, Republic's price-earnings ratio is a conservative 8 times with a yield well above 5%. The steel expansion program is expected to be financed internally without any common stock dilution and the biggest cloud ahead is the union negotiations this spring. The stock has held in a less than 14-point range since its split last year, lately holding in the lower area of the range and well below last year's peak.

* * *

Also well below any historic price is Vick Chemical which, like the other drug houses, has yet to show that all the profit possibilities in new wonder drugs are exhausted. The company has boosted sales steadily for seven years in a row. The company is one of three important producers of new drugs for mental illness and is right in the thick of the battle for a leading place in the field of the new preparations to fight cardiovascular diseases.

* * *

In the chemical field a misnomer to some extent is Food Machinery & Chemical which, lately, has owed far more to the chemical phase which already accounts for well over half of sales although the first turn to the field was made only a scant dozen years ago. Since then new lines have been acquired through merger and research, including important strides in petrochemicals, all calling for large amounts for expansion and development with a corresponding weight on the profits statements until the benefits start to roll in.

[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.]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the annual meeting of stockholders of **Savings Banks Trust Company of New York** held Jan. 18, E. Leslie Barnard, President of The Rome Savings Bank, and Joseph A. Kaiser, President of The Williamsburgh Savings Bank, were elected directors.

* * *

Arthur K Watson, President and Director of I. B. M. World Trade Corporation was elected a Director of **The New York Trust Company of New York** on Jan. 31 it was announced by Adrain M. Massie, Chairman of the Board and Hulbert S. Aldrich, President of the trust company. Mr. Watson, who graduated in 1942 from Yale University has been associated with I. B. M. World Trade Corporation since 1948 and served as a Vice-President and Director and member of the Executive Committee prior to being elected to the office of President. He is a director of many organizations.

* * *

Guaranty Trust Company of New York announces the election to its board of directors of James M. Symes, President of the Pennsylvania RR. Co. Mr. Symes first joined the Pennsylvania in 1916 as a clerk, and advanced through many positions in Pittsburgh, Cleveland, Chicago, and Philadelphia, becoming Vice-President in charge of operation in 1947, Executive Vice-President in 1952, and President in 1954. From 1935 to 1939 he served the Association of American Railroads in Washington as Vice-President, operations and maintenance. Besides the Pennsylvania, Mr. Symes' directorates include numerous other companies—railroad, insurance, etc.

* * *

Phillips Norton was elected Assistant Resident Counsel and Robert G. Kerler, George W. Klugherz and David C. Peet were appointed Assistant Treasurers at **Bankers Trust Company, of New York**, it was announced on Jan. 30 by S. Sloan Colt, President. Mr. Norton, a member of the bank's Legal Department since 1950, formerly held the position of Assistant Counsel since 1951. Mr. Kerler, who began his career with Bankers Trust in 1955, is with the bank's Real Estate Division. Mr. Klugherz, of the 176 Broadway Office of the bank, entered the company in 1939. Mr. Peet, of the bank's North Atlantic District started with Bankers Trust in 1947 in the Bond Department.

* * *

Leonor F. Loree II has been appointed a Vice-President of the **Chase Manhattan Bank of New York** according to J. Stewart Baker, President. Mr. Loree will continue to be associated with the managerial group handling the bank's business in Pennsylvania and Ohio. He joined the credit department of the bank in 1944 and the following year was assigned to the far western district. From 1952 until his transfer to his present assignment last year he served in the aviation department. He was appointed to the official staff as an Assistant Cashier in 1948 and promoted to Second Vice-President in 1951.

* * *

Harvin L. Landua has been appointed Assistant Manager of the Oil and Gas Department of **Chemical Corn Exchange Bank, of New York** it was announced on Jan. 31 by Harold H. Helm, Chairman.

* * *

The appointment of Philip H. Milner as Officer in Charge of **Manufacturers Trust Company's Empire State Office**, located in the Empire State Building, 350 Fifth Avenue, New York, is announced by Horace C. Flanigan, President. Mr. Milner has been a Vice-President at the bank's main office, 55 Broad Street, since 1951. Prior to his new appointment, Mr. Milner has been in charge of the bank's commercial and banking business in the Southern Division of the Domestic Department. Before this, Mr. Milner had been in charge of the bank's Fourth Avenue Office. Mr. Milner succeeds George T. Newell, who has been transferred to the bank's main office.

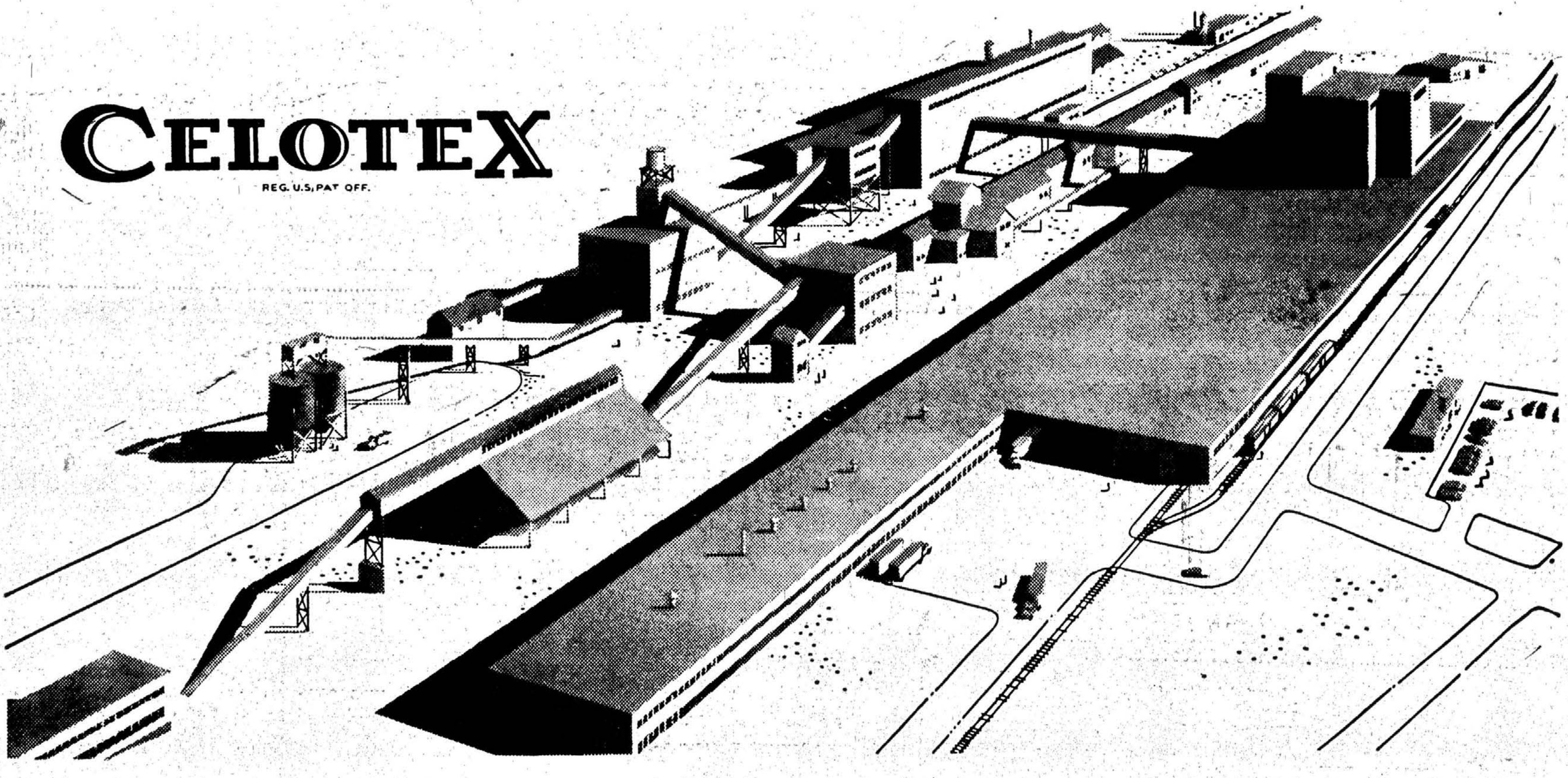
* * *

On Jan. 24 wreckers began the demolition of one of midtown Manhattan's landmarks—the building of the **Union Dime Savings Bank of New York** at Sixth Avenue and 40th Street. The structure which dated from 1910, was considered one of the finest remaining examples of a type of bank architecture of that period. The bank is being demolished to make way for a 32-story office building. So that its passing might not go unrecorded, a guided press tour of the premises was arranged for during the morning of Jan. 24 under the auspices of J. Wilbur Lewis, Union Dime President and Edmund F. Wagner, President of General Realty. Following the tour, a brief ceremony was held symbolizing the start of demolition. A 32-story air-conditioned office building will be erected by the General Realty & Utilities Corporation on the bank's site. When the structure, to be known as 111 West 40th Street, is completed Union Dime will occupy its first three floors and basement as new main-office quarters with sufficient space for present and future needs. Pending completion of the

Continued on page 31

CELOTEX

REG. U.S. PAT. OFF.



1955 . . . a year of important growth

The year 1955 was one of substantial progress for The Celotex Corporation. Earnings rose to $5,081,643, a gain of 58 per cent over 1954, and sales increased 14 per cent to $71,136,590. The annual dividend rate now is $2.40 per share as compared with the rate of $1.50 a year ago.

A new gypsum board plant was completed at our Port Clinton, Ohio properties, and another production line was added at Marrero, Louisiana for the manufacture of Celotex acoustical products. Present plans include starting construction at an early date of new plant facilities to cost approximately $7,000,000.

In 1956, an expected total building activity comparable to that of 1955 should provide a continued high demand for our products.

O S Mansell

PRESIDENT

COMPARATIVE STATEMENT OF INCOME

FOR THE YEARS ENDED OCTOBER 31,

	1955	1954
Net Sales	$71,136,590	$62,257,623
Costs and Expenses:		
Cost of sales and selling and administrative expenses	57,958,129	53,634,184
Provision for depreciation and depletion	2,085,338	1,953,705
Total Costs and Expenses	60,043,467	55,587,889
Income from Operations	11,093,123	6,669,734
Other Income (net)	13,520	22,915
Income Before Income Taxes	11,106,643	6,692,649
Provision for Income Taxes	6,025,000	3,490,000
Net Income for the Year	$ 5,081,643	$ 3,202,649

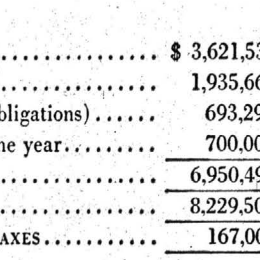
ASSETS

	As of October 31, 1955
Current Assets:	
Cash and U. S. Government securities	$10,509,598
Accounts receivable (less reserves)	9,004,121
Inventories	5,983,417
Total Current Assets	25,497,136
Property, Plant and Equipment	46,735,238
Less: Reserves for depreciation and depletion	20,107,164
Net Property, Plant and Equipment	26,628,074
Securities and Miscellaneous Investments, Etc.	1,648,761
Prepaid Expenses and Deferred Charges	800,886
Total Assets	$54,574,857

LIABILITIES, CAPITAL STOCK AND SURPLUS

Current Liabilities:	
Accounts payable	$ 3,621,532
Accrued expenses	1,935,666
Provision for taxes (less U. S. Treasury obligations)	693,295
Payments on long-term debt due within one year	700,000
Total Current Liabilities	6,950,493
Long-Term Debt Due After One Year	8,229,500
Reserve for Deferred Federal Income Taxes	167,000
Net Worth:	
Preferred stock	5,137,250
Common stock	878,651
Paid-in surplus	6,325,253
Earned surplus	26,886,710
Total Net Worth	39,227,864
Total Liabilities and Net Worth	$54,574,857

Copies of our Annual Report for the fiscal year ended October 31, 1955, are available upon request. Write to Secretary, The Celotex Corporation, 120 South La Salle Street, Chicago 3, Illinois.



Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Two weeks ago this column brought out not only the improved earnings position of the leading New York banks in 1955, but also the fact that, despite the somewhat higher average market prices, the price-earnings ratio was lower at the end of 1955 than a year earlier. In other words, measured by the price-earnings relationship, these stocks offer better value to the investor than they did a year earlier.

This week there is offered reinforcement in the two tabulations given below. First there is given a comparison with a year ago of the amount of invested assets per dollar of the price of the various stocks at the year-end date. It will be seen that in only two cases, Chemical Corn Exchange Bank and First National City was the 1955 year-end figure higher than a year earlier; and as in each of these cases the bank was involved in a merger, the invested assets figures could be somewhat distorted. As the changes in invested assets were only nominal in the year, it is apparent that the dominant influence was price increase which resulted in a lower ratio in all except these two stocks.

But of greater consequence is the second part of the tabulation. Price does not enter into this calculation; it is the rate of earnings (from operations only) on the year-end invested assets. Here we have an average increase of about 16½% over 1954. Seven of the 13 banks show a rate of above 0.90%.

	Invested Assets Per Dollar of Price —Year-End—		Rate of Operating Earnings on Year-End Invested Assets	
	1954	1955	1954	1955
Bankers	$8.37	$8.03	0.81%	0.97%
Bank of New York	10.63	10.00	0.71	0.77
Chase Manhattan	9.52	8.88	0.72	0.76
Chemical Corn Exch.	8.95	9.37	0.67	0.79
Empire Trust	9.70	8.18	0.77	1.02
First National City	7.83	8.54	0.60	0.77
Guaranty Trust	6.66	6.20	0.85	0.97
Hanover Bank	9.17	9.06	0.75	0.84
Irving Trust	7.89	7.69	0.76	0.92
Manufacturers Trust	10.63	10.01	0.68	0.75
J. P. Morgan & Co.	7.89	7.31	0.74	0.95
New York Trust	7.36	7.09	0.91	0.96
*United States Trust	5.17	4.43	1.35	1.48

*As 56% of gross income of United States Trust is derived from fiduciary commissions, its rate of earnings on invested assets is unusually high, and the amount of invested assets per dollar of price is abnormally low.

In regard to the percentage of operating earnings disbursed in 1955 as dividends, nine of the same 13 banks showed a decline in the ratio. It is not that these banks' deposit ratios are so high that they consider it prudent to retain a substantial portion of earnings. These ratios are for the most part relatively conservative. Even in the case of the highest earnings-dividend ratio, Guaranty at 82%, the deposit ratio is an ultra-conservative $6.7 of deposits to $1 of capital funds (excluding reserves), evidencing no need for retaining a greater proportion of earnings than Guaranty has been keeping in the business. Therefore, it seems to be a reasonable expectation that further dividend increases will be ordered. These could be either in the form of cash, or, what comes out to the same thing—stock.

Several leading New York bankers have indicated that their expectation is for an earnings showing in 1956 about equal to or quite modestly above the 1955 results. The full effect of the rising loan rates will not be felt by most banks until February or March, and while it is probable that loan rates will give way slightly later this year, this will be at least partially offset by the roll-over of low-rate term loans into higher rates.

N. Y. Sec. Dealers Ass'n To Hold Annual Dinner

The 30th annual dinner of the New York Security Dealers Association will be held Friday, March 9, in the Grand Ballroom of the Biltmore Hotel, Eugene G. Statter of Hoit, Rose & Co., Association President, has announced.

John J. O'Kane, Jr., of John J. O'Kane, Jr. & Co., has been named Chairman of the Dinner Committee.

Other members of the committee are: Richard M. Barnes, A. M. Kidder & Co.; Irving L. Feltman, Mitchell & Company; Walter L. Filkins, Troster, Singer & Co.; Frederick D. Gearhart, Jr., Gearhart & Otis, Inc.; Maurice Hart, New York Hanseatic Corporation and George V. Leone, Leone & Pollack.

Also: Theodore E. Plumridge, Eastern Securities, Inc.; Stanley L. Roggenburg, Roggenburg & Co.; George A. Searight; Herbert Singer, Singer, Bean & Mackie, Inc.; Elbridge (cq) H. Smith, Stryker & Brown; Robert M. Topol, Greene & Company and Melville S. Wien, M. S. Wien & Co.

Income Tax Law Scored by Former Administrator

Former Internal Revenue Commissioner Andrews terms present provision as confiscatory, discriminatory and roadblock to sound economic growth. Says statute penalizes success and is making "us a nation of liars and cheats." Mr. Andrews concurs with N.A.M.'s 5-year surtax reduction reform proposal.

In an ABC radio interview "It's Your Business" sponsored by the National Association of Manufacturers, T. Coleman Andrews, former Commissioner of Internal Revenue and now Chairman of the Board, American Fidelity and Casualty Company of Richmond, Virginia, surveyed in his extemporaneous answers the general Federal income tax picture and provided specific insights into areas of Federal Income Tax reforms. Mr. Andrews was interviewed by John B. Hughes, writer, lecturer and commentator on public affairs.

T. Coleman Andrews

The transcribed text of the questions and answers follows:

Hughes: Mr. Andrews, the National Association of Manufacturers has asked me to dig up facts and authoritative opinion on matters of basic public interest. Now there's no matter of public interest more basic than taxes. And that's what we're going to talk about right now. Since I want your opinion, I want also to prove that you are authoritative, that you know what you're talking about. You were the nation's top tax collector for a while, weren't you?

ANDREWS: Yes, I was, from Feb. 4, 1953 until the end of last October: nearly three years.

Hughes: Also, I presume, Mr. Andrews, that you've had some experience as a taxpayer?

ANDREWS: Well, yes, for nearly 40 years. As a matter of fact, contrary to the ideas of some, I might say that I paid taxes also when I was Commissioner.

Hughes: And, of course, being in the accounting field, you've had experience with many other taxpayers?

ANDREWS: Yes, as a certified public accountant dating back to 1916, I dealt with the taxes and tax problems of, I suppose, almost every class of taxpayer.

Hughes: And since you are now Board Chairman of an insurance company, the American Fidelity and Casualty Company of Richmond, Va., I can also assume that you know something about corporation taxes. Is that right?

ANDREWS: Yes, I know quite a bit about that. That, of course, came also in my experience with taxes generally.

Hughes: Naturally.

ANDREWS: And insurance companies, too, pay taxes. Also a little bit different from what some people think.

Hughes: I think we'll deal today with the individual income tax. I am sure that every citizen of the United States will probably agree that Federal taxes are a necessary thing, although we'll find many varying opinions on the forms and methods of taxation. Do you feel, with your experience, that the individual income tax is a necessary and wise form of taxation?

ANDREWS: I think that a broad base income tax is a wise form of taxation, but not a necessary form in the sense that it's the only kind of taxes on which we could get along. There, of course, must be as good or maybe better ways to do it.

Hughes: I see. What would you say is good about the individual income tax?

ANDREWS: I think its primary virtue lies in the fact that it's a direct tax; that is, a tax that everybody pays himself — and feels, the payment of a tax that's withheld by his employer. But speaking of virtue in this tax, I'd say this: that the broader the base, the greater the virtue.

Hughes: What are the bad features which have developed in the individual income tax system?

ANDREWS: There are a number of bad features about it, and I suppose that everybody has his own idea of the priority of this law's evils.

I happen to feel that the number one thing wrong with it is congenital.

Don't forget that it was conceived in vengeance, rather than as a revenue measure, back in 1913. While it has, of course, been made the nation's chief source of revenue, it's still thought of by many people, in and out of politics, as an instrument for penalizing success and punishing those who manage somehow to achieve success in spite of the roadblocks that the income tax law puts in their way. That's the number one thing that I think is wrong with this law.

Hughes: And, number two?

ANDREWS: I'd say that the next objection to it is that the rates have been made so high that they are now confiscatory. The minimum is 20%, the maximum 91%. I'd call that confiscation with a capital "C," and vengeance with a capital "V."

Hughes: It's the higher rates then?

ANDREWS: Not only are the rates higher, they also are applied with shameful discrimination. They start right off with taking a fifth of the taxable income up to $2,000. By the time you get to the $8,000-to-$10,000 bracket, it's a third, 34%; and at $16,000 it's a half, 50%. How can a nation grow in normal times under such confiscatory rates? The NAM is right: the people in the middle bracket are being kicked around, and they should have relief. I'd say the law has become so utterly complicated that a very few, even of those who wrote it, understand it. To say nothing of the Senators and Congressmen who enacted it, or of the 65 million innocent victims of those distinguished ladies' and gentlemen's dilemma. The complications have become so great, and the law's meaning so difficult to interpret, even by those who participated in the writing of it, that the issues of interpretative regulations have become a task of years, not of months.

Hughes: Mr. Andrews, there have been defenders of the steeply progressive or graduated surtax system who have described it in various ways. What would your answer be to the claim that the graduated surtax rates soak the rich for the benefit of the poor?

ANDREWS: I think that's a fraud of the first magnitude, and I think I can prove it in short order. As I've already indicated, the lowest rate is 20%, and then you go on up. And you only have to get to the $8,000-to-$10,000 bracket, which isn't a high bracket today. There are plenty of people—plenty of factory workers today in that bracket. When they are taking 34% out of taxable income—or a third—it means that a third of every additional day a man works, he's got to spend in Federal taxes alone, not to mention state and local taxes. And you go on up until you get—as I've also indicated—to the $16,000-to-$18,000 bracket of 50%. And you go on up still further until you get to the $20,000-to-$22,000 bracket of 56%. And you get to 75% by the time you get to the $50,000 bracket. That isn't unheard of, or unusual today, by a jugful. Now they're not rich people! Tax rates of those kinds, with incomes of those kinds, don't permit people to become rich.

Hughes: Of course, that leads us into this next claim of the defenders of the progressive rate which is that it's called a tax on ability to pay. Now you would question that, I presume?

ANDREWS: I question that on this basis, by saying this: that it depends on what you define as ability to pay. Now merely having money in your pocket to spend is one thing, but people who make money not only have money to spend, but they have a very definite obligation as to how they should spend it. Those people are the ones who should and who do put their money into the plants and equipment that make industry grow—that creates and provides a growing economy. They are, in other words, investors. Now, if they have to pay so much to the government that they have nothing to invest, the building class that I'm speaking of is destroyed.

Hughes: And on the third point in defense, does this surtax system equitably tend to redistribute the wealth?

ANDREWS: Of course that's pretty closely related to the second question. I ask a question in return. Is redistribution of wealth necessary? To speak merely of redistribution of wealth is to assume, I think, that there is some mal-distribution of it, and that I don't grant. Well, let's assume that there is a mal-distribution: who determines it? Some bureaucrat in Washington who never met a payroll? That's what would happen. I say this—that the best distribution of wealth is achieved by encouraging investment in plant and equipment, which is the only sound way that I know of to assure economic growth — and we must have economic growth in this country.

Hughes: If these progressive rates, which are the structure of our personal income tax program, rob the middle income bracket and the upper income bracket of the opportunity to contribute to the continuing progress of the country, how then does this income tax system serve the general welfare of all the people?

ANDREWS: I don't think that as it's now constituted it serves the general welfare. I think it's the greatest potential that anyone has ever thought of for making out of us a nation of liars and cheats.

Hughes: Of course you know, Mr. Andrews, the National Association of Manufacturers has proposed a five year plan for gradual reduction of this steeply graduated surtax rate, allowing a greater opportunity for saving and investment. This plan would not reduce the Federal revenue, if the present trend of the national economy is continued. Do you think this is a practical proposal?

ANDREWS: I think it's not only a practical proposal, but a necessary first step, pending the kind of study and decision that I have indicated I would like to see carried out.

Hughes: Then you feel that the NAM proposal is sound, but it doesn't go far enough to meet the needs of our tax re-adjustment?

ANDREWS: As a long range proposition, yes; immediately, it's excellent, I think, and I hope it can be done.

Hughes: Of course there are those people who have advocated that there should be an increase in the basic exemption of Federal taxation, that an extra hundred or so dollars of exemption for every taxpayer would be beneficial to the national economy, rather than the reduction of the surtax rates. Do you agree with that?

ANDREWS: No sir, I do not, as I've already said. I think you've got to give relief at that point and to those people who naturally become the investors in the future of America, by putting their savings into the purchase of plant and equipment that gives people jobs and builds up a growing economy.

Hughes: Now I'd like to ask what Joe Doakes or John Doe or I, can do about this. What can we taxpayers do, Mr. Andrews, to get this tax system revised for the benefit of our national economy, for the benefit of all of us?

ANDREWS: Of course, it's impossible to get intelligent action in anything unless you get understanding first. The American people will usually do what is right if they're just shown how to think it out. Take this question, for instance, of increasing personal exemptions. I don't believe the American people would want that if they knew that it would be doing an injustice to somebody else to put it into effect. And so the same is true here. We need to make our system understandable to more people, particularly to make it understandable to them for their own good, and the good of their children, and their children's children: and to encourage them to go out and spread the gospel of sound government and of sound finance—of government that will be stable and enduring. It isn't going to be an easy job, but it is a job that can be done.

And I believe that if enough people—and as I say, I think there are enough — would put their shoulders to the wheel and make sure that they understand the situation themselves; and, above all, send people to Washington who understand what's going on, then we will begin to come quickly to a solution to this problem.

Rudolf Smutny Director

Rudolf Smutny, senior partner in the investment banking firm of Salomon Bros. & Hutzler, has been elected a director of Associated Oil & Gas Company, it was announced in Houston, Tex., by H. J. Mosser, President of Associated.

Rudolf Smutny

Associated Oil & Gas has substantial oil and gas production in the Gulf Coast and West Texas areas. A division of the company operates Associated Oil Field Rentals which has 12 oil field rental yards in Texas, Louisiana, Oklahoma, New Mexico and Wyoming.

Mr. Smutny is also a director of the Rail-Trailer Co., Trailer Train Company, and Webb & Knapp, Incorporated.

With C. C. McCune

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — John J. Cameron has joined the staff of C. C. McCune & Company, Third National Building.

With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert E. Burnozos is now with Continental Securities Corporation, 207 East Michigan Street.

Morgan Stanley Group Offers Northwestern Bell Tel. Debentures

An underwriting group headed by Morgan Stanley & Co. yesterday (Feb. 1) offered for public sale a new issue of $25,000,000 Northwestern Bell Telephone Co. 40-year 3¼% debentures, due Feb. 1, 1996, at 102.265% and accrued interest to yield approximately 3.15% to maturity.

Proceeds from the sale will be used by the communications company to repay advances from American Telephone and Telegraph Company, parent company, amounting to about $19,400,000. The balance of proceeds will be used for general corporate purposes.

Giving effect to this financing the company's funded debt will amount to $85,000,000. There were 2,750,000 shares of capital stock of $100 par value outstanding as of Sept. 30, 1955.

The company's service area includes Iowa, Minnesota, Nebraska, North Dakota and South Dakota. Of its approximately 1,886,000 telephones in service, about 44% are in the cities of Minneapolis, St. Paul, Omaha, Des Moines, and Duluth, around 28% being in Minneapolis and St. Paul.

For the nine months ended Sept. 30, 1955 total operating revenues of the company were $140,153,409 compared with $129,706,573 for the corresponding period of 1954. Total income before interest deductions for the first nine months of 1955 was $18,748,715 compared with $16,478,907 for the like period of 1954.

With Buerger Ladet

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles K. Snodgrass is now with Buerger, Ladet & Radinsky, First National Bank Building. Mr. Snodgrass was previously with Birkenmayer & Co.

Two With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert J. Hallcran and Velman B. Witherell have joined the staff of Columbia Securities Company, Incorporated, Equitable Building.

Loewi & Co. to Be Members of N.Y.S.E.

MILWAUKEE, Wis. — Loewi & Co. Incorporated, 225 East Mason Street, will be formed as of Feb. 9 as a member corporation of the New York Stock Exchange. Officers of the new corporation will be J. Victor Loewi, President, who will hold the firm's New York Stock Exchange membership; Milo F. Snyder, Executive Vice-President; William L. Liebman, Gerald S. McWilliams and Ernest F. Rice, Vice-Presidents; Robert R. Veenendaal, Secretary; Joseph Carson, Treasurer; Peter Cooper and Ernest F. Rice, Jr., Assistant Vice-Presidents, and Marshall A. Loewi, Assistant Treasurer.

Sound Principles of Bank Lending in a Growing Economy

By FRED F. FLORENCE*
President, American Bankers Association
President, Republic National Bank of Dallas

Prominent banker depicts the economy poised at the recession and inflation point. Stresses the importance of bank credit extension conservation—even government guaranteed credit—to curb endangering exuberance. Does not expect 1956 to show the same tremendous 1955 gains in output and income due to inflationary-scarcity factors, and tapering off in auto and residential construction. Texas banker desires: (1) emphasis on ability to repay; (2) sound financial planning; (3) adapt credit to changed growth needs; (4) development of bank lending officers; and (5) recognition that government credit is limited by the productiveness of its people.

The year 1955 can now be entered into the logbook of history as one of the most satisfactory years of economic progress we have ever experienced. When the masses of data are digested by today's marvels of electronic computation, the statisticians will be able to confirm that the most significant measures of economic activity registered new peaks of achievement in 1955.

Fred F. Florence

As the year 1956 begins, two thoughts are uppermost in the minds of businessmen and bankers throughout the country. We are concerned with the prospects for further economic expansion during the current year and its effects on banking and business. Secondly, all of us are impressed with the forecasts of long-term economic growth in prospect for our great country; and we are desirous of devoting our time and energy to nurture that growth on a healthy and sustainable basis.

The year 1956 promises to be a good one, but it will present many problems to American business and banking. Prudence requires that business in all segments of the economy take a careful and realistic inventory of its fundamental strength. We could not hope to have a sure guaranty that in 1956 our economy will be as prosperous as during the past year, even though most of us will agree that the prospects for long-term growth of our country are indeed promising. It is the primary task of each of us as businessmen and bankers to conduct our affairs so that we shall be in position to share in the prosperity that undoubtedly will prevail in the decades ahead.

In this atmosphere, a meeting such as the National Credit Conference provides an excellent opportunity for considering the implications of both the short and long-term business outlook for bank lending. Considerations relating to the quantity and quality of bank loans are inseparably intertwined with the vital matters of both short-term economic stability and long-term growth. Therefore, it is worthwhile to discuss some aspects of bank lending as related to a changing economy in which the problem of achieving a sustainable rate of economic growth is of vital importance.

The most important characteristic of the business situation at this early date in the new year is that the rapid upsurge of activity in 1955 has brought the economy to a point where the dangers of both inflation and recession must be kept constantly in mind by leaders in banking, business, and government. On the one hand, it is quite clear that it simply would not be possible to match in 1956 the tremendous gain in real output and income that it was our good fortune to enjoy in 1955. Both labor and certain important materials have grown increasingly scarce in recent months. Our economy is operating very close to capacity and inflationary pressures are being exerted on some markets. On the other hand, signs of a tapering off of demand have begun to emerge in certain key areas — notably automobile sales and residential construction.

The presence of both inflationary and deflationary elements implies that another important period lies ahead for decision-making in both the private and public sectors of the economy. In the private sector, under conditions of full employment, business and financial leaders, as well as consumers, can contribute to the continuation of good business and thereby enhance the possibilities for sustained, healthy growth by exercising prudence and moderation in the conduct of their daily affairs. In the public sector, it is essential that our fiscal and monetary authorities maintain a high sense of alertness in adjusting their policies to changes in the business situation as they unfold.

The current business situation provides an unusual opportunity for bankers to be of great service to both their customers and the general community. Experience has proved that conservatism in the extension of bank credit, coupled with appropriate counselling with customers, can be helpful in preventing excessive exuberance from threatening the stability of the economy and jeopardizing sound and rewarding growth. The stronger we build the underpinnings of our complex credit system when business is running in high gear, therefore the better prepared we shall be to withstand any recessionary forces that might temporarily interrupt our basic growth in the period ahead.

With these thoughts in mind, I should like to mention briefly a few principles that those responsible for bank lending policies might well keep in mind as they work toward the goal of serving their customers in a challenging and growing economy.

First, banks should be in the forefront in combatting what appears to be a growing conviction on the part of many people that credit is some magic force, the supply of which is unlimited and which can be tapped at will. Such a fallacy has dangerous implications.

Even worthy credit has definite limitations. Credit of a government is limited by the combined productive contribution of all of its people. Credit of a business is limited by its ability to operate efficiently and profitably. Credit of an individual is limited by his own capabilities for directing his mental and physical energies into useful avenues. All must earn their credit ratings.

When these principles are more clearly understood and practiced, we can be assured of sounder lender-borrower relationships. Frequently in recent times, too much reliance has been placed upon the apparent value of collateral and not enough upon the fundamental ability of the borrower to repay. History has taught us many lessons that we should constantly keep in mind, one of which is that collateral values can be fleeting and transitory. Both borrower and lender stand on firmer ground when full consideration is given to the traditional fundamentals of sound credit analysis.

Second, safe and constructive lending demands an increasing measure of sound financial planning, and bankers are particularly well qualified to develop such planning. Bankers have a special responsibility in this area. Orderly and sensible financial arrangements are just as essential to the individual as they are to a government, small business, or to a great industrial corporation.

Intelligent financial planning benefits borrower and lender alike. An extension of credit that does not serve a sound economic purpose for the borrower frequently becomes a burden, instead of an aid. The soundness of credit, and therefore the soundness of our banks, is strengthened and preserved when the interests of both the lender and the borrower are carefully weighed. Considerations of competition, wholesome as competition may be, should never be permitted to overshadow the basic responsibility that the bank has for its own welfare as well as the safety and well-being of the borrower. This responsibility has frequently been neglected, particularly in the field of government-guaranteed credit. Many lenders have fallen back on the protection afforded through government guaranty of loans, and in the process have neglected to counsel borrowers so that they may avoid a credit burden beyond their ability to repay.

Finally, bankers can contribute significantly to the long-term growth of our country only if due recognition is given to the importance of serving resourcefully and keeping pace with the rapid changes that inevitably occur in an expanding economy. This is a highly competitive period in business and banking. Our customers are ready to turn elsewhere—to other financial institutions and even to government itself—whenever they believe that we are not fulfilling their legitimate and worthy credit needs. Our changing and growing business system demands that we be alert and forward-looking in the administration of lending policies. Industries that only a few years ago were hardly known have blossomed forth as leaders in production, employment, and income. Developments in such fields as electronics and atomic power are destined to produce even more sweeping changes in the future. Industrial, commercial, and other changes have so affected bank lending operations that a significant portion of the loans in our portfolios is being made to types of businesses that were virtually unknown only a few years ago. We have had to develop new techniques, new yardsticks, and procedures to meet the requirements of these new customers. In the future, management will have to be increasingly alert if banking is to meet its responsibilities and share in the rewards of an expanding country.

The years ahead promise to be years of tremendous advance in technology and science. They will be years in which businessmen and bankers will require much greater technical knowledge. From the viewpoint of banking, the quality of credit will be materially influenced by the extent to which our credit operations are adapted to economic usefulness and by our preparation through sound knowledge for meeting the needs of our growing economy.

Progressiveness in lending policies does not mean, however, that we should neglect to evaluate each project on its merits. We must subject all loans to careful scrutiny. There is no guaranty against loss even in a growing economy. During 1955—a year of rapid and widespread business expansion — the country experienced approximately 11,000 business failures involving current liabilities of almost $450 million. The significance of that fact should be kept constantly in mind. Economic growth will not eliminate the problem of mismanaged or deteriorating businesses.

The three principles discussed today drive to the heart of the question of the role of banking in a growing nation. If we are to make our maximum contribution to business stability and at the same time achieve healthy and rewarding growth, we must develop among both bankers and borrowers a clearer understanding of the limitations of credit; we must impress upon all borrowers —both large and small—the need for sound financial planning; and we must adapt our techniques to the demands of a growing and changing economy. Of these three aspects of the bank lending picture, the last is of significant importance. We should learn from history and experience that, even under circumstances less spectacular than those of the present, institutions and trends can never remain static for very long. What sometimes appear to be well defined patterns are frequently replaced with new and different patterns as consumer preferences change and technology advances. It would be dangerous and costly to think that we can take existing conditions and situations for granted. Our eyes and ears must constantly be trained upon the effect of current and prospective developments of many kinds upon bank lending.

The ability of American banking to meet the needs of a rapidly expanding economy has been fully demonstrated in recent years. Management recognizes the necessity for an alert, intelligent, and forward-looking approach to lending operations. However, it is my firm opinion that banking is not at the present time developing enough leaders to guide its activities in the future. A fundamental part of this task, that must be emphasized over and over again, is the development of men who can exercise the skill and judgment required of capable and successful bank lending officers. If top management in banking fails to develop the trained personnel that can do a safe and constructive job of lending with courage and resourcefulness, it will not be meeting its responsibility to banking or to our country.

Viewed from every standpoint, the vital fact remains that in order to prosper, banking must always maintain a high quality of credit. The maintenance of a high quality of credit implies that the limitations of credit should be both recognized and respected, that the interests of borrower and lender alike should be considered and protected, and that banks should serve resourcefully and intelligently by anticipating and meeting the worthy needs of a constantly changing business panorama in a constantly changing world. In the final analysis, the quality of our loans determines in large measure the quality of our institutions and our value to the nation and our own shareholders. Quality of credit is synonymous with quality of management. Protection of the interests of borrowers, of lenders, and of the entire economic community depends largely on the wisdom and good judgment of bankers in carrying out the vital function of credit extension. In this important area, banking has a great and grave responsibility. I am highly confident that American banking can be depended upon to discharge fully and competently this responsibility to our people.

*An address by Mr. Florence before the Eighth National Credit Conference sponsored by the American Bankers Association, Chicago, Jan. 16, 1956.

T. L. Watson Admits Weiant to Partnership

Monroe A. Weiant has been admitted to general partnership in the investment firm of T. L. Watson & Co., 25 Broad Street, New York City, members of the New York and American Stock Exchanges, it has been announced.

Monroe A. Weiant

Mr. Weiant is now in his 26th year as Manager of the firm's branch office in Perth Amboy, N. J., where he will be the resident partner. A resident of Metuchen, N. J., he is active in civic affairs in both Perth Amboy and Metuchen. He is a member and past President of the Perth Amboy Rotary Club, Rutgers Club, Union Club of New Brunswick, Zeta Psi Fraternity, past Treasurer of the Raritan Bay Boy Scouts, a member of the Zoning Board of Adjustment, of Metuchen, past President of the Dads Booster Club, and former vestryman of St. Luke's Episcopal Church.

Mr. Weiant's admission to the firm was previously reported in the "Chronicle" of Jan. 12.

$100 Million Bonds for Connecticut Turnpike To Be Sold on Feb. 28

Governor Abraham Ribicoff of Connecticut and State Treasurer John Ottaviano announced that they expect to offer $100,000,000 Connecticut Turnpike Bonds for sale on Feb. 28. Lehman Brothers, Financial Consultants to the State of Connecticut with respect to the Turnpike, have concurred in this decision. The bonds will mature serially beginning July 1, 1961 to and including July 1, 1995.

This sale will constitute the second series of the $398,000,000 bonds authorized for the Connecticut Turnpike, $100,000,000 having been previously sold in May, 1954.

In addition to the revenues of the Turnpike, the bonds are secured by the gasoline tax receipts of the State. The state has covenanted that the gasoline tax rate will not be reduced below four cents per gallon. The receipts of the four cents gasoline tax for the preceding fiscal year were in excess of $25,000,000.

The General Assembly in 1955 increased the rate of gasoline tax to six cents per gallon until July 1, 1958 which should produce additional receipts of approximately $12,000,000 per annum during the period.

With F. P. Ristine

PHILADELPHIA, Pa. — F. P. Ristine & Co., members of New York and other leading stock exchanges, announce that Emil R. Mott is now associated with their Philadelphia office, 123 South Broad Street.

Britain Becomes Automation-Conscious

By PAUL EINZIG

Noted British Economist reports Britain troubled by: (1) faster automation pace abroad — including U.S.S.R.; (2) onerous union "safeguards" as condition to its adoption by industry; and (3) less progressive firms' inability to match automation's cost-cutting without special credit-financial aid. Sees automation affecting the East-West political and military balance of power.

LONDON, Eng.—The term "automation" appears in the headlines of the British Press — not only the technical and trade papers but even in popular daily newspapers — with increasing frequency, and the British public is becoming increasingly automation-conscious. Admittedly the overwhelming majority of the readers of newspapers has only the haziest notions of what the word means. But the descriptions of the latest automatic installations in factories and offices are read with fascinated interest by a growing number of people. Politicians, government officials and the lay public are gradually beginning to realize that automation is a development which might assume considerable importance.

Paul Einzig

Most newspapers have now Science Correspondents who translate into popular language the technical descriptions of the latest inventions in the sphere of automation. Most schoolboys follow their writings with enthusiasm, and from this point of view many middle aged and old people are experiencing their second boyhood. Judging by the Editor's mailbags, such articles have at least as big followings as the highly popular products of science fiction. Serious literature on the subject is rather scant in Britain. What there is is confined almost entirely to its technological aspects. Some of the American books published recently are obtainable, and the published proceedings of two recent conferences on automation, organized last year, under the auspices of the British Institute of Management and of the Institution of Production Engineers, had a wide circulation. When the published proceedings of the U. S. Congressional Subcommittee on Automation and Technological Change arrived at the Library of the House of Commons, there was quite a waiting list of Members of Parliament anxious to read the single copy available. Towards the end of last year a Private Members' Bill was introduced, providing for the establishment of a Committee to examine problems arising from automation.

The Department of Scientific and Industrial Research has been engaged for some time on an investigation of automation in Britain, and its report, which is expected to appear shortly, is awaited with much interest. The various Government Departments concerned with various aspects of automation — Board of Trade, Treasury, Ministry of Labor—devote considerable attention to the subject. Until now, however, most literature in Britain was confined to its technological, social, or commercial aspects. Its financial aspects are only just beginning to receive attention, in connection with the Government's efforts to persuade industrial firms to give the benefit of technological progress to the consumer in the form of lower prices. It has been pointed out that, should a large proportion of the firms who have cut their costs as a result of automation follow the Government's advice, it would spell ruin for a large number of less progressive firms in the same industries, many of whom can not afford to install modern automatic equipment. The Government has been called upon to relax the credit squeeze for the benefit of such firms, or to provide special financial facilities to enable them to catch up with their more progressive rivals.

Broader economic aspects of automation have received in Britain even less attention than in the United States. The overwhelming majority of economists takes the view that there are no special problems arising from automation. In their view, automation is just another word for technological progress, and the problems arising from it have been covered by economists dealing with economic growth. It is true, at the relatively slow rate at which automation is being adopted in Britain it has not raised so far any spectacular economic problems. But the possibility of an acceleration of its progress is causing many a sleepless night to trade union officials. The Trades Unions Council is engaged in studying the subject from the labor angle. It is at pains to emphasize, whenever occasion arises for doing so, that the trade union movement is not opposed to automation. The experience of many firms, and also of nationalized industries, does not bear our this contention. In many instances the safeguards on which the unions insist as a condition of giving their consent to the installation of labor-saving equipment are so onerous that employers prefer to abstain from proceeding with automation.

The reports about the speedy progress of automation in other countries — especially in the U. S. A. and in the U. S. S. R.—are causing growing concern in British industrial circles. It is true, under existing conditions most of the cuts in the cost of production through automation are used for higher profits and higher wages, and there has so far been little evidence of substantial price cutting by the rivals of British exporters. Nevertheless, the possibility of ruthless price cutting that is liable to occur as soon as a recession sets in is freely envisaged. It is feared that the less progressive industries may find themselves at any moment at a grave disadvantage. Some comfort is derived from the evidence before the Congressional Committee which indicates that American industrialists, in turn, are afraid of the effect of the progress of automation in Western Europe on the competitive power of their rivals. So it seems that all advantages are not necessarily on one side.

Progress of automation in the Soviet Union is causing concern not so much from an economic point of view as from the point of view of the political and military balance of powers between West and East. In particular the statements about the staggering number of technologists that are being trained in Russia has produced a profound impression. It is believed to have greatly influenced the Government's decision to step up technological education. Members of Parliament who visited the U. S. S. R. recently were impressed by what they saw in factories. One of them, an engineer by profession, said that a ball bearing factory he inspected was more up to date than anything he has seen in the West. This may be an isolated instance, but it is reports of this kind that tend to make British political circles increasingly automation-conscious.

Brown to Address Bond Club of Detroit

DETROIT, Mich. — The Bond Club of Detroit will hold its 40th Annual Dinner on Tuesday, Feb. 14, 1956, at the Detroit Boat Club. Cocktails will be served at 6:15 followed by dinner at 7:00.

Prentiss M. Brown

Guest speaker will be Prentiss M. Brown, a native of the famed North Country of Michigan above the Straits of Mackinac. He has had a broad experience in law, business and politics and in each of these fields has attained notable success. Mr. Brown is a former United States Senator from Michigan and formerly Chairman of the Board of the Detroit Edison Company. Currently he is a Director of the National Bank of Detroit and President of the First National Bank of St. Ignace.

Mr. Brown has been Chairman of the Mackinac Bridge Authority from its inception and is an active leader in Michigan and Detroit civic and economic affairs. The Washington "Post" referred to him as "The Most Typical American in the Senate" and the Senate Press Gallery in 1942 selected him as the Senate's most able Democrat. His subject will be "The Mackinac Bridge Story."

Victor P. Dhooge, Manley, Bennett and Co., President of the Bond Club will preside. Members of the Bond Club and their guests are invited.

Inflation Dangers Cited by Insurance Official

Milford A. Vieser warns all must cooperate with the Federal Reserve and the Treasury to prevent dangerous inflation and consequent appalling depression. Holds such restraint, though unpopular, should ensure the nation's continuous vast growth.

Milford A. Vieser, Financial Vice-President of The Mutual Benefit Life Insurance Company, declared on Jan. 24 that "we in the United States are engaged in one of the most far-reaching experiments in our entire economic history.

Milford A. Vieser

"We are attempting to control the business cycle," Mr. Vieser said in a speech before the annual meeting of the company's General Agents Association at the San Marcos Hotel, Chandler, Ariz. "We are attempting to level off the peaks of boom and the valleys of recession. It is as important that we win in this experiment as it is that we keep our country heavily armed against aggressors. If we were to plunge again into deep depression, we in this country would face political and social changes too appalling to consider."

During the past two decades, Mr. Vieser explained, much has been learned and a better understanding has been gained of how fiscal and monetary policies can contribute to economic stability. He pointed out that many "stabilizers" have been built into our economy.

Mr. Vieser warned that many well-informed people feel that "we are in an advanced stage of another great inflation which could well end as all booms have ended — in another bust." Many feel, he explained, that the bigger the boom the bigger the bust, and "this is one of the biggest booms our country has ever experienced."

"Such a spiral of deflation is not necessary and we must not let it happen," Mr. Vieser said emphatically. Mr. Vieser paid tribute to the efforts being made by the Federal Reserve System and the Treasury Department to restrain the inflationary use of credit. But at the same time he warned that governmental monetary manipulation is not the sole answer to the problem. Every citizen and every institution must share this responsibility with the Government to keep the economy on an even keel, he suggested.

"The time to prevent the forces of deflation is during such a period of prosperity, as we are now witnessing so as to keep the prosperity from developing into excesses of prices, credit and inventory," he said. "Restraints at a time such as this are not popular and are not fully understood. It will test the character of all of us but we are confident that our people and our Government working together will solve these problems and no drastic reduction in our business activity will occur."

Turning to some forecasts for the future, Mr. Vieser predicted vast growth of the economy of the nation.

"In 1966 we will be living in a country which has a population of almost 200,000,000 people," he said. "We will be in the greatest marriage, baby and building boom in all history which will make our present record building boom mild by comparison.

"The assets of our company will be $2,500,000,000. We will have added over $1 billion to our assets in the next ten years.

"We will be investing in industries that are today in the test tubes of our research laboratories."

Fred E. Talbot Joins M. H. Bishop & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Fred E. Talbot has become associated with M. H. Bishop & Co., Northwestern Bank Building. Mr. Talbot was formerly Vice-President and Secretary of Beardslee-Talbot & Co.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert G. Parsons has joined the staff of Bache & Co., 135 South La Salle Street.

Now With Goodbody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph C. Maurer is now with Goodbody & Co., 1 North La Salle Street. Mr. Maurer was previously with the American National Bank & Trust Company.

Eisenhower and the Stock Market

By ROGER W. BABSON

Mr. Babson holds that (1) Republicans and Democrats favor "Political" in place of "no longer useful" Gold Standard; (2) Republicans rely less on inflationary measures than Democrats; and (3) presence of close correlation of Eisenhower and the stock market.

From the time of the Civil War up to 1932 our country was on the **Gold Standard.** This gave both a certain "ceiling" and a certain "floor," which it was difficult for business or the stock market to break through. Furthermore, this made it fairly easy for any impartial statistician and economist to make reasonable forecasts, irrespective of party politics. My forecast of the 1929 break was made during the Hoover Republican Administration when his managers were forecasting "two chickens in every pot and two cars in every garage."

Roger W. Babson

Since 1932, however, the country has been on a **Political Standard,** and the Gold Standard has been discarded. This is no criticism of the Roosevelt Administration, because I feel that the Gold Standard had outlived its usefulness. We will probably continue on a Political Standard, whether in a Republican or a Democratic era. I have not the figures here in Florida which show just what business and the stock market have done in Presidential years; but anyone sending to my Babson Park, Mass., office will be welcome to them.

Stock Markets Do Not Follow Business

It is generally assumed that one can forecast business by watching the stock market, but this is not true. In the long run, there is of course a correlation, but it cannot always be depended upon. In other words, we may have a Democratic victory in November and yet have fairly good business through 1957. I go even further and say that if the tide should shift naturally—due to the Law of Action and Reaction—during a Republican Administration, the result could be worse than if the Democrats were in power. This is because the Republicans stand for less interference with business and would not so freely use artificial stimulants.

President Eisenhower, for instance, is determined to have a balanced budget. It would be very hard for him to agree to any inflationary projects, even for the sake of helping business. On the other hand, the Democrats believe the government is entitled to issue more bonds and create greater indebtedness as the country grows in population and assets, just as any large corporation is entitled to do. Therefore, although the Republican party may be more friendly to "Big Business," the Democratic party may try to be more friendly to all business; but please note my use of the word "try."

Eisenhower And The Stock Market

Remember the old saying, "There is an exception to every rule." Notwithstanding the fundamental principles stated above, I still believe there is today a very close relationship between the re-nomination of President Eisenhower and the stock market. I perhaps should not have included in my Forecast for 1956 the re-election of President Eisenhower in November; but—due to reasons which I cannot disclose — I did then believe he would be re-nominated and re-elected. I may be absolutely wrong; but I am still of this opinion.

This one thing I am certain of: **As soon as President Eisenhower assures his intimate friends and Party Managers of his intentions, readers should see an abrupt stock market movement, either downward or upward, depending on whether he will not run or will run.**

Reynolds Metals 4¾% Preferred Stk. at Par

Public offering of 800,000 shares of Reynolds Metals Co. 4¾% cumulative preferred stock, series A, at par ($50 par share) was made yesterday (Feb. 1) by an investment banking group headed by Dillon, Read & Co. Inc. and Reynolds & Co.

Proceeds from the sale of the preferred stock, together with funds to be obtained from the sale of $60,000,000 first mortgage bonds to institutional investors and the borrowing of $15,000,000 from banks, will be added to the company's general funds and applied as needed to the construction of a new aluminum reduction plant at Listerhill, Ala., with an annual rated capacity of 200,000,000 pounds of primary aluminum, and to the construction of additions to its existing bauxite mining, alumina and other facilities. The company estimates that the new reduction plant and other properties will cost about $114,000,000 and that the new plant will begin operations around the Fall of 1957.

Electric power for the new plant will be supplied by Tennessee Valley Authority under a ten-year contract with provisions for renewal.

The company has entered into a 10-year contract with Ford Motor Co. under which it is contemplated that a minimum of approximately one-third of the capacity of the new Listerhill plant will be sold to Ford in molten form for use in a new plant to be built by Ford near the Listerhill plant. The contract also provides that Ford will purchase from the company a portion of its requirements for certain fabricated aluminum products.

Net sales of the company for the first 10 months of 1955 amounted to $318,058,182 and net income to $27,313,214, which compares with sales of $250,651,351 and net income of $15,477,899 for the same period of 1954.

The series A preferred stock is entitled to a purchase fund of $800,000 in each year of the five year period ending Jan. 31, 1961 to be applied to the purchase of series A preferred stock at a price not in excess of $50 per share, and thereafter is entitled to a sinking fund for the retirement of 32,000 shares per annum on or before Feb. 15, 1962 and each Feb. 15 thereafter, at $50 per share plus accumulated and unpaid dividends.

The series A stock is redeemable at the option of the company at $52.50 per share if redeemed on or before Feb. 1, 1961; $52 per share if redeemed thereafter and on or before Feb. 1, 1966; $51.50 per share if redeemed thereafter and on or before Feb. 1, 1971; and $51 per share if redeemed after Feb. 1, 1971; in each case plus accumulated and unpaid dividends.

Strange Indeed!

"The struggles of the opulent United States to get out from under its strictly home-made incubus of superabundant farm products both fascinate and frighten the rest of the world.

"The figures are colossal, whether in dollars or tons or bushels. The damage that could be done to other nations' interests by careless or inconsiderate efforts to solve the problem is appalling to contemplate. It is just impossible to explain to non-Americans how it is that a section of the population producing only about 6% of the total national product can deploy the political force necessary to make the rest of the population pay for the whole apparatus of the price support programs."—Michael L. Hoffman, in a dispatch from Geneva appearing in the New York "Times."

There is some mystification here, too!

Continued from page 12

Lack of Scientists and Engineers A Threat to National Security

perience would make them inspiring teachers. In addition, it could include qualified people willing to volunteer their services to teach in night schools without giving up their industry jobs.

The number of teachers recruited from any single organization would be too small to entail hardship for any one—but the total number comprising the corps could be drawn from such an extensive list of organizations that it would be large enough to give new impetus to teaching of the sciencies in our school system. This would be especially true at the high school level which is our present major bottleneck.

This Educational Reserve would, of course, have to be strictly an interim program, let's say for five years, to help meet an immediate situation. Moreover, whether the initiative is taken by industry or government, the plan itself would naturally be drawn with the consent and cooperation of school authorities who would prescribe the courses and regulate the instruction.

In some degree, such a plan would amount to the restitution by business of personnel it has siphoned off from the school system. Men and women who normally would have become teachers of the sciences have instead gone into industry, where the rewards are more enticing. I think it is fair to say, in fact, that in the current crisis industry has an obligation to help develop this kind of Educational Reserve.

Obligation aside, industry would be well advised as a matter of self-interest to help replenish the reservoir of trained men and women by stimulating relevant studies at the lower educational levels. Industry will need more and more technically trained people for its own expanding operations.

Because of their practical experience, teachers in the Educational Reserve Corps would bring the breath of living reality into the classroom. They would help restore the sense of adventure to technical careers and inspire many an able and imaginative student to follow the scientific and technological disciplines into the college years. Enthusiasm is contagious.

To make the project attractive, teachers in the Reserve Corps should be given recognition and status, through membership in an organization somewhat similar to the various military Reserves. It should be set up on a national basis, perhaps created by an Act of Congress.

I have presented this concept in broad terms. There are many details to be discussed and formulated by educators, representatives of industry and interested official agencies. But I trust that the basic idea has enough potential merit to justify closer examination.

Military Reserve Forces

This reference to an Educational Reserve brings to mind the no less vital problem of military Reserves. When we think and plan for robust defense, we cannot overlook the need for large and strong Reserve contingents. These are essential elements in any long-range military planning. Indeed, the traditional American scheme has always been a relatively small active force backed by trained civilians who can be mobilized on short notice to meet an emergency.

The tremendous importance of this aspect of our security has been sharply impressed upon me in recent months, since my appointment by the President as Chairman of the National Security Training Commission, which has specific duties to perform under the Reserve Forces Act of 1955.

It is common knowledge that our Military Reserve strength is now far below requirements. The purpose of this Act is to recruit and train enough civilians to make our country safe and strong over the long pull. The job is to get the story more clearly and effectively to our young manhood and their parents. Efforts in this direction are now under way and we hope for a better response than there has been so far.

Civil Defense

No discussion of national security would be complete without earnest consideration of the knotty subject of Civil Defense. We have a solemn obligation to be as well prepared as possible to cope with any emergency caused by war, and especially with the consequences of a surprise attack upon us with nuclear weapons.

It is true, alas, that we cannot prevent colossal destruction of life and property. But that, far from cancelling out Civil Defense, makes it more important. Its job is to reduce the magnitude of the destruction, to guarantee the country's ability to carry on, and to maintain its capacity for effective retaliation regardless of the extent of the damage inflicted. We must be geared to absorb losses and to minimize their effects.

A negative, defeatist attitude has no place in a program for victory. The fact that there are limitations on what even a well-prepared Civil Defense can accomplish, is certainly no excuse for failure to plan as effectively as human foresight, ingenuity and devotion allow.

The very existence of a first-rate Civil Defense program would serve as a deterrent upon a would-be aggressor tempted to seek conquest through a surprise attack. He would hesitate if he knew, that no matter how deadly his initial blows, nothing could prevent us from striking back and carrying on.

Some months ago I was asked by the Governor of my home state — Governor Averell Harriman of New York—to outline my thoughts on this subject for presentation to the Governors' Conference held in Chicago on Aug. 5, 1955. In response to his request, I prepared and submitted a memorandum on "Civil Defense Planning." I pointed out that our present effort suffers from at least two basic weaknesses:

First, despite the fact that nuclear bombs do not respect state lines, there is no comprehensive and coordinated National Plan. Instead we have a confusion among three largely autonomous levels: Federal, State and Local.

Second, we lack clarity in the relations between Civil and Military high commands, though under the new conditions the problems of military and civil defense are practically inseparable.

It seems to me imperative that these weaknesses be cured promptly. I think you will agree that Civil Defense, involving the entire population, demands as much discipline and as clear lines of authority as does military organization. The alternative is chaos. Today the penalty for failure in Civil Defense, too, can be defeat.

Cold War

I come, finally, to the phase of national security which has long seemed to me second in its urgency only to purely military preparedness—the Cold War.

As I said at the outset, the Soviet masquerade of moderation is ended. We have learned that the Communists, like Hamlet's uncle, can "smile and smile and be a villain still." The Cold War — pronounced dead prematurely by some—is alive and on a rampage. It is back to monkey business as usual, and bursting through our defenses into ever new regions tagged for Communist conquest.

We are faced squarely and sharply by what the President has just described as methods of "division, enticement and duplicity." We can anticipate new explosions of Communist-inspired subversion and civil strife, new and more vicious anti-American lies, riots, bluster and blackmail.

Do we have the clear-headed wisdom to meet this crowding menace as resolutely and massively as we would meet a Hot War? Evidently President Eisenhower had this in mind when, in his State of the Union message, he prescribed: "The waging of peace with as much resourcefulness, with as great a sense of dedication and urgency, as we have ever mustered in defense of our country in time of war."

James Forrestal was well aware that a nation's security is not measured by military factors alone. "The great mistakes we made during the war," he wrote in his diaries, "were caused by America's failure to realize that military and political action must go hand in hand."

This insight into the last world war is even more pertinent to the present world-wide Cold War. The challenge to our civilization is posed by an enemy whose most effective weapons are political and psychological. His victories are being scored primarily by propaganda, infiltration, incendiary diplomacy—and occasionally, through our own mistakes.

Precisely because we are determined to head off a nuclear showdown, we must forge adequate counter-weapons in areas where we are being out-maneuvered and routed by the enemy. Last April, I submitted a Memorandum to the President outlining "A Program for a Political Offensive Against World Communism." It received considerable attention at home and even more in Soviet Russia, where their attacks upon me in their press and over their radio flattered and amused me. The Kremlin hierarchs are understandably alarmed when anyone trespasses, even in words, upon their dominance in Cold War strategy and tactics.

In that Memorandum I said:

"The primary threat today is political and psychological. That is the active front on which we are losing and on which, unless we reverse the trend, we shall be defeated. For the United States and other free nations, defeat of this sort would be as catastrophic as defeat in a shooting war. Whether we freeze to death or burn to death, our civilization would be equally finished."

Everything that has happened since Geneva seems to me to have underscored the reality and urgency of that threat. The American people have never refused to make sacrifices in time of emergency. They should be apprised that the Cold War is a real and continuing emergency. We must avoid the wishful thinking that seeks refuge in theories of peaceful coexistence or hopes that the mad bear will somehow evolve into a gentle lamb.

Our responsibility is to bring to the conduct of the cold contest the necessary efforts and brains and resources for clear-cut victory. Our political counter-strategy has to be at least as broad, as intensive, as minutely planned and as flexible as the enemy's.

One of the recommendations in my Memorandum suggests the manner by which I believe such a mission could best be accomplished:

"We should organize our efforts to win the Cold War on a basis comparable to our organization for winning a Hot War which we seek to prevent. To this end it is recommended that a Strategy Board of Political Defense be set up to function as the Cold War equivalent of the Joint Chiefs of Staff, on the military side. Top representatives of the State and Defense Departments, C.I.A. and U.S.I.A., should be members of this Board. Its activities must be effectively coordinated with all Departments and Agencies of our Government concerned with this effort. This new Strategy Board should function directly under the President and its Head should have Cabinet status."

I am aware that Committees already exist to coordinate the efforts of Government Departments and Agencies in the field of psychological warfare, or, as I prefer to call it—psychological *peacefare*. However, these Committees function at subordinate levels and their authority is correspondingly limited.

Of course, it is wise to coordinate, but it is vital to create new ideas, to initiate new plans, and to devise new methods for meeting the shifting scenes and the constant challenge on the global fronts of the Cold War. That is why I recommended a Strategy Board for Political Defense whose responsibility and authority would be equal to those now assigned to the Joint Chiefs of Staff for Military Defense.

With an affirmative policy to win the Cold War and an effective organization to implement that policy, I firmly believe *we can win* this battle for the minds of men. We can crash through the fogs of falsehoods and curtains of jamming. We can make the truth more productive than the Kremlin's lies.

Our country's voice—not only the government's but that of our trade unions, farmers, veterans, women, religious and cultural leaders—should be heard around the world. We must speak for the silenced in the dark expanse of Soviet tyranny, and enable those who have escaped to freedom to speak to their countrymen.

The foremost American spokesman for labor, George Meany, said recently in urging an all-out Cold War offensive:

"We must exploit the political differences and economic difficulties within the Soviet empire. We must do nothing to ease Moscow's difficulties with the satellites. . . . In the diplomatic field, we should do nothing to help build up the authority of the new regime among the Soviet peoples."

Only this kind of thinking, translated into courageous and imaginative action, can keep us from losing the Cold War which the Communists now wage on economic as well as political fronts. The Ruble now competes with the Dollar and our Economic Marshall Plan is being imitated by a Marshal Bulganin Plan.

What the Kremlin fears most is a forthright alliance between the free world and the restive, discontented masses in its prison-empire. Comrade Khrushchev jumped as if he had been stung when the President and other Americans beamed Christmas messages to the satellite peoples holding out the hope of ultimate liberation. That's the most vulnerable spot in Moscow's political anatomy.

Let the West and its allies make it clear that they will not permit the fulfillment of the Soviet boast that this will be "the century of Communist triumph." Let them proclaim, as clearly as the Communists proclaim *their* intentions, that the victory of freedom for people in the entire world, the Russian people included, is our inflexible goal.

Let us reaffirm our conviction that the free enterprise system, operating under a free government, can defeat any economic offensive launched by the Communists. We must carry that conviction, particularly to peoples in the critical and strategic areas, by wise and bold policies and by resolute and diplomatic actions in the fields of foreign trade and foreign aid.

Any intelligent American who surveys the world we live in knows that the conflict between Communism and Freedom is *the* problem of our time. Because we do not hear the thunder of falling bombs, we sometimes find it hard to grasp that a decisive conflict is now under way—and that if we lose it, mankind may need a thousand years to escape from the ensuing nightmare.

It is not my intention to spread alarm. I am simply urging that our young and vigorous nation, the strongest on earth, resolve not to lose its own freedom and thereby the freedom of all humanity by doing too little too late. This applies to political strategy, military strength, civil defense, economic and scientific vitality, and the challenge of the Cold War.

These and more comprise the elements of a gigantic and closely intermeshed task confronting our nation as the year 1956 gets under way. It will test to the limit not only our physical stamina and material resources but our moral fibre.

I do not doubt that we shall meet this test as America has met and fulfilled other major obligations on the road to greatness. We enjoy one supreme advantage. Unlike the enemy, we do not have to rely on distortion and chicanery. The weapons we can wield are Freedom, Justice, Peace, Faith in God.

Let me conclude by drawing on the wisdom of James Forrestal, to whose memory this gathering is dedicated. This is what he said in October of 1947:

"The surest way to avoid war is to make it clear to any possible group of enemies that the risks of engaging us are too great to make it worth while. At the same time we must exercise the patience that should also accompany the possession of strength."

V. M. Schwarm V.-P. of Nat'l Secs. & Research

The election of Virgil M. Schwarm as a Vice-President of National Securities & Research Corporation has been announced by H. J. Simonson, Jr., President. Mr. Schwarm, who has been serving as a wholesale distributor of the National Securities Series of mutual funds managed and sponsored by the corporation, will be Resident Vice-President for the central territory with headquarters in Hamilton, Ohio. The territory includes the States of Indiana, Kentucky, Western Ohio and Northwestern Michigan.


Virgil M. Schwarm

Prior to joining National Securities in 1954, Mr. Schwarm had his own investment firm in Hamilton. He is a graduate of the University of Cincinnati with a degree in commercial engineering and has been in the securities business for a number of years. During World War II, he served as an intelligence officer with the U. S. Army Air Force with the rank of Major.

Phoenix Clearing House Elects Officers

PHOENIX, Ariz.—At the annual meeting of the Phoenix Clearing House Association held Jan. 19, 1956, the following officers were elected:

President: J. Shelby Daniel, Vice-President, Farmers & Stockmens Bank.

Vice-President: H. L. Dunham, Vice-Chairman, Valley National Bank.

Members of Clearing House Committee: Delbert W. Burns, Cashier, First National Bank of Arizona; Lloyd A. Bimson, Executive Vice-President, The Bank of Douglas.

Frank B. Achauer, Assistant Vice-President, The Bank of Douglas, was appointed Secretary-Manager

R. E. De Fine With Kaufmann, Alsberg

Robert E. De Fine is now associated with Kaufmann, Alsberg & Company, 61 Broadway, New York City, members of the New York and American Stock Exchanges. Mr. De Fine was formerly with Wertheim & Co.

Charles Deane Joins Bache Metal Dept.

Charles H. Deane, well-known in the metals trade, has joined the Metal Department of Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange. Mr. Deane will specialize in non-ferrous metals.

Public Utility Securities

By OWEN ELY

Gas Retailers in the Pacific Northwest

Substitution of natural gas for manufactured and LP gas in the Pacific Northwest will soon be under way, when the gas pipelines now under construction by Pacific Northwest Pipe Line Co. and West Coast Transmission Co. are completed. Principal beneficiaries will be Portland Gas & Coke, Cascade Natural Gas, Washington Natural Gas and smaller local distributors. California-Pacific utilities supplies both electricity and gas in Oregon, but gas is only about one-fifth of total revenues.

Portland Gas & Coke will continue to be the major retailer in the State of Oregon, with current revenues of nearly $10 million. Selling around 30 over-counter, the stock earned $2.24 for the calendar year 1955 and hence sells at about 13.4 times earnings compared with the industry average around 14.5. Paying only 90c or about 40% of earnings, the stock yields 3%. President Gueffroy gave a talk before the New York Society of Security Analysts last April which was summarized in this column in the April 28 issue. At that time the company issued a 36-page brochure "Progress With Natural Gas" containing numerous charts and tables with projections to 1960. While the company has been one of the most successful gas utilities in the country in reducing the net cost of manufactured gas (which has averaged about 50c per mcf in recent years) it expects to obtain natural gas at a cost around 33c.

In connection with the pending transition to natural gas there have been some mergers and refinancing by local utilities. Last July stockholders of Washington Gas & Electric (revenues of less than $2 million) and Seattle Gas Company (about $7 million) voted to merge under the name of Washington Natural Gas Company. Following a stock split of 2¼ shares for one by Washington Gas, the stocks of both companies were exchanged for stock of the new company on a share-for-share basis. Combined operations began about Nov. 1, and an initial quarterly dividend of 10c a share was declared payable Jan. 3.

It was announced that in March, the company would start a $22 million expansion program, prior to obtaining initial deliveries from the San Juan Basin next summer. As of Nov. 5 installation of nine miles of new distribution mains in Seattle was nearly complete. Recent pro forma consolidated earnings figures do not appear available but in 1954 combined net income for the two companies approximated $481,000, or about 49c a share on the 871,976 shares of new stock. As of Nov. 1, there were also outstanding $4,845,000 Seattle Gas bonds apparently the only senior securities. The stock of the new company has been quoted recently around 14-15 over-counter.

Cascade Natural Gas was incorporated in January, 1953 to distribute LPG-air gas in 17 communities in Washington, Oregon and Idaho and carburetted water gas in Bremerton, Wash. Most of the gas now distributed is 1,000 but, permitting easy conversion to natural gas. The company is comparatively small with revenues of less than a million dollars indicated for last year, but it plans for substantial expansion along with the advent of natural gas.

On December 21, Cascade sold $3,589,000 Interim Notes due 1960 and 71,789 shares of common stock, offered in units each consisting of one $50 note plus one share of common stock. (While the stock was not to be separately transferable until April 1, 1956, recently it has been quoted around 9½-10.) This is one of the favorite methods of setting up new gas companies, which has been developed over the past decade mainly in connection with initial public financing for some of the new pipeline companies. The units were offered at $54.50

The company proposes to expand its existing distribution systems in 14 of the 17 communities in which it now serves LPG-air gas and to construct new facilities for distributing natural gas in 12 other communities in Washington and Oregon. Natural gas is expected to become available in locations east of the Cascade Mountains about mid-1956 and west of the mountains a little later. Total population to be served is estimated at 313,000. The area has well-diversified industrial units, including the production of cement and lime products, pulp, paper and cellulose products, beet sugar, chemical fertilizers, oil refinery products, textiles, clay and ceramics, aluminum and other light metal products, fruit and vegetable processing, etc.

The relatively high cost of the gas which the company and its predecessors have been distributing limited the consumption of gas, and the operations of these companies have been relatively unprofitable. Thus in the nine months ended Sept. 30, there was a net loss of about $125,000 (see comment in the Prospectus). Capitalization is now approximately as follows:

	Millions	%
First mtg. 4⅝% bond due 1976	$9.1	62
5½% interim notes due 1960	3.6	25
Common stock (512,519 shs.)	1.9	13
	$14.6	100

In the first year of natural gas operations, the average cost of gas is expected to approximate 37½c per mcf, as compared with $1.12 for LPG-air gas and $1.86 for carburetted water gas in 1954. This lower cost will permit the company to compete for additional customers now using other fuels. At present electricity (very cheap in this area) is largely used for cooking and water-heating, and oil is the principal fuel used by industrial consumers and for space-heating. Coal is not competitive with natural gas. The company is negotiating with a number of potential customers in the area regarding industrial and seasonal service. While the company is optimistic regarding profitable operations after 1957, it anticipates a loss for 1956 due to the necessity of building up customer load, etc. as well as higher fixed charges. The stock has been quoted recently over-counter at about 9½-10.

Spokane Gas & Fuel does the entire LP gas in the City of Spokane (population about 122,000) and has been granted a franchise to distribute natural gas. This company is controlled by R. C. Fish and Associates through ownership of the entire common stock.

With Yamaichi in Chicago

CHICAGO, Ill. — Yoshiaki Iwamuro has become associated with Yamaichi Securities Company of New York.

With Brereton, Rice

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William H. Brereton, Jr. has joined the staff of Brereton, Rice & Co., Inc., First National Bank Building.

Continued from page 11

The Emerging New Capitalism And Its Circle of Critics

of proving modern changing capitalism right or wrong on a world-wide scale as a matter of survival.

New Capitalism in Operation

While I believe we are very well equipped to do the job, this does not mean that our capitalism here has advanced evenly on all sectors and that there are not weaknesses in depth. The advances and changes over the past couple of decades or longer, with the roots still further back, have largely been done on an *ad hoc* basis and along with them there are residues of outmoded concepts and inconsistencies, particularly as between political theory and economic practice and perhaps economic needs. The principles of the new capitalism which I mentioned earlier are partly an achievement but partly still a goal. Our achievements are of such magnitude that we can dwell on them for a few minutes.

The backbone of the Gross National product, now approaching $400 billion, rests squarely on the massive capitalistic corporate institutions, which operate just below the governmental level. These corporations are increasingly owned by everybody, are guided by conscientious public servants, who are the directors, and managed by technical professional managers who achieve their position almost exclusively on merit, with nepotism sharply declining. They maintain research staffs of pure and applied scientists who can pursue a campus type existence as a part of capitalistic activity rather than estranged from it, and who are equipped to introduce into the capitalistic stream new concepts, new processes, new products, new plants, to prevent the entropy of the system.

Instead of price competition there is the competition of the research laboratory. Price competition may represent an ephemeral and diminishing gain but sometimes with the deleterious effect of injuring the basic planning and experimental capacity of the organization which must bear the expense. Research competition may either improve the product significantly or produce a similar product at a substantially lower price or even create an entirely new product. The research factor now so important in our capitalism and amounting to about 1% of our Gross National Product, the highest ever, is a vital force; it destroys and it creates, thereby contributing to the dynamism of our society.

The fruits of research must be translated into capital expenditures for new plants, otherwise there would be no sense to the research, and our great corporations are so strong and impregnable that plans can be made for the long-term and can be undertaken and implemented whether from internal cash generation or through ready access to the capital markets. Out of all this has developed a vibrant society with an advancing standard of living.

This new capitalism has produced a shorter work-week which bids to become shorter still, paid vacations increasing in length, some provisions for expenses for health, and retirement pensions. There is an increasing job security, for, as the principle of the guaranteed annual wage is extended, daily wages take on more the aspect of annual salaries. Our so-called private corporations are more and more assuming the characteristics of public institutions with a deep sense of communal responsibility, with an amalgam of objectives of which the profit motive, though still the most important, is only one.

What really has happened? It seems to me we are in the midst of a syncretism in which the thesis of bourgeois capitalism and its antithesis, socialism of varying brands, are finding their synthesis in an entirely new form which we might call democratic capitalism, mass capitalism, or a peoples' capitalism.

Thesis and Anti-Thesis

Whenever such a dialectical process takes place it arouses violent antagonisms. The proponents of either antithetical approach feel threatened by the obsorption of their ideas in a wider concept which contains strong elements of the opposing philosophy. Thus the socialist who espouses ownership of the means of production and distribution by the people cannot stomach the dominant role of the private capitalistic corporation. The bourgeois or *laissez-faire* capitalist bemoans the bigness of the corporation, its administered pricing, and its escape from ownership by the medium-sized capitalist or family group. He remonstrates against the quasi governmental aspects of the modern corporate giants and feels also that such capitalistic institutions are more susceptible to socialization than a multitude of privately owned medium-sized enterprises. The socialist sees in the new efficient capitalist organizations an even more potent mechanism for the exploitation of the working masses, while the bourgeoisie views the enactment of social legislation, which the large corporation can take in its stride, and progressive taxation as devices to deprive them of their property by methods barely more respectable than revolutionary confiscation.

The politicians, sensing vote-getting possibilities in attacks on bigness because it conflicts with the accepted folklore of capitalism, beat the drums for the enforcement of the Anti-Trust Acts. The fact that bigness has been made synonymous with monopoly in the minds of large sections of the public is partly pure semantics and partly an instinctive carryover from a no longer existing historical past. Political diatribes based thereon constitute nothing but fencing with windmills. They have no relation to present reality, for the modern capitalism means size, inexorably. Miniscule corporate units simply cannot do the job. Modern technology means constantly rising investments in plant and machinery per man and incidentally requires bigger and better banks to finance them. To insist that corporate units shall remain small is nothing short of quixotic. It means that because of bureaucratic decision, based on public inhibitions, the cost saving inherent in larger units shall be withheld from the consumer; that the uneconomic old corner grocery store must be protected against the efficient supermarket regardless of the cost to the public.

How can this new peoples' capitalism evolve in the face of opposition from all sides and a confusion of understanding by most: In the history of human ideas and structures dogma has always been formulated very gradually and by judging instances of backsliding as heresies. It is now virtually a heresy to oppose the collective bargaining of unions. It is becoming heresy to manage institutions without great planning and scientific staffs. It is almost heretical for a major corporation not to have public ownership of its securities, and not to publish adequate information. A lot of other radical techniques are being absorbed in the conservative framework. To say nothing of the fact that poverty having become remediable is no longer tolerable.

Assumptions

If our premises are right, namely, that we are developing or evolving into a new type of capitalism, many of the acrimonious issues in the relation of politics to business change their nature having entirely new proportions and meaning:

(1) Take the matter of Bigness in Business, what difference does it make whether the business is big or small if the ownership be widely diffused, and often stockholders more numerous than employees, and power no longer capricious and arbitrary but subject to the checks and balances of the social will? The criterion in a peoples' capitalism should not be size but what size is suitable, efficient, or appropriate for the activity comprehended by the corporation. The belief of a recent President of the United States, in which he averred that it would be preferable to have a thousand steel mills belching forth smoke and steel than a couple of dozen big companies which account for our output, relates to his bias for a *laissez faire* bourgeois type capitalism scarcely applicable to the amount of capital and scientific technology required today for the production of cheap steel. The idea to fit all companies into the bed of Procrustes becomes a superficial regimentation by liberals who know not whereof they speak. In a flexible capitalism each industry might more correctly be considered pragmatically as to organization, competition, excessive duplication, planning and research needs, and all such matters, for the most effective production and distribution of an improving product in terms of an adequate communal life whereby the workers and managers can express themselves fruitfully and constructively in an industry which maintains intense rivalry without demoralization.

(2) According to this view each industry should be separately considered in terms of its own evolutionary morphological structure. Mergers should be encouraged if the end result promises greater efficiency and less waste and enables the maintenance of research staffs so that the competitive process is not blunted, steering away from both monopoly, which may thwart competition, and fragmentation, which may make rational long-range planning impossible. Perhaps if the growth of business organizations were allowed to follow their teleological lines by merger there might be on the other hand a greater readiness for directors and managements to divest themselves of activities which have become extraneous to their main purpose and which could develop more rapidly under their own independent aegis. Hence a dynamic capitalism would be a continuous merging of enterprises and spin-off of enterprises to suit the changing requirements of manufacturing processes, of market coverage, or of organizational needs.

As the stream of corporate energy runs into the rock of anti-trustism, it is perhaps deflected from its natural course, and it is not entirely clear yet whether the diversion is the finding of a new bed or an inundation. Since the vertical integration is impeded and horizontal arrangements tabooed, the biological vitalities are directed towards the combining of wholly unrelated activities, giving rise to the recent phenomenon of the circular corporation, circular because it is neither horizontal nor vertical. Under this concept a management-holding superstructure takes unto itself businesses of almost any kind to augment a cash flow for the maintenance of specialized staff functions of administration and research now required in modern capitalistic society. Whether these new type circular agglomerations will be able to function efficiently under a setup of a professional top management supervising the operating groups in varied non-related activities remains to be seen. It might also be that this circular type concept may become an industrial investment trust investing in enterprises where the operating managements may retain a direct interest. If so, it might be the vehicle to finance small companies and inventions. Bigness, therefore, could turn out to be the salvation of the small enterprise now unable to obtain risk capital from heavily taxed individuals.

(3) In this light also the issue of bank mergers, instead of evoking fears of a money trust, should be analyzed as a problem of how best to mobilize credit for the needs of the nation and how best to dispense skilled, complex services to the community. Is there any benefit from 14,000 banks, most of which are insolvent in modern skills and techniques, however safe they may be financially? Can they minister fully and efficiently to the credit needs of even regional industry when they were so largely conceived and organized for parochial and agrarian needs? Is there not reason to realign and pool the resources of these scattered banks in the realization that what was all right for the iron master is not good enough for U. S. Steel Corporation, or even one of its subdivisions? When credit is so vital in our industrial society, is there any right for wasteful leakage along the line? Because of the residual anxiety that concentrated money may place the community at the mercy of money lenders, there is overlooked the necessity to have institutions with resources great enough to cater to rising national demands, as well as complex international financial responsibilities, not to speak of the ability to attract high calibre personnel. Creeping localism can be as bad as creeping socialism.

(4) In an advanced capitalist society heavy personal and corporate income taxes are necessary and should be considered as the marshalling of income to accomplish purposes which are beyond the capacity of the individual or the corporate institution. However painful, it is not robbery and it is the only way that our three echelons of government—Federal, state, and local—can fulfill even a portion of the functions required of them to stabilize the economy, to provide for social needs, and to maintain the nation in a military posture to meet our international responsibilities, if not for surival itself. The emotionalism engendered by the tax question partly arises from a malconception of the society and world we live in and partly from the wish to return to a simpler existence, which, however, is a paradise lost. The reality is that without a fifth to a fourth of the Gross National Product as the tax take, there would not be the basis for the other three-fourths or four-fifths to be as large as it is.

(5) If for the foreseeable future nuclear weapons will not be used to settle the world controversy, is there any basis for believing that bourgeois capitalism can successfully meet the challenge of monolithic communism? The world population is 2½ billion: one-fifth or more communistic, about one-fifth capitalistic, and the balance in a neutral area, if not ready to be bought, at least ripe for persuasion. If the introduction of capitalism and its concomitant democratic paraphernalia is to be made, it requires the export of capital on a large and growing scale. This presumably is being done by the government in its vast grants and loans and by corporations and individuals who are encouraged to invest abroad. The pattern of thinking is partly in terms of the past when in the 19th century and earlier, capital formation in England and Europe was exportable by the individual and the joint stock company. The government has, through taxation, the funds for foreign economic aid but at best this can only constitute the framework to be filled in by other effort at the operating level.

While many corporations might be in a position to undertake the establishment of branches and plants abroad, to cover more markets, and to enlarge their activities, many of the basic industries, if they are to be established throughout the world, require the capital investment which only large corporations can risk. If a portion of individual savings is to be channeled to the undeveloped countries to help raise the standard of living and promote our influence, it would appear that it would have to be done via the corporations and in most instances the large corporation. In such corporations is found the versatility of personnel, the adequacy of organization, and the capability of long-term planning and supervision of overseas enterprises. To attract equity capital these corporations must be strongly based in their home markets with a profitable and thriving business so that foreign risk can be kept in reasonable proportion to the total.

To leap over the American corporate form and invest directly in foreign enterprises, it would appear that the only suitable vehicle is the world corporation of which Royal Dutch, Unilever, and Philips Lamps of Holland are examples. These corporations, because they straddle many markets, are not too hazardous for the individual investor and have the favorable factor of tying together different cyclical trends and different phases of economic development of the many countries which they serve.

Let us consider for a moment the so-called liberal position which purports to espouse foreign aid and economic intervention to help overseas economies to counter the spread of communism but which at the same time insists on a highly competitive, fragmented structural basis in the domestic economy. This type of organization is inadequate to cope with the size and multiplicities of the problem and hence the evocation of the one negates the fulfillment of the other. These political liberals may really be economic reactionaries and unwittingly in the realities of world power politics become fellow travelers. With one part of their minds they add to the raucous chorus asking for the freedom or chaos of the market place but with the other yearning for the benefits of a planned society.

World Leadership Harmed

Without elaborating further on the differences between the facts of our capitalism as it is evolving and our political and intellectual theories about it, it is safe to say that there is a tremendous gap between the two. This causes frustration and arouses antagonism to the capitalistic process, which is probably so far this nation's greatest single achievement. The political and intellectual theories which are in the contemporary air act more as impediments to the fruition of our capabilities than to coordinating and guiding their expression toward our essential objectives. In a country such as ours, where the empirical approach has developed theories only sparingly and after new ideas have been tried and found workable, there has always been a lag between theory and practice.

Under present conditions where the velocity of economic life has been greatly accelerated so that time appears to be shrinking and space expanding, such a gap, perhaps involving a generation and a half, becomes dangerous. When events in previous ages were not moving as quickly as they are now, the drag of leaders in power in their full maturity, expressing theories and ideas which they absorbed in their youth at school, in turn reflecting the thinking of the teachers of their teachers, was not so perilous and merely meant a conservative brake on economic, political, and philosophic innovation. Today, such a lag cannot be tolerated since traditional views which have been out of date for many years obscure the understanding of the actual state of affairs and render the world leadership thrust upon us indecisive and many of our actions self-defeating. It contributes to our inarticulateness in explaining to the world what we are doing and what we are after. There is no sense talking 19th century capitalism, which we are no longer practicing, to a world which is fearful of the very phases of this type capitalism which we have abandoned.

The graduate schools of business and other schools of higher learning here might fill an essential role. The time has passed where uncomfortable facts can be dismissed with the "all other things being equal" clause of classical economics. To the certainty and clarity of classical analysis must be added the range of a pragmatic approach, because things do not behave at the periphery of experience as they do at its core. The school of business, being core closely in touch with business currents and streams, should be able to quicken efforts to reduce this disparity between the traditional theory of one generation and the practices of another, thereby increasing our adaptability to rapidly changing circumstances and to make possible the forceful regrouping of our energies to meet the shifting challenges of the modern world. It may appear safe to stick to well known findings which had their day and merit under different conditions and pressures and to regard these as absolute truths, but the stagnation which this bequeaths is riskier than the intellectual audacity of probing new probabilities.

Classicism Rejected

Here the social sciences might well follow the successful lead of modern natural sciences, which by leaving the prison of certainty have opened up new worlds. Without the breakthrough of the relativity and quantum theories, modern physics would have been limited by the concepts of classical mechanics. In economics, the Keynesian theory of money and employment opened new perspectives in a field which had been governed for more than a century by such concepts as the gold standard, the functioning of the market to regulate supply and demand, and division of labor, whatever the refinements. But the breakthrough has been only partial, and we are still in need of new and wider concepts to carry us further, aside from getting away from the 19th century notions which are obsolete and limit our understanding of present reality.

It is imperative that the groups in our society which express and mold public opinion give greater heed to the actualities of our times and that men of learning and men of affairs, industrialists and labor, legislators, journalists, and even the artists, set their wits to the facts, to make us more fit for the ordeal of greatness which lies ahead of us.

2 Million Housing Units Yearly Expected by 1965

Walter W. McAllister, Chairman of the Federal Home Loan Bank Board, also notes that despite tighter credit conditions, loans by savings and loan associations reached all-time high of $11 billion in 1955, as against $8.6 billion in 1954. Questions whether present credit restrictions are necessary to prevent inflation in view of "our monetary controls and built-in stabilizers."

According to the Chairman of the Federal Home Loan Bank Board, Walter W. McAllister, "What happens when you use credit is that you are taking the labor of tomorrow and converting it into cash today. Business is today enjoying the profits of a transaction that in the normal course of events should be completed tomorrow. Now a certain amount of that is necessary and beneficial. But the excessive use of credit is highly inflationary and very dangerous. . . ."

W. W. McAllister

Speaking at the eleventh annual Conference of Senior Executives in Mortgage Banking, co-sponsored by New York University's Graduate School of Business Administration and the Mortgage Bankers Association of America, Mr. McAllister further stated as follows:

"In order to avoid undue economic fluctuations, the Administration's policy has been to favor the principle of over-all, indirect credit control rather than selective or direct control. Economic conditions have necessitated, however, direct credit restraints upon mortgage lending. Last spring the best minds in the Administration became more and more concerned over what to them seemed an excessive use of mortgage credit.

"In the case of mortgage credit, direct restraints have been applied to limit the abnormal demand for this type of credit. After a warning in mid-July, the Federal Home Loan Bank Board in September required that savings and loan associations limit new mortgage lending to their savings and mortgage loan repayments, and limit further borrowing from the Federal Home Loan Banks to prior commitments and for emergencies only.

"As a result of the effectiveness of the action taken by the Federal Home Loan Bank Board, credit restraints were eased somewhat in December. Under the new ruling of the Board, associations were permitted to increase their borrowing by 5% of their savings capital up to an outstanding total not to exceed 10% of their savings capital.

"Associations exceeded all previous records in both their savings and home financing, despite credit restrictions. Loans made by these associations reached an all-time high of over $11 billion, as against $8.6 billion in 1954.

"The effect of loosening restraints was largely psychological. Associations at year-end used $300 million less credit than anticipated. Although the 5% easing amounted to about $1.1 billion, it has produced—as we expected—no demand for additional credit. Only 55% of the members held loans from their district banks, as compared with 44% the year before.

"It remains to be seen if the over-all credit supply is as tight and as expensive as is needed to prevent inflation. . . . The built-in stabilizers in our economy and the type of monetary controls we have, lead me to feel that there is now little danger of rampant inflation.

"There is a substantial difference between the number of housing units for which we have a social need and the amount of housing the country can provide from an economic standpoint. Under existing conditions, if we tried to sustain in excess of 1.2 million units per year, with the balance of the economy continuing at its present level of production, we simply wouldn't be able to do it. We wouldn't have available the labor or the materials, and we certainly wouldn't have the funds. In the course of time, we can exceed 1.2 million units. Perhaps we will build two million units by 1965. I think we will have a balance between the available credit and the demand in a reasonable time."

Arrow Press Merges With Rudge's Sons

Arrow Press, Inc., one of the principal large-run multi-color printing companies in New York, and William E. Rudge's Sons, a leading creative printing firm, have merged into a single corporation to be called Arrow Press, Inc., it has been announced by Jacques Pollack, President.

Arrow and Rudge will retain their separate identities. Maxwell M. Geffen, of Rudge, will be Chairman of the Board and Jacques Pollack, of Arrow, will be chief operating executive. Mr. Geffen is senior partner of Geffen, Morton & Griffiths, New York publishing firm, and President of Good Reading Rack Service, Inc. Mr. Pollack in his statement pointed out that the two firms have been complementary rather than competitive in their separate operations, each one specializing in a different phase of the business, so that the merger should afford many benefits of integration and close cooperation.

The Arrow plant, located at 11th Avenue and 47th Street, New York, provides large-scale five-color printing facilities for some of America's leading corporations, including the largest chemical, steel and oil companies and leading tobacco, metal, insurance, transportation and food companies. The Rudge company, at 130 Cedar Street, New York, specializes in creative printing executed to the standards handed down by the famous printing craftsman, William Edwin Rudge.

Interstate Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—D. C. Yelverton, Jr. is now with Interstate Securities Corporation, Commercial Bank Building, members of the Midwest Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Bryan G. Williams Jr. has become connected with Merrill Lynch, Pierce, Fenner & Beane, 324 South Salisbury Street.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles H. Hoag is now with Bache & Co., National City East Sixth Building.

With Joseph, Mellen

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Leonard B. Hurwitz has joined the staff of Joseph, Mellen & Miller, Inc., Union Commerce Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has been responding to the stimulus of the increased amounts of short-term money which is being invested in the most liquid Treasury obligations. This has had a rather bolstering effect upon quotations of the other Government issues, because many hesitant buyers and sideline operators have come into the market and made commitments. To be sure, it is not expected that the market for Government issues will all of a sudden get too far away from the price ranges which have been in force in the immediate past. Nonetheless, it is apparent that the better feeling which seems to be around in many quarters of the money market should eventually have a more favorable influence upon quotations of nearly all Government obligations.

Profit taking by traders and dealers, along with a modest amount of selling by investors, has tended to keep the most distant Government issues from moving ahead too much. More of this backing and filling is to be expected, until some of the uncertainties in the money market are resolved.

No Change in Discount Rate

Even though it is believed in most quarters of the money market that the demand for loanable funds will continue to be very sizable, further increases in rates for these borrowings is not expected. This means that the prime bank rate of 3½% is not likely to be increased. Also, the discount rate will stay where it is under such conditions. Thus, while there is no modification of the currently existing monetary policies in sight, the extreme tightness which has been so prominent in the money market seems to have passed for the time being.

Loan Demand Abated

The fact that more funds are seeking an outlet in the Government market appears to indicate that the very heavy demand for money has abated to a certain extent. This does not, however, mean that a definite turn has been made in the opposite direction as far as the trend of interest rates are concerned, because more will have to be known about economic conditions before that will take place. Nonetheless, there seems to be a growing feeling among money market specialists, that interest rates in the near-term sector of the Government market will not tend to tighten very much because funds that would ordinarily be invested in other channels will probably continue to find an outlet here.

Likewise, with more money being put to work in short-term Treasury obligations, this has had a favorable effect upon the rest of the list. Institutions, which have had funds that could have been invested in Government securities, but have been hesitant about doing so because of the uncertain conditions of the market, are now making commitments in these obligations because of the better tone which has developed. To be sure, these purchases have not been too sizable yet, but they are larger than was the case not so long ago.

Discount Issues Continue in Favor

The discount Government bonds, according to advices, are going into strong hands, with the smaller commercial banks still the important buyers of these securities. It is reported that the 2½s of 1967-72 are the issues that these institutions are most attracted to at the present time, even though some money is being invested in the other 2½% obligations. The feeling in some quarters is that with near-term rates tending to remain easy, it is advisable to get into the more distant maturities before these issues also move up in price. Also, selected securities of the intermediate-term maturities are being bought by these banks. It is indicated that a fair amount of the money which is being used in making these longer maturity purchases has come from the sale of short-term Treasury obligations.

Funds Lured From Stock Market

It is evident that a not unimportant amount of "equity" money is being invested now in Government securities. The cautious and somewhat uncertain attitude which has developed in the stock market is the principal reason for these funds being put to work in Treasury obligations.

Switches continue to play a rather important role, as far as volume and activity is concerned, because institutions are still making exchanges in order to improve their tax situation. The trend of these swaps appears to be a bit more toward the lengthening of maturities than had been the case not so long ago. It is reported that the higher coupon intermediate-term Governments are getting more popular as far as some of these switches are concerned.

According to reports, the supply of not a few of the most distant Government issues is not too sizable at present level of prices. It is indicated that even though favorable and, in some instances, fancy bids have been made for good-sized blocks of bonds, there has been no inclination on the part of the owners to sell them.

With W. E. Hutton

COLUMBUS, Ohio—W. E. Hutton & Co., members of the New York Stock Exchange, announce that Leon Silverman has become associated with the firm as a registered representative in its Columbus, Ohio office, 50 East Broad Street.

Joins A. L. Albee

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Davida C. Campbell has joined the staff of A. L. Albee & Co., Inc., 4 Liberty Square.

Two With Babson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Godfrey M. Birckhead and Erwin C. Thiessen are now associated with David L. Babson Distributing Corporation, 40 Broad Street.

With Chace Whiteside

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Jonathan Chace, Jr. has joined the staff of Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, members of the Boston Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

Some Suggestions of Sales Procedure That Will Build a Clientele

The act of investing falls into certain set pattern. People who buy securities can be typed. These categories are well known as the speculator (interested in market profits) or the investor (primarily desires income and long-term growth of capital). The investor often has objectives BUT DOESN'T HAVE A CLEAR IDEA IN HIS OWN MIND JUST WHAT THEY ARE. In this article we are discussing the investor and some sales procedures that will effectively assist the salesman in cementing a sound relationship with his customer.

CASE I
Which Shall I Buy?

If your customer says to you, "I own some Ramshackle Hotel Corp. common and it hasn't moved for a year, do you think I should sell it and buy some Loggerhead Aircraft?" What he means is, "What can I do to get more income and better prospects of capital gain for my invested funds." Instead of giving him an off-the-cuff opinion (even if you feel you could answer his question satisfactorily) clarify his situation.

Ask some questions. How long have you held your Ramshackle Hotel, how many shares do you own, what is your cost? Why do you wish to switch to Loggerhead? Right about this point your muddled investor may tell you that he wants to get a larger return and that he would like to make his capital grow faster. Now you can either suggest some other situation which you think is a better investment than his Loggerhead Aircraft idea, or you can say, "I think you may have a good idea Mr. Investor, and I would like to look into it further. Is this something you must rush into today, or can I have until tomorrow to make a thorough 'look-see' into both your Ramshackle Hotel and Loggerhead? I know that this is important to you and I want to give you the best opinion possible based upon the available facts."

Handled in this way, your customer is learning a very valuable lesson which will tactfully be impressed upon him: You appreciate the importance of his problem and you are going to give him the best service of which you are capable. Such a procedure builds confidence and customers.

CASE II
I Have $10,000 to Invest

Some people will tell you that they have some surplus funds which they would like to invest. Possibly they have sold a house, have some bonds that matured, or came into an inheritance, etc.

Take your time. Years ago I knew a very successful salesman of mortgages. He had a loyal clientele who would wait for him to find suitable mortgages for them. They would hold their cash for several months and it was very seldom that anyone else came along and pried them loose from it. When his customers would tell him that they had some funds for investment he would say, "I expect to have something good in a few weeks. Right now I have some mortgages which are alright but I don't think they are for you."

This sales procedure infers that you are giving special attention to the needs of each client. It is flattering to be placed in a select group. Don't rush your customers—make them feel important. Everyone likes it.

CASE III
Tell Me About It

When a prospective investor says, "Tell me about it," this is music to a salesman's ears. But it doesn't mean that your prospect wishes to hear you expound: technically; laboriously; tediously; or for long.

If he asks, "How much does it pay?" Say, "If you invest about $10,000 in this Mutual Fund it should pay you an average of between $500 and $600 a year during the next 10 years. That is the past record and although no one knows what the future will be like, it should produce this amount of income, in my opinion. In fact, it could well do better than that if times remain good."

If he asks, "Will this fluctuate much in price?" what he means is "Is my money safely invested here?" Answer, "This is a good investment, Mr. Jones. The company in which you are investing has a promising future, strong management and the stock will fluctuate. You know that anything that has a ready market must fluctuate, but what you are buying here is growth of your capital if the company does as well as we fully expect it to do in the future. That's what you want, isn't it, and of course, a good investment from the standpoint of income and relative safety."

Leave out the facts, figures, details, **unless asked for them.** People **want you to know how to judge suitable investments.** They don't tell their Doctors how to diagnose or prescribe for their illnesses. They will respect you more, will be more loyal, and will be happier if you are the judge and the jury.

Allen Nix Chairman Of NASD Committee

Allen J. Nix, partner of Riter & Co. was elected Chairman of the New York Committee of the National Association of Security Dealers (NASD) it has been announced. This Committee enforces fair trade practices and rules in the over-the-counter market and supervises certain phases of underwriting, including that of mutual funds, in the states of New York, Connecticut and most of New Jersey. Mr. Nix has been associated with Riter & Co. and Dillon, Read & Co. for 26 years.


Allen J. Nix

James Company Formed

FLUSHING, N. Y.—The James Company has been formed with offices at 70-05 Park Drive East, to engage in a securities business.

Stix Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Joseph F. Mueller has been added to the staff of Stix & Co., 509 Olive St., members of the Midwest Stock Exchange.

Continued from page 6

The Long-Range Business Outlook

people industry at large has taken a step forward in long-range thinking about capital expenditures.

New Attitude Toward Capital Expenditures

Many an executive of top management who used to laugh at a man who would forecast beyond six months or a year would not now think of drawing up a capital budget for his own business that failed to look ahead four years. Most management is moving gradually toward a sort of secondary or supplementary budget concept which looks ahead 10 years not as specifically as the four-year budget, but with sufficient definiteness so that it enters very realistically into the calculations and plans of business.

Long-range thinking about capital expenditures has become an accepted fact in the policy decisions made by top management in this country.

Now, this is the first half of what I think is new about long-range projections. The second half has to do with the percentage of income spent to generate new ideas. To reduce that rather verbose statement to a simple word that is familiar to everyone—I am talking now about research and development.

Research and Development

You may say, "Well, what's new about that? We have had it with us for many years, we've all heard about it, and where is there anything new about research and development?" If you will be patient with me for a few minutes, I shall try to show you what I think is new in this field, and it seems to me that is it new in a very startling way that casts light on what is ahead in American business over the next five to ten years.

In the talk that I gave to The Conference Board back in 1953, I tossed in a little ad lib aside, to the effect that there is a formula showing the relation between the amount a company spends on research and development and the amount it spent for capital expansion in the form of plant and equipment.

As so often happens to a speaker, the thing that he regarded as strictly incidental seemed to be about the only part of the speech that anybody cared about. I had more inquiries and more questions about that formula than about anything else that was said in the speech, and whether that touched off a trend or not I don't know, but at any rate since then there has been a very important amount of progress in dealing with research and development, and the first step in that was to get some facts.

Any body of knowledge has to start with information, and up until a year ago the facts as to the amount of money spent on research and development by American industry were far from adequate. There were a few wild guesses. But during the past year there has been completed a census of research and development by the National Science Foundation. For the first time, we have some fairly good facts. There is still much to do in regard to improving the factual information, but we have a good start. The census indicates that in 1955, about $5 billion was spent on research and development.

With the factual material thus taking an initial step ahead, we have seen the facts, themselves, come more and more under the cold light of statistical analysis, and here I want to offer you two or three statistical ratios which seem to me to convey the crux of the research idea:

First, although we talk about growth, and growth trends, applying to the economy as a whole, we must recognize that there are various levels of growth, that there are some parts of the economy that are growing at an annual rate of 10%. Whereas the over-all grows only at the annual rate of 3 to 4%, and we must have some explanation as to why there is this superior growth in certain parts of the economy.

Growth and Research

Well, in the main, the companies that have a 10% per annum growth factor, are the companies that spend 3 to 5% of sales in research and development. And by "research and development" I do not include market research and many things that perhaps might be thought of under that name but do not belong there. This is, rather, a restricted, careful definition of "research and development."

Superior growth is closely related to superior research, and the formula is: Show me a company that is spending 3 to 5% of its sales on research, and I'll show you a company with roughly a 10% rate of growth over the next five to 10 years.

Now, are there very many of those companies? I think that today there are a great many of them. I would say there are approximately 100 fairly large and fairly representative companies in this country who are spending 3 to 5% of sales on research, and that now have, and are likely to have for the next 10 years, a growth factor of somewhere in the neighborhood of 10% a year.

This is where the superior growth is in the American economy.

Another formula or ratio that I should like to give is this, that the amount spent on research itself has a trend. There is a growth factor in research. Each year, more is spent than in the year before. What is the growth coefficient for research expenditure? It is about 10% a year. The total amount spent by American business on research grows about 10% a year, and it is likely to continue that rate of growth over the next 10 years.

There is a third formula that is equally important, a formula that connects research and development with capital expenditures. There is a fairly constant correlation between the three-year cumulative expenditure on research and the capital expenditure in the fourth year. The three-year cumulative research expenditure is in a fairly constant relationship with the rate of capital expenditure.

Now, that has some particular interest and application in 1956 and 1957. Everyone knows that surveys indicate a fairly high capital expenditure in 1956. But what about 1957? What about it, in the light of political uncertainties, election uncertainties, and so forth?

My formula indicates that the three-year cumulative research expenditure gives a clue to the capital expenditure of the future. I would say that this formula tells us that 1957 probably will show capital expenditures as high as those of 1956, and possibly a little higher. That would be the indication regardless of the political developments or the outcome of the elections in the year ahead.

Apart from a formula or a statistical ratio, there is the matter of the economic analysis of research and development. This is comparatively in its infancy. It is making a start but a fairly important start. Economic analysis has to do, among other things, with cost curves and demand curves. A superior growth industry is one in which there is a decreasing cost trend.

Now, although the figures that follow could be challenged, and I could not defend them in decimal points, I think as a broad statement I can defend them.

A superior growth industry is a 10%, per annum, growth industry. It must decrease its unit of cost of production 30% in the next 10 years, and it must employ 50% more labor at the end of 10 years than it does now, and in employing 50% more labor, that will mean doubling or more than doubling the amount of product of the company.

Thirty per cent decrease in cost, 100% increase in volume, a 50% increase in employment. The arithmetic at first glance may not seem to add up, but I think you will find that it does when you sit down and figure it out.

When we talk about superior growth in economic terms, that begins to indicate what we mean by it.

Elasticity of Demand

Elasticity of demand is also an economic factor. The greatest elasticities of demand are in those industries that have the superior growth and if I wanted to get the maximum demand for my product, I would want to sell it to the hundred companies that have the 10% a year growth factor. They are the ones who spend 3 to 5% of their sales on research and development every year. That is where the great market potential in this country is to be found.

So that whether you are talking on the demand side or on the supply side you will find that these things will all tie together and act and interest upon each other. We are barely scratching the surface of the economic analysis of research and development. I think that during the next two or three years we shall see some very important strides made in the way of this economic analysis of the subject.

I have tried to stick fairly close to shore; I have tried to document general statements by giving you some illustrations and some concrete figures. But I would feel better if, with your indulgence, I might now take the attitude of, "forget the figures, let's use a little imagination."

The imaginative side of this picture can be stated in the following terms: We have been through a stretch of some 20 years in which Keynesian economics has been a powerful factor in the policies of this country. One of the cardinal features in the Keynesian doctrine, as I understand it, is that we come to a point where there is a limit on investment opportunity. You just run out of opportunities.

And when we run out of opportunities, the investment becomes stalled, goes static. When that happens, unemployment piles up. You may come along and want to prime the pump, but if there are no investment opportunities left, where is the pump?

The limit on investment opportunities has been an important feature of the Keynesian doctrine and what I am saying to you today is that we have, perhaps, the missing link in the form of research and development and its relation to capital expenditure. When the leading companies of this country are spending 3 to 5% of sales each year on research and development, there is no limit on investment opportunity.

The Competitive Coexistence Race

Now, I find that people are talking about our troubles abroad. We are in an era of "competitive coexistence." What is competitive coexistence? Competitive coexistence is science in research and development, and although war is a horrible thing in terms of carnage and casualty, there is one blessing in disguise that this country has realized from World War II and from the Korean War, and that is a great push ahead in the use of science and research, not only as war devices but as things that have had civilian applications. In the competitive coexistence of this day and hour, it seems to me one of the biggest questions is, who is going to win the research race in bringing out the guided missiles, particularly the Intercontinental Ballistic Missile, as it is called.

That is the competitive coexistence race on the military front and, just as atomic energy and electronics have played a big part in the research of the last 5 to 10 years, so I feel that in the coming 10 years a big part is going to be played by research in the guided missile.

This overlaps atomic energy and electronics research, but it also has a special inspiration of its own and I feel that the research and development between now and 1965 is going to stress the guided missile and that out of this stressing will come civilian applications that will be more prompt and more widespread than those following from atomic energy discoveries.

Thus, the challenge of "competitive coexistence" keeps a pitchfork in the research and scientific work, and it means that we can not stall, we can not slacken in it. The man who says that we are going to have a slump in confidence and therefore we won't spend the money on the research is declaring unconditional surrender to the potential enemy, outside the free world, saying, "Go ahead, I'll throw in the white towel," or "You are going to be top dog in the guided missile."

If you do not believe in research you might just as well give up in the whole matter of competitive coexistence. I believe that is not what the American people are going to do. They are going to win the battle of the guided missile in the next five to ten years and, in winning that battle, they will win also the battle of research and development as it becomes a factor in the dynamic growth trend of American industry and American business.

Another imaginative feature of this situation is that people in the government have educated us all to the term, "built-in stabilizers." They usually mean by it social security, unemployment insurance and factors of that kind. I have no quarrel with the phrase or the concept. I go right along with it.

But I think that we have been looking for the built-in stabilizer a little too much in terms of what the government has done, and not enough in terms of what private enterprise has done. To me, the cumulative research and development expenditures of American business at the recent high rate is, itself, the great built-in stabilizer of our economy. The built-in stabilizer is provided by private enterprise and the free American system.

When people say to me, "Well, if the President should announce that he will not be a candidate for office, then we'll have a great slump in confidence, and everybody will cancel the capital expenditure programs." I say no, I don't believe it, because capital expenditures stand on a built-in stabilizer in the form of a cumulative research and development of the last three years.

American business in the last three years has spent $15 billion on research and development, and if you say we'll cancel out the capital expenditure program, you are saying we are going to throw that $15 billion down the rathole. It will be wasted money.

I do not believe for a minute that will be the attitude of American business. It has a built-in stabilizer, a very big and important factor; therefore I think it behooves us to have respect for some of these things that supply the great vitality to the long-range business picture.

Certainly there will be ups and downs, and there will be fluctuations, there will be periods of worry and concern and anxiety. I'm not talking about a continuous boom in the American economy, I'm not trying to guild the lily and give you some falsely optimistic picture as to where we are going in this country.

But it seems to me that in the past year we have had new insight into what population means for the growth of the country, and new insight into what research and development mean. Research and development we have had for a long time, but now research and development have become of age, and having become of age, they are going on to become an essential part of all the calculations of American business management having to do with their plans for the future.

These are new things, new not in the sense that anything under the sun is ever new, but new in the sense that they add to the cumulative and evolutionary knowledge that we have in this country of what makes the American system tick. The newness should be carefully restricted in its meaning to simply additions and extensions to knowledge.

I see nothing new in the situation except newness in degree and newness in the analysis.

But if there were one thing that I would think dictates the trend of the next 10 years more than any other, I would say it is not the birthrate of the population, but it is the birthrate of new ideas generated in the laboratories of American industry.

Continued from page 3

The Increasing Burden

be deterred neither by business burdens nor by the severity of punishment; and just because there are some in every business is no reason for imposing hardships upon the vast majority of the upright.

By and large we find the securities field as clean and forthright as any other business.

The protection allegedly afforded the investor by this rule both as it stands, and with the proposed change, is altogether theoretic and mythical. Against the honest broker-dealer no such "safeguard" is needed. The operator with larceny in his heart may, however, steal his customers' money and securities and be gone. Against his knavery an independent certified accountant's report is no protection and to insist on one is nothing more or less than imposing what is tantamount to an added tax on doing business on the honest broker-dealer who is already overtaxed.

Doing business as a broker-dealer is no easy matter. First there is the registration. Many do not pass this initial stage. Then comes office upkeep, required books and forms, reporting periodically, right of visitation by the SEC, keeping constantly abreast of a stream of regulations, answering questionnaires, etc., etc. The task is endless. One would expect that a sensitive regulatory agency would attempt to lighten rather than to increase that burden. Not so the Commission. Its sway becomes more oppressive daily.

Why should the broker-dealer who does not extend credit or hold customers' funds or securities be required to file annually a certified statement of his financial condition? Why should any broker-dealer be required to file such financial statement with the SEC? We see no reason.

The trouble is paternalism, this false notion of "protecting" people from the cradle to the grave. This type of thinking threatens our whole economy, and if continually carried into action, threatens a death blow to individual initiative.

The SEC has followed that line and has attempted to fit the securities industry into molds of its creation. There is, and will continue to be, rebellion against such stricture.

Rule X-17A-5 as a whole, its present structure, and the proposed revision, is another paternalistic motif. All of it should be withdrawn.

This is another stern reminder of the havoc SEC rule-making power is causing, and of the need for a rigid curtailment of that power. No one, but no one, can possibly keep abreast of the rules and proposed rules which the SEC is constantly spewing up, and at the same time efficiently follow his business interests.

The SEC must be overstaffed to be wasting its time in stubborn and persistent attention to needless rules and modification of rules. It apparently finds it necessary to give the appearance of being busy, when obviously, if it didn't harass the small businessman, it wouldn't have enough to do.

Lower Production Cited by Purchasing Agents

Leveling off in production noted in Purchasing Agents' composite opinion for January. New orders remain essentially the same with prices reported advancing and short supply of items increasing. Majority say capital expenditures will be higher in 1956 than in 1955. Survey reports employment about the same with professional and skilled workers in short supply.

A composite opinion of purchasing executives who comprise the National Association of Purchasing Agents Business Survey Committee, whose Acting Chairman is Marshall Pease, Assistant Manager of Purchases, the Detroit Edison Company, reports for January a leveling off in production for the first time in several months. While 54% (same as in December(reported production unchanged, it may be significant that the number who report production to be better dropped to 33% (from 40% in December), and there was an increase to 13% (from 6% in December) who reported lowered output. In most cases, reduced production was reportedly reflected in a return to a standard work week, with overtime either eliminated or substantially reduced.

The pattern of new orders remained essentially unchanged, according to the January reports. Increased orders were reported by 34%, compared with 35% in December; and 48% reported their order books unchanged. 18% of those reporting, as against 16% in December, state new orders have decreased.

Prices continue to advance and items in short supply are more numerous and of greater variety. Employment remains steady. Buying policy shows some restriction, as it is geared to forward planning to meet production requirements.

Of the members who responded to a special question, 52% say capital expenditures will be higher in 1956 than in 1955; 33% report they will be about the same, and 15% say less will be spent. To pin-point their expectations for capital expenditures, 57% report the program calls for expansion of production facilities and 43% say the expenditures will be for modernization.

Commodity Prices

That prices are continuing the upward trend is reflected by 63% who reported price advances, 6% more than in December. 37% reported prices the same, 3% fewer than a month ago, and not one reported a downward trend of prices.

The general comments show there were only slight variations in competitive prices on industrial materials, with deliveries being the key factor in many purchases.

Inventories

In reporting on purchased materials inventories, the number who say they are higher-than-a-month-ago was fewer, 23% compared with 28% in December, and indicated their stocks reflect a continued combination of short supply of raw materials and steady demand. 60% reported inventories the same as in December, and the 17% who reported having lower stocks generally attributed this to tax situations and shortages of critical items. In December, 57% reported inventories to be unchanged, and 15% reported them to be lower-than-the-month-before.

Employment

Little change is reported from December. While the number reporting employment the same showed little change, from 70% in December to 71% in January, there is a slight drop, from 25% to 21%, in the reports indicating employment as greater. This resulted in a slight increase from 5% to 8%, for those reporting employment as down. Professional and skilled workers still are in greater demand than the supply can fulfill.

Buying Policy

There is some shrinkage indicated in purchasing policy, although the January reports of purchasing executives show the majority continuing to buy plentifully. For production materials, there were 44% reporting in the 90 days plus category and only 3% on a hand-to-mouth basis; in December figures for the same categories were 50% and 4% respectively. In January, reports show 24% in the 30-day bracket and 29% planning for 60 days; in December, those percentages were 16% and 30%, respectively. On MRO supplies, 18% report hand-to-mouth; 36% say 30 days; 28% plan 60 days, with 18% in the 90 days plus category. On capital goods, 77% report 90 days or better, as their buying policy.

Specific Commodity Changes

Advances in prices and items in short supply are more in evidence in January.

On the up side are: Steel, zinc, lead, titanium dioxide, paper, fuel oil and cement.

On the down side: Vinyl resins, and rubber.

In short supply: Aluminum, brass, copper, nickel, steel (plates, sheets, stainless, structural and many steel products) steel scrap, selenium, titanium dioxide, paper, cellophane, ball bearings, cement and glass.

NASD District No. 8 Elects New Officers

CHICAGO, Ill.—At the Jan. 20, 1956 meeting of District Committee No. 8 of the National Association of Securities Dealers, Inc., Andrew M. Baird, Vice-President of A. G. Becker & Co., Incorporated, was elected Chairman, and Carl A. Falk of Omaha was re-elected Vice-Chairman. Mr. Falk is President of Buffett-Falk & Company. John F. Brady continues as Secretary of the Association in the District.

Andrew M. Baird

New Committee members are Theodore C. Henderson, Robert J. Hovorka, and Howard C. Morton. Robert H. O'Keef was elected to serve a full term of three years after completing an unexpired portion of a term and Messrs. Henderson, Hovorka and Morton will serve for three years.

The District Governors for District No. 8 are Messrs. Newton P. Frye, Lee H. Ostrander and Frank H. Reissner. Mr. Frye was recently elected to replace George F. Noyes.

Representatives of member firms in the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin constitute District Committee No. 8.

F. S. Moseley Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert H. King has become affiliated with F. S. Moseley & Co., 50 Congress Street.

Railroad Securities

By GERALD D. McKEEVER

Canadian Pacific Railway

If Canadian Pacific "ordinary" stock were to be appraised only as a rail equity it would be much too high at the current price of about 33. It is estimated that 1955 earnings available for "Canpac" amounted to about $2.75 per share, and applying the reasonable price-earnings multiple of 8 times to this earnings figure, the price would be about 22, and only a slightly higher figure is arrived at on the basis of relative yield considerations. The $1.50 dividend rate on "Canpac" produces a yield of very little over 4½% at the current price, whereas a yield of 6% or more should be available at the present time on a rail equity of this character, viz., highly leveraged and having a not too steady past earnings record — if there were no other elements of value to be considered. On the basis of relative yield alone "Canpac" might be appraised at 24 to 25.

However, the Canadian Pacific is not to be viewed merely as a railroad situation. It is in addition a diversified business empire representing such a broad front that its growth future is closely intertwined with that of the whole Canadian economy. In view of this growth factor the yield on Canadian Pacific "ordinary" shares is regarded as satisfactory. These are the only shares of the road traded in the United States since the so-called "Perpetual Debenture stock" is listed and traded on the New York Stock Exchange as bonds. The fact that the "12 times" ratio of the current price of this stock to 1955 estimated earnings is high compared with the corresponding measure for rail equities of U. S. roads is answered in part by the growth aspects of the road, but another important factor is that earnings are understated in one important regard. This is that income from the road's oil interests is credited directly to the road's so-called Land Surplus Account and are therefore not taken through the road's income account.

Asset values are similarly understated. Most evident in this connection is the $285 million current market value of the road's 8,412,500 share holding of Consolidated Mining & Smelting as against the $17,046,561 cost of this holding at which it is carried on the road's books. Another case of very apparent understatement is the $8,125,442 value assigned to "unsold lands" in the 1954 year-end balance sheet. While the connection may not be too clear in this case it is nevertheless interesting to note that this figure is less than the $8.4 million gross receipts from oil rentals, royalties and reservations in 1954.

The 17,000 mile Canadian Pacific is a true transcontinental line extending from the Maritime Provinces in the East to Vancouver, B. C., and serving all major centers in between. Access to points in the United States is gained through controlled U. S. subsidiary lines, the Minneapolis, St. Paul & Sault Ste. Marie that in turn operates the Wisconsin Central which it controls jointly with the Canadian Pacific and the Duluth, South Shore & Atlantic, and the Aroostook Valley.

The Canadian Pacific enjoyed a sharp increase in earnings in 1955, both from rail sources and from its other interests. Gross revenues from rail operations are placed at just under $450 million by preliminary estimate for 1955 as against $422.6 million for 1954 and 1955 net railway operating income is estimated at about $37¼ million, an increase of some $10 million over the 1954 figure. Non-operating income, or net income from other than railroad operations, will also be higher—about $20 million as against $17.8 million for 1954. The gain of some $2.2 million in non-rail income is ascribed to the larger dividend received from Consolidated Mining & Smelting which was almost $3 million more before taxes, making it appear that there was not much change in its net from other non-rail sources as compared with 1954. In that year the net from hotel and telegraph operations and miscellaneous sources was $3,839,132, miscellaneous interest and dividends amounted to some $6,294,000, and the Consolidated Mining & Smelting dividend collection was $11,357,000. This total of a little over $19,436,000 was offset by a $2,054,000 loss on steamship operations and a $1,600,000 tax on the road's non-operating income, with the result of a net figure of about $17.8 million.

The Canadian Pacific owns and operates 15 hotels, the best known of which include the Chateau Frontenac at Quebec, the Royal York at Toronto and the Banff Springs at Banff, Alberta. The road also operates steamship lines on the Great Lakes and on and from both coasts and owns jointly with the Union S.S. of New Zealand, Ltd. the Canadian Australasian Line. The Canadian Pacific also owns and operates its own sleeping car and parlor cars and furnishes a good part of the telegraph service for the Dominion.

The 8,412,500 shares of "Smelters" owned by the Canadian Pacific, and which represent 0.61 share of "Smelters" for each share of Canadian Pacific "ordinary" are an asset of more or less known value. What gives glamor to the Canadian Pacific is largely the unfathomed potentialities in its oil land and oil interests. The Canadian Pacific does not engage directly in oil operations, benefiting instead from royalty income from leases to others. Major lessees include the Sun Oil Co., Ltd., a wholly owned subsidiary of Sun Oil Co. which leased 517,000 acres in 1945 and Socony Vacuum Exploration Co. which in 1948 leased 1,800,000 acres. As mentioned earlier, income from oil sources amounted to $8.4 million in 1954, a gain of $1.1 million for the year. Also as mentioned earlier, this Oil income is taken into the Land Surplus Account directly and net additions to this account were $7.7 million in 1954 after income taxes of $3.8 million. This "hidden earnings" item of $7.7 million amounts to 56 cents per share on "Canpac" in addition to the $1.94 per share that was reported as having been earned in 1954.

Canadian Pacific "ordinary" is a highly leveraged issue, the 13,821,000 $25 par shares of which, or a total par of $345 million are subject to some $475 million of funded debt (including $292,549,000 "debenture stock") and to the equivalent of $137,256,921 4% preference (sterling) shares. Prior charges consisting of interest, rentals and dividends on the preference stock totaled $18.1 million in 1954 and thus absorbed 40% of that year's available earnings, but only about 32% of estimated 1955 available earning will be correspondingly taken up. This "leverage" aspect whereby earnings applicable to the "ordinary" can fluctuate widely detracts from the investment quality of "Canpac," but it works advantageously in an improving phase of earnings.

On the other hand the large true net asset value of "Canpac" appeals to the long term investor who is primarily interested in the potentialities for the assertion of these asset values eventually in capital gains. While the net value of "Canpac" works out at only $30.60 on the basis of stated asset values in the 1954 balance sheet of the road, these values include the previously mentioned cost value of "Smelters" which is some $278 million less than the current market value of the holding as well as a probably substantial understatement of land values. Looking only at the clearer case of the "Smelters" holding, the 0.61 share of which is represented by each "Canpac" share, valued at the current price of 35 for "Smelters," is equivalent to about $21 in the price of a share of "Canpac," or almost two-thirds of the market price of the latter. Viewed this way, only about $12 per share is being paid for the railroad and other assets of the Canadian Pacific.

T. A. Larkin Named

It was announced by the Board of Directors that Thomas A. Larkin was elected President of The Osteopathic Hospital and Clinic of New York, Inc., "Le Roy Sanitarium." Mr. Larkin is a General Partner in the New York Stock Exchange firm of Goodbody & Co., a director of the Robert Schalkenbach Foundation, a member of the Chicago and Kansas City Board of Trade and a former governor of the American Stock Exchange.


Thomas A. Larkin

Pasadena Bond Club Officers for 1956

PASADENA, Calif.—Officers of the Pasadena Bond Club for 1956 are: A. Wayne Hough, A. Wayne Hough & Co., President; Raymond L. White, Pasadena Corporation, Vice-President; John J. Fetters, Jones, Cosgrove & Miller, Secretary; Robert L. Johnson, Powell, Johnson & Powell, Treasurer; Carl E. Kane, Lester, Ryons & Co., Ted W. Seguin, Bingham, Walter & Hurry, and Edward M. Skowrup, Francis I. du Pont & Co., Directors.

Directors of Cashiers Association of Wall St.

The following Directors have been elected by the Cashiers Association of Wall Street: James G. Baldwin, Marine Midland Trust Co.; George Boggiano, R. S. Dickson & Co., Inc.; T. Alvah Cowen, Peter P. McDermott & Co.; Anthony J. Kahwaty, P. F. Fox & Co., John J. Kelly, National Association of Securities Dealers, Inc.; Peter Krysko, Allen & Co.; James A. McCorkell, F. Eberstadt & Co., Inc.; Theodore F. Mende, Paine, Webber, Jackson & Curtis; Fred Santi, Henry Montor Associates, Inc.; Chester Frank Ward, Cities Service Co., Inc.

Joins Putnam Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gerald D. Martens is now with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

Joins Hayden Stone

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Alan L. Balter has become connected with Hayden, Stone & Co., 10 Post Office Square.

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As We See It

range investment planning by industry, the improved control over inventories, the intensified pace of business competition, the wide diffusion of well-being among people, their insistent and growing desire to earn more and live better, the development of mass markets to match mass production, the rebuilding of Western Europe, the general recognition of government's responsibility in helping to maintain a stable prosperity, and the growing understanding that public policy must protect incentives if enterprise, innovation and investment are to flourish."

Whether one agrees with all of this or not, the fine Italian hand of an economist rather than mere politician is easily seen in these sentences. But as one reads on, one begins to wonder. There is somehow a new note creeping into these sentences:

"We must also take every practicable step to strengthen the foundations of future prosperity. . . . Sound improvement of our systems of social insurance must be continued. The encouragement of home ownership and the clearance of slums must be extended. Maladjustments in agriculture that find expression in overproduction and reduced farm incomes must be corrected. Those communities which even in these good times, continue to be burdened with extensive unemployment must be aided. Remaining pockets of relative poverty, urban as well as rural, must be reduced. Provision for schools, highways and medical facilities must be substantially increased."

Later passages amply confirm the suspicion that more than simple, straightforward economics is at work. Else we should not find the President saying that "additional voluntary reductions in crop acreages must be induced by payments to offset loss of income from farming," or that "under the proposed acreage Reserve Program, growers of these crops (wheat, corn, cotton and rice) will be asked to reduce plantings below their allotments in return for negotiable certificates entitling them to cash or specified quantities of the commodity from CCC stocks."

The Area Assistance Administration, the President also tells us, will "extend capital improvement loans for projects that promise to improve a community's long-run economic outlook but for which financing cannot be obtained on reasonable terms from private sources. . . . This loan program should be confined to communities that have had an unemployment rate of around 8% or more during the greater part of the preceding two years. But the loans should be available for a wide range of projects, such as the construction of industrial facilities, the purchase and alteration of existing facilities, or the consolidation and development of tracts for industrial sites." How can the Chief Executive talk about the intrusion of government into business in one breath, and in the next make such suggestions as these?

A Few Examples

Of course we have merely touched on a few of the recommendations for action contained in this report of the President. The report itself fills four printed pages with a mere summary of such recommendations. It seems evident to us that the President has listened to his economists and parroted what they have told him at some length (or more likely had them write long sections of the report) and then proceed to make recommendation after recommendation which can hardly be reconciled with the generalities accompanying them. Franklin Roosevelt and Harry Truman were past-masters at this sort of thing. It might almost be said to be a hallmark of their political techniques. We are sorry President Eisenhower has seen fit to follow the same course.

It is commonly said that this message of the President, along with the others that he has lately sent to Congress, leaves his Democratic opponent gasping for air. These latter are said to be quite at a loss to know how to proceed against a very popular President who has now come forward with very nearly everything that they have advocated in the past or would advocate now. The strategy of the President or of his political advisers is thus said to be superb. Such an estimate, it seems to us, does no credit to the intelligence and understanding of the rank and file of the voters of the country.

As to thoughtful elements in the population with the real good of their country at heart, they can scarcely feel less disturbed than the Democrats by all this, but their reason for being so is, of course, vastly different. In their minds this procedure is depressing in direct proportion to its political success. If by such methods as this, elections can be won and won and won, to paraphrase Mr. Hopkins' alleged remark, how then is it possible to get public policy back on the right track? For more than two decades the American people have forsaken their own traditions and disregarded the teachings of their own experience. Is there to be no one left to guide them back to sanity or to persuade them to return to the path of true economic progress?

Of course, this Economic Report of the President is of a piece not only with others that he has produced during the past few weeks but with the policy of his Administration from the day it took office in 1953. It then took over a great deal of the New Deal and the Fair Deal, and made it its own. True enough, it did some constructive work in cleaning out Augean stables and in bringing more business-like procedures into government. It brought some very able men to Washington, and it has succeeded in giving the impression that it is much more friendly to business, but it is and has been right along suffering from a kind of creeping socialism of its own.

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Foreign Policy and Economics In a Political Year

ciples which free people and temporarily enslaved ones can understand and respect, there is hope for mankind.

This strength is not primarily based on our material wealth, though without it we could not support our own defense nor help others to help themselves.

Our real strength is the spirit and courage which, under Divine guidance, allowed a small colony of three million dedicated people to rise up and strike off the chains of colonialism despite the opposition of the mightiest empire of that day.

Our Revolutionary leaders represented the spirit of the song which states:

"Start me with 10 who are stout-hearted men, and I will soon give you 10 thousand more."

Whither are we tending? Will the next 10 years show the same progress of Marxian Socialism? Is there any real indication that the Communist leopard has changed its spots? I believe not.

On July 28, 1955, in the Senate of the United States, I said:

"Neither we nor the free world must lull ourselves into a 'Little Miss Red Riding Hood' belief that, because the wolf has put on grandmother's cap and nightgown, his teeth are any less sharp or his intentions any less menacing."

President Eisenhower, in a great desire to explore the possibility of a changed Soviet policy, agreed to the meeting at the summit.

He also knew that a number of the Allied governments, as well as members of Congress (including the distinguished Democrat Senator Walter George, Chairman of the Senate Foreign Relations Committee), had urged such a meeting.

The President made it clear that the "acid test" of Soviet intentions would come at the subsequent Foreign Ministers Meeting.

Results of that meeting clearly showed that the Soviet Union would not:

(1) Agree to free elections throughout a free and sovereign Germany or permit a unification of Germany except on terms that would result in Communist domination of the whole country.

(2) Support an adequate system of armament inspection of conventional weapons.

(3) Consider the carrying out of their obligations under the Atlantic Charter to permit free elections in the captive nations of Poland, Czechoslovakia, Latvia, Hungary, Esthonia, Roumania, Lithuania, Bulgaria and Albania.

(4) Agree to effective safeguards in the matter of the control of atomic weapons.

Stripped of Communist double-talk their position was and is that tensions can only be released through the Soviet brand of "peaceful co-existence" which would be based on a permanent enslavement of the satellite states of Eastern Europe, a united but Communist Germany, the breaking up of the North Atlantic Alliance and the system of Western defenses.

If there were any so naive, in or out of government at home or abroad, as to have believed that the Communist leopard had changed its spots, such thoughts should have been dispelled by the reported statements of Khrushchev made at the dinner given on Sept. 17 to the East German Communist Premier Grotewohl. He said:

"Anybody who takes our smile for withdrawal from the teachings of Karl Marx or Lenin is making a mistake. . . .

"Those who expect this will have to wait until Eastern Monday falls on Tuesday."

At a Moscow gathering of the Kremlin hierarchy, Soviet First Deputy Premier Kaganovich on Nov. 6, 1955, said:

"If the 19th century was a century of Capitalism, the 20th century is a century of the triumph of Socialism and Communism."

But perhaps the clearest expression of Soviet immorality in dealing with other nations was expressed by the late Joseph Stalin:

"A diplomat's words must have no relation to actions—otherwise what kind of diplomacy is it? Words are one thing, actions another. Good words are a mask for the concealment of bad deeds. Sincere diplomacy is no more possible than dry water or iron wood."

The test of the accuracy of the Stalin diplomatic doctrine is demonstrated by the broken treaties and subjugated nations along the periphery of the Soviet Union: Latvia, Lithuania, Esthonia, Poland, Czechoslavakia, Hungary, Roumania, Bulgaria all had to learn the hard way.

Do vodka toasts change these words and modify these facts? They do not.

When the free nations of the world retreat from principle and embrace a "package deal" on membership that a short time ago they designated as "unadulterated blackmail," is not our moral position greatly weakened?

When the Republic of China, now reduced to the island of Formosa and the off-shore islands, is told that if they exercise their veto under the United Nations Charter they will likely lose their own membership, is not the conscience of free men troubled?

When the International Court has ruled that a "package deal" is a violation of the United Nations Charter and the ruling is ignored, is this not nullification of judicial processes?

Is the United Nations now to be governed by expediency instead of principle? At San Francisco in 1945 it was agreed that only qualified nations which assumed the obligations under the Charter were eligible for membership. At New York in 1955 governments frankly recognized to be without such qualifications were taken in at the adamant insistence of the Soviet Union.

The final test will come later this year, probably after our national elections, as various members connive to bring Communist China into that organization.

Munich should have taught the world that the road to appeasement is not the road to peace. It is only surrender on the installment plan.

Do not these events and contemplated actions bring to a focus the need for a re-appraisal?

If it is not done by the Executive Department and the Congress, it will be done on the main streets of America.

Can our economic system survive prolonged burdens of building a system of collective security and a system of neutralism at one and the same time?

If the neutralists are to receive the benefits and have none of the responsibilities of those in the collective defense system, will not that act as an incentive plan to up the fence sitters?

Certainly we should not endeavor to remake the world in our political or economic image. We should recognize that neither personal nor international friendships can be purchased; they must be earned.

It is not and it should not be our policy to impinge upon the sovereignty of any nation. We do have a right, and I believe a duty, to point out as clearly as we can the dangers we believe are confronting free men everywhere.

We can and should point out that we and many of our associates have believed that our own survival and that of free men elsewhere depends upon an effective system of collective security. Whether or not any nation desires to join that system is for their government and their people to decide.

We could, I believe, properly point out that even the resources of this nation are limited, that our people are bearing heavy burdens of debt and of taxes. We could point out that many worthwhile projects for the improvement of our own nation have of necessity been held in abeyance because of the importance of helping rehabilitate the great damage and dislocation growing out of World War II.

We can, and I believe should, point out that in this country our growth and productivity has come because of the liberties guaranteed under our Constitution and our free economic system. American enterprise has supplied the taxes or the wages and dividends from which taxes are collected to carry in part the heavy burdens of the war and postwar period. The balance from deficit financing has added to the vast debt confronting ourselves and our children.

So that our own people and our friends abroad may understand the magnitude of this debt, the following should be noted:

(1) With Principal payments of $1 billion a year (which was the total cost of all activities of the Federal Government in 1913) it would take 280 years to retire the National debt.

(2) If we had started Jan. 1, 1956, paying off on the debt at the rate of $1 million a day, it would be the year 2725 before the last payment would be made. (A total of 769 years!)

We could and should point out, I believe, that in the event of disaster or famine our people in the future as they have in the past, will generously respond to the relief of human distress, and that in this aid there will be no political commitments expected or required of the nations and people we would be helping.

We can and we should point out, I believe, that we are prepared to help furnish, where requested, technical advice in the fields of public health, agriculture, education or industry to help other free nations of the world in meeting their problems in these and similar fields.

We can also, I believe, point out that if the economic and political climate is made encouraging, there is substantial private capital in this and other nations of the world that could help develop the natural resources, the transportation systems and the industry of such countries as such investments helped to develop ours.

In this atomic and airplane age in which we now live, this nation can no more return to isolation than an adult can return to childhood.

An effective system of collective security will have to be created and maintained as long as the menace of aggressive Communism continues.

In helping our associates who have demonstrated a willingness to do their utmost to help themselves, we will have substantial burdens. Within the policy of building an effective collective defense the President should have a considerable amount of flexibility in the allocation of funds appropriated by Congress.

But is it wise to continue to pour out billions of dollars of additional American aid over a prolonged period of time to nations:

(1) That assume no collective security obligations for the preservation of human freedom, but desire to get all the advantages furnished by such a system on a free ride basis?

(2) That have made no reasonable effort to attract private capital to help develop their resources?

(3) Whose leaders use their efforts to travel about the world attempting to seduce nations away from collective security into neutralism when such efforts coincide with present Soviet strategy?

As to the latter, I recognize a sovereign right of any government or any people to choose the road of Fabian or Marxian Socialism if that be their free choice. I question their right to expect or to get long-term government-to-government grants and loans which keep adding debt and tax burdens to the American free - enterprise camel to the point where its back is broken.

Every responsible man and woman at home and abroad must recognize that if the United States could be destroyed or impoverished by overt aggression from without, by political subversion from within or by economic collapse, we would likely take the whole free world down with us.

There would then be no oasis of freedom to which those already enslaved might look for hope, and there would be no international corucopia upon which we might call for our own rehabilitation.

On these and other issues confronting us, men in and out of government may honestly differ. In a free society there is room for such differences and there are certainly no pat solutions for the complex foreign and domestic problems that confront us.

But likewise in a free society it is important that these matters be brought into the open and that they be discussed.

It is my firm belief that if we win the cold war we can prevent a hot war from developing. I believe that this can best be done from a position of strength.

It is not now, nor has it ever been my belief that we should have a "get tough policy."

On matters of principle I believe that we should be firm and should not yield principle for expediency. In the working out of the negotiable issues, I think we should be reasonable in our attitudes and recognize that conditions change in the world, and a policy which was wise five years ago or one year ago may need modification today.

But I do not believe that we should ever feel it necessary to apologize for either our political system or the economic system which has enabled this nation to grow from a small colony of three million on the Atlantic seaboard to a great nation of 165 million, the most productive the world has ever known.

It is my personal belief that we would command more respect from our allies, from the neutrals and from our potential enemies if we insisted on a fair *quid pro quo* for agreements entered into. We should stress the point that an alliance is of little value unless the other party has as much obligation to come to our defense in case of attack as we have to go to theirs.

As a Senator of the United States, as well as an American citizen, I have a deep conviction that if we of this generation will use the same courage and common sense that motivated the men who sat at Philadelphia and under what I believe was Divine inspiration gave us first our Declaration of Independence and later our Constitution of the United States, there are none of our great domestic problems which we as a free society cannot solve, and there is no foreign foe we need ever fear.

Los Angeles Stock Exch. Elects Officers

Franz Osthaus, Vice-President of Bateman, Eichler & Co., was elected Vice-Chairman of the Los Angeles Stock Exchange for 1956 at the organizational meeting of the Exchange's governing board, it was announced by Exchange Board Chairman Frank E. Naley.


W. G. Paul

Other officers also elected at the meeting were: W. G. Paul, President; Thomas P. Phelan, Executive Vice-President and Secretary; Chester L. Noble, Treasurer; and A. R. Gilbert and Inez Vermillion, Assistant Secretaries.

Mr. Osthaus, who was elected to the exchange board in 1955, has been associated with Bateman, Eichler since 1943. Mr. Noble, partner of Noble, Tulk & Co., has served on various Exchange Committees and was elected to the board in 1954.

Both Mr. Paul and Mr. Phelan were re-elected as President and Executive Vice-President, respectively.

With Yates, Heitner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Richard H. Waltke, Jr. is with Yates, Heitner & Woods, 320 North Fourth St., members of the New York and Midwest Stock Exchanges.

Two With King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, Mo.—William F. Dancy and Glenn W. Hazlett are with King Merritt & Co., Inc., Woodruff Building.

Continued from first page

Time for Breathing Spell In Our Forward March

a considerable increase over 1955, according to a survey made by McGraw - Hill Publishing Company. Government spending next year is expected to rise around $4 billion.

Restraining Factors

While strong underlying forces are carrying business forward to higher levels, there are restraining factors at work, including the limitations of plant capacity, materials, labor, and credit. In many major lines, plant operations are bumping the ceiling. This is particularly true in steel, where in spite of capacity operations the supply situation is expected to remain tight for at least the first half of 1956. The principal metals —copper, nickel, and aluminum—are in tight supply. Manpower shortages are growing, particularly of skilled workers. Unemployment is close to the irreducible minimum. The surging pace of business is reflected in the heavy demand for credit. Reporting member bank loans at the year end were $7.8 billion above the same period of the preceding year, a gain of 19%, while member bank borrowings were close to $800 million. The upward pressure upon our economy has been so strong that the Federal Reserve authorities are keeping a tight rein on credit in order to avoid dangerous inflationary developments. The money managers can effectively curb the boom when determined to do so, as has been demonstrated in the past three and a half decades.

Debt-Financed Prosperity

The current high level of business is too dependent upon the expansion of debt. This is shown by the fact that the increase in consumer debt, including home mortgages, for the 12 months ended Sept. 30, 1955, exceeded the gain in disposable personal income for the period by $1 billion. Any slowing down in consumer borrowings would be reflected by lower activity in residential building and in the motor industry, since about 80% of owner-occupied homes purchased are financed by mortgages and about 60% of automobiles are bought on the instalment plan.

Consumer expenditures play an important role in our economy since they account for approximately two-thirds of total Gross National Product—the total value of goods and services. Consumer spending sparked the current recovery which began in the Fall of 1954. Of the estimated $32 billion gain in Gross National Product in the last half of 1955 over the corresponding period of 1954, about 55% was accounted for by consumer expenditures.

Redistribution of Income in Relation to Debt Capacity

Some authorities maintain that consumer debt is not in a vulnerable position, and that it could go much higher because of the marked changes that have taken place in the distribution of income. This theory deserves consideration. During the past quarter of a century, there has been in fact what has been termed a "bloodless revolution" in this country. The proportion of poor and rich people is shrinking, but those in the middle income brackets have shown a sharp increase because of the pulling down from the top and pushing up from the bottom. The proportion of total disposable income held by the upper 5% of the population has been cut in half in the last quarter of a century. On the other hand, families in the middle income group—$3,000 to $7,500—increased from 28% of the total spending units to 52% in 1955. In the latter year, they received about $125 billion, or 56% of the total disposable personal income. Since 1929, the middle income group has increased more than two and a half fold in number and in income.

Many factors have contributed to the redistribution of income in the past two decades, including a high level of employment, an almost steady rise in wage rates, inflation, comparative farm prosperity, a progressive income tax, and welfare programs. The forces that have been leveling income, however, have slowed down if not halted, since there is not much margin left for a continuation of this trend without destroying incentive, which is the key factor in economic progress under a free enterprise system. This is shown by the fact that, if all income after taxes of everyone earning over $25,000 a year were divided among the rest of the people in this country, each would receive only about $65.

The expanding income of the middle class has broadened markets and changed buying habits, and has also introduced an element of instability, because of the substantial increase in discretionary buying power, which not only makes the consumer more unpredictable, but also might cause wider business fluctuations. The high rate of consumer spending has been made possible by the sharp rise in personal indebtedness. Consumer credit has reached an all-time high of over $35 billion, which constitutes about 12.5% of disposable personal income. This may not appear excessive in a boom period, but the rate of increase is causing considerable concern. From October, 1954, to October, 1955, consumer credit increased at three times the rate of disposable income.

This over-all account, however, does not give a true picture of the situation as about 43% of the spending units have no short-term consumer debt. On the other hand, this indebtedness is highly concentrated in the group with incomes from $3,000 to $7,500. It is estimated that the average consumer with instalment debt has around 25% of his disposable income pledged. In addition, these individuals carry the bulk of home mortgage indebtedness. Moreover, persons in these income brackets have a relatively small amount of liquid savings. It would appear that this group is well "loaned up" and will as a class be impelled to lighten their load by repayments on debt and by making new commitments on a more conservative basis. A retarding influence on business activity would take place if repayments were to exceed the extension of new credit.

Business Spending as a Stimulating and Basic Force

Consumer spending will likely be less of a stimulating force in 1956 than it was last year, and may be replaced by business capital investment. Official Government estimates indicate that business spending for plant and equipment in the first quarter of next year will be about 2.5% above the final quarter of last year and 12% above the average for 1955. Capital spending by business is the basic driving force of progress. If there had been no flow of capital into business enterprise since the dawn of the industrial revolution two centuries ago, our living standards would be about the same now as then. Instead, these standards have increased more than eightfold in the intervening period, largely because of the huge capital investment that has taken place, while working hours have been cut in half. This comparison of the two eras emphasizes the vital role played by capital in the spectacular development of the American system. Moreover, industry has to a large extent generated its own capital. All but a small proportion of the funds spent for plant and equipment has been money ploughed back into business out of profits.

In creating jobs and increasing production, business spending is many more times effective than the Government spending dollar. The reason for this gap in productiveness is that private investment is not only revenue producing but also is high powered in that it multiplies productivity, lowers costs, and expands the market. On the other hand, Government "pump priming" by means of Federal deficits is relatively sterile since expenditures are not self-sustaining and add to the debt burden. Furthermore, Government "pump priming" creates uncertainty and discourages private investment which, as has been indicated, is the spark plug of our economy, as was clearly shown during the great depression.

In the 1930's the flow of business capital was at low ebb while, on the average, about one-sixth of the labor force was unemployed during this decade, or approximately five times the rate of the 1920's. The principal reason for this slump was the highly unfavorable business climate. Taxes were on a near confiscatory basis and it was climaxed by a tax on undistributed profits in 1936 which penalized any firm that withheld earnings to be ploughed back into business. This tax was so destructive that it was repealed. In addition, there was the constant threat of Government competition with private enterprise, rapidly mounting deficits, price-fixing schemes, and labor strife. In consequence of this hostile atmosphere, capital was idle and so were several million American workers. Even at the end of the 1930's, the number of persons unemployed aggregated approximately 10 million.

Under the present Administration, emphasis has been placed on the vital importance of encouraging capital investment by private enterprise as a means of stimulating economic growth and providing for a steady rise in employment and in living standards. To implement these objectives, a comprehensive plan was worked out for the revision of our complicated tax structure that helped reduce glaring inequalities and minimize the more serious restraints on production and economic growth.

Business has responded to the favorable incentives provided by an unprecedented outlay of capital funds. Since the end of World War II, more than $230 billion has been spent for plant and equipment. Despite this heavy investment, careful studies indicate that the physical volume of plant and equipment in this country is below the long-term line of normal annual growth since the turn of the century. For the next decade, according to estimates by the Machinery and Allied Products Institute, there will be a rise of 50% in capital expenditures. This projection is based upon the assumption that there will be no major depression and that the price level will be relatively stable during this period.

Monetary and Credit Policies Moderators of Business Swings

With such a strong upward surge, the question is raised as to whether, through monetary and fiscal policies, it is possible to keep our economy within reasonable bounds for an indefinite period. Historically, our economy has been subject to frequent fluctuations. In the last quarter of a century, there have been several periods of recession or depression, the most recent as well as the most severe extending over the decade of the 1930's. Not until the advent of World War II did the country recover. It is now 10 years since the end of World War II, and during that time only minor corrections have been made.

It does not seem possible for business to remain at peak levels without interruptions. This is particularly so because durable goods, which account for about 58% of factory employment, are subject to wide variation in demand, and, since they are enduring, purchases are postponable. A consumer, for instance, on the average buys a car every three years, major items of household equipment once in 10 to 20 years, and a house once or twice in a lifetime. Not only is there a limitation on durable goods because of demand but also because the bulk of these items is purchased on credit and becomes a fixed obligation for a considerable period of time. In all other major expansion periods, the market for durable goods became temporarily saturated and a let-down in business followed. Because of the lack of buying power during the depression of the 1930's, and the virtual stoppage of durable goods' production during wartime, there has been a huge pent-up demand for these goods which will some day be satisfied. When demand for this group of goods slackens, so will general business activity.

Limitations on Monetary and Credit Policy

While business activity cannot move steadily upward or be maintained at capacity operations indefinitely—because of limitations of plant capacity, credit, materials, and labor—it is possible to modify the swings of the business cycle by monetary and fiscal policies. In their efforts to influence business activity, however, monetary and fiscal authorities are faced with definite limitations. Restraints are not popular and so we find that there is always strong pressure against imposing brakes on credit expansion. Furthermore, there are limitations because of influences exerted by Governmental activities and agencies, including deficit financing and Government lending. Time and again, as now prevails, Government agencies have worked at cross-purposes so that when one was putting on the brakes, others were stepping on the accelerator. This has been particularly true of the Federal Housing Administration and the Veterans' Administration, which agencies have encouraged credit expansion when the Federal Reserve Board was imposing restraints.

Then, too, fiscal operations of the Treasury can have a substantial influence upon economic activity that may run counter to Federal Reserve objectives. The Federal debt constitutes two-fifths of total debt, while Federal expenditures are equivalent to about 20% of national income. Federal Reserve efforts to restrain credit may be nullified by the inflationary effects of Federal deficits. Hence, it is highly essential that fiscal, debt management, and monetary-credit policies be harmonized. Since the "accord" of March, 1951, there has been excellent team work between the Federal Reserve Board and the Treasury.

Guiding Principles for Monetary Policies

The guiding principles for monetary and credit policies in the original Federal Reserve Act and subsequent amendments are vague and ambiguous. Perhaps this is desirable in that it permits flexibility of operations in keeping with changing conditions. The Employment Act passed by Congress in 1946, however, is quite specific in that it prescribes that the national policy, with which the monetary and credit policies must conform, is to provide a high level of employment and at the same time maintain a relatively stable dollar. When plants are operating at or near capacity, with practically all employable persons at work, there develop growing shortages of materials and man-power. This, in turn, generates inflationary developments that, unless checked, result in the depreciation of the purchasing power of the dollar. In consequence, the Federal Reserve has a difficult task in attempting to bring about a proper balance between inflation and deflation. Curbing a boom through monetary policy is a delicate operation that calls for great skill, as untimely and too vigorous action could bring about a recession, but an unchecked inflation could be even worse.

The Business Cycle Will Not Likely Be Eliminated

While monetary and fiscal policies can moderate business fluctuations, it is not likely that the business cycle will be eliminated. The seeds of depression are sown in a period of prosperity. What is needed is to keep business expansion within reasonable bounds, or as has been said, "sit on the bulge of the boom" in order to prevent "a bubble on the boom." This can be done to a considerable extent by steadily imposing monetary, credit, and fiscal restrictive measures at an early stage so that the cumulative influence will be effective in checking inflationary developments before they have gathered momentum, which would eventually call for drastic action with its disruptive developments.

Sound Monetary Policies Must Have Popular Support

Unfortunately, restraints on credit expansion meet with strong opposition, since a rising tide of business activity gives the appearance of real prosperity. Dr. Arthur F. Burns, Chairman of the Council of Economic Advisers, has warned: "A period of general prosperity presents a challenge to an intelligent citizenry . . . As everyone knows, the response to this challenge has often been inadequate in the past. Time and again, in our own country and other nations, monetary inflation or business depression has disrupted economic life and brought hardship to people. . . . We must recognize however, that in an economy like ours, poised on a high plateau, neither the threat of inflation nor of recession can ever be very distant."

The American people should have a better understanding of the constructive role played by the Federal Reserve and the Treasury, and give wholehearted support to their sound policies which are designed to safeguard the economy from violent business swings. Banking and insurance institutions, which account for practically all non-government loans, have an immense responsibility to extend credit on a sound basis. This obligation was expressed in one of the resolutions adopted at the recent Annual Convention of the American Bankers Association which said: "Bankers . . . should be concerned at all times with the quality of the loans which they make, and should lend only on such terms as will provide individual borrowers with proper equities in their purchases and enable them to maintain their finances and credit on a sound and sensible basis. . . . We should recognize . . . that when credit terms become too liberal, they may prove troublesome and embarrassing to both borrowers and lenders and injure the health of the economy."

Restrictions on consumer credit and non-farm home mortgages which now aggregate around $120 billion, should be further tightened. Depositors should be encouraged to retain rather than to spend their savings, and individuals to pay cash for goods and services and avoid unnecessary borrowings, while every effort should be made to liquidate existing obligations. Demand for higher wages should be held in rigid restraint as increased income at this stage adds to the inflationary process.

Federal Lending Agencies Should Cease Inflationary Policies

The Federal Government should play its part in curbing the extension of credit by its lending agencies. Credit guaranty and lending operations of Federal agencies, having far outstripped their emergency purposes, now cover about 40% of all mortgages. Outstanding loans and commitments of these agencies were about $57.7 billion at the end of the last fiscal year ended June 30, 1955, while total new commitments for the fiscal year ending June 30, 1956, are placed at $20.5 billion, according to a report issued by the Bureau of the Budget. From mid-1950 to mid-1955, loan guaranties by Government agencies increased nearly 100% as against a gain of 69% in total loans of all commercial banks during this period.

Effectiveness of Monetary and Credit Policies

It has been said that Federal Reserve policies cannot really be effective since their influence is limited to a portion of credit spending which represents only a small percentage of total expenditures by all groups in the country. This contention overlooks the fact that through the control of reserves, and, therefore, of bank lending, the Federal Reserve exercises a marginal influence that can determine the direction of prices and of economic activity.

Monetary and fiscal management is an art and not a science. Consequently, its policies cannot be measured with any degree of accuracy, particularly since there are non-managed factors that play an important role in economic activity.

Since 1952, the record of monetary and credit policies has in general been quite impressive in that the boom was checked in 1953 and the subsequent recession was mild, while the recovery was quick and vigorous, although it appears that natural forces were favorable for an upturn. It would seem that the interval since 1952 is too short a period in which to pass judgment upon the effectiveness of monetary and fiscal policies, although it is quite apparent that encouraging progress is being made in tempering economic fluctuations.

Bold Plans for the Future

Business is making bold plans for the future because of confidence in the long-term growth of this country. In addition to the favorable economic environment, this confidence is based upon the fundamental strength of our economy which has demonstrated great vitality and flexibility. Technological progress is proceeding at a rapid pace. Expenditures by private enterprise for scientific and engineering research in the past 10 years aggregated $12 billion, or about four times as much as was spent in the preceding 10 years. We are in the stage where huge research expenditures are showing outstanding results. Our population growth is strongly upward. There will be a marked increase in family formations in the 1960's and 1970's, when the large crop of war babies will become of marriageable age.

On the other hand, the annual increase in our labor force is at a diminishing rate, due largely to the abnormally low birth rate in the depression period of the 1930's. Then, too, unit production costs have been steadily rising in the last two decades due primarily to the upward trend in taxes and wage rates. Economic pressure will in consequence force the extension of automation in order to prevent productivity from leveling off or declining. The necessary productivity can be provided only by operating machines longer and at a faster pace than it is possible for humans to operate them and supply them with materials. By means of this system, machines can operate on a 168-hour week basis doing the monotonous and repetitive work now being done by human labor, thereby greatly increasing productivity. The machine creates many more jobs than it destroys. The number of persons employed directly and indirectly in the automobile industry today, for instance, is about nine times as many as the peak employment figure in the horse and buggy days, including the related lines of activity.

Role of Management

Management makes a vital contribution to our economy since it is the driving force behind progress. Many foreign experts have come to this country in the postwar period to find out why the American system is so superior. Almost without exception, their conclusion has been that it is because of the predominant role played by American management, which is chosen on the basis of competence to mobilize men, materials, and money, into a profitable combination. By virtue of its position, management serves as the trustee for the common good, with responsibility to adopt modern methods and procedures, and pass the benefits on to the consumers.

Part Played by Government

The Government can exert a negative or constructive influence upon progress. Under the Eisenhower Administration, the best investment climate in two decades prevails in Washington. The Administration's program contributes much toward making our economy more dynamic and creative by maintaining open markets in which competition serves as the regulator and energizer, and stimulates personal initiative and risk taking.

The Road Ahead

There is no royal road to progress. There is no short-cut to the abundant life. But by mobilizing our man-power and scientific resources we can provide for an expanding and vigorous economy. There is always work to be done as long as human wants are unsatisfied. We are the inheritors of generations of invention and science — instrumentalities that will open new trails to the future and make for profitable enterprise and higher living standards.

The American record has demonstrated our prodigious capacity for spectacular economic achievement. But that is not enough. We must also be able to demonstrate our ability to avoid overexpansion by means of excessive borrowings that can lead to dangerous consequences. The key to controlling business cycles lies in keeping expansion within reasonable bounds. Fortunately, under the leadership of the Federal Reserve Board, gratifying progress is being made along this line, and its valiant efforts should have the wholehearted support of the American people.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Leonard Bloch has joined the staff of Paine, Webber, Jackson & Curtis, Union Commerce Building.

Continued from page 16

News About Banks and Bankers

building (Spring, 1957) the bank is occupying quarters next door at the southwest corner of Sixth and 41st.

When the bank started business in 1859 in a small building near lower Broadway, it set a banking precedent by accepting deposits of 10 cents. "Union" was chosen by the founders to indicate sympathy with the Federal Government. Depositors and deposits rose from 3,100 and $200,000 after the first year of operation to 154,000 and $356,000,000 today.

* * *

Three employees were recently enrolled in the 25-Year Club of **The Lincoln Savings Bank of Brooklyn, N. Y.**, bringing club membership to a total of 61. Honored for completing 25 years of service with The Lincoln, were George Gick, Jr., Edward A. Gorman and William L. Becker. Each new member received an appropriately inscribed watch presented by August H. Wenzel, President of the Club. All three new members are graduates of New York Chapter, American Institute of Banking.

* * *

At the annual meeting of the shareholders of the **Franklin National Bank of Franklin Square, N. Y.**, on Jan 24, Arthur T. Roth, President of the bank stated that the bank's shareholders had approved:

(1) An increase in the common stock of the bank to $9,150,000 by the issuance of semi-annual stock dividend of 36,000 shares of $5 par value each, payable to shareholders of record Jan. 24.

(2) A further increase of the common stock of the bank to $9,748,000 by the sale of 119,600 additional shares of the par value of $5 each. The shareholders of record, Jan. 24, will be accorded the right to subscribe for one additional share for each 15 held at $32 per share.

Warrant certificates representing the right to subscribe to the new shares are to be mailed on Jan. 27, and these rights will expire on Feb. 10. The stock dividend will be mailed on Feb. 17, and fractional interests will be issued in lieu of fractional shares. Blair & Co. Inc. and associates are underwriting the offering.

President Roth also reviewed the accomplishments of the bank for 1955, and announced that the total resources increased $126,800,000 over Dec. 31, 1954, of which approximately 50% was due to consolidations with banks during the year and the balance of 50% was due to the normal growth of the bank. The resources of the bank were $430,000,000 at the year end.

* * *

Three directors of the **Long Island Trust Company of Garden City, L. I., N. Y.**, have been re-elected to the board by stockholders of the bank, it has been announced. Fred Hainfeld, Jr., President of the Trust Company, C. Waller Barrett, Executive Committee Chairman of the North Atlantic & Gulf Steamship Co., Inc., and Herbert H. Schell, Trustee of the Dollar Savings Bank were re-elected for three-year terms at a board meeting on Jan. 17. It is also announced that the new Stewart Manor Office of the Trust Company, 110 Covert Ave., Stewart Manor, will open Feb. 7. In the near future, the bank's East Garden City Office, 839 Stewart Ave., will move from its present location to new quarters at the corner of Clinton Road and Stewart Ave., Garden City.

* * *

The recently organized **Eastern National Bank of Smithtown, Long Island, N. Y.**, which opened early in January, was granted a charter by the Comptroller of the Currency on Jan. 11, and on the same date became a member of the Federal Reserve System. A reference was made to the bank in our Jan. 12 issue, page 171, in which it was indicated that William J. Boyle is its President. The other officers are Herbert Sadkin, Chairman of the Board; Lewis L. Smith, Vice-President and Walter F. Thomas is Cashier. The bank has been formed with a capital of $500,000 and a surplus of the same amount.

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Ralph T. Tyner, Jr., President of **National Bank of Westchester of White Plains, N. Y.**, has announced the appointment of John J. Stout, Assistant Vice-President as Manager of the bank's proposed office in **Larchmont, N. Y.** Approval of the office was granted some time ago by the Comptroller of the Currency in Washington, and plans are under way for its opening in the early Spring. Mr. Stout will be assisted by Frank J. Farrell, Assistant Cashier, and will head a staff of four persons in the office. Mr. Stout recently completed his 25th year with the bank.

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President Tyner of the **National Bank of Westchester** has announced that the bank's new office in **Bedford Hills** will open on Feb. 3. Hours on opening day will be from 9:00 a.m. to 8:00 p.m. Located in the Station Building of the New York Central RR., the bank—first in Bedford Hills—will have complete facilities including safe deposit and decentralized bookkeeping. W. Harold LeCount, Administrative Assistant has been named as Manager of the Bedford Hills Office. He will be assisted by a staff of two persons, which will include Miss Edna Lee. Mr. LeCount has served the bank for over 33 years.

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William Bynum, Executive Vice-President of Carrier Corporation, has been elected to membership on the Board of Directors of the **Marine Midland Trust Company of Central New York, at Syracuse, N. Y.**, according to an announcement by Harry W. Davies, Chairman of the Board. Mr. Bynum has been Executive Vice-President of Carrier since 1951 and in 1952 was elected a member of the air conditioning firm's board of directors, he joined the company in 1930 as an engineering trainee.

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Lincoln Rochester Trust Company of Rochester, N. Y., is offering holders of its outstanding common stock rights to subscribe for 100,000 additional shares of $20 par value at $40 per share at the rate of one new share for each four shares held of record Jan. 25. The subscription offer expires on Feb. 14. An underwriting group headed by The First Boston Corporation and including Paine, Webber, Jackson & Curtis; George D. B. Bonbright & Co.; Little & Hopkins, Inc., and Sage, Rutty & Co., Inc., will purchase any unsubscribed shares. Lincoln Rochester reported assets at the close of 1955 totaling $338,015,000.

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First National Bank of Bennington, Vt., with common stock of $300,000, was merged with and into the **Brattleboro Trust Co. of Brattleboro., Vt.**, under the charter of the **Brattleboro Trust Co.** and under the title **The Vermont Bank and Trust Company**, effective as of the close of business on Dec. 31, according to the Jan. 16 issue of the Bulletin of the Comptroller of the Currency.

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Announcement is made of the death on Jan. 2 of Charles H. Wishart, President of the **Granite Savings Bank and Trust Company** of Barre, Vt.

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The Merchants National Bank of New Badford, Mass., has offered to the holders of its capital stock rights to subscribe for 20,000 additional shares, $10 par value, at $25 per share at the rate of one share for each 1½ shares of capital stock, $20 par value, held of record on Jan. 17. The subscription rights expired on Feb. 1. The First Boston Corporation is underwriting the offering and will purchase from the bank any unsubscribed shares. Stockholders were asked to approve a change of the presently outstanding 30,000 shares, $20 par value, into three shares of $10 par value by a split of each present share of $20 par value into two share of $10 par value and by a stock dividend of $300,000 (to be transferred from undivided profits to capital) consisting of one share of $10 par value for each share of the present $20 par value, payable to shareholders of record Jan. 17. The proceeds from the sale of the 20,000 additional shares, together with the $300,000 stock dividend, will increase the bank's combined capital and surplus from $1,700,000 to $2,500,000. As of Dec. 31, 1955 the bank reported total resources of $39,687,000 with deposits of $36,218,000. Net current operating earnings for 1955 were $270,000, equal to $9 per share on 30,000 shares of $20 par value. Dividends amounting to $150,000 were paid in 1955.

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Shareholders of **The Morristown Trust Company of Morristown, N. J.**, on Jan. 24, elected James B. Fisk, Executive Vice-President of Bell Telephone Laboratories, to the bank's board of directors. All incumbent directors were re-elected at the stockholders' annual meeting, according to George Munsick, Morristown Trust President, who reported the bank's assets had increased by 11% in 1955.

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Directors of **Rutherford National Bank of Rutherford, N. J.**, on Jan. 25 elected William L. Staehle President and Fairleigh S. Dickinson, Jr. Chairman of the Board. Mr. Staehle has been with the bank 29 years, serving as Vice-President since 1944 and Executive Vice-President since 1949. He succeeds Mr. Dickinson who assumes the newly created post of Board Chairman after serving as President for the past eight years.

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James M. Large, President of the **Tradesmens Bank and Trust Company of Philadelphia, Pa.**, has announced the election of Frank J. Hermann to Vice-President, and the appointment of George V. Marston as Assistant Treasurer. Mr. Hermann was formerly Assistant Vice-President.

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An increase of $500,000 in the capital of the **Second National Bank of Richmond, Ind.**, has occurred, whereby the capital has been enlarged to $1,000,000 from $500,000, the addition, effective Dec. 31, having resulted from a $500,000 stock dividend.

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As of Jan. 10 the **National Security Bank of Chicago, Ill.**, increased its capital from $1,200,000 to $1,300,000 by a stock dividend of $100,000.

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Gardner H. Stern, President of Hillman's, Inc., and Joseph D. Stockton, Vice-President, Illinois Bell Telephone Co., were elected to the board of directors of **Chicago Title and Trust Company of Chicago, Ill.**, at the annual meeting of the trust company's stockholders on Jan. 9. At the meeting the stockholders of the Chicago Title & Trust approved a

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News About Banks and Bankers

plan for the merger of **Illinois Title Company of Waukegan, Ill.** into **Chicago Title and Trust Company.** As part of the merger plan stockholders of Chicago Title and Trust also approved a change in the articles of incorporation increasing the number of shares which the company is authorized to issue from 600,000 common shares of the par value of $20 per share to 650,000 common shares of the same par value. If the plan of merger is approved by stockholders of the Illinois Title Company at their annual meeting Jan. 16, the Waukegan company planned to begin operations as the Lake County Division of Chicago Title and Trust Company on Feb. 1. Services, location and personnel will be unchanged. Paul W. Goodrich, President, reviewed the company's recent annual statement. Total gross income amounted to $16,435,370, and for the third consecutive year was the largest in the history of the company. Net earnings were $3,433,536, amounting to $5.72 a share. All 18 present members of the board were re-elected for a one-year term. Election of Messrs. Stern and Stockton as new directors increased the board membership from 18 to 20.

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John W. Arthur, Executive Vice-President of the Twenty North Wacker Corporation and Manager of the Kemper Insurance Building, has been elected a director of the **Bank of Chicago at Chicago, Ill.,** it was announced on Jan. 19 by George H. McClure, President of the bank. Mr. McClure said the election of Mr. Arthur brings the number of directors to eight. The other seven directors were re-elected at the bank's annual meeting. Officers also were re-elected.

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Harry J. Loynd, President of Parke, Davis & Co., has been elected a director of the **Manufacturers National Bank, of Detroit, Mich.** He succeeds George R. Fink, retired. Mr. Loynd, who joined Parke-Davis in 1931 as a sales and medical service representative, has headed the Parke Davis firm since 1951. He was elected a director in 1946. Five years later, he was named President. Mr. Loynd also is a director and Executive Committee Member of the American Drug Manufacturers' Assn., etc.

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The consolidation of the **First National Bank in St. Louis, Mo.,** with common stock of $14,000,000 and the **United Bank & Trust Company of St. Louis,** with common stock of $1,000,000, under the charter and title of the **First National Bank in St. Louis,** became effective at the close of business Dec. 30 Details of the plans to consolidate appeared in our issue of July 28, 1955, page 382. The consolidated bank at the effective date of the consolidation had capital stock of $15,400,000, in 770,000 shares of common stock, par $20 each, surplus of $19,600,000 and undivided profits of not less than $8,122,000.

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Donald Danforth, Chairman of the Board and President of the Ralston Purina Co., St. Louis, was elected a director of the **St. Louis Union Trust Company of St. Louis, Mo.,** by the directors on Jan. 12. Mr. Danforth will fill the unexpired term of his father, the late William H. Danforth, who served as a director of the trust company for many years. The stockholders of St. Louis Union Trust Company held their annual meeting just before the meeting of the directors and re-elected the directors whose terms had expired. On Jan. 12 directors promoted eight officers of the company and elected a ninth man to an officer's position. Two Vice-Presidents were elected to the new position of Senior Vice-President; four Assistant Vice-Presidents were elected Vice-Presidents; an Assistant Secretary was elected Secretary; another Assistant Secretary was elected an Assistant Vice-President, and a man not previously an officer of St. Louis Union was elected an Assistant Secretary. John R. Shepley, a Vice-President, Secretary and a director of St. Louis Union, was elected a Senior Vice-President; Roland C. Behrens, a Vice-President and director, was also elected Senior Vice-President; M. L. Hanley, an Assistant Vice-President, was elected a Vice-President; Carl L. A. Beckers, an Assistant Vice-President, was elected a Vice-President; Kenneth H. Eggers, an Assistant Vice-President, was elected a Vice-President; Joseph W. Schutte, an Assistant Vice-President, was elected a Vice-President; Eugene F. Williams, Jr., an Assistant Secretary, was elected Secretary of the St. Louis Union Trust Company; F. P. Boswell, an Assistant Secretary, was elected an assistant Vice-President; B. W. Grosskettler, who is attached to the Treasurer's office at St. Louis Union, was elected an Assistant Secretary.

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Twenty-four promotions and changes in officer personnel at **City National Bank & Trust Co., Kansas City, Mo.,** occurred as of Jan. 12. In announcing the realignment of bank's executive staff, R. Crosby Kemper, President and Board Chairman, explained that several new officers have been created and a new departmental plan has been adopted in order to handle expansion of business of the bank. Newly-created offices at the bank are those of Vice-Chairman, Senior Vice-President, and Assistant to the President. The two Vice-Chairmen are George C. Kopp and Kearney Wornall. Mr. Kopp, who has been with the bank since 1920, formerly held the title of Executive Vice-President and is a director of the board. Mr. Wornall, also a director, has been a Vice-President. He has been associated with the bank since 1933. Three Executive Vice-Presidents have been named: James S. Neely, John E. Hoffmann and R. Crosby Kemper, Jr. Mr. Neely has been with City National since 1927. Mr. Hoffmann joined the bank in the credit department in 1946, and was promoted to Vice-President in 1949. Mr. Kemper has been with the bank since 1950 and was promoted to Assistant Vice-President in 1954. Six officers have been appointed Senior Vice-Presidents: F. D. Farrell, Cyril J. Jedlicka, Dale R. Ainsworth, J. Milton Freeland, Edward F. Lyle and Charles G. Young, Jr. F. Phillips Giltner has added the title of Assistant to the President to that of Vice-President, which he has held since September, 1955. New Vice-Presidents include Clark G. McCorkle and two representatitives of the correspondent banking department—Richard T. Pendleton and Chester L. Brewer, Jr.

President Kemper announced that the bank has increased its capital account by $1 million by a transfer from undivided profits to surplus. City National now has a surplus of $7 million and capital stock of $5 million. Undivided profits and earned reserves are reported in excess of $3 million.

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The First National Bank of Kansas City, Mo., announces the addition of Dutton Brookfield, President of Unitog Co. and Brookfield Manufacturing Co. and Richard W. Robbins of Pratt, Kan. to its Board of Directors as of Jan. 10. Taylor S. Abernathy is President of the bank.

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A consolidation, effective Dec. 30, was consummated by the **Merchants National Bank of Mobile, Ala.,** with common stock of $1,750,000, with two other banks, viz., the **Loop National Bank of Mobile,** with common stock of $200,000, and the **Prichard National Bank of Prichard, Ala.,** with common capital of $187,500. At the effective date of the consolidation, the enlarged **Merchants National Bank** had a capital of $2,020,000, in 101,000 shares of common stock, par value $20 each; surplus of $4,155,000 and undivided profits and reserves of not less than $1,169,642. The absorbed Loop Bank will be known as the Loop Branch of the Merchants National, while the absorbed Prichard National Bank is designated the Prichard Branch of the Merchants National Bank.

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During 1955, the first year in its new 40-story building, the **Republic National Bank of Dallas, Tex.,** it is stated, set new all-time high records in capital structure, total resources, etc., according to the bank's annual report to stockholders at their annual meeting on Jan. 17. The report was signed by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President of Republic National Bank. The stockholders elected a new member to the Board of Directors—J. W. Bateson, President and Director of J. W. Bateson Company, Inc. Following a subsequent meeting of the board of directors, Mr. Hoblitzelle and Mr. Florence announced promotion of eight members of the official staff of the bank, and election by the board of five new officers. Promoted from Vice-Presidents to Senior Vice-Presidents were Leland S. Dupree, Oran H. Kite, John R. Scott, William O. Stevens and E. E. (Gene) Wallace, Jr. Three Assistant Vice-Presidents were elected Vice-Presidents; they are James E. Grisham, James W. Keay, and Ray J. Pulley. Mr. Florence in his report pointed out a $10,437,500 increase in the bank's capital structure, bringing Republic's combined capital and surplus to $70,000,000. In addition, he noted a stock dividend of 112,500 shares, plus cash dividends of $1.68 per share, being $3,864,000 on 2,550,000 shares outstanding; earnings were $3.75 per share. Deposits of $758,976,917, and resources of $864,369,681 were highest in Republic's history. Net earnings, after provision for Federal income taxes and all other taxes due and accrued, amounted to $9,558,248. These earnings include a $2,000,000 net cash dividend paid directly to the bank by wholly-owned affiliates.

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Upon its completion early in 1958, Colorado's tallest skyscraper will become the home of one of the nation's larger banking institutions, to be formed through the merger of the **First National Bank of Denver** and the **International Trust Company.** Construction of the 28-story, office and bank building is scheduled to begin March 1, and it will be known as the Murchison Tower Building. When completed, it is contemplated that the bank will acquire ownership of the structure and the Murchison brothers, the builders, will become substantial minority stockholders in the merged bank. Thereafter the skyscraper will be known as the First National Bank Building. The merger, subject to the approval of the Comptroller of the Currency, will give the new bank capital funds of about $22,500,000. As of Dec. 31, 1955, the two banks showed combined assets of $283,301,814, and combined deposits of $264,692,334.

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Boom or Industrial Revolution?

Funds have been approved for the first such large scale vessels.

Electrical energy will be generated by atomic plants. The coming years will see only the beginning of this tremendous forward step. In the interim, electric power production experts foresee the demand for a trillion kilowatt hours of energy by 1965. This is an increase of approximately 250% over present requirements.

Other Forecasts

Other forecasts of expansion definitely foreseen by 1965:

Aluminum: 150-200% increase in ingot output.

Autos: 20 million more than the present total of 60 million. More than 3½ million cars and 600,000 trucks annually find their way to the junk yard, according to the Automobile Manufacturers' Association; 18 out of 100 on the road date from before World War II. Since the entire facilities of the motor industry were devoted to the war effort (1942-1945), there are no cars of 11 or 12 year old vintage and very few 10 years old. Style changes and engineering advances rumored for the 1957 model will outmode at least one-third of the cars on the highways. Beyond question of doubt, the 10 million car year will be a reality before 1965. Detroit has an amazing habit of creating its own "growth" factor.

Housing: The number of units started in 1955 ((1,329,000), the second highest in the nation's history, was surpassed only by the record total of 1,352,000 starts in 1950. Official estimates of new housing starts in 1956, indicating a decline of 100,000 from the 1955 level, may be somewhat optimistic. Liberal terms (30 year, no down payment mortgages for GI's), in effect through July 31 of last year, induced some borrowing from starts in 1956 and 1957, in which year the GI privileges are due to expire, unless extended by official amendment. Then, too, the unprecedented building boom of the past decade (see Part I) has, for the time being, satisfied the urgent need of our population for new housing. The current official concern over the present growing mortgage debt and the restrictive credit controls aimed at retarding it have caused large scale builders to be more cautious in formulating their plans. It would appear that despite further decentralization of industry requiring homes for its employees and the continuous demand from a shifting population that the peak demand for residential housing has been passed for a number of years. However, new peaks will be reached in the decade 1960 through 1970.

Steel: Consumption at 143-145 million tons compared with 117 million in 1955. Expenditures of $1.2 billion for 1956 have been publicly announced. In the coming three years, the industry plans to up its rate of expansion sharply; 15 million tons of new capacity will be added. Presently about 45% of the steel producing capacity of the entire world is in the United States.

Television: This postwar industry will register further astonishing gains. The present number of 39 million receivers will reach a total of 82-85 million by 1956. Color TV will start to "roll" in 1957-58; as prices of color sets are lowered, tens of thousands of black and white TV sets will become obsolete and be replaced.

Railroads: This industry, regarded as decadent a few years ago, will benefit handsomely from the expanding economy. Estimates of an increase in rail haulage to exceed 850 billion ton-miles —50% higher than 1955 — are projected. The "piggy-back" idea —carrying truck trailers on flat cars—will help expand this trend greatly and, hence, increased truck usage will benefit the rail carriers.

Wages: In 1938, when Congress passed the Fair Labor Standards Act, the minimum wage per hour was set at $.25; on March 1, 1956, this minimum will advance from $.75 an hour, in effect since 1950, to $1.00. This minimum automatic pay hike of 33⅓% will average out to approximately $.15 per hour for more than 2,000,000 workers and add roughly a half billion dollars to the yearly wage bill of the industries employing them. The greatest impact of this increase will be felt particularly in the Southern States where it will immediately be available for the three prime necessities—food, clothing and shelter. Reopening and renegotiating of steel, chemical, rubber and other industrial contracts are due within the next six months. While some shadow-boxing may occur, labor and management are keenly aware of the fact that unyielding positions, assumed for any length of time, benefit neither labor, management nor the consumer. More and more the Guaranteed Annual Wage will be adopted as both sides gain more experience with this ticklish problem. The genius of a team of management and labor, cooperating in a common effort in a free society, continues to unfold a fascinating industrial story unequalled in the annals of any people at any time anywhere.

Now Entering Industrial Revolution

Irrespective of the accuracy of the preceding projections to 1965, the outstanding fact is that a vast expansion is rather clearly evident within a relatively short span of time. The statistics of fundamental factors — population growth, increasing G.N.P. (output of mines and factories), vastly enlarged sums for the calculated risk of research and development —appear to minimize current uncertainties and blunt any feeling of apprehension as we enter the shallow valley ahead. Two years ago, in an article in the "Commercial and Financial Chronicle," the writer stated that, as he saw it, there was "No Room for Pessimism." As he sees it now, pessimism is a dead issue. While there will be some decline from the very high sustained activity reached in 1955, we are not nearing the end of a boom but entering the early stages of an industrial revolution. The peaks are still ahead!

McGhee Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Thomas S. E. Brown has become connected with McGhee & Company, Inc., 2587 East 55th Street.

With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Robert M. Grauer has become affiliated with Goldman, Sachs & Co., Ford Building. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Wm. C. Roney Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — John C. Ackerman is now affiliated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

With H. J. Lange

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Reuben C. Campbell is now with H. J. Lange & Co., Inc., 314 North Broadway.

Continued from first page

New Horizons in Money and Banking

through to the consciousness of the American people to such an extent that they were willing to risk the hazards of a managed currency and a full-blown governmental central banking system.

But they were not willing to go all out in it, and that's where the structure of the system is important. After long debate, and some of it the usual foolishness that goes on in debates in a free society, we came up with a regional system of central banking. We came up with 12 banks, 24 branches, coordinated in Washington by a governing body that was supposed to have only the minimum of power to make effective national policy. The Board in Washington was to be independent within the government but not independent of the government. It was to be a part of the government, whereas the instrumentalities, such as the Federal Reserve Bank of New York, were to be quasi-government. The stockholders were to be the banks of the country, but the purchase of stock by the banks of the country was in no sense—and as the system has evolved it has become clear—was in no sense to be proprietorship, but to be only a means of participation through the democratic process in the operations and development of policy of the system. A great many bankers, even at the present time, think that it should be proprietorship, and I think have misinterpreted or misunderstood, what the real framework and purpose of the Federal Reserve Act was.

"System" the Crucial Word

Now I stress at all times the important word in our title. The important word is not "Federal," it is not "Reserve," it is "System." Two hundred and fifty directors, bringing to bear, through this process, the grass-roots thinking of the country upon the management of our money and credit. And it seems to me that when we make changes, as we made of a limited sort in the Banking Act of 1935, giving more centralization of power, in accord with the changes of the time, to the governing body in Washington, we should only make those changes with an understanding of the direction in which we are moving and how they should be used.

Now this system that we have has worked reasonably effectively. It certainly hasn't worked perfectly, but it is the body, the only body in the government that is charged full-time with responsibility for the purchasing power of the dollar, and must always be thought of in that light if we're to think of it in its proper perspective. I am very fond of quoting from Mr. Disraeli. I have always found him extremely interesting and stimulating, and he said repeatedly that individuals may form communities, but it is institutions alone that make a nation. Such an institution is our Federal Reserve System, and it does constitute today one of the primary bulwarks of our free enterprise system. Because unless you have a flexible money and credit policy you cannot have free enterprise in the sense that we so often use the word.

So much for the institution which we have to manage the money supply, to regulate the money supply. Now in so far as there is a major change in thinking out of this evolutionary pattern which I have sketched for you, it comes to the fact that in the Twentieth Century, for the first time we see general acceptance of the responsibility of government to use all of its resources to minimize economic gyration and to accept responsibility for preventing, in so far as it can, major disturbances. I think that this is largely a product of the Twentieth Century. I don't mean to be all-embracing in that, or to rule it out in earlier comments, but it seems to me that a study of the Federal Reserve Act alone demonstrates that, because there's no reference to this broader purpose in the preamble of the Federal Reserve Act. There's only a minor reference to it in the preamble to the Banking Act of 1935. But you see its final fruition, in an inchoate way, I think, in the Employment Act of 1946.

Now this evolutionary direction, and the instrument that we have to operate, is essentially what we're dealing with today when we talk about money and credit policy in the broad sense.

Art of Regulation

I want to switch—having given you the background of the institutional framework within which we're working. I want to switch and put it a little bit in terms of the science or art—I doubt if science is the correct word—that has developed, of how we can exercise effective and useful regulation of the money supply. What are we talking about? I fear that we get too technical at times. All of us really understand that the money we have in our pocket, and deposit money, your checking account at the bank—that's what we're talking about in the money supply, and I think of it, that flow of that money and credit, as I do of a river or stream or a brook—that is, gradually winding its way through the fields of business and commerce. Our purpose in trying to see that this brook, this stream, has a little bit of gurgle on top of it, a little bit of ripple, is to see that it doesn't overflow its banks and flood the fields on either side, and to recognize that irrigation and drainage is required from time to time, and that we want the volume of water in that stream to increase, but not unless the roadbed in which the stream is operating can absorb it and hold it, that people don't just get rich by sitting on the side of the bank and dabbling their fingers in the water—that we do have such things as raw materials and initiative and energy, and that this money stream is just a means to an end. In our approach to it money should always be thought of as our servant and not our master—that we should not get enamoured of the gold standard or other automatic means of regulating it, because what we are essentially dealing with, and what we must recognize as the fundamental problem, is human nature and human things, and no one has yet devised any system of levers, or any formulas or devices by which you can regulate human nature or human beings. Now that is the really basic thing that we're dealing with in trying to regulate the money supply.

I'm going to divide the balance of my remarks into two parts, because I think it will bring to you most clearly an insight into what I conceive to be the concept upon which we are working in the Federal Reserve System today, and will give you perhaps a little insight into the *modus operandi* by which the Open Market Committee endeavors to arrive at its policy decisions, and also give you some of the essential framework, the essential concepts that have naturally grown out of the approach to money and banking which has been developed in this country—not unique in this country, but in its institutional form certainly different from any other country in the world. I might say its adaptation is a strictly American adaptation to the hazards of managed currency.

Restraint and Inflation

Now let's take the general theory of restraint and inflation. I think all of us recognize that you can be more effective in restraining than you can be in galvanizing. It is easier to supply money when business is bad, it's easier on a deflationary base to supply money in an endless stream, but no one's going to borrow that money unless they think they can make a profit out of it unless you're giving them the money. Therefore, we have had the illustration of pushing the string and pulling the string, and it is certainly more difficult to fight deflation as such than it is to fight inflation as such with the tools at our disposal. But having said that, I might point out that the human nature aspect of this problem is such that it is more difficult to get people to restrain, once things are going well, even though those restraints will be effective, than it is to work in the opposite direction. It requires a great deal more political courage, it requires a great deal more sensitiveness to the fear psychology, where people say, "Ah, you may be inducing a collapse. You may be leading to ruination, and it will all fall on your shoulders. You will be the one that will be blamed." Well, of course that is a complete misconception of the role of money and credit, because it isn't that important or that powerful in the economy, but nevertheless that's the easy political catchword approach to this problem.

Now when you take the elements of restraint, the politics of restraint is found, I think, in the fact that most people who have studied this field recognize that the reason we are against inflation is because we know it leads to deflation. If it were not for the aftermath no one would care about inflation. I don't mind conceding to this audience, or any other audience, that my social philosophy is such that if I really thought inflation would really create jobs and sustain them I would be an inflationist. The only difference between me and some of my critics in the Congress is that we have different methods of pushing for the same end. My own view is that by and large, in terms of employment, which is what we're working for, what we're trying to pursue, is that there will be two people unemployed after inflation has run its course, whereas there would only have been one unemployed in the resulting adjustment, if there had not been the preceding inflation, and that that is the reason we have to do everything we can to restrain inflation.

Now the politics of this is that you can restrain a man before he goes too far and he will forgive you, but if he goes headlong on his course and after he has gotten in trouble you come along and punish him, not only will he not forgive you but I doubt very much whether you can restore him to a working status. I just put that in a general, simple sense so that you can follow the general point of view that I have on this picture.

After the 1953-1954 Recession

Now I want to take, in order to illustrate this, a period where it's been obvious, because I don't want to prolong this too far—I want to take the period when we knew that that inventory recession of 1953-54 was over, and that we were embarked upon an expansion in this country and that we were going to have relatively better times. Now when I say that I am fully aware that not every place in the United States has been equally prosperous. I am fully aware of the fact that farm income has declined, that some of the price stability that we've had in the past year has been due to the fact that there's been a 3½ to 5% increase since the summer in industrial prices offset by a corresponding decline in farm prices. But nevertheless, by the latter part of 1954 it was fairly clear that we had arrived at a point where certain inevitable corrections had to be made if we're to develop and expand the unlimited resources that this country still has at its disposal.

A word about corrections, because it seems to me that that's where we miss the point completely. There are people, probably some in this room, who honestly believe that if it hadn't been for the miscalculations of the Treasury and the Federal Reserve in 1953 with respect to the issuance of a long-term bond and a so-called hard money policy, that there wouldn't have been any correction. There are some people who honestly believe that and that we would just have gone on in a steady upward spiral. Now I'm not going to comment on that in a technical sense, but I'm merely going to try to emphasize that anyone who's going through any period and relates this to human nature knows that when times are good or we go on a binge, such as we did in the post-Korean period, that there are elements which human nature brings into any picture that have to be corrected, and those elements are waste, extravagance, incompetence, inefficiency, and all the by-products of exuberance, enthusiasm, and ability to take advantage of a situation. I'm not talking about taking advantage of it dishonestly, but take advantage of a situation created by shortages.

The inevitable aftermath of all wars is inflation. That's perhaps the worst phase of war, but it's the one that's the least understood by people because it's usually latent. During the war you have patriotism that can control the latent inflation, and after the war the patriotism disappears and the attitude of people changes, and it's there. Now I'm not trying to wriggle out from under a certain amount of responsibility for misinterpreting or misgauging the psychology of the spring of 1953 in money and credit policy. I have admitted in the Congress and I have admitted publicly that I don't think we handled the situation as well as we might have. But having said that, I emphasized that the place where the error was primarily made, aside from details, was that in '52 we were letting money get too easy and we were not permitting the adjustment to be made in the market that would have to be made.

A Simple Illustration

Let me just illustrate one simple case. When it was apparent that business was declining, and declining rapidly, in late 1953, I had a meeting here in New York with a very intelligent group of individuals whose business was suffering. After the meeting they had some questions, and one of the men there called on another individual and said, "Joe, tell us why your business is so bad. I'm sure Mr. Martin would like to know." I'll never forget this man. He got up and he looked at me and he said, "I can't tell Mr. Martin why my business is so bad. I'd be ashamed to tell him that. Until I've done the things that I know ought to be done in my business. I don't know whether my business is really bad or not." And then he explained to me what had happened in his business. And it was a very revealing portrait, and illustrates the point I'm making. He said, "My daughter married a fellow who, in my judgment, is completely incompetent, but he's in the family, so I gave him a job." He said, "I've got 20 people working here that I don't need, but business has been so good that there was no particular incentive for me to correct any of these situations in this shop, and honestly, there are so many things wrong with my business that I know about at the moment that I've been postponing doing, that I'm going to say to Mr. Martin, 'I'd like to talk to you a year from now about how my business is, and if it's bad then I'll start crying, but not before.'" I thought that was an extremely revealing illustration of the point that I'm trying to make.

A Loss as Well as Profit Economy

We go through that period, we eliminate—you must remember that this economy of ours is not only a profit economy but it's a loss economy. A great many of these buildings that we see around us in New York—I love to walk around the streets of New York—have been built out of losses, not out of profits. It's been a long time since any of us recall that, but I once held a few bonds on a building that are now selling at par, and I bought them for five bucks in the open market. Those losses are normal in a free society. They're part of the rewards and profits of business. Business is not always a one-way street. If it were, there'd be no judgment in it. And the only point I make in finalizing this part of my talk is, that if it were possible by inflation, or by conscious government policy toward inflation, to continuously have good times, we would have discovered that a long time ago. It seems to me that that's the rock-bottom problem there.

Change of Emphasis

Now I want to go to the period where it's perfectly obvious that we had to change our emphasis and ride herd on credit. This was not a period where we were facilitating the correction that I illustrated by this story of this individual who wanted to correct the things that were wrong in his business; this was a period in 1955 when it was obvious that certain formations were developing in the economy that could lead us to disaster. What were they? By the Spring of 1955 it was perfectly clear that there was a wage-cost push. We all are familiar with the guaranteed annual wage, or supplementary unemployment compensation, whatever you want to call it. That was the dramatic aspect of it, perhaps, but I don't think that's as important in your thinking as the minimum wage law itself and the areas of the country where that minimum wage law is now about to come into play. That was with us. You had on the whole high levels of employment everyplace. Now employment is a difficult thing to talk about, because none of us want to see anyone unemployed. I certainly don't. And we run into people who try to make political demagoguery out of unemployment. I would do anything in the wide world to help anyone who's unemployed and in a bona fide way wants a job. But we had high levels of employment here; we had a movement that was indicating that we were approaching full employment in the early Spring—not in every area of the country, there were technological changes in the coal regions and other regions—I just cite that—where mobility of labor requires certain changes—that's the essence of a free economy. But we did not have employment as such working against us in terms of money and credit policy.

Now we come to the thing that has to be watched the most care-

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New Horizons in Money and Banking

fully of all, I think that is, our inventories. Having been through one inventory recession I don't want to go through another if I can help it. Inventories, by and large, people were saying, are in pretty good shape. Figures were being evidenced that they were. I'm not sure about it. When the head of a company tells me that he's trying to build up inventory —and don't forget that inventory figures are the poorest figures we have—and he doesn't build inventory, then I know that his sales are exceeding his expectations, and the first time that his sales don't exceed his expectations, the inventory is going to go like that —and that's the thing you've got to worry about.

High Levels of Consumer and Mortgage Credit

Now we have high and increasing levels of consumer credit and mortgage credit. I'm not going to say that they're too high. I'm not going to say what the terms are. I don't believe that I know. I don't know enough about it, but I merely call attention to the fact that we have them and that they should be watched. To the extent to which easy terms, whether in real estate or in consumer purchases, are being used when they're not needed, to borrow the market from the future, they're not contributing at that particular point to stability. I'm not saying that they may not have been contributing to stability—I'm simply citing that they were at record levels and growing and that there was a tendency to loosen terms whenever there was the slightest decline in sales; and that we have been riding, in one sense, a toboggan—that unless there is a record at the cash register the first of every month, something's wrong. That in itself is something that has to be watched, I think, pretty carefully.

Plant and Equipment Outlay

Now the crowning thing that came to our attention and grew through the summer and was reenunciated after the President's illness, are the plans for plant and equipment expenditure. It looks like 1956 is going to be a pretty good year for plant and equipment expenditures. Now take all those together, and you've got a situation that has to be watched—has to be analyzed. And it seems to me that if we have any balance at all we should lean against the wind and let money and credit operate in terms of supply and demand, which are these basic guiding principles that I've been talking about, and which cannot be completely eliminated no matter how much you'd like to eliminate them.

Now here I want to make a few comments about the free market. It's become very popular —it was even popular in my early days at the New School—to hear it said that there was no such thing as a free market. And I believe all these things are relative. I don't believe that the concepts that we have, whether they're in private property or free competitive enterprise or with the profit motive or with the free market, are the same today as they were when the Pilgrims landed on Plymouth Rock. All of them have been modified through the years, but that doesn't mean they've been eliminated. And there is no more effective equilibrating force than these time-honored — some people call them, in a deprecatory way—classical devices for gauging and guessing what the equilibrating factors are.

Now I went through a period in Washington when it was very popular to say that because of the large public debt, because of the great progress that we've made and because of the current situation, exchange rates would never make any difference any more, interest rates would never have any importance any more because to be effective they'd have to be adjusted so violently that you'd have long lines of unemployment around the country; that the international price mechanism could never work again, that tariffs really didn't make any difference, that there was no point in being a free trader because a protectionist system could be built up—after all, hadn't Hitler showed the way to it, and were we ever going to get to a freer market?

It seems to me that the most striking thing, perhaps, of the last ten years has been a recognition that with modifications these things are still with us just as is the law of gravity. That doesn't mean that you have to be a slave —it doesn't mean that you have to accept, any more than the public intended to go on accepting the money panics which preceded the Federal Reserve Act. It doesn't mean that, but it means that you have to understand them, and if you want to eliminate them or avoid them or minimize them or change them there is a price to be paid. There are advantages and disadvantages which must be weighed in the public mind.

The Politics of Money

Let me illustrate this in terms of what I conceive to be the politics of money, stripped of technicalities. In this past summer I had a political officer in a small community—it's not a large one, so I don't think anyone will guess it here, or I wouldn't cite this — call and tell me that I should be removed from office because a sewer issue that he was planning was being held up. I was quite interested in this particular picture. I happened to know this individual quite well, and I said, "This is a free society and you have a perfect right to try to remove me from office. I don't have the slightest complaint about that, but what is the situation? Is there no money available at all for the sewer issue in the community, because I think that's a good thing. The last thing we want to do in the central bank is prevent sewer issues from being floated."

Well, an investigation was made, and I think my facts would be borne out by any honest appraisal, that the money was available in the community — not quite the way that this individual wanted it, but it was going to cost about ⅛% to ¼% more than the last time they had floated a similar issue. And now the demands for money were great in all the surrounding area, and they couldn't, with the policy that was being pursued, induce their bankers to come down. So this fellow was in a frenzy. And I told him what I believed to be the politics of this picture. I said, "I don't know whether they'll want to throw me out — perhaps they will. But I think you ought to tell the voters of your community, so that they have a conscious choice, whether they should pay 2⅞% for this sewer issue—which they can get —or whether they would rather have the purchasing power of their currency depreciated just a little bit, regardless of what happens to this particular sewer issue. Stripped of technicalities, that is essentially the problem that you are dealing with, and that's where you have to come to in the free market."

Un-Pegging the Government Securities Market

Now the decision to unpeg the Government securities market was a decision to return to the market some of the forces that had been precluded from it by Government policy for a period of nearly ten years. Despite people saying that there were other factors at work, and I admit all those factors, it seems to me that the record demonstrates that the credit mechanism, once that unpegging occurred, began to function once again as one of the flywheels, one of the governors on the flywheel of the economy, and that people who had been buying mortgages by the bushel basket load had to take the process of evaluation again and determine whether they wanted to sell this Government security at a loss in order to make this mortgage loan at a higher rate. There's no reason why they shouldn't make the choice, but they ought to have a choice. They should not be forced to buy Government securities are interest-bearing money, so that there's no business choice involved. That, in essence, is what you're dealing with.

Now what, in essence, is the framework of our Federal Reserve Act today? There are very few of you in this room who probably ever read the Federal Reserve Act, and you may think that I'm stretching my analogies a good distance when I return to the concept that I like the best, which is the concept of trusteeship, because it's clearest to me. It seems to me that what Congress was doing in the Federal Reserve Act —and it can amend and change the Federal Reserve Act any time it wants—it may do it this session of Congress or next session of Congress, so we stand at the bar of public opinion — but it was turning over the management of the people's money — and as Walter Bagehot has said repeatedly, money will not manage itself — it was turning over the management of the people's money to a trusteeship. The Federal Reserve System, acting under a trust indenture, the Federal Reserve Act over which, if the Congress had control, it would recognize that it could not spend the day-to-day time and energy in administration that is required.

Now it is with that that we are working today. But when I talk about this free market concept and the inter-relationship of these forces, I am still talking about a free society. And although there may be many in this room who will think that I'm begging the issue or that I'm talking in loose terms when I say that so far in this country neither the Treasury nor the Federal Reserve are strong enough to dictate what the money market should be, I believe it to be the truth. If there had not been these forces of the market, apart from the Treasury and the Federal Reserve, you would have had no Treasury-Federal Reserve accord in 1951. These market forces come up still in this country from the grassroots, and when we talk about our problems in the Open Market Committee, each time we have a meeting we have four factors to deal with.

Cooperating With the Treasury

The first and most important thing that we have to consider are the requirements of the United States Treasury. Now when we talk about independence of the Federal Reserve System we're not talking about making it difficult for the Treasury to borrow money. We must work together with the Treasury. The Congress appropriates the funds. Nobody has given the Federal Reserve the authority to tell the Congress what appropriations it should make, and the Treasury financing must always be a major consideration of our policy. But that does not mean that either the Treasury or the Federal Reserve can ignore the market and dictate what the rates should be. They have to go out into that market and assess it and evaluate it and determine it as best they can in accord with these market forces, limited or unlimited, as they may be by government policy and by other factors.

Seasonal Requirements of Business

Now the next thing that we have to consider, when we sit down as an Open Market Committee after the Treasury financing, we have to consider the seasonal requirements of business. That's why we're in existence. And we want to see that those are met. In my thinking a central bank has failed in its task whenever money becomes completely unavailable. The purpose is to let the forces of the market have some play, reflected in interest rates, but money should not become unavailable. It may for limited periods, because this is a broad country, be less available in one area than another, but it is our job to see that the seasonal requirements of business are met.

Economic Growth Factor

The third factor that we have to deal with is the growth factor in the economy. And this stream that I've been talking about earlier —we want the volume of money, the volume of water in the stream, to dig a roadbed that it can maintain—must grow with the growing population. Some people think it ought to grow at the rate of 3%, some people 5%. I don't know what the figure ought to be. I am very gunshy of precise figures on anything of this sort, but that it should be growing is as obvious as that population is growing; and also that when business declines the same volume of money has less effect because of the velocity factor of money than when business expands and is improving.

In other words, you can have an increase in the money supply when a business is declining, with velocity also declining. This will not have as much effect in terms of this ripple or gurgle on this stream that I'm talking about, as when business is booming. So that in these measurements you have to be extremely careful.

Now the fourth factor that we have to deal with at each of these meetings is the psychology, and that there is no way of measuring. I confess freely that in 1953 our technical measurements of the money supply I think were almost perfect. I don't believe there were any errors made either by the Treasury or the Federal Reserve of any importance during that period. But our estimate of the psychological nature of the expectations of the community because of what we were doing were completely wrong, and the only credit at all that I take for the Federal Reserve in that period is that we reversed as quickly as we could when we saw what those miscalculations were. And all I would say about the usefulness or adaptation of policy at that particular point is that with human nature and human beings and an inability to develop a precise formula, you've got to be prepared to roll within certain areas. You cannot expect to hit it right on the nose. Some people may think we should have eased two months earlier, some people may think two months later. But if you get within a range you're doing about as well as I think you can expect.

Need For Leadership

In a general way I've covered what I wanted to talk to you about today, and leave with you. But I would be missing the whole point of what I've tried to get across if I failed to emphasize that the problem that we're facing today, in 1956, is again the problem of whether the community can develop sufficient statesmanship, sufficient leadership — having talked about private enterprise, and having sometimes talked about irresponsibility in one group or another, whether labor or business—not to let itself be carried down the road of a new era. Now I have seen disquieting signs, the last few months, and I would not talk freely in an open meeting if I really thought we were on the verge of a collapse—but I have seen disquieting signs of people believing that we're a lot smarter than we were the last time. And I have studied the records of the Federal Reserve, because they're available to me today, the 1920's, and I must say I find them very disquieting. I find a great deal of brains and a great deal of intelligence revealed in those records, and I'm by no means convinced that the present Federal Reserve and the present Treasury, or the present business leadership, is going to be any more equal to the situation than it was before. But insofar as it may be, it depends upon the community sharing in an understanding of the responsibility of everybody to pull their weight.

I know this sounds like Pollyanna stuff. I know this sounds to businessmen perhaps at times like, "Oh, you don't understand the competitive forces; you don't understand I'll lose this account across the street if I say no." The basic point I want to leave with you here is that it's in a period like this that the real test of free enterprise comes.

I close with the most interesting and to me revealing thing that's happened in light of my disquietude about some of the indications that seem to me the starting development of the "new era" philosophy again, of the belief that consumer credit, for example, will be rental credit from now on, and that nobody will ever be out of debt again—they'll just have automobiles on a rent basis, etc., or something of that sort, which may or may not be so. I happened to be in New York on Nov. 18. We had just raised the discount rate. I was rather discouraged, because it seemed to me that the problems were a little bit over my head, generally speaking, and the New York "Times" had a little item on the front page about the increase in rate. I went to an entrepreneur where I have visited for the last 25 years and enjoy sitting around and bulling with the people that are there, and to my surprise they were reading the New York "Times." One of these fellows turned to me and he said, "Mr. Martin, I see you raised the discount rate yesterday." And I said, "Yes, Joe, what do you think of it?" "Oh, we've been having quite a discussion here, quite a discussion. You know, we've had the best business, in this little shop here, that we've had in the last 20 years. We never had anything like it. And you know what Ed said, over here? He said, 'You're doing the right thing. You're trying to prevent another 1929, aren't you.'" And I was extremely encouraged. It may be just a straw in the wind, but I said, this fellow has some glimmer of what the operation is and of what we're trying to do.

Now that in a general way is all I want to leave with you today.

Greenberg, Strong Add

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Oscar S. Herrick and Mrs. Marcelline Knodel have joined the staff of Greenberg, Strong & Co., First National Bank Building. Mr. Herrick was previously with Denver Securities, Inc. and Ned J. Bowman Company. Mrs. Knodel was with Mountain States Securities Corp.

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Home Modernization Program Spur to Construction Industry

vance. You believe that the soaring national standard of livability can be increasingly enjoyed by ever growing numbers of our people. And you believe that millions of them are eager to realize that standard in its most elemental reality—the homes in which they live and rear their children to become useful members of society.

You believe, too, I have no doubt, that as millions of Americans in the medium income group advance their present level of living closer to the new American standards, private industry as a whole will become more and more convinced of the real feasibility —as well as the desirability, which no one now disputes—of home improvement on an even broader scale. We should never permit ourselves to forget that the long-term objective — the attainment of which will be most profitable in every way for all concerned—is to raise the level of living for all the American people.

President's Directive

I have here a letter written to me by the President of the United States, in which he says in part: "I hope that the Housing and Home Finance Agency can now join with communities, the building and lending industries and private citizens in a nationwide effort toward this goal.

—Dwight D. Eisenhower"

In response to the President's directive I will now read a statement, the substance of which I hope will be given wide and continuous publicity throughout the United States.

Declaration of 1956 as National Home Improvement Year

"The President of the United States has stated that the present Administration from the outset recognized three major goals of equal importance in the complex task of housing the American people.

"One goal was to provide, by private enterprise and initiative, 'a modern home for every American family' that seeks and can afford to buy such a home. This is approaching achievement.

"Another goal was to provide more and better housing, both by private enterprise and government aid, for American families with low incomes. This is being increasingly accomplished.

"A third goal was nation-wide renewal and restoration of middle-aged dwellings in basically sound condition.

"Aware of the magnitude and urgency of this need to rehabilitate our older homes, the President has expressed his desire that the Housing and Home Finance Agency stimulate our communities, the building and lending industries, and private citizens everywhere to a full and systematic achievement of 'a modern home for every American.'

"If this objective is attained with the energy at our command, and with the crusading spirit of our people, our entire population —owners, tenants, and laboring force alike—will be enormously benefited.

"Therefore, as Administrator of the Housing and Home Finance Agency, I urge the American people to join with the President and the great forces of private enterprise in concerted effort to attain nationwide improvement of our country's homes and neighborhoods.

"In pursuance of our common objective, I designate 1956 Home Improvement Year."

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The State of Trade and Industry

to 69,239 units from last week's 78,464 units. Chevrolet's 15.6% slash was the most notable drop.

Steel Output Set a New High Record Last Week For Third Successive Week

Warehouse steel distributors expect their 1956 volume of industrial shipments to equal the 8,800,000 tons shipped last year, "Steel" magazine reported on Monday of this week.

The publication said that dipping into warehouse stocks to the tune of 700,000 net tons left their supplies the lowest in a long time. Inventory turned over an average of three times.

Replenishment of these stocks is expected to help take up the slack in steel demand caused by leveling off of auto needs. Right now, cancellations or delivery deferments at mill level have not been in sufficient volume to materially brighten early supply prospects for other consuming lines.

"Steel" said that mills, in setting up second quarter schedules, are allowing for less carry-over than in about a year. Some steelmakers, in fact, are counting on being almost current with demand.

Mills worked at 100.4% of capacity in the week ending Jan. 29 to upset the seven-day record just made. Production of steel for ingots and castings totaled 2,472,000 net tons.

Markets for steel products continue steady pricewise. Steel's composite on finished steel is steady at $128 a net ton. However, the steelmaking scrap composite at $51.50 a gross ton is off $1.83 from the all-time high of $53.33 established the preceding week.

"Steel" said metalworking men are giving serious consideration to water supplies in looking ahead to expansion. It takes 60 tons of water to make a ton of pig iron, 100 tons to make a ton of steel and 8000 tons to make a ton of aluminum. The national metalworking weekly pointed out water use is growing without an accompanying increase in natural water resources and added, that the industry is exploring ways of using water over before it is used up. What may amount to new sources of water are treatment and recirculation.

With the largest supply of high grade fresh water in the world, the Great Lakes shoreline will continue to be an industrial magnet, "Steel" forecast.

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 97.7% of capacity for the week beginning Jan. 30, 1956, equivalent to 2,406,000 tons of ingot and steel for castings as compared with 100.4% of capacity and 2,472,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 97.6% and production 2,403,000 tons. A year ago the actual weekly production was placed at 2,070,000 tons or 85.8%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Eased Further Last Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 28, 1956, was estimated at 11,512,000,000 kwh., a decrease below the week ended Jan. 21, 1956, according to the Edison Electric Institute.

This week's output declined 9,000,000 kwh. below that of the previous week; it increased 1,509,000,000 kwh. or 15.1% above the comparable 1955 week and 2,657,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Jan. 21, Dropped 1.6% Below Preceding Week

Loadings of revenue freight for the week ended Jan. 21, 1956, decreased 11,052 cars or 1.6% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Jan. 21, 1956, totaled 699,286 cars, an increase of 68,935 cars, or 10.9% above the corresponding 1955 week, and an increase of 82,073 cars, or 13.3% above the corresponding week in 1954.

U. S. Car Output Declined 4.4% Below Week-Ago And 13.9% Under Like Week of 1955

Car output for the latest week ended Jan. 27, 1956, according to "Ward's Automotive Reports," declined 4.4% below the previous week and 13.9% under the similar week of 1955.

Last week the industry assembled an estimated 138,378 cars, compared with 144,738 (revised) in the previous week. The past week's production total of cars and trucks amounted to 164,666 units, or a decrease of 4,624 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 6,360 cars, while truck output gained by 1,736 vehicles during the week. In the corresponding week last year 160,666 cars and 22,588 trucks were assembled.

Last week the agency reported there were 26,288 trucks made in the United States. This compared with 24,552 in the previous week and 22,588 a year ago.

Canadian output last week was placed at 6,030 cars and 1,101 trucks. In the previous week Dominion plants built 6,040 cars and 1,159 trucks, and for the comparable 1955 week, 6,524 cars and 690 trucks.

Business Failures Rise For Fourth Straight Week

Commercial and industrial failures increased to 284 in the week ended Jan. 26 from 269 in the preceding week, reported Dun & Bradstreet, Inc. Rising for the fourth consecutive week, the toll was higher than a year ago when 255 failures occurred or in 1954 when there were 233. Although at a postwar peak, failures remained 26% below the prewar level of 385 in the comparable week of 1939.

Failures with liabilities of $5,000 or more rose to 237 from 216 in the previous week and 215 last year. The toll among small failures with liabilities under $5,000, dipped to 47 from 53 but remained above the 40 a year ago. Nineteen of the failures had liabilities in excess of $100,000 as compared with 16 last week.

Most of the week's increase centered in retail trade where failures climbed to 154 from 125. Slight upturns appeared in wholesaling, construction and in commercial service. Manufacturing showed the only decline; its toll dropped to 47 from 67 a week ago. Fewer concerns failed than last year among manufacturers and wholesalers, but other lines exceeded the 1955 level. The most notable upturn from a year ago took place in retailing.

Five of the nine regions reported increases in failures. The toll in the Pacific States rose to 58 from 48, in the East North Central edged up to 35 from 31, while South Atlantic failures jumped to 39 from 14 and West North Central to 18 from 9. Declines in the four other regions were relatively mild; failures in the Middle Atlantic States were off to 103 from 118. More concerns failed than a year ago in five regions, while fewer failed in the Pacific, New England and West South Central States.

Wholesale Food Price Index Shows First Gain In Four Week Period

A generally firmer tone appeared in wholesale foodstuffs last week, bringing the first rise in the Dun & Bradstreet wholesale food price index in four weeks. The index for Jan. 24 went to $5.89, from the close to six-year low of $5.86 recorded a week earlier. The current figure compares with $6.88 a year ago, or a drop of 14.4%.

Aiding in last week's upturn were higher wholesale costs for wheat, corn, rye, hams, bellies, lard, coffee, cottonseed oil, tea, steers, hogs and lambs. Declnes appeared in flour, oats, cocoa and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Moved Slightly Forward In the Latest Week

The general commodity price level edged slightly upward during the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., advanced to 279.45 on Jan. 24, from 278.79 a week earlier. It compared with 279.66 on the corresponding date a year ago.

Grain markets were more or less unsettled the past week reflecting uncertainties over some provisions of the Administration's farm program. Prices on the whole showed little change from a week ago.

Although drought conditions prevailed in the main hard Winter wheat areas, recent rain and snow over a considerable portion of the belt had a weakening influence on that grain. Country offerings were moderate in cash wheat markets with mill buying fair and export allocations showing some improvement. Cold weather throughout the Midwest, with the possibility of increased livestock feeding, stimulated some demand for corn. Trading in the domestic cash market was quiet but export business showed a little improvement. Sales of grain and soybean futures on the Chicago Board of Trade last week fell to a daily average of 33,500,000 bushels, from 39,000,000 the previous week, and 50,600,000 a year ago.

Except for moderate business in family types, trading in the domestic flour market remained at a very low level last week. Slow manufacturer demand for cocoa, combined with large supplies afloat continued to depress that market. Warehouse stocks of cocoa rose slightly in the week and totalled 294,936 bags, against 95,269 bags a year ago.

Coffee prices continued to improve, with strengthening influences attributed to crop uncertainties and a recovery in demand for coffee at the consumer level.

The lard market developed a firmer tone the past week, aided by strength in vegatable oils and the prospect of large export business with Yugoslavia, Bolivia and other countries. Hogs also displayed a better tone reflecting unexpectedly small market receipts with indications that the primary run of swine was tapering off. Prices for prime steers were strong and reached the highest level in four weeks, although the average price for all grades and types of cattle dropped to the lowest in about seven years. Lamb prices continued to trend upward.

Erratic fluctuations ruled in the domestic cotton market last week, with closing quotations down rather sharply from a week ago. The uncertainties surrounding the market were largely influenced by the various trade interpretations of provisions in the Administration's farm program.

Tending to lend support to the market were the growing prospect of a tight supply situation for "free" cotton at the end of the current crop year and the unexpectedly heavy movement of cotton into the Government loan.

Loan entries during the week ended Jan. 13 were reported at 421,500 bales, against 254,500 in the preceding week. Consumption of cotton during the five week December period, according to the Census Bureau, totalled 885,000 bales, compared with 801,000 a year ago.

Trade Volume Lifted Noticeably Above Corresponding Week of 1954

There was a moderate rise in retail trade last week, and the total dollar volume noticeably exceeded that of the similar week last year. Retailers reported considerable sales increases in linens, furniture and women's apparel.

Volume in new and used automobiles fell slightly below the level of the previous week.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 4 to 8% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England —3 to +1; East and South +5 to +9; Middle West and Northwest +4 to +8; Southwest and Pacific Coast +3 to +7%.

Reduced-price promotions boosted purchases of linens, towels and draperies last week with the call for floor coverings high

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The State of Trade and Industry

and steady. Furniture retailers reported increased volume in bedroom suites, upholstered chairs and dining room sets.

There was a considerable increase in the buying of lamps, lighting fixtures and television sets, while interest in major appliances equalled that of the previous week.

Apparel stores reported an increased call for women's sportswear, dresses and cloth coats. Gloves, hosiery and jewelry were best selling accessories, while volume in women's shoes expanded considerably. Purchases of men's Winter suits and coats rose moderately and haberdashers reported expanded volume in neckwear, scarfs and hats. The buying of boys' sports jackets, dress shirts and shoes rose considerably. Volume in girls' dresses and coats was sustained at a high level.

Housewives' food purchases rose somewhat the past week and the level moderately exceeded that of the corresponding week last year. There was an upsurge in the buying of canned goods and frozen foods.

Volume in poultry expanded considerably, while interest in fresh meat was high and steady.

Buyer attendance at the major wholesale centers increased during the week. Retailers boosted their purchases of Spring merchandise. The total dollar volume of wholesale orders was slightly above the level of the corresponding week last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 21, 1956, increased 3% above that of the like period of last year. In the preceding week, Jan. 14, 1956, an increase of 5% was reported. For the four weeks ended Jan. 21, 1956, an increase of 1% was recorded. For the year 1955 a gain of 7% was registered above that of 1954.

Retail trade volume in New York City last week aided by a firm undertone in business showed a marked advance over the like week a year ago. Trade observers placed the increase at about 6 or 7% ahead of the 1954 week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 21, 1956, increased 9% above that of the like period last year. In the preceding week, Jan. 14, 1956, an increase of 5% (revised) was recorded. For the four weeks ending Jan. 21, 1956, an increase of 2% was registered. For the year 1955 the index recorded a rise of 2% above that of the corresponding period in 1954.

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Bull Market Near Peak

personal income taxes. Back in 1929, a yield of 3% or 3½% before taxes was equivalent to almost the same net income after taxes, for the majority of investors. Today, in the case of most of our clients, it is necessary to secure a return on stocks of at least 5% in order to have the same amount left after taxes as was provided by a 3% yield in 1929. This is important because dividend payments include an amount which should be considered a premium for risk. The higher the rate of income taxes, the more we must demand in the way of yields in order to provide a reserve fund for this purpose.

I realize that this point has been overemphasized by one of the widely advertised services, but nevertheless, it should be kept in mind in connection with any appraisal of stock prices in terms of yields. On the basis of the record since 1929, a case could be made for a rise in stock prices to a point where the yield on the Dow-Jones Industrials reached a 3.6% basis, which would mean a level of about 550 if dividend payments this year exceeded the 1955 levels by 6% or 7%. Even this allowance leaves room for only a moderate (12%) further rise in stock prices, and tends to confirm rather than contradict the projections which we have made on the basis of earnings.

Turning to the question of risks from a cyclical point of view, the expectation of a decline to somewhere between 300 and 350 in the Dow-Jones Industrial Average seems warranted on fundamental as well as historical considerations. Stocks have sold down to the equivalent of less than 12 times earnings during all but two of the past 15 years. **(In a number of years since 1946, stocks have not sold at a high of as much as 12 times earnings at the peak for the year.)** Earnings would merely have to decline to around the levels of 1948, 1949, or 1952 (when they ranged between $23 and $25 for the Dow-Jones Industrials) for this Average to work down to a level of below 300, if stocks were to sell at about 12 times earnings at the low for the year. I am afraid that anyone would be open to the accusation of being a "wishful thinker" if he felt that there was little likelihood of corporate earnings declining to the levels touched in such year as 1952 during the next major business readjustment.

Short-Term Factors

Among the short-term considerations which I believe warrant the expectation of one more rise in stock prices is the probability that President Eisenhower will agree to run for a second term. There is little question but that some of the recent weakness is due to predictions by various reporters and radio commentators that this is unlikely. I base my own views partly on a recent statement by the President that his final decision will be made primarily on what he thinks is best for the country, and also upon advice he secures from those who are close to him in the Administration. I know that I may be wrong, but it is hard for me to believe that President Eisenhower will decide that the best thing for the country would be to risk turning over the government to those who have fought many of his domestic and international policies. It is also difficult for me to believe that any of his close advisors would urge him not to seek a second term. My feeling is that the President has already told us that he will agree to run for another term unless his final medical check-up shows that his recent heart attack has not been followed by a reasonably full recovery of the type enjoyed by many other victims of similar physical setbacks.

The outlook for excellent year-end earnings reports for most companies, and the growing realization that the demand for steel and other basic materials will hold up very well for some time to come (partly in order to increase inventories in anticipation of possible labor trouble and higher prices), are also supporting factors in the stock market from a short-term standpoint.

Business Outlook

Before bringing this talk to a close, I should like to say a brief word about my views on the general business outlook. I have left this subject to the last partly because of my conviction that the stock market cycle has a greater influence on business activity than business has on the stock market. This is true, in my opinion, not only because of the psychological effect of the stock market on businessmen's decisions, but also because buying resistance for automobiles, household products, and even homes, is definitely smaller when people have been making money in the stock market than it is when no paper profits are available as a result of a less favorable general trend of the stock market. There is little question in my mind but that the billions of dollars of increased values recorded by the stock market in 1954 were an important contributing factor in permitting the automobile industry to sell more than seven million passenger cars last year, just as the sharp decline in the stock market during 1937 helped to hold down sales of luxury and semi-luxury items, including automobiles, during the first half of 1938.

To the extent that the duration of a market's advance and such factors as stock price levels in relation to earnings and dividends have a major influence on the business cycle, the trend of stock prices this year is not likely to be a supporting factor in the business picture to the degree that it was prior to last September, when the Dow-Jones Industrial Average first reached a level of almost 490. A year ago, when most of the economic advisory services were talking about the possibility that the Federal Reserve Board Index of Industrial Activity might get back to about the previous peak of 137, we went on record with the prediction that this Index would rise to somewhere between 140 and 145, partly because we expected business to be helped by rising stock prices.

Inasmuch as the stock market could have a depressing influence on business next year, and in view of such factors as market saturation, money supply, etc., it would not be too surprising if business activity declined by as much as 15% to 20% from whatever high is seen early this year, by sometime during the first half of 1958. In this connection, it should be kept in mind that we have been enjoying a super-boom in the construction and automobile industries. I cannot go along with those who believe that we can keep the level of housing starts at substantially above that of new family formations by merely making it "easy" to buy a house; or to sell two or three million new passenger cars per year more than are needed for replacement purposes, by making it "easy" to purchase a car through stretched-out monthly payments. It takes a real need and desire, as well as easy credit terms, to get people to go into debt in order to buy a new product, and these needs and desires certainly are not as pressing today as they were 12 months or two years ago. Consumer credit outstanding is now equal to almost 10% of one year's disposable income, and since a very substantial proportion of our population does not buy anything on extended credit, the ratio of debts to current income must be extremely high for certain segments of our population. **I am not concerned with the ability of the American public to pay off these loans, but I am concerned about the acceptance of the theory that a high level of consumer debt does not increase the vulnerability of our economy, in view of the inevitable changes in mass psychology from time to time.**

In closing, I want to say that I hope events will prove that I have been overly pessimistic. I personally am a little afraid that I may not be, as I cannot help but recall that very few people in Wall Street, in the Summer of 1929, expected a decline of more than 60% in the market averages at that time; and that my own studies in late 1936 pointed to a prospective bear market limited to about 35% to 40% by late 1937 or early 1938. The 1929 bear market, as you know, amounted to 85%, and in 1937, the market started down on a decline which did not run its course until the majority of issues had sold down by more than 50%.

Just as it is always difficult to visualize the extent of a possible advance following either a major decline or a long period of price stagnation, it is equally hard to visualize the possibility that stocks may again decline to the extent that they have on occasion in the past, after we have been enjoying a long bull market. Undoubtedly there will be some stocks which will hold up very well during the next year or two, just as many issues lost ground during the past few years in spite of a rising trend in the market as a whole. In our profession, we should all try, of course, to guide our clients toward the issues which have not been over-exploited, and therefore have the best chance of providing a fair return and little or no capital loss during the period in which the stocks are to be held. The outlook for the market as a whole is only one of the considerations which should be kept in mind in setting up price prospects for individual issues.

I want to end with this observation in order to remind you that any appraisal of the general market outlook must necessarily be considered as fallible, and not the controlling factor in the case of individual stocks. A careful appraisal, rather than an ostrich-like, head-in-the-sand attitude toward the position and outlook for the market as a whole, should be helpful primarily in determining what proportion of any investment fund might be reasonably committed to common stocks from a one to three year point of view. I have personally been advising placing as much as 80% to 90% of investment funds in equities during the past two years, as the intermediate and long-term risks appeared to be extremely small while the Dow-Jones Industrial Average was within 75% to 80% of its 1955 low, and while the business outlook was quite good. On the basis of the considerations I have outlined, I believe that we are now approaching a period and level where the intermediate risks are beginning to loom large enough to warrant switching over to a less aggressive investment policy.

James Beardslee Now With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—James B. Beardslee has become associated with Reynolds & Co., 629 Second Avenue, So. Mr. Beardslee was formerly President of Beardslee-Talbot Co.

Founders Mutual Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Earl E. Banker has been added to the staff of Founders Mutual Depositor Corporation, First National Bank Building.

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)	Feb. 5	§97.7	*100.4	97.6	85.8
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 5	§2,406,000	*2,472,000	2,403,000	2,070,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 20	7,044,950	7,013,850	6,991,600	6,694,700
Crude runs to stills—daily average (bbls.)	Jan. 20	¶7,952,000	7,949,000	7,838,000	7,179,000
Gasoline output (bbls.)	Jan. 20	26,566,000	26,847,000	27,063,000	24,464,000
Kerosene output (bbls.)	Jan. 20	2,627,000	2,448,000	2,756,000	2,622,000
Distillate fuel oil output (bbls.)	Jan. 20	13,575,000	13,541,000	12,345,000	12,256,000
Residual fuel oil output (bbls.)	Jan. 20	9,317,000	9,179,000	9,005,000	8,141,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 20	175,785,000	171,906,000	161,741,000	166,285,000
Kerosene (bbls.) at	Jan. 20	22,711,000	24,434,000	28,778,000	26,118,000
Distillate fuel oil (bbls.) at	Jan. 20	94,610,000	101,074,000	117,954,000	95,870,000
Residual fuel oil (bbls.) at	Jan. 20	39,012,000	39,325,000	39,500,000	49,931,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 21	699,286	710,338	672,355	630,351
Revenue freight received from connections (no. of cars)	Jan. 21	677,483	661,944	645,351	610,111
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 26	$362,320,000	$608,230,000	$276,764,000	$258,481,000
Private construction	Jan. 26	149,361,000	435,424,000	173,000,000	160,389,000
Public construction	Jan. 26	212,959,000	172,806,000	103,764,000	98,092,000
State and municipal	Jan. 26	157,618,000	132,233,000	98,619,000	70,720,000
Federal	Jan. 26	55,341,000	40,573,000	5,145,000	27,372,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 21	10,540,000	*10,635,000	10,335,000	8,540,000
Pennsylvania anthracite (tons)	Jan. 21	628,000	615,000	524,000	597,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 21	98	104	231	95
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 28	11,512,000	11,521,000	10,751,000	10,003,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 26	284	269	174	255
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 24	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Jan. 24	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Jan. 24	$50.83	$53.17	$53.00	$35.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 25	42.775c	43.625c	43.050c	29.700c
Export refinery at	Jan. 25	45.325c	46.225c	44.600c	33.175c
Straits tin (New York) at	Jan. 25	103.003c	104.875c	109.250c	88.500c
Lead (New York) at	Jan. 25	16.000c	16.000c	15.500c	15.000c
Lead (St. Louis) at	Jan. 25	15.800c	15.800c	15.300c	14.800c
Zinc (East St. Louis) at	Jan. 25	13.500c	13.500c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 31	95.96	95.66	94.98	97.23
Average corporate	Jan. 31	107.98	107.80	106.92	110.15
Aaa	Jan. 31	111.44	111.25	110.34	114.08
Aa	Jan. 31	109.97	109.79	108.88	111.62
A	Jan. 31	107.98	107.80	106.92	110.15
Baa	Jan. 31	102.63	102.63	101.97	104.83
Railroad Group	Jan. 31	106.04	106.04	105.34	108.16
Public Utilities Group	Jan. 31	108.34	108.16	107.44	110.70
Industrials Group	Jan. 31	109.42	109.24	108.16	111.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 31	2.80	2.83	2.88	2.70
Average corporate	Jan. 31	3.28	3.29	3.34	3.16
Aaa	Jan. 31	3.09	3.10	3.15	2.95
Aa	Jan. 31	3.17	3.18	3.23	3.08
A	Jan. 31	3.28	3.29	3.34	3.16
Baa	Jan. 31	3.59	3.59	3.63	3.46
Railroad Group	Jan. 31	3.39	3.39	3.43	3.27
Public Utilities Group	Jan. 31	3.26	3.27	3.31	3.13
Industrials Group	Jan. 31	3.20	3.21	3.27	3.10
MOODY'S COMMODITY INDEX	Jan. 31	411.6	403.2	406.7	417.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 21	249,990	261,871	219,204	226,971
Production (tons)	Jan. 21	293,186	296,030	286,600	252,346
Percentage of activity	Jan. 21	101	103	101	93
Unfilled orders (tons) at end of period	Jan. 21	577,998	622,501	495,467	360,787
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 27	107.34	107.47	107.15	106.75
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	Jan. 7	1,069,137	931,198	1,157,947	1,946,677
Dollar value	Jan. 7	$56,369,425	$48,092,580	$62,678,227	$99,201,069
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 7	856,980	782,941	1,081,587	2,163,641
Customers' short sales	Jan. 7	2,241	2,904	5,402	9,421
Customers' other sales	Jan. 7	854,739	780,037	1,076,185	2,154,220
Dollar value	Jan. 7	$44,699,898	$36,325,614	$53,036,758	$106,547,091
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 7	222,760	213,860	315,970	700,450
Short sales	Jan. 7	------	------	------	------
Other sales	Jan. 7	222,760	213,860	315,970	700,450
Round-lot purchases by dealers—					
Number of shares	Jan. 7	419,730	338,910	413,410	487,680
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	Jan. 7	277,300	227,070	506,660	616,950
Other sales	Jan. 7	9,507,780	8,954,210	13,262,940	23,458,400
Total sales	Jan. 7	9,785,080	9,181,280	13,769,600	24,075,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 7	1,148,180	1,143,820	1,699,450	3,355,750
Short sales	Jan. 7	160,270	119,360	233,750	350,620
Other sales	Jan. 7	1,140,680	1,034,450	1,336,070	2,844,230
Total sales	Jan. 7	1,300,950	1,153,810	1,569,820	3,194,850
Other transactions initiated on the floor—					
Total purchases	Jan. 7	237,730	227,820	405,380	868,160
Short sales	Jan. 7	10,700	5,800	23,500	28,820
Other sales	Jan. 7	285,680	201,090	380,310	860,000
Total sales	Jan. 7	296,380	206,890	403,810	888,820
Other transactions initiated off the floor—					
Total purchases	Jan. 7	504,276	431,610	894,120	914,792
Short sales	Jan. 7	50,190	53,610	127,450	74,730
Other sales	Jan. 7	420,689	367,425	816,227	977,270
Total sales	Jan. 7	470,879	421,035	943,677	1,052,000
Total round-lot transactions for account of members—					
Total purchases	Jan. 7	1,890,186	1,803,250	2,998,950	5,138,702
Short sales	Jan. 7	221,160	178,770	384,700	454,170
Other sales	Jan. 7	1,847,049	1,602,965	2,532,607	4,681,500
Total sales	Jan. 7	2,068,209	1,781,735	2,917,307	5,135,670
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 24	111.6	111.5	111.4	110.1
Farm products	Jan. 24	84.6	83.9	85.2	93.0
Processed foods	Jan. 24	98.6	98.1	97.7	103.7
Meats	Jan. 24	73.1	71.3	69.7	86.7
All commodities other than farm and foods	Jan. 24	119.8	119.9	119.6	115.2

*Revised figure. ¶Includes 800,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,090 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,310 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of November	133,689	*134,655	121,252
Stocks of aluminum (short tons) end of Nov.	14,173	16,437	27,529
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of November	10,249,000	*10,501,050	8,089,427
Shipments of steel products (net tons)—Month of October	7,216,821	7,378,247	5,035,364
AMERICAN RAILWAY CAR INSTITUTE— Month of December:			
Orders for new freight cars	42,278	51,066	2,635
New freight cars delivered	3,796	3,427	2,173
COAL EXPORTS (BUREAU OF MINES)— Month of October:			
U. S. exports of Pennsylvania anthracite (net tons)	418,190	302,159	*402,981
To North and Central America (net tons)	314,378	265,287	*297,449
To Europe (net tons)	92,621	33,873	105,532
To Asia (net tons)	11,191	2,999	------
To South America (net tons)	------	------	------
Undesignated (net tons)	------	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of November:			
Bituminous coal and lignite (net tons)	43,550,000	41,780,000	37,158,000
Pennsylvania anthracite (net tons)	2,277,000	*2,127,000	2,500,000
COKE (BUREAU OF MINES)—Month of Nov.:			
Production (net tons)	6,537,397	*6,630,609	5,246,900
Oven coke (net tons)	6,353,233	*6,452,201	5,207,200
Beehive coke (net tons)	184,164	*178,408	39,700
Oven coke stock at end of month (net tons)	1,745,457	*1,781,504	2,804,116
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of December	855,447	741,447	801,596
In consuming establishments as of Dec. 31	1,699,257	1,553,485	1,682,232
In public storage as of Dec. 31	17,592,790	16,607,483	14,026,082
Linters—Consumed month of December	141,934	155,126	110,639
Stocks Dec. 31	1,418,864	1,489,670	1,703,528
Cotton spindles active as of Dec. 31	19,440,000	19,352,000	19,141,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 31	22,219,000	22,187,000	22,940,000
Spinning spindles active on Dec. 31	19,440,000	19,352,000	19,695,000
Active spindle hours (000's omitted) Dec. 31	10,992,000	9,393,000	9,683,000
Active spindle hours per spindle in place Dec.	439.7	469.6	412.0
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-49 Average=100—Month of December:			
Sales (average monthly), unadjusted	197	136	191
Sales (average daily), unadjusted	194	139	*188
Sales (average daily), seasonally adjusted	110	110	*107
Stocks unadjusted	110	136	105
Stocks, seasonally adjusted	121	119	115
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of November (000's omitted)	41,688,008	41,828,591	35,392,450
Revenue from ultimate customers—month of November	$681,561,000	$684,701,000	$620,428,000
Number of ultimate customers at Nov. 30	52,457,432	52,382,131	51,113,019
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of December:			
Contracts closed (tonnage)—estimated	367,827	345,308	196,767
Shipments (tonnage)—estimated	248,317	258,883	223,533
LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE—Month of December (000's omitted):			
Ordinary	$3,155,000	$2,713,000	$2,503,000
Industrial	2,191,000	549,000	1,140,000
Group	511,000	1,336,000	498,000
Total	$5,857,000	$4,598,000	$4,141,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of October:			
Total number of vehicles	601,256	559,962	287,705
Number of passenger cars	505,177	467,845	221,195
Number of motor trucks	95,610	91,894	66,138
Number of buses	469	223	372
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Dec.	£13,000,000	£53,680,000	£16,529,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	$311.4	*$309.2	$290.8
Wage and salary, receipts, total	215.0	*213.3	198.6
Commodity producing industries	94.1	*92.8	85.2
Distributing industries	56.6	*56.4	52.5
Service industries	28.4	*28.2	26.6
Government	35.9	35.9	34.3
Less employees contribution for special insurance	5.3	5.3	4.5
Other labor income	7.1	7.1	6.7
Proprietors and rental income	49.9	49.8	48.3
Personal interest income and dividends	27.6	*27.4	24.9
Total transfer payments	17.1	16.9	15.8
Total nonagricultural income	296.4	*294.4	275.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Dec. 15:			
All farm products	223	225	242
Crops	227	224	243
Commercial vegetables, fresh	231	231	226
Cotton	264	274	281
Feed, grains and hay	170	164	199
Food grains	221	220	239
Fruit	207	193	210
Oil-bearing crops	232	228	277
Potatoes	144	143	184
Tobacco	455	438	438
Livestock and products	219	225	241
Dairy products	265	267	266
Meat animals	201	216	261
Poultry and eggs	204	195	159
Wool	220	219	287
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Nov. (000's omitted):			
Savings and loan associations	$765,340	$834,504	$756,856
Insurance companies	152,272	152,895	177,204
Bank and trust companies	499,277	505,402	399,476
Mutual savings banks	170,595	167,267	147,328
Individuals	285,235	285,435	246,276
Miscellaneous lending institutions	443,405	441,123	420,438
Total	$2,316,124	$2,386,626	$2,147,578
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of November: (000's omitted):			
Exports	$1,308,400	$1,395,100	$1,249,200
Imports	1,053,000	*1,009,800	839,500

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aerco Corp.
Dec. 20 (letter of notification) 816 shares of 5% cumulative participating preferred stock (par $100) and 816 shares of class A common stock (no par) being offered to preferred stockholders of record Dec. 15, 1955, in units of one share of each class of stock on the basis of three units for each four preferred shares held (with an oversubscription privilege); rights to expire on Feb. 15, 1956. **Price**—$101 per unit to stockholders; $110 to public. **Proceeds**—For corporate purposes. **Office** — Paris Ave., P. O. Box 248, Northvale, N. J. **Underwriter**—None.

Allegheny Manganese & Iron Corp.
Dec. 28 filed 580,000 shares of common stock, of which 530,000 shares are to be offered publicly. **Price**—$3 per share. **Proceeds** — For liquidation of liens on mining properties; for mining equipment and construction of a laboratory and field office; for construction and equipment of a plant suitable for the processing of beneficiation of lower grades of manganese ore or Oriskany iron ore; and for working capital. **Office**—Charleston, W. Va. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

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 M. A. R. C., Inc., Pittsburgh, Pa.
Dec. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase Hallett diesel engine business of Moore Machinery Co. of Los Angeles; complete purchase of the patent licenses from Diesel Power, Inc. and operating capital. **Office**—Oliver Building, Mellon Square, Pittsburgh 22, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

Applied Science Corp. of Princeton
Jan. 16 (letter of notification) 8,200 shares of common stock (par $2) to be offered to stockholders at rate of 6.2 shares for each 100 shares owned. **Price** — $13 per share. **Proceeds** — For expansion of plant and equipment and for working capital, etc. **Business**—Electronics. **Office**—Princeton Junction, N. J. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Atlas Investment Co., Las Vegas, Nev.
Jan. 9 filed 20,800 shares of class B common voting stock, of which 12,000 shares are to be offered for public sale at $50 per share and 8,800 shares are to be offered in exchange for preferred stock. **Proceeds**—For payment of bank loans, and for capital and surplus. **Underwriters**—Rex Laub and Max Laub, of Tremonton, Utah, and M. D. Close Mortgage & Loan Co. and Jack Hemingway Investment Co., of Las Vegas, Nev.

Atlas Plywood Corp., Boston, Mass.
Nov. 14 filed 97,144 shares of common stock (par $1) being offered in exchange for the outstanding 291,431 shares of common stock of Plywood, Inc. on the basis of one Atlas share for each three Plywood shares held. Atlas then owned 496,680 shares of Plywood, Inc. stock and desired to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%. At Jan. 19, Atlas owned more than 85% of Plywood stock and extended exchange offer to expire on Feb. 20.

Augusta Newspapers, Inc., Augusta, Ga.
Jan. 13 filed 10,000 shares of 6% cumulative preferred stock (par $10) and 91,704 shares of 6½% convertible preference stock (par $7). **Price** — To be supplied by amendment. **Proceeds** — To purchase 6,735 additional shares of $100 par common stock of Southeastern Newspapers, Inc. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

B. S. F. Co., Birdsboro, Pa.
Dec. 30 filed 92,636 shares of capital stock (par $1) to be offered for subscription by stockholders of record Jan. 20, 1956, at the rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A registered investment company. **Underwriter**—None.

★ **Baldwin Kitchen Cabinet Corp.**
Jan. 30 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For plant expansion and working capital. **Office**—9-11 Brooklyn Ave., Baldwin, L. I., N. Y. **Underwriter**—Hudson Bergen Securities, Inc., Cliffside Park, N. J.

Bankers Discount & Finance Co., Inc. (2/6)
Jan. 20 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To purchase contracts, notes and mortgages from contractors. **Office**—Mt. Prospect Ave., Newark, N. J. **Underwriter**—Marlin Securities Co., same city.

Bethel & Mt. Aetna Telephone & Telegraph Co.
Jan. 5 (letter of notification) 3,000 shares of 5% cumulative preferred stock (par $50). **Price**—$52 per share. **Proceeds** — For the conversion of the Womelsdorf Exchange from magneto to automatic dial operation and to provide working capital. **Office**—100 East Main St., Myerstown, Pa. **Underwriter**—Blair & Co., Inc., Philadelphia, Pa.

Birdair Structures, Inc.
Dec. 16 (letter of notification) 1,400 shares of preferred stock (par $100) and 28,000 shares of common stock (par 10 cents) to be sold in units of one preferred share and 20 common shares. **Price**—$102 per unit. **Proceeds**—For equipment and working capital. **Business**—Lightweight portable structures. **Address**—c/o Walter W. Bird, President and Treasurer, 355 No. Forest Road, Williamsville, N. Y. **Underwriter**—None.

★ **Black & Decker Mfg. Co., Towson, Md.**
Jan. 23 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to employees at not to exceed an aggregate selling price of $300,000. **Proceeds**—For working capital. **Office**—Towson, Md. **Underwriter**—None.

Blue Lizard Mines, Inc.
Jan. 17 filed $900,000 of 8% convertible subordinated debentures due 1976. **Price**—100% of principal amount. **Proceeds**—To make additional cash payment on purchase contracted and for mining expenses. **Office**—Salt Lake City, Utah. **Underwriter**—None.

★ **Bridgehaven, Inc.**
Jan. 26 (letter of notification) 500 shares of Class A (non-voting) common stock. **Price**—At par ($100 per share). **Proceeds**—For acquisition of hotel or lodge in Fairfield County, Conn. **Office**—50 Lefferts Ave., Brooklyn, N. Y. **Underwriter**—None.

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.

California Water & Telephone Co. (2/8)
Jan. 19 filed 150,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds** — For property additions and improvements. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

★ **Carolina Telephone & Telegraph Co.**
Feb. 1 filed 66,640 shares of common stock (par $100) to be offered for subscription by common stockholders of record Feb. 14, 1956 in the ratio of two new shares for each five shares held. **Price**—$125 per share. **Proceeds**—To reduce bank loans. **Underwriter**—None.

Central Power & Light Co. (2/14)
Jan. 23 filed $10,000,000 of first mortgage bonds, series G, due Feb. 1, 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to noon (EST) on Feb. 14.

Century Acceptance Corp.
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.

Chemical Ventures Syndicate, Ltd.
Dec. 23 (letter of notification) 295,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To acquire property, purchase inventory and for working capital and general corporate purposes. **Office**—129 South State St., Dover, Del. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Coastal States Oil & Gas Co.
Dec. 19 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment (expected at around $7 per share). **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. **Offering** — Expected some time in February.

Colohoma Uranium, Inc. (3/1)
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.

★ **Commonwealth Investment Co., San Francisco, Calif.**
Jan. 26 filed (by amendment) an additional 2,500,000 shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

★ **Composite Fund, Inc., Spokane, Wash.**
Jan. 27 filed (by amendment) an additional 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Cooper-Jarrett Inc.
Jan. 10 filed (with ICC) 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Allen & Co., New York.

★ **Copper Corp., Phoenix, Ariz.**
Jan. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 175, Phoenix, Ariz. **Underwriter**—Keim & Co., Denver, Colo.

★ **Couture National Car Rental System, Inc.**
Jan. 30 (letter of notification) $300,000 of 6% convertible subordinated debentures due Feb. 1, 1971. **Price** — At par. **Proceeds**—To finance vehicle purchases. **Office**—825 Fifth Ave., Miami Beach, Fla. **Underwriter**—Atwill & Co., Inc., same city.

Craig Systems, Inc., Danvers, Mass. (2/7)
Jan. 13 filed 355,000 shares of common stock (par $1), of which 230,000 shares are to be sold for account of company and 125,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To purchase assets of LeFebure Corp.; for working capital; for reduction of borrowings or for any other corporate purpose. **Underwriters**—Hemphill, Noyes & Co., W. E. Hutton & Co. and Lee Higginson Corp., all of New York.

● **Cuba (Republic of) (2/6-10)**
Nov. 21 filed $2,000,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

● **Cumberland Corp., Lexington, Ky. (2/7)**
Dec. 30 filed $900,000 of 12-year 5% sinking fund debentures due Jan. 15, 1968, and 90,000 shares of common stock (par 50 cents) to be offered in units of $500 of debentures and 50 shares of stock. **Price**—To be supplied by amendment (about $550 per unit). **Proceeds** — To build plant to make charcoal brickettes and chemical byproducts, notably furfural. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; Carl M. Loeb, Rhoades & Co., New York, N. Y., and The Bankers Bond Co., Louisville, Ky.

Dallas Power & Light Co. (2/15)
Jan. 13 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program and to repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers; Blair & Co. Incorporated. **Bids**—Tentatively scheduled to be received up to noon (EST) on Feb. 15.

DeKalb-Ogle Telephone Co., Sycamore, Ill.
Dec. 30 (letter of notification) 25,695 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To be used for conversion to automatic dial operation. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

Delta Minerals Co., Casper, Wyo.
Sept. 20 (letter of notification) 600,000 shares of non-assessable common stock (par five cents). **Price**—50 cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—223 City and County Bldg., Casper, Wyo. **Underwriter**—The Western Trader & Investor, Salt Lake City, Utah.

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.

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). Statement effective Jan. 6.

• **Elgen Corp., Dallas, Texas**
Jan. 17 filed 38,600 shares of common stock (par 25 cents) to be offered for subscription by stockholders of record Feb. 6 on a 1-for-10 basis. **Price**—$12.25 per share. **Proceeds**—To repay bank loans; for new construction; and for other corporate purposes. **Business**—Furnishes oil and gas industry with an electrical well logging service. **Underwriter**—None.

Empire Petroleum Co., Denver, Colo.
Jan. 18 filed $2,000,000 of series "C" 6% convertible debentures due 1970 and 1,000,000 shares of common stock (par $1), of which $1,500,000 principal amount of debentures are to be offered publicly; the remaining $500,000 of debentures and the stock to be reserved for sale by the company to associates of the officers of the company and to the company's present security holders. **Price** — For debentures, at par (in denominations of $1,000 each) and for stock, $2 per share. **Proceeds**—To retire royalty units and debentures; for captial expenditures; and for working capital. **Underwriter** — H. Carl Aiken Invesments, Denver, Colo.

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.

Fidelity Finance Corp. (dba American Finance Co.)
Jan. 13 (letter of notification) $300,000 of 15-year 6% sinking fund debentures due in 1970 (in denominations of $1,000 and $500). **Price**—At par. **Proceeds**—To reduce bank borrowings and retire outstanding notes. **Office**—10 N. California St., Stockton, Calif. **Underwriter**—Wilson, Johnson & Higgins, San Francisco, Calif.

Fine Arts Acceptance Corp.
Jan. 3 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$11.50 per share. **Proceeds**—For the purchase of a larger amount of instalment contracts. **Office**—2901 Philadelphia Saving Fund Building, Philadelphia 7, Pa. **Underwriter**—Woodcock, Hess & Co., Inc. and Boenning & Co., both of Philadelphia, Pa.

Fleetwood Motel Corp., Philadelphia, Pa.
Jan. 5 (letter of notification) 24,550 shares of class A common stock and 4,910 shares of class B common stock (both par $1) to be sold in units of one share of class B common and five shares of class A common. **Price**—$6 per unit. **Proceeds**—To be applied toward purchase of real estate, and the erection of the building, furnishings and working capital. **Office**—Suite 808, 121 South Broad St., Philadelphia 7, Pa. **Underwriter**—Woodcock, Hess & Co., Inc., Philadelphia, Pa.

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.

Frontier Assurance Co., Phoenix, Ariz.
Dec. 2 (letter of notification) 2,000 shares of class B voting common stock (par $25), being offered for subscription by holders of class A common stock on a 2-for-1 basis from Jan. 15 to April 1, 1956. **Price**—$36.50 per share. **Proceeds**—For capital and surplus. **Office**—4143 N. 19th Ave., Phoenix, Ariz. **Underwriter**—None.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

★ **General Steel Castings Corp.**
Feb. 1 filed 165,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and other general corporate purposes. **Underwriter** — Hornblower & Weeks, New York.

• **General Telephone Co. of California (2/6)**
Jan. 17 filed 718,862 shares of 4½% cumulative preferred stock (par $20), to be offered in exchange for 718,862 shares, a part of the outstanding 1,437,724 shares, of cumulative preferred stock, 5% 1947 series (par $20) on a basis of one new share and $1.50, plus 8⅓ cents accrued dividend to Feb. 29, 1956, for each old share from about Feb. 3 to Feb. 24 unexchanged new preferred stock to be offered publicly. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Uranium Corp. (N. J.), New York
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President.

Glasscock (C. G.)-Tidelands Oil Co. (2/14)
Jan. 18 filed 350,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from private sale of $3,000,000 notes to insurance company, to repay advances to company, to pay for cost of new drilling platform and for cost of other captal expenditures and for working capital. **Office**—Corpus Christi, Tex. **Underwriters**—First California Co., San Francisco, Calif.; William R. Staats & Co., Los Angeles, Calif.; and Eastman, Dillon & Co., New York.

Golden Dawn Uranium Corp., Buena Vista, Colo.
Dec. 27 (letter of notification) 3,000,000 shares of capital stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Underwriter** — Bel-Air Securities Co., Provo, Utah.

★ **Good Luck Glove Co., Carbondale, Ill.**
Jan. 30 filed $550,000 of 6% 10-year convertible subordinated debentures due April 1, 1966. **Price**—100% of principal amount. **Proceeds**—To repurchase stock of company held by C. T. Houghten. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

★ **Grammes (L. F.) & Sons, Inc., Allentown, Pa.**
Jan. 27 (letter of notification) 1,279 shares of common stock (no par) to be offered to present stockhodlers and employees. **Price**—$22 per share. **Proceeds**—To increase working capital. **Office** — Jordan & Union Sts., Allentown, Pa. **Underwriter**—None.

★ **Great Companies of America, Inc.**
Jan. 30 filed 199,800 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Englewood, N. J.

★ **Greenlite Uranium Corporation, Los Angeles, Cal.**
Jan. 27 (letter of notification) 3,000,000 shares of common stock (no par). **Price**—10 cents per share. **Proceeds**

Continued on page 40

NEW ISSUE CALENDAR

February 2 (Thursday)
Chesapeake & Ohio Ry.______Equip. Trust Ctfs.
(Bids noon EST) $4,800,000

February 3 (Friday)
Union of Texas Oil Co.______Common
(Mickle & Co.) $300,000

February 6 (Monday)
Bankers Discount & Finance Co., Inc.______Common
(Marlin Securities Co.) $300,000
Cuba (Republic of)______Bonds
(Allen & Co.) $2,000,000
General Telephone Co. of California______Preferred
(To be offered under exchange offer—to be underwritten by Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $14,377,240
West Disinfecting Co.______Common
(Coffin & Burr, Inc.) $58,000

February 7 (Tuesday)
Craig Systems, Inc.______Common
(Hemphill, Noyes & Co.; W. E. Hutton & Co.; and Lee Higginson Corp.) 355,000 shares
Cumberland Corp.______Debentures & Common
(William Staats & Co.; Carl M. Loeb, Rhoades & Co.; and The Bankers Bond Co.) $990,000
Investors Loan Corp.______Preferred & Common
(White, Weld & Co.) $238,900

February 8 (Wednesday)
California Bank______Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 169,200 shares
California Water & Telephone Co.______Common
(Blyth & Co., Inc.) 150,000 shares
Radiation, Inc.______Class A Common
(Johnson, Lane, Space & Co., Inc.) $750,000
Raytone Screen Corp.______Common
(A. J. Grayson & Co., Inc.) $300,000
Seaboard Drug Co., Inc.______Class A
(Foster-Mann, Inc.) $300,000

February 13 (Monday)
Lowenstein (M.) & Sons, Inc.______Debentures
(Eastman, Dillon & Co.) $40,000,000
Western Greyhound Racing, Inc.______Common
(M. J. Reiter Co.) $2,250,000

February 14 (Tuesday)
Central Power & Light Co.______Bonds
(Bids noon EST) $10,000,000
Glasscock (C. G.)-Tidelands Oil Co.______Common
(First California Co.; William R. Staats & Co.; and Eastman, Dillon & Co.) 350,000 shares
Southern California Edison Co.______Preferred
(The First Boston Corp. and Dean Witter & Co.) 1,200,000 shares

February 15 (Wednesday)
Dallas Power & Light Co.______Bonds
(Bids noon EST) $10,000,000
Long Island Arena, Inc.______Common
(Dunne & Co.) $787,500
St. Louis Steel Casting, Inc.______Common
(A. G. Edwards & Sons) 280,000 shares

February 16 (Thursday)
Miehle Printing Press & Mfg. Co.______Cl. A Common
(Smith, Barney & Co.) 261,816 shares

February 17 (Friday)
Poloron Products, Inc.______Class A
(Hayden, Stone & Co.) 200,000 shares

February 20 (Monday)
Koppers Company, Inc.______Common
(The First Boston Corp.) 300,000 shares
Westcoast Transmission Co., Ltd.______Debs. & Com.
(Eastman, Dillon & Co.) $20,500,000 debetnures and 615,000 shares of stock

February 21 (Tuesday)
Slick Airways, Inc.______Common
(Offering to stockholders—to be underwritten by Auchincloss, Parker & Redpath) 422,992 shares
Tennessee Gas Transmission Co.______Preferred
(Stone & Webster Securities Corp. and White, Weld & Co.) $40,000,000

February 23 (Thursday)
Illinois Central RR.______Equip. Trust Ctfs.
(Bids to be invited) $9,900,000
Southern Indiana Gas & Electric Co.______Common
(Offering to stockholders—may be underwritten by Smith, Barney & Co.) 83,030 shares

February 27 (Monday)
Kansas Gas & Electric Co.______Bonds
(Bids 11 a.m. EST) $7,000,000
Kansas Gas & Electric Co.______Common
(Bids 11 a.m. EST) 200,000 shares
Piasecki Aircraft Corp.______Common
(Emanuel, Deetjen & Co.) 200,000 shares

February 28 (Tuesday)
Texas Electric Service Co.______Bonds
(Bids to be invited) $10,000,000

February 29 (Wednesday)
L-O-F Glass Fibers Co.______Common
(Offering to stockholders)
Northern States Power Co.______Common
(Bids 10 a.m. CST) 704,466 shares
Northern States Power Co.______Preferred
(Bids 11 a.m. CST) $10,000,000

March 1 (Thursday)
Colohoma Uranium, Inc.______Common
(General Investing Corp.) $1,000,000
Mississippi Power Co.______Bonds
(Bids to be invited) $4,000,000
Mississippi Power Co.______Preferred
(Bids to be invited) $4,000,000

March 6 (Tuesday)
Bell Telephone Co. of Pennsylvania______Debens.
(Bids to be invited) $35,000,000

March 7 (Wednesday)
Houston Lighting & Power Co.______Bonds
(Bids to be invited) $35,000,000

March 14 (Wednesday)
Laclede Gas Co.______Common
(Offering to stockholders—bids to be invited) 202,657 shares

March 15 (Thursday)
Alabama Power Co.______Bonds
(Bids to be invited) $14,000,000

March 20 (Tuesday)
Pennsylvania Electric Co.______Bonds
(Bids to be invited) $25,000,000
Pennsylvania Electric Co.______Preferred
(Bids to be invited) $3,000,000

March 22 (Thursday)
Rotary Electric Steel Co.______Common
(Offering to stockholders—to be underwritten by W. E. Hutton & Co.)

March 27 (Tuesday)
New York Telephone Co.______Bonds
(Bids to be invited) $55,000,000

March 29 (Thursday)
Georgia Power Co.______Bonds
(Bids to be invited) $16,000,000

April 4 (Wednesday)
Central Illinois Light Co.______Common
(Offering to stockholders—to be underwritten by Union Securities Corp.) approx. $5,000,000

May 1 (Tuesday)
Columbia Gas System, Inc.______Debentures
(Bids to be invited) $40,000,000

Continued from page 39

—For mining expenses. **Office**—139 N. Broadway, Los Angeles, Calif., c/o M. M. Pendo; also 2412 So. 5th St., Las Vegas, Nev. **Underwriter**—None.

Guaranty Income Life Insurance Co.
Dec. 30 (letter of notification) 24,000 shares of capital stock (par $5) to be offered first to stockholders; then policyholders and the public. **Price**—$10 per share. **Proceeds**—For working capital. **Address**—P. O. Box 2231, Baton Rouge, La. **Underwriter**—None.

Gulf Natural Gas Corp., New Orleans, La.
Dec. 30 filed $600,000 of 10-year 5% debentures due Jan. 1, 1966. **Price**—100% of principal amount. **Proceeds**—For construction costs. **Underwriter**—None.

● **Gulf Oil Corp., Pittsburgh, Pa.**
Jan. 10 filed 1,534,446 shares of capital stock (par $25) to be offered in exchange for shares of common stock of Warren Petroleum Corp. in the ratio of four shares of Gulf for each five shares of Warren. If, prior to the expiration of the offer, less than 1,753,133 Warren shares (90%) but at least 1,558,340 shares (80%) are deposited thereunder, Gulf may at its option accept all shares of Warren so deposited. Statement effective Jan. 30.

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. This offer is subject to acceptance by holders of at least 128,000 shares (80% of outstanding Watervliet stock). **Underwriter** — None. Statement effective Jan. 10.

★ **Handy & Harman, New York**
Jan. 25 (letter of notification) 7,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For general corporate purposes. **Office**—82 Fulton St., New York 38, N. Y. **Underwriter**—None.

Helio Aircraft Corp., Canton, Mass.
Dec. 29 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For improvements, research, development and working capital. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—To be supplied by amendment.

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.

Hometrust Corp., Inc., Montgomery, Ala.
Jan. 5 filed 125,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To expand operations of subsidiary and increase investment therein. **Underwriter**—None.

Household Gas Service, Inc.
Jan. 6 (letter of notification) 920 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share) and accrued dividends. **Proceeds**—To repay indebtedness and for working capital. **Office** — Clinton, N. Y. **Underwriter**—Mohawk Valley Investing Co., Utica, N. Y.

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.

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.

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% convertible preferred stock (cumulative if and to the extent earned). **Price**—At par ($5 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Alexander Watt & Co., Inc., New York.

★ **International Basic Metals, Inc.**
Jan. 27 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Office**—155 West South Temple St., Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., Salt Lake City, Utah.

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.
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.

★ **Investors Loan Corp., Frederick, Md. (2/7)**
Jan. 23 (letter of notification) 4,900 shares of 6% cumulative preferred stock (par $50) and 24,500 shares of common stock (par $1) to be offered in units of one share of preferred and five shares of common stock. **Price**—$61 per unit. **Proceeds** — To be applied to the general funds of the company. **Office**—12 South Market St., Frederick, Md. **Underwriter** — White, Weld & Co., New York.

"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.

★ **Kansas Gas & Electric Co. (2/27)**
Jan. 27 filed $7,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co., Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 27.

★ **Kansas Gas & Electric Co. (2/27)**
Jan. 27 filed 200,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 27.

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.

★ **Keystone Custodian Funds, Inc.**
Jan. 26 filed (by amendment) the following additional certificates of participation; 500,000 series K2 shares; 500,000 series S2 shares; and 250,000 series S3 shares. **Price**—At market. **Proceeds**—For investment.

★ **Koppers Company, Inc. (2/20-24)**
Jan. 30 filed 300,000 shares of common stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter** — The First Boston Corp., New York.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

Lawyers Mortgage & Title Co.
Jan. 11 (letter of notification) 60,412 shares of common stock (par 65 cents) to be offered first to stockholders. Maxwell M. Powell (Vice-President) and Rudolph J. Welti (a director) will purchase up to a total of 10,000 shares each of any unsubscribed shares. **Price**—$1.50 per share. **Proceeds** — For working capital. **Office** — 115 Broadway, New York, N. Y. **Underwriter**—None.

Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) to be offered for subscription by present stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering, after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds**—For expansion and working capital. **Underwriter**—None.

Lisbon Uranium Corp.
Dec. 26 filed 1,306,209 shares of common stock (par 15¢) to be offered for subscription by common stockholders of record Jan. 27, 1956, at the rate of three new shares for each ten shares held (with an additional subscription privilege); rights to expire on Feb. 10. **Price**—$4 per share. **Proceeds**—To repay advances by Atlas Corp. of approximately $4,039,000, which has or will be used to acquire option to purchase the so-called Barrett claims and pay balance of purchase price; for exploration and drilling expenses, and for other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—None, but Wasatch Corp., a subsidiary of Atlas Corp., will purchase any unsubscribed shares.

★ **Long Island Arena, Inc. (2/15)**
Jan. 25 filed 525,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For construction of arena. **Office**—Commack, L. I., N. Y. **Underwriter**—Dunne & Co., New York.

★ **Loomis-Sayles Mutual Fund, Inc.**
Jan. 30 filed (by amendment) an additional 200,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ **Los Angeles Airways, Inc.**
Jan. 26 (letter of notification) 1,075 shares of common stock (par $10). **Price**—$54 per share. **Proceeds**—To two selling stockholders. **Office** — 5901 West Imperial Highway, Los Angeles, Calif. **Underwriter**—None.

Los Gatos Telephone Co., Los Gatos, Calif.
Jan. 9 (letter of notification) 18,737 shares of common stock (par $10) being offered for subscription by common stockholders of record Jan. 15, 1956 on the basis of 0.365 share for each share held (with an oversubscription privilege); rights to expire on Feb. 7. **Price**—$16 per share. **Proceeds**—For equipment and improvements. **Office**—11 Montebello Way, Los Gatos, Calif. **Underwriter**—None.

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.

● **Lowenstein (M.) & Sons, Inc. (2/13-17)**
Jan. 20 filed $40,000,000 of 25-year subordinate debentures due Feb. 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans; approximately $5,000,000 to pay balance of purchase price of the inventories of the cotton division of Pacific Mills; and $5,718,336 will be used in connection with the redemption of 54,984 shares of 4¼% cumulative preferred stock, series A, at $104 per share, plus accrued dividends; and for working capital. **Underwriter**—Eastman, Dillon & Co., New York.

Mansfield Telephone Co., Mansfield, Ohio
Nov. 4 (letter of notification) 6,000 shares of 5% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To reduce short term indebtedness and for construction program. **Office**—35 Park Avenue East, Mansfield, Ohio. **Underwriter**—None.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif.

Mercantile Acceptance Corp. of California, Calif.
Jan. 18 (letter of notification) 15,000 shares of 5% cumulative first preferred stock. **Price** — At par ($20 per share). **Proceeds** — For working capital. **Office** — 333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Midland General Hospital, Inc., Bronx, N. Y.
Jan. 12 filed 24,120 shares of common stock (no par) and 30,000 shares of $6 dividend preferred stock (no par). The company does not intend presently to sell more stock than is required to raise, at most, $2,700,000. **Price** — $100 per share. **Proceeds** — For construction, working capital, reserve, etc. **Underwriter**—None.

★ **Miehle Printing Press & Manufacturing Co. (2/16)**
Jan. 27 filed 261,816 shares of class A common stock (par $7.50), of which 211,816 shares are being sold by certain stockholders, and 50,000 shares by the company. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to purchase the remaining 50% stock interest in the Dexter Folder Co., Pearl River, N. Y. **Office**—Chicago, Ill. **Underwriter** — Smith, Barney & Co., New York.

Modern Homes Corp., Dearborn, Mich.
Jan. 20 filed 125,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To reduce current liabilities, to finance contemplated increased volume of business and for working capital. **Business** — Manufactures and sells prefabricated homes. **Underwriter**—Campbell, McCarty & Co., Inc., Detroit, Mich.

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.

★ **Monsanto Chemical Co.**
Jan. 30 filed 765,872 shares of common stock (par $2) to be offered for sale under the company's Stock Option Plan to such officers and other employees of the company and its subsidiaries as have been or may in the future be granted options to purchase such shares pursuant to the Plan.

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 Lithium Corp., Denver, Colo.
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

National Motel Credit Corp.
Jan. 13 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To provide funds for operating expenses for the first year and for working capital. **Underwriter**—None.

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**—Indefinitely postponed.

National Tank Co., Tulsa, Oklahoma
Jan. 11 (letter of notification) 4,500 shares of common stock (par $1). **Price**—$21.50 per share. **Proceeds**—To selling stockholders. **Office**—Sand Springs Road and 31st W. Avenue, Tulsa, Okla. **Underwriter** — Schneider, Bernet & Hickman, Inc., Dallas, Texas.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

★ **Nevada Natural Gas Pipe Line Co.**
Jan. 30 filed $1,000,000 of 5½% subordinated sinking fund debentures due March 1, 1976, and 160,000 shares of common stock (par $1) to be offered in units of $25 of debentures and four shares of stock. **Price**—$50.50 per unit. **Proceeds**—To repay bank loans and for new construction. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., San Francisco, Calif.

New South Textile Mills, Jackson, Miss.
Jan. 13 filed 2,298,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For acquisition of properties and general corporate purposes. **Underwriter**—To be named by amendment.

Nicholson (W. H.) & Co., Wilkes-Barre, Pa.
Jan. 16 filed 20,000 shares of common stock (par $5). **Price**—$25 per share. **Proceeds** — For working capital. **Underwriter**—None. A. E. Nicholson Jr. of Kingston, Pa. is President.

North American Contracting Corp.
Jan. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incidental in general contracting and construction business. **Office**—9480 New Fort Road, Fort Washington, Md. **Underwriter** — The Matthew Corp., Washington, D. C.

North Pittsburgh Telephone Co., Gibsonia, Pa.
Jan. 6 (letter of notification) 4,000 shares of common stock to be offered for subscription by stockholders. **Price**—At par ($25 per share). **Proceeds**—To be used to reduce the demand notes outstanding. **Office**—Gibsonia, Allegheny County, Pa. **Underwriter**—None.

Northern States Power Co. (Minn.) (2/29)
Jan. 20 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (CST) on Feb. 29.

● **Northern States Power Co. (Minn.) (2/29)**
Jan. 20 filed 670,920 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 31 at the rate of one new share for each 20 shares held; rights to expire on March 20. **Proceeds** — To repay bank loans and for construction program. **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. (jointly). **Bids**—Tentatively expected to be received up to 10 a.m. (CST) on Feb. 29.

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.

★ **Oklahoma Natural Gas Co.**
Jan. 30 filed $2,730,000 "Interests of Participants" under the company's Thrift Plan for Employees, together with 109,200 shares of common stock (par $7.50), 51,510 shares of series A preferred stock (par $50) and 50,090 shares of series B preferred stock (par $50) which could be purchased under the plan during the first five years of its operation, based on the prices of $25, $53 and $54.50, respectively, for the securities. The $2,730,000 represents the estimated maximum aggregate employee deposits and company contributions during the five-year period.

O'Quin Corp.
Jan. 18 (letter of notification) 46,500 shares of 6% preferred stock. **Price**—At par, flat ($1 per share). **Proceeds**—For working capital, etc. **Office**—595 Madison Ave., New York 22, N. Y. **Underwriter**—Arnold Feldman Co., New York City.

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.

★ **Pawnee Oil & Gas Co., Tulsa, Okla.**
Jan. 26 (letter of notification) 24,500 shares of common stock to be offered to officers and directors of the company pursuant to stock purchase warrants expiring June 10, 1960 and to one of its principal stockholders. **Price**—$22 per share. **Proceeds**—To be added to working capital. **Office**—205 Kennedy Bldg., Tulsa, Okla. **Underwriter**—None.

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.

● **Piasecki Aircraft Corp. (2/27-3/2)**
Jan. 17 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To repay outstanding notes and for working capital. **Office**—Philadelphia, Pa. **Underwriter** — Emanuel, Deetjen & Co., New York.

● **Piedmont Label Co., Inc., Bedford, Va.**
Dec. 19 (letter of notification) 8,000 shares of common stock being offered for subscription by stockholders of record Jan. 25 on the basis of one share for each 3¾ shares held; rights to expire on Feb. 14. Unsubscribed shares to be offered to public. **Price**—$14 per share to stockholders and $15 to public. **Proceeds**—To finance construction of an addition to plant re. printing of lithographed labels for cans, bottles, boxes, etc. **Office**—311 West Depot St., Bedford, Va. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Pilot Finance Corp., Wilmington, Del.**
Jan. 23 (letter of notification) 40,000 shares of class A common stock and 20,000 shares of class B common stock. **Price**—At par ($5 per share). **Proceeds**—For operating capital. **Office**—900 Market St., Wilmington, Del. **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.

★ **Pitney-Bowes, Inc., Stamford, Conn.**
Jan. 20 (letter of notification) 373 shares of common stock to be offered to employees for an aggregate amount of $8,032.92. **Proceeds** — For working capital. **Office**—Stamford, Conn. **Underwriter**—None.

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.

★ **Poloron Products, Inc. (2/17)**
Jan. 27 filed 200,000 shares of class A stock (par $1), of which 100,000 shares are to be sold for account of the company and 100,000 for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Business**—Accessories for picnics, etc. **Office**—New Rochelle, N. Y. **Underwriter**—Hayden, Stone & Co., New York.

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.

Radiation, Inc., Melbourne, Fla. (2/8)
Jan. 13 filed 150,000 shares of class A common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To retire unsecured notes; to expand facilities; for working capital, etc. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

● **Raytone Screen Corp. (2/8)**
Jan. 9 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To pay current liabilities and for working capital. **Business**—Manufacture and sale of motion picture theatre screens and distribution of screen paint. **Office** — 165 Clermont Ave., Brooklyn 5, N. Y. **Underwriter**—A. J. Grayson & Co., Inc., Hempstead and New York, N. Y.

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.

Redlands Oil Co., Ltd.
Jan. 23 filed $1,000,000 of partnership interests to be offered in minimum amounts of $25,000. **Proceeds**—To acquire leases for drilling for oil and gas and for development costs. **Underwriter** — Name to be supplied by amendment.

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.

★ **Reynolds Minerals Corp., Denver, Colo.**
Jan. 30 (letter of notification) 40,000 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — For mining expenses. **Office**—822 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

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). [The company has obtained from certain stockholders waivers of subscription rights applicable to not less than 100,000 shares and such shares are to be offered to the general public free of the stockholders' prior rights.] **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Robbins, (Chester M.) Inc.**
Jan. 23 (letter of notification) 5,000 shares of common stock (no par) and 16,000 shares of class A preferred stock (no par). **Price**—$28 per share for common and $10 per share for preferred. **Proceeds**—For purchase of equipment, material and supplies for resale and for working capital. **Office**—816 West Kiowa St., Colorado Springs, Colo. **Underwriter**—None.

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.

★ **Rokeach (I.) & Sons, Inc., Flushing, N. Y.**
Jan. 27 filed 400,000 shares of common stock (par $1), of which 374,000 shares are to be offered for the account of the company and 26,000 shares for selling stockholders. **Price**—$3 per share. **Proceeds**—To eliminate borrowings from commercial factors and enable the company to finance its own accounts; for working capital; and other general corporate purposes. **Business**—Manufacturer of kosher food products, soaps and cleansers. **Underwriter**—Jay W. Kaufmann & Co., New York.

Rowan Controller Co., Baltimore, Md.
Dec. 20 (letter of notification) 6,935 shares of common stock (par $10) to be offered for subscription by stockholders. **Price**—$14 per share. **Proceeds**—For development of new products and working capital re. manufacture and sale of electrical controllers. **Office**—2313-2315 Homewood Ave., Baltimore, Md. **Underwriter**—None.

● **Royal McBee Corp., New York**
Jan. 12 filed 191,884 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 31, 1956 at the rate of one new share for each seven shares held; rights to expire on Feb. 15. **Price**—$24.50 per share. **Proceeds**—For equipment and working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

★ **Royal Oil & Gas Co., Denver, Colo.**
Jan. 20 (letter of notification) 5,978,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For expenses incident to oil and gas production. **Office**—534 Commonwealth Building, Denver, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ **St. Louis Steel Casting, Inc., St. Louis (2/15)**
Jan. 25 filed 280,000 shares of common stock (par five cents). **Price** — $6.10 per share. **Proceeds** — To reduce bank loans. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo.

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.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Pro-**

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ceeds — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

★ Saratoga Plastics, Inc., North Walpole, N. H.
Jan. 20 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.75 per share. **Proceeds**—To strengthen the over-all financial structure of the company. **Office**—North Walpole, N. H. **Underwriter**—None.

Sayre & Fisher Brick Co.
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter** — Barrett Herrick & Co., Inc., New York City.

Science Press of New Jersey, Inc.
Nov. 10 (letter of notification) 15,620 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For building, equipment, working capital, etc. **Office**—Spur Route 518, a mile west of the Borough of Hopewell, County of Mercer, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

● Seaboard Drug Co., Inc. (2/8)
Jan. 19 (letter of notification) 300,000 shares of Class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of Mericin, Calona and Avatrol; market testing of Homatrone; and for working capital. **Office**—21 West 45th St., New York, N. Y. **Underwriter**—Foster-Mann, Inc., New York City.

Shangrila Uranium Corp.
Dec. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Underwriter**—Western States Investment Co., Tulsa, Okla.

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.

★ Slick Airways, Inc., Burbank, Calif. (2/21)
Jan. 31 filed 422,992 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each share held of record Feb. 17, 1956. **Price**—To be supplied by amendment. **Proceeds**—To repay certain indebtedness; to purchase additional equipment and facilities; and for working capital. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C., and New York.

Southern California Edison Co. (2/14)
Jan. 23 filed 1,200,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding bank loans and for new construction. **Underwriters** — The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif.

Southern Mining & Milling Co.
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.

Southern Oxygen Co., Bladensburg, Md.
Dec. 29 filed $1,250,000 of convertible subordinated debentures due Feb. 1, 1966. **Price** — To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Union Securities Corp., New York. **Offering**—Expected latter part of February.

Southwest Manufacturing Co. of Little Rock, Ark.
Jan. 17 (letter of notification) $100,000 of 6% convertible debentures due 1965 and 20,000 shares of common stock (par $1). **Price**—Of debentures, at par (in denominations of $1,000 each); and of stock, $5 per share. **Proceeds**—For expansion program. **Office**—Little Rock, Ark. **Underwriters**—Hill, Crawford & Lanford, Inc., and Southern Securities Corp., both of Little Rock, Ark.

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.

Strategic Metals, Inc., Tungstonia, Nevada
Jan. 4 (letter of notification) 1,200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Underwriter**—R. Reynolds & Co., Salt Lake City, Utah.

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.

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.

★ Swift & Co., Chicago, Ill.
Feb. 1 filed 140,605 shares of common stock (par $25) to be offered pursuant to exercise of options issued to certain officers and employees of company and its wholly-owned subsidiaries under a stock option plan.

Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of non-assessable stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 726 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

Tele-Broadcasters, Inc., New York
Jan. 11 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For conversion of station "WARE" to full-time broadcasting; to buy a fourth radio station; and for general corporate purposes. **Underwriter**—Joseph Mandell Co., 48 Hudson Ave., Waldwick, N. J.

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.

★ Tennessee Gas Transmission Co. (2/21)
Jan. 27 filed 400,000 shares of cumulative convertible second preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

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**—Temporarily postponed.

★ Texas Electric Service Co. (2/28)
Jan. 27 filed $10,000,000 of 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.

★ Tex-Star Oil & Gas Corp., Dallas, Texas
Jan. 20 (letter of notification) 99,990 shares of common stock (par $1). **Price** — $3 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Meadows Building, Dallas, Texas. **Underwriter** — Thomas F. Neblett, Los Angeles, Calif.

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.

★ Treasury Vault Uranium Corp.
Jan. 30 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds** — For mining operations. **Office** — 505 Colorado Bldg., Denver 2, Colo. **Underwriter**—None

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.
Jan. 17 (letter of notification) $250,000 of 6% 12-year registered subordinated sinking fund debenture notes due Jan. 1, 1968. **Price**—At par. **Proceeds**—To reduce outstanding secured obligations. **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 Carbide & Carbon Corp.
Jan. 25 filed 97,442 shares of capital stock (no par) to be offered for subscription under the company's Stock Purchase Plan for Employees.

★ Unified Funds, Inc., Indianapolis, Ind.
Jan. 27 filed 10,000 series "A" certificates. **Price**—At market. **Proceeds**—For investment.

● Union of Texas Oil Co., Houston, Texas (2/3)
Jan. 19 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For expenses incident to oil production. **Office** — San Jacinto Building, Houston, Tex. **Underwriter**—Mickle & Co., Houston, Texas.

United Drive-In Theatres Corp.
Jan. 16 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share.. **Proceeds**—To build and operate outdoor motion picture drive-in theatres on two sites to be purchased. **Office**—215 East 149th St., New York 51, N. Y. **Underwriter**—L. J. Mack & Co., Inc., New York.

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.

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.

Urania, Inc., Las Vegas, Nev.
Jan. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Office**—1802 South Main St., Las Vegas, Nev. **Underwriter**—Fenner-Streitman & Co., New York City.

★ Uranium Queen Exploration Co., Greeley, Colo.
Jan. 27 (letter of notification) 920,200 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining operations. **Office**—823½ 16th St., Greeley, Colo. **Underwriter**—None.

★ Utah Hydro Corp., Salt Lake City, Utah
Jan. 30 (letter of notification) 50,000 shares of common stock. **Price** — $1 per share. **Proceeds** — For working capital. **Office**—315 Ness Bldg., Salt Lake City, Utah. **Underwriter**—William Everett Huyler, same city.

★ Vance Industries, Inc., Evanston, Ill.
Jan. 24 (letter of notification) 7,000 shares of common stock (par one cent). **Price**—$7 per share. **Proceeds**—To selling stockholders. **Office** — 2108 Jackson Ave., Evanston, Ill. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

★ Vickers Limited (England)
Jan. 30 Guaranty Trust Co. of New York filed $250,000 of American depositary receipts for ordinary registered stock of the English company.

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.

West Disinfecting Co. (2/6)
Jan. 20 (letter of notification) 4,000 shares of common stock (par 50 cents). **Price**—$14.50 per share. **Proceeds**—To Caroline B. Marcuse, the selling stockholder. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

West Jersey Title & Guaranty Co.
Jan. 23 (letter of notification) 10,000 shares of common stock (par $10) of which 8,000 shares are first to be offered for a period of 30 days in exchange for outstanding preferred stock on a 2-for-1 basis; any shares remaining will be offered to common stockholders. **Price**—$25 per share. **Office**—Third and Market Sts., Camden, N. J. **Underwriter**—None.

★ Westcoast Transmission Co., Ltd. (2/20-24)
Jan. 26 filed $20,500,000 (U.S.) 32-year subordinate debentures, due Feb. 1, 1988, and 615,000 shares of capital stock (no par) to be offered in units of $100 of debentures and three shares of stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds to be received from insurance companies and banks and from sale of an additional 3,271,000 shares of stock to Westcoast Investment Co., to be used to construct a pipe-line system. **Office**—Calgary, Alta., Canada. **Underwriter**—Eastman, Dillon & Co., New York.

Western Greyhound Racing, Inc. (2/13-17)
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. **Office**—Phoenix, Ariz. **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.

Woodstock Uranium Corp., Carson City, Nev.
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg., Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

Wy-Cal Uranium Enterprises, Inc., Lander, Wyo.
Dec. 6 (letter of notification) 273,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—268 Main St., Lander, Wyo. **Underwriter**—Valley State Brokerage, Inc., 2520 South State St., Salt Lake City, Utah.

Wycotah Oil & Uranium, Inc., Denver, Colo.
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

Wyoming-Gulf Sulphur Corp.
Oct. 10 filed 971,000 shares of capital stock (par 10 cents), of which 700,000 shares are for company's account and 271,000 shares for account of two selling stockholders. **Price**—On the over-the-counter market at then prevailing price, but not less than $2 per share. **Proceeds**—For auxiliary equipment for Cody plant, for acquisition of additional site, and related activities.

Wyton Oil & Gas Co., Newcastle, Wyo.
Sept. 29 filed 254,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To August Buschmann, of Seattle, Wash., and members of his family. **Underwriter**—None.

Yellowknife Uranium Corp.
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City. **Offering**—Indefinitely postponed.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares off class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

Prospective Offerings

Alabama Power Co. (3/15)
Dec. 14 it was announced company plans to issue and sell $14,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Equitable Securities Corp., Union Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received on March 15. **Registration**—Planned for Feb. 17.

★ American Gas & Electric Co.
Jan. 30 it was reported company plans to offer about $30,000,000 of common stock to its common stockholders in June or July. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Union Securities Corp. (jointly); Blyth & Co., Inc.

American Shopping Centers, Inc.
Jan. 23 it was announced company will soon offer publicly some new securities in the approximate amount of $6,000,000. **Proceeds**—To acquire shopping centers. **Office**—Minneapolis, Minn. **Underwriter**—Carl M. Loeb, Rhoades & Co., 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.
Feb. 2 company offered up to 29,761 shares of common stock to its stockholders of record Feb. 1 on the basis of one new share for each five shares held; rights will expire on Feb. 20. **Price**—$40.25 per share. **Proceeds**—Together with funds from private sale of $8,000,000 new 4¼% prior lien bonds, to redeem $10,400,000 outstanding 4½% first mortgage bonds. **Underwriter**—The First Boston Corp., New York.

Bank of America, N. T. & S. A.
Jan. 17 it was announced the company plans to offer 1,600,000 additional shares of capital stock to stockholders in the ratio of one new share for each 15 shares held, subject to approval of stockholders on March 6. **Price**—To be determined later. **Proceeds**—For expansion, etc. **Underwriters**—Blyth & Co., Inc. and Dillon, Read & Co. Inc.

Bell Telephone Co. of Pennsylvania (3/6)
Jan. 6 it was reported company is planning to issue and sell $35,000,000 of debentures to be dated March 1, 1956. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); White, Weld & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on March 6.

★ California Bank, Los Angeles, Calif. (2/8)
Jan. 31 it was announced that the directors have voted to offer 169,200 additional shares of common stock to stockholders on the basis of one new share for each seven shares held as of record Feb. 8, 1956; rights to expire on March 9. **Price**—$42.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

★ Central Illinois Light Co. (4/4)
Jan. 25 it was announced company plans to offer to its common stockholders of record April 3 the right to subscribe on or before April 19 for 100,000 additional shares of common stock on the basis of one new share for each 10 shares held. **Price**—In the neighborhood of $50 per share. **Proceeds**—For construction program. **Underwriter**—Union Securities Corp., New York. **Registration**—Expected on or about March 15.

Central Trust Co., Cincinnati, O.
Jan. 13 the Bank offered to its stockholders of record Jan. 12, 1956, the right to subscribe on or before Feb. 15 for 40,000 additional shares of capital stock (par $25) on the basis of one new share for each seven shares held. **Price**—$50 per share.

Central Trust Co., Rochester, N. Y.
Jan. 21 the Bank offered to its stockholders of record Jan. 20, 1956, the right to subscribe on or before Feb. 10 for 16,800 additional shares of capital stock (par $20) on the basis of one new share for each six shares held. **Price**—$42 per share.

• Chemical Corn Exchange Bank
Jan. 17 stockholders authorized 590,425 additional shares of capital stock (par $10), which are being offered to stockholders on the basis of one new share for each eight shares held as of record Jan. 19; rights to expire on Feb. 8. **Price**—$44 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co.; and W. C. Langley & Co.

Chesapeake & Ohio Ry. (2/2)
Bids will be received up to noon (EST) at Cleveland, Ohio, for the purchase from the company of $4,800,000 equipment trust certificates due annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Citizens & Southern National Bank, Atlanta, Ga.
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held as of Jan. 20, 1956; rights to expire on March 2. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

Columbia Gas System, Inc. (5/1)
Jan. 9 it was reported company plans to issue and sell $40,000,000 of 25-year debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on May 1.

★ Commonwealth Edison Co.
Jan. 24 it was announced that company may issue between $35,000,000 to $50,000,000 of bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp.

Consolidated Freightways, Inc.
Dec. 21 it was announced corporation plans to offer new common shares to preferred stockholders at market prices payable with funds to be received March 15, 1956 from the redemption of the preferred stock. **Underwriter**—Probably Blyth & Co., Inc., San Francisco, Calif.

Consolidated Water Co.
Jan. 16, Frank A. O'Neill, President, announced that the company sometime between now and the summer of 1956, will probably do some additional financing. **Proceeds**—For expansion. **Underwriters**—The Milwaukee Co.; Harley Haydon & Co., Inc.; and Indianapolis Bond & Share Corp. underwrote class A common stock offering made last August.

Delaware Power & Light Co.
Sept. 28 it was announced that the company expects to undertake some common stock financing, probably first to common stockholders. **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. **Offering**—Expected in June or July.

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.
Jan. 30, Philip A. Fleger, Chairman of the Board, announced that "it appears that we will need $18,000,000 to $20,000,000 of new money to complete our construction program this year, and we contemplate selling bonds in that amount. No other financing is planned for this year." **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Drexel & Co. and Equitable Securities Corp (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; The First Boston Corp. **Bids**—Expected to be received sometime in April or May.

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.

• Franklin National Bank, Franklin Square, N. Y.
Jan. 27 this Bank offered to its stockholders of record Jan. 24, 1956, the right to subscribe on or before Feb. 10, 1956, for 119,600 additional shares of capital stock (par $5) at the rate of one new share for each 15 shares held. The employees of the Bank and The Employees' Profit Sharing and Benefit Plan are given the right to subscribe for not more than 10,000 of any unsubscribed shares. **Price** — $32 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—Blair & Co. Incorporated, New York.

General Tire & Rubber Co.
Jan. 20 it was announced stockholders will vote Feb. 24 on approving a proposal to increase the authorized common stock to 2,500,000 from 1,750,000 shares and the authorized preference stock to 1,000,000 from 350,000 shares; also on a proposal that any issue of debentures may include a privilege to convert into common stock and permit the company to issue warrants to purchase common stock, provided the total that may be issued does not exceed 400,000 shares. **Underwriter**—Kidder, Peabody & Co., New York.

• Georgia Power Co. (3/29)
Jan. 23 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on March 29. **Registration**—Planned for March 2.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

Houston Lighting & Power Co. (3/7)
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. **Bids** — Expected to be received on March 7. **Registration**—Planned for Feb. 9.

Hudson Pulp & Paper Corp.
Nov. 28 it was reported company may do some public financing in connection with proposed newsprint mill, which, it is estimated, will cost about $25,000,000. **Underwriter**—Lee Higginson Corp., New York.

• Illinois Central RR. (2/23)
Jan. 21 it was reported company plans to issue and sell in February $9,900,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approxi-

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mately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

Inter-County Telephone & Telegraph Co. of Ft. Myers, Fla.
Jan. 16 it was reported company is considering to offer publicly an issue of common stock. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Kansas City Power & Light Co.
Jan. 23 it was reported company may be planning to issue and sell about $10,000,000 of preferred stock. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp. **Offering**—Probably in April or May.

★ Kentucky Utilities Co.
Jan. 25 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds some time in April. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Baxter, Williams & Co.; Kuhn, Loeb & Co.

★ Laclede Gas Co., St. Louis, Mo. (3/14)
Jan. 30 it was reported company plans to offer to its common stockholders of record March 16 the right to subscribe on or before April 3 for 202,657 shares of convertible preferred stock (par $25) on the basis of one preferred share for each 15 common shares held. **Underwriter**—To be determined by competitive bidding. Probable bidders may include Lehman Brothers. **Bids**—Expected to be received about March 14.

Lincoln Rochester Trust Co.
Jan. 25 stockholders were given the right to subscribe for 100,000 additional shares of common stock (par $20) on a 1-for-4 basis; rights to expire on Feb. 14. **Price**—$40 per share. **Underwriter** — The First Boston Corp., New York.

L-O-F Glass Fibers Co. (2/29)
Jan. 11 it was announced company plans to offer to its common stockholders of record on or about Feb. 29, 1956 the right to subscribe for additional common stock at the rate of one new share for each 10 shares held; rights to expire on or about March 26, 1956. Company is a subsidiary of Libbey-Owens-Ford Glass Co. **Price**—Expected to be $12 per share. **Underwriter**—None. **Registration**—Planned for around Feb. 10.

Lone Star Steel Co.
Jan. 24, E. B. Germany, President, announced that the company plans the private and public sale of new securities during the first half of the current year. **Proceeds**—To retire indebtedness of company held by the RFC and the Treasury Department. **Underwriters**—Probably Dallas Rupe & Son; Estabrook & Co.; and Straus & Blosser.

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).

Mississippi Power Co. (3/1)
Nov. 3 it was announced company plans to issue and sell $4,000,000 of first mortgage bonds and 40,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Kidder, Peabody & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly). (2) For preferred stock—W. C. Langley & Co.; Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on March 1. **Registration**—Planned for Feb. 3.

Narragansett Electric Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); Union Securities Corp.; Kidder, Peabody & Co. and Stone & Webster Securities Corp (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received sometime in March, 1956.

New England Electric System
Jan. 3 it was announced company plans to offer to its stockholders 834,976 additional shares of common stock on the basis of one new share for each 12 shares held. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected sometime in May, 1956.

New England Electric System
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May 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 England Power Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October 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.
Dec. 15 company received ICC authority to sell $6,600,000 3½% 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 Telephone Co. (3/27)
Jan. 9 Keith S. McHugh, President, announced that the directors have authorized the sale of $55,000,000 of refunding mortgage bonds. **Proceeds**—Together with funds from sale of 1,100,000 additional shares of common stock at $100 per share to American Telephone & Telegraph Co., to be used to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on March 27.

Northern States Power Co. (Minn.)
Jan. 19 it was announced company plans to issue and sell later this year $20,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); and Glore, Forgan & Co.

Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

● Pennsylvania Electric Co. (3/20)
Dec. 19 it was reported company plans to issue and sell about $25,000,000 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.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co. **Bids**—Expected to be received on March 20.

● Pennsylvania Electric Co. (3/20)
Dec. 19 it was reported company proposes issuance and sale of $9,000,000 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 to be received on March 20.

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 January. **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.

Riverton Lime & Stone Co., Inc., Riverton, Va.
Dec. 19 it was reported company plans to finance its expansion, which, it is estimated, will cost between $9,000,000 and $10,000,000, part by private placement, and part publicly. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

● Rotary Electric Steel Co. (3/22)
Jan. 18 it was announced stockholders will vote March 21 on increasing the authorized common stock (par $10) from 750,000 shares to 2,500,000 shares. There are presently outstanding 696,740 shares. Part of the increased stock will be offered for subscription by stockholders of record about March 22; rights to expire on or about April 5, subscription price and other details will be determined later. **Underwriters**—Previous financing was handled by W. E. Hutton & Co., Cincinnati, Ohio; Hemphill, Noyes & Co. and E. H. Rollins & Sons, Inc. (now Blair & Co. Incorporated,), both of New York; and Stein Bros. & Boyce, Baltimore, Md. **Registration**—Expected to be filed in February.

Ryder System, Inc.
Jan. 9 J. A. Ryder, President and Chairman, announced that the company is planning to issue and sell 151,050 additional shares of common stock. **Proceeds**—To help finance purchase of four other truck lines. **Underwriter**—Blyth & Co., Inc., New York.

Seattle-First National Bank, Seattle
Jan. 24 bank offered 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**—$85 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Pacific Northwest Co.; Dean Witter & Co.; A. C. Allyn & Co. Inc.; Foster & Marshall; R. L. Day & Co.; Grande & Co., Inc., and Walston & Co.

★ Southern California Gas Co.
Jan. 30 it was reported company plans to issue and sell in May $40,000,000 of first mortgage bonds. **Proceeds**—For reduction of bank loans and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers, White, Weld & Co. and Union Securities Corp. (jointly).

★ Southern Counties Gas Co. of California
Jan. 30 it was reported company may in the Fall offer $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

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.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

★ Stubnitz Greene Corp., Adrian, Mich.
Feb. 1 it was announced corporation plans to offer rights to its common stockholders to purchase $1,000,000 of 5½% sinking fund subordinated debentures, 100,000 shares of 60-cent cumulative preferred stock, and warrants to purchase 60,000 shares of common stock at $8 per share in units of $250 of debentures, 25 shares of preferred stock and detachable warrants (good until March 31, 1961) to purchase 15 shares of common stock. The offering is to be made on the basis of one unit for each 100 shares held as of record Jan. 31, 1956. **Price**—To be approximately $418.75 per unit. **Proceeds**—For expansion and working capital. **Meeting**—Stockholders to vote Feb. 15 on the new financing. **Office**—404 Logan St., Adrian, Mich. **Underwriter** — Golkin & Co., New York.

★ Taylor Petroleum Corp.
Jan. 30 it was reported early registration is expected of 200,000 shares of common stock. **Price**—About $10 per share. **Proceeds**—For expansion program. **Underwriter**—Hayden, Stone & Co., New York.

★ Tennessee Gas Transmission Co.
Jan. 28 it was reported company may later this year sell $50,000,000 of bonds. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc.

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.

★ Trane Co.
Jan. 30 it was reported company plans to issue and sell about $6,000,000 of common stock. **Underwriter**—Smith, Barney & Co., New York.

★ United States Hoffman Machinery Corp.
Jan. 30 stockholders approved a proposal increasing the authorized common stock from 1,250,000 shares to 3,000,000 shares and authorized 1,000,000 shares of class A preference stock (par $50). The new preference stock will be available for the company's diversification program. The company announced it has no present plans to issue any new stock. **Underwriter** — Hayden, Stone & Co., New York.

Mutual Funds

By ROBERT R. RICH

New Records Set

New highs in essets, sales, in numbers of shareholders and payments to shareholders were registered in 1955 by the nation's investment companies, continuing the steady growth trend since the end of World War II.

According to year-end figures released by the National Association of Investment Companies, net assets of its 151 member companies on Dec. 31, 1955 amounted to $9,036,609,000. This is an increase of $1,739,015,000 or 24%, over the 1954 year-end total of $7,297,594,000.

The number of shareholder accounts with investment companies passed the two million mark for the first time in 1955, rising 19% during the year to a total of 2,272,549. This is more than double the 1,128,180 shareholder accounts reported at the end of 1949.

Payments to shareholders of both open-end and closed-end companies last year amounted to $538,352,000, an increase of $148,878,000 over the 1954 figure. Of the 1955 payments, $272,172,000 came from investment income dividends and $236,180,000 was paid from net realized capital gains and other sources.

A breakdown of year-end figures reveals that net assets of the 125 open-end companies totaled $7,837,524,000, a gain of $1,728,134,000 from the previous year.

Sales of new shares by mutual funds topped the billion dollar mark in 1955 for the first time, totaling $1,207,458,000 as against $862,817,000 in 1954. Repurchases of shares (redemptions) by the 125 open-end companies were also at a new high, totaling $442,550,000 compared with $399,702,000 a year earlier.

Payments to shareholders by the open-end companies last year mounted to $463,214,000. Of this amount, $241,036,000 was paid from investment income dividends, $222,018,000 from net realized capital gains, and $160,000 from other sources. This compares with 1954 payments of $200,102,000 from investment income, $129,933,000 from net realized capital gains, and $552,000 from other sources.

Total net assets of the 26 closed-end member companies at the year-end aggregated $1,199,085,000 compared with $1,188,204,000 for the 30 companies which were members at the end of 1954.

Additional Selling Aid for the Sale of Mutual Fund Shares Provided

Kalb, Voorhis & Co., members of the New York Stock Exchange, 25 Broad St., New York City 4, announced that their Modern Security Sales service for distributors of Mutual Fund shares has been expanded to include a Bulletin twice a month on investment planning.

We quote from a letter sent to present subscribers of Modern Security Service regarding the new feature:

"Starting in February, 1956, your MSS subscription shall include a twice-monthly release of a new, additional bulletin on Investment Planning. Here are the well-known specialists who will edit the new service:

"Dr. Nathan A. Baily, (Dean, School of Business Administration, The American University, Washington, D. C.; conducts courses in Personal Finance and Investment Analysis); **William J. Casey,** (world-famous tax and insurance authority, formerly senior editor for the Research Institute of America, partner of the late J. K. Lasser, President of Business Reports, etc.); **Ira U. Cobleigh,** (author of "How to Make a Killing in Wall Street," and "Expanding Your Income," and the popular Investment column which has appeared in the weekly issues of the Commercial and Financial Chronicle for the past five years); **Norman F. Dacey,** (Financial consultant, economist and trustee, Mr. Dacey is well-known for his articles on estate planning and related subjects. He now heads the firm of Norman F. Dacey & Associates, financial consultants and trustees); **Philip Gordis,** (Educational Consultant — United States Life Insurance Company—Dascit Underwriters. Insurance Advisor for The Community Services, Inc. United Housing Foundation. Author of "How to Buy Insurance"); **Baron G. Helbig,** (the man who has been conducting the "Using

Continued on page 46

Wellington Assets $496 Million; Directors Vote to Split Stock

Total net assets of Wellington Fund increased $95,000,000 to a record $496,600,000 during the year ended Dec. 31, 1955, Walter L. Morgan, President, announced in the annual report to shareholders today.

Net assets at the year-end were equal to $26.61 per share on the 18,660,781 shares outstanding on Dec. 31, last, compared with $24.60 per share on the 16,333,870 shares outstanding at Dec. 31, 1954.

The number of shareholders at the end of the year was 160,500, a new high record, compared with 138,200 at the close of 1954.

Mr. Morgan also disclosed that directors of Wellington Fund have recommended that the authorized capital stock of the Fund be increased from the present 30 million shares to 60 million shares in order that directors may declare a 100% stock distribution to shareholders in the form of one additional share for each share held. This proposed stock distribution, payable out of capital surplus, would have the effect of a two-for-one stock split.

Shareholders will be asked to authorize this proposed increase in capital stock at the annual shareholders' meeting to be held April 11, 1956.

Discussing the Fund's investment program during 1955, Mr. Morgan stated that during the first half of the year the Fund increased its common stock investments in leading companies in basic industries, principally in the automobile, building, chemical, glass, machinery, nonferrous metal, railroad, railroad equipment and rubber stocks.

Later in the year, nonferrous metal and automobile stocks were reduced when their prices appeared to have reflected the year's improvement in earnings. Some insurance, soap and variety chain stocks were eliminated or reduced. Other principal reductions were in the natural gas, textile, and electric utility common stocks.

Fundamental's Income Sets New Record

Fundamental Investors, Inc., in summarizing for shareholders the progress of the Fund during its 23rd year of operations, reported that 1955 income dividends of 49 cents per share were the largest in the Fund's history, and exceeded by more than 10 times the amount of the Fund's first year income payments 23 years ago.

The Fund also reported that the number of investors it serves reached a record total of 69,284 on Dec. 31, 1955. More than one out of four shareholders are regularly adding to their holdings of Fundamental Investors' shares through the Fund's systmatic accumulation plans.

Net asset value per share on Dec. 31, 1955 amounted to $15.63 as compared with $13.49 at the 1954 year-end, an increase of 20.3% after adjustment for the 60 cents per share capital gain distribution paid out of 1955 realized profits, which totaled $12,278,918.

Total net assets at the 1955 year-end amounted to $320,148,570, reflecting an increase of $63,899,227 over the amount reported at the close of 1954. Shares outstanding increased during the year to 20,486,626, up 1,493,481 from the total 18,993,145 outstanding shares reported Dec. 31, 1954.

Half of the Fund's investments were in five major industries: petroleum, representing 20.5% of the Fund's total assets; steel products, 8.8%; railroads, 8.5%; paper and paper products, 6.9%; and rubber, 6.0%.

M. I. T. Assets Near Billion Mark; Dividends at Peak

Massachusetts Investors Trust, the nation's oldest open-end investment company, in its 31st annual report for the year ended Dec. 31, 1955, shows total net assets on that date at a new high of $957,467,354, compared with $791,073,860 a year ago. New peaks were also reported in the number of shareholders, shares outstanding, net asset value per share, and dividend payments per share.

Referring to 1955 as a year of "healthy growth," the Trustees reported 29,152,775 shares outstanding at year-end compared with 28,267,407 on Dec. 31, 1954. Shareholders increased to 130,867 from 122,555, and the net asset value per share on Dec. 31, 1955, was $32.84, not including a capital gain distribution of 84 cents per share declared at the end of the year, compared with $27.93 a year ago.

During 1955 the Trust paid a total of $1.15 per share in quarterly dividends from net income, the largest per share total for any year in the Trust's history. It marked the 12th straight year in which the total of per share dividends paid was higher than for the preceding year. The Trust had paid dividends without interruption in every quarter since October, 1924, the year of its founding. These 125 consecutive payments have amounted to more than $254,000,000.

Despite increased costs which all businesses have experienced, the operating expense ratio has progressively declined and as in past years is the lowest in the open-end investment company field.

The reports lists common stock investments in 133 companies representing more than 20 different industry classifications. The five largest industries in the portfolio at year end were petroleum, 20.3%; utilities, 10.6%; steels 7.7%; chemicals, 7.2%; and metals and mining, 6.6%.

I. P. C. Starts New Contract For Salesmen

Security for securities salesmen is said to be the aim of a new type of contract announced Tuesday by Investors Planning Corporation of America, distributors of mutual funds.

Over 500 salesmen signed the new contracts after a meeting at the Sheraton-Astor Hotel held to explain the provisions of the agreement which Walter Benedick, President of the investment firm called "revolutionary in the industry."

Novel features of the contract are "(1) automatic increases in rates of commissions paid salesmen; (2) automatic step-by-step promotions to supervisory positions; and (3) a 100% vested interest for the salesman in future commissions on contractual purchase plans."

The idea of giving the mutual fund salesman vested rights in his future commissions was said to have been begun by Investors Planning Corporation of America, Mr. Benedick stated. Now these rights have been expanded. Under the new contract, they will continue even if the man retires, is disabled, or leaves the firm to go into some other line of business. If he dies, the commissions would go to his family or heirs.

Edward B. Burr, of the National Association of Investment Companies, also spoke at the meeting. He noted that public acceptance of mutual funds was increasing rapidly, and said they should be merchandised as "the modern way to invest."

In addition to the stepped up sales incentives written into the contract for IPC salesmen, Mr. Benedick announced provisions for group life insurance, hospitalization and surgical benefits, as part of the salesman's personal "security package."

Continued from page 45

Additional Selling Aid for the Sale of Mutual Fund Shares Provided

the Tax Laws to Sell Mutual Fund Shares," series in MSS. His column will continue and his ideas shall be an important part of the new Financial Planning publications as well); **John Kalb,** (senior partner of Kalb, Voorhis & Co. As the man who has championed bringing common stock investments to the man in the street, through investment trusts, for the past 20 years; who employed his vast knowledge to help set up and organize one of the biggest and most successful mutual fund retailing organizations in the nation (based on financial planning), before returning to his role of senior partner of Kalb, Voorhis & Co., his over-all supervision and his contributions to our service have been and will continue to be invaluable); **Randolph W. Scott,** (New York investment dealer who's specialization in Profit Sharing, Pension Plans and Trust Work has made his name well-known throughout the mutual fund industry).

"Twice each month you'll be getting four to six page bulletins written by this exceptional team of experts. The bulletins will supply you with their brilliant concepts of modern investment planning . . . will reveal entirely new areas for the offering of your services . . . will enable you to step into new and more rewarding roles, as Investment Planners.

"This panel of advisors will devote its attention and energies to the development of at least three basic considerations:

(1) "The most effective use of equity investments in investment planning.

(2) "Gearing your investment planning to current economic trends.

(3) "Getting the maximum from insurance in investment planning.

Telephone Technique

"As the tempo of mutual fund selling steps up, the use of the telephone for making appointments, for closing sales, for follow-up . . . even the day-to-day answering of the telephone by your office employees, takes on added importance.

"MSS has retained the foremost authority on the proper and most effective use of the telephone . . . **Boyce Morgan,** publisher of 'Better Business by Telephone.' Mr. Morgan's highly successful publication has been accepted as the voice of authority by big business throughout the country.

"The special service Boyce Morgan and his associates will bring to MSS subscribers is a regular monthly bulletin on using the telephone for the sale of mutual fund shares. This series shall not be a generalized treatment of telephone techniques. It shall be devoted fully to the use of the 'phone by the mutual fund industry. The series will be available to MSS subscribers only. In addition, arrangements can be made through Kalb, Voorhis & Co. to call on Mr. Morgan for special consultation, training or talks on his specialization."

New Way to Obtain Reprints of Literature

"The use of general sales literature, as well as educational bulletins on mutual funds and on Investment Planning approaches, play immensely important roles in your activities. Up to this time you have been able to supply yourself with a variety of selling pieces created by MSS by paying cash or by paying a combination of cash and NYSE business directed to Kalb, Voorhis & Co.

"Now it shall be possible for you to supply yourself with greater quantities of literature **without having to pay out any cash.**

"Starting in January, it shall be permissible for you to order any MSS reprints you need **strictly on a directed business basis.** This can be handled by NYSE business you send to Kalb, Voorhis & Co., or you can tell one of the Funds to send the proper amount of business to Kalb, Voorhis for credit to your account. The only exception in this new arrangement involves material where the imprint of your own name is necessary. For imprinting, the payment will still be on the basis of part cash and part Stock Exchange commission business."

How New Services Affect MSS Service Cost

"The fee for an annual subscription to the full MSS Service remains unchanged. It is still $300 a year in cash or in commissions on directed NYSE business. The fee for Sales Kits, however, must be changed. **When your present subscription for Sales Kits expires,** the new fee for the MSS Sales Kits . . . whether they be for branch offices or for salesmen . . . shall be half the full fee, or $150 in cash or in commissions.

"You will find that the greatly broadened services coming to you through MSS will be vital factors in the growth of your mutual fund sales in 1956 and in the years ahead."

Our Reporter's Report

Underwriters of corporate securities appear to be back in business again after passing through a month which brought little more than the public offering of Ford Motor Co.'s stock to spruce things up.

The first sizable corporate debt security offering, that of Northwestern Bell Telephone Co., went through with a celerity that provided investment bankers with a pleasant surprise. The sponsoring group was able to report quick oversubscription and closing of the books, something that has not happened with great frequency of late.

This $25 million offering of 3¼%, 40-year debentures was brought to market priced at 102.265 to yield around 3.15%. The group had paid the issuer 101.759. The "pot" was cleaned in short order and this touched off a flurry of other buying which soon cleaned up the situation.

Demand originated chiefly with banks acting for large pension funds, reportedly including the California retirement fund. There were indications that some of these institutions might be finding accumulations of capital getting a bit on the heavy side, since they had not been doing much in the way of buying over the greater part of the last six weeks.

Moreover, the forward calendar remains decidedly on the lean side for the balance of the new month although the early part of March shapes up as likely to bring a bit more activity.

Irked by Waiting

Major institutional buyers have been doing little or nothing since the early part of December as far as adding to their portfolios is concerned. Quite the opposite, they had been disposed to sit back and watch developments.

The theory seemed to be that it would pay off to stand aside and observe happenings in the money market on the ground that if rates hardened a little further, this trend would find reflection in better yields on bonds.

But things have not panned out that way up to now and adherents to the belief seemingly are weakening a bit by reason of circumstances, primarily the need to put money out where it will earn its keep and a little better. Accordingly, sentiment among underwriters and dealers is a bit more cheerful.

Stocks Taken Too

It could, perhaps, be something of a rebound from the pressure of the Ford deal, but whatever the basic influence it develops that investors are a bit hungry for equities too.

Bankers brought out 400,000 shares of Texas Utilities Co. common stock priced at $34.3823 a share and saw this substantial block absorbed within an hour of the opening of the books.

It appeared that some of the overflow which had failed to find opportunity to take up the Ford stock was eager to go to work elsewhere.

Turnpike Securities

Corporate borrowers probably will find themselves face to face with another flurry of tax-exempt financing in the weeks ahead as several states come into the market for funds for their expanding turnpike ventures.

The New York State Thruway Authority already has indicated that it will ask bids for another $50 million of bonds to be guaranteed by the state's credit.

And now Gov. Ribicoff, of Connecticut, and State Treasurer John Ottaviano reveal that they expect the state will be in the market for $100 million of new money toward the end of the month. This issue had been poised for December marketing but was withdrawn because of "unfavorable conditions" then prevailing.

Professor McCracken Elected to Fund Board

Announcement of the election of Dr. Paul W. McCracken to the board of directors of Group Securities, Inc., one of the largest mutual funds, has been made.

Dr. P. W. McCracken

Dr. McCracken is a full professor at the Graduate School of Business Administration of the University of Michigan. He also serves as Consultant to the General Motors Corporation and the Michigan Bell Telephone Company.

The author of numerous papers and articles on business conditions and financial and economic policies, Professor McCracken is a member of the Advisory Council, Tax Institute and member of the board of pensions of the Presbyterian Church, U. S. A.

He is also a member of the research council, American Bankers Association and section leader of the Central States School of Banking, University of Wisconsin. He has served as a member of the economic policy committee, U. S. Chamber of Commerce, and as Consultant to the U. S. Treasury Department and the Committee for Economic Development.

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering $3,900,000 Chicago and North Western Ry. Co., 3¾% equipment trust certificates, maturing annually Nov. 1, 1956 to 1970, inclusive. The offering represents the second instalment of an aggregate of $11,700,000 principal amount of certificates.

The certificates are priced to yield from 3% to 3.80%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The entire issue of $11,700,000 principal amount of certificates is to be secured by the following new equipment, estimated to cost not less than $14,625,000: 1,575 steel sheathed box cars and 500 steel gondola cars.

Associated in the offering are— R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; and McMaster Hutchinson & Co.

Chicago Analysts to Hear

CHICAGO, Ill.—Roy C. Ingersoll, President of Borg-Warner Corporation, will address the Feb. 2 luncheon meeting of the Investment Analysts Society of Chicago to be held in the Adams Room at the Midland Hotel.

Three With Inv. Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Francis X. Ahearn, William Kaitz and John T. Kehoe are now with Investors Planning Corporation of New England, Inc., 68 Devonshire St.

Mrs. Emma Hall With E. F. Hutton & Co.

(Special to The Financial Chronicle)

KANSAS CITY, Missouri—Mrs. Emma M. Hall has become associated with the New York Stock Exchange firm of E. F. Hutton & Company, 111 W. 10th St. Mrs. Hall was formerly Assistant Vice-President of the Commerce Trust Company with which she had been associated for many years. Keith D. Lincoln has also been added to the staff of E. F. Hutton & Company.

Emma M. Hall

Kuhn, Loeb Group Underwrite Royal McBee Stock Offer

Royal McBee Corporation, manufacturer of Royal typewriters and McBee office machines and equipment and other accounting products, is offering to its common stockholders of record Jan. 31, 1956, rights to subscribe for 191,884 additional common shares, at $24.50 per share, at the rate of one share for each seven shares held. Subscription rights will expire at 3:30 p.m. (EST), Feb. 15, 1956. The offering is being underwritten by a group of investment bankers headed by Kuhn, Loeb & Co.

The net proceeds to be received from the sale of the shares will be used to finance the manufacturing and marketing of new products which will broaden the company's line of office equipment products and to finance, over the next two years, the purchase of new and improved production equipment and tooling at the main plants in Hartford, Conn. and Athens, Ohio.

New products, already developed or in the process of development, include a number of machines in the field of electromechanical and electronic computation. The machines vary in type from simple mechanisms for use by small businesses to complex devices applicable to larger business and scientific problems.

Consolidated net sales of Royal McBee Corp. and its wholly-owned domestic and Canadian subsidiaries during the four months ended Nov. 30, 1955 amounted to $30,274,000, and net income to $2,093,000, equal after preferred dividend requirements to $1.47 a share on the 1,343,190 common shares outstanding on Nov. 30; the per share earnings included non-recurring income equal to 17 cents per common share after taxes. For the four months ended Nov. 30, 1954, consolidated net sales amounted to $23,963,000 and net income was $559,000, equivalent to 33 cents per common share. Currently, the common stock pays a quarterly dividend of 35 cents per share.

Plants of the company are located, in addition to Connecticut and Ohio, in Missouri, Utah, Canada, Holland and Germany.

Now With Ashton Co.

(Special to The Financial Chronicle)

DETROIT, Mich. — Paul H. Kammeyer and Basil E. Smith have become associated with Ashton & Company, 15315 West McNichols Road.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Atley C. Furos is now with Minneapolis Associates, Inc., Rand Tower.

B. C. Christopher Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Elizabeth R. Judd has become associated with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Miss Judd was formerly with Beecroft, Cole & Co. and Zahner and Company.

Joins Piersol, O'Brien

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Harold D. Audsley is now with Piersol, O'Brien & Adams, Inc., 1012 Baltimore Avenue.

With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Donald W. Otto has been added to the staff of John G. Kinnard & Co., 133 South Seventh Street.

State Bond & Mtg. Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Leo A. Brand has joined the staff of State Bond and Mortgage Co., 28 North Minnesota Street.

With J. L. Brady

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Robert T. Koski is now with J. L. Brady & Co., 21 Elm Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the remarks frequently heard around the Capitol after the the President's Economic Report message was that it seemed hard for the members to fathom the President's apparent inclination to go in exactly opposite directions at the same time on certain economic matters.

There was the field of credit, for instance.

On the one hand the President seemed to indicate that in the opinion the Federal Reserve System should have standby power to put restrictions upon consumer instalment loans. He said study should be given to the idea of enacting such legislation as a "standby" authority.

On the other hand, the President proposed to soften mortgage credit particularly as to home modernization and improvement loans under FHA's Title I. He suggested that the maximum loan limit insurable should be raised from $2,500 to $3,500, and the longest permissible term be lengthened to five years from three years. These are, of course, loans repaid on the instalment plan.

There is the additional inconsistency that in 1954 the Administration made a great to-do about the so-called "housing scandals," part of which arose from the express ease with which the government could be pledged to make good losses under FHA's home modernization and repair loans.

Some of the older hands at the Capitol, however, believe they can reconcile the inconsistency by understanding the *modus operandi* that has come to be peculiar to Mr. Eisenhower.

That *modus operandi* has been throughout the Administration to send to Congress a large and over-flowing docket of legislative proposals. Unless the White House is far more naive than any one could reasonably expect, it can be taken for granted that the President must comprehend that his docket is far too heavy to be handled by normal parliamentary procedure, would sink even a Congress as heavily weighted in his favor as the earlier Rooseveltian Congresses.

Therefore, the President appears to most observers, in the multiplicity and proliferation of his proposals, to have his tongue obviously in his cheek with respect to the greatest number of his proposals.

New Technique

Under the circumstances, the "President's program" is in the nature of a "mail order catalog" listing all the good things one can "buy" under Eisenhower, but without price tags as to what they will cost the taxpayer or price tags in what they might mean explicitly in votes for members of Congress.

At least in this century, this is a new political technique. There is hardly any apparently politically attractive scheme omitting any large present or prospectively large pressure group that is missing from the message.

So to ascertain what the President in fact makes a real effort to get enacted, one just has to watch developments.

Reg W Will Fail

To know what will pass or might pass, irrespective of what the President asks for or puts pressure on to get, one has to appraise the whole complex legislative situation.

While some elements in the Senate Banking Committee lean to the idea of empowering the Reserve System to curb instalment loans by specific legislation, this has little chance to pass. Too many members got burned too many times over the whole idea of controls, price, credit, or rationing, to see any political mileage in tying into this unpopular idea.

Abandons FNMA Idea

On the other hand, the President's ideas for looser FHA Title I insurance and softer mortgage credit generally have a good chance for passing, so potent is the combined pressure from organized labor, building material producers, and contractors to sustain the ever-expanding production of housing.

One of the President's soft mortgage credit proposals abandons all but the principle of the 1954 Housing Act (White House-drafted) to get the government out of the business of supporting the very same housing mortgages it also insures or guaranties through the FHA and the Veterans Administration.

In 1954, with the then vestigial pitch toward "private enterprise," it was provided that the Federal National Mortgage Assn., should stop being a perpetual price support program for government-insured mortgages, and doing this with Treasury funds. It was proposed that hereafter every lending institution placing a mortgage with FNMA would have to take out 3% of the proceeds of the mortgage so placed in the stock of FNMA. It was also represented that FNMA would raise its funds hereafter through the market by sale of its debentures rather than through the Treasury, although the law carefully avoided making this as a requirement.

Now Mr. Eisenhower proposes to lower the stock purchase requirement to 1% of the proceeds of government-sponsored loans placed with this agency. When this is done, then FNMA can be back in the business of souping up the FHA and VA mortgage markets.

Of course the President wants this loose credit again so it can counter a slump in building or positively to steam up housing construction if the economy should show any signs of faltering before the election. In the process the Administration is beating a considerable retreat from even those few, limited aspects of the Housing Act of 1954, tightening up on the inflationary character of government-sponsored housing credit. It was the almost rampant ease of and liberality of such mortgage credit which in the earlier postwar years led to the large profits and loose practices about which the Eisenhower Administration built up or attempted to build up its juicy "housing scandal" publicity beginning in April, 1954.

Debt Limit Will Hit Hard

In the course of pretending that he is going to balance the budget and keep the national debt down below the "permanent" ceiling of $275 billion by June 30, 1957, the President is building an acute political problem for himself on the issue of the "temporary" debt limit.

The President asked again that the temporary $6 billion addition to the debt limit be reenacted for another year. In other words, this again would take care of the six-month period of July 1-Dec. 31, when revenues are seasonably down, and assumes that the President's estimates are on the up and up and that by June 30, 1957, the debt will be again down to the "permanent" ceiling.

There isn't a fiscal observer outside the official family in this capital who would bet any odds that President Eisenhower's estimated surpluses of $200 million for this year and $400 million for the next will actually materialize. They expect a heavy deficit in fiscal 1957 even if only a couple of the major items of the President's "mail order" catalog of expensive goodies are passed.

That being the case, a "temporary" allotment of $6 billion more of borrowing power would not permit enough borrowing to stay within the $281 billion "temporary" ceiling in fiscal 1957.

Senator Harry F. Byrd (D., Va.) is one who can be counted upon to remind the Administration, the minute it raises the question of the debt limit, that the official estimates are that $6 billion again is enough. So $6 billion is all they will get unless they come around and admit later that their estimates were too optimistic. Even so, Mr. Byrd might not be disposed to let them have more than the $6 billion.

So the Administration could be faced about next June with the alternative of admitting that its budget estimates were too optimistic, or living within the debt limit. In such a case the Treasury would have the choice of depleting its working balance to a very small amount, or impounding large sums of appropriations voted for the popular new farm subsidies, highways, hospitals, schools, etc. The Administration might even have to use both devices — impound appropriated money and keep it from being spent, and cut its working balances "dangerously" low.

Labor Dept. Would Supervise Pensions

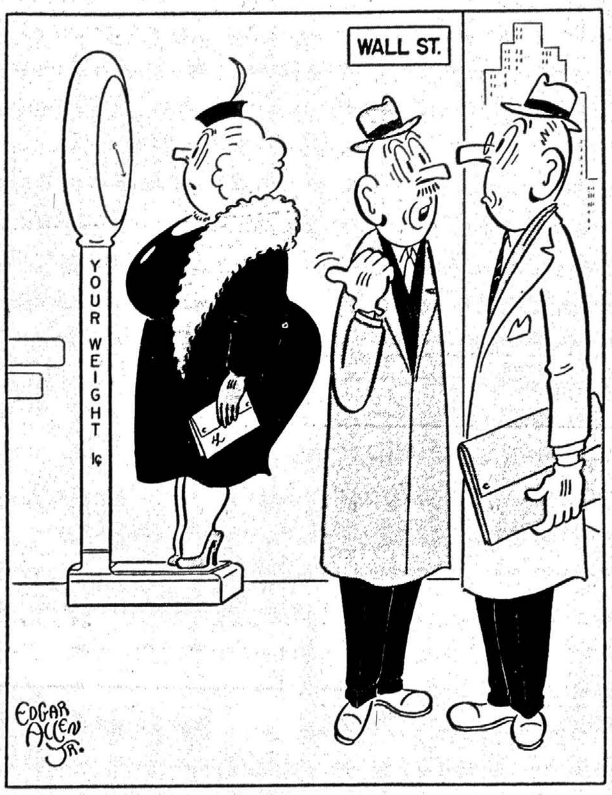
One of the President's 1956 recommendations was that pensions should be supervised to protect the prospective recipients of pension benefits.

An Administration bill introduced by "request" would provide that (1) the Labor Department would have charge of registering and receiving disclosures of information about the status of pension funds, and (2) it would give the Labor Department supervision not only of union pension and welfare funds, but also of corporate pension funds in which organized labor played no part. The bill, which was drafted by the Budget Bureau, would give the Labor Department full authority not only to determine by regulation what information would have to be disclosed by the managers of all pension funds, but could also determine by its own regulation how widely this information could be disclosed publicly.

The bill was introduced "by request" because even some of the "liberals" in Congress doubt the wisdom of giving the Labor Department full authority to publicize the operations of corporation pension funds. Other Congressmen are reported to doubt the advisability of requiring Labor Department supervision of corporation pension funds.

[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



"Only thing I have that always shows a continuous gain!"

Business Man's Bookshelf

Citizens Budget Commission—Annual Report 1955 — Citizens Budget Commission, Inc., 51 East 42nd Street, New York 17, N. Y.—paper.

Economic Needs of Older People: A comprehensive survey of the status of our older citizens and public and private means of meeting their economic needs—John J. Corson and John W. McConnell—The Twentieth Century Fund, 330 West 42nd Street, New York 38, N. Y. (cloth), $4.50.

Economics of Consumer Debt — National Industrial Conference Board, Inc., 460 Park Avenue, New York 22, N. Y.—paper—$1.50 (quantity prices on request).

Exchanges & Commodity Markets — Swiss Bank Corporation, 99 Gresham Street, London, E. C. 2, England.

COMING EVENTS

In Investment Field

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

Feb. 14, 1956 (Detroit, Mich.) Bond Club of Detroit 40th annual dinner at the Detroit Boat Club.

March 2, 1956 (Philadelphia, Pa.) Investment Traders Association of Philadelphia 32nd Annual Mid-Winter Dinner at the Bellevue-Stratford Hotel.

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

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