ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 183 Number 5506 New York 7, N. Y., Thursday, February 9, 1956 Price 40 Cents a Copy

EDITORIAL

As We See It

It is now conceded on all sides that Mr. Stevenson's preference for moderation in the coming Presidental campaigns — if he actually ever planned it that way—is being rapidly demolished by Ex-President Truman, who is bent upon a "Give-Em-Hell" war to the finish. His influence is such, so the story goes, that no candidate will dare enter the fighting except on Mr. Truman's terms, and this doughty little game cock is said to be preening his feathers for a part of his own in the contest. The political pros and cons of all this we gladly leave to those who feel themselves competent in that field.

We are, however, strongly of the opinion that the country could do without another exhibition such as Mr. Truman gave and all but obliged Mr. Stevenson to give in 1952. We are not at this time entering any defense for the Eisenhower Administration, but the extravagances and the disregard of the facts which characterize so much of what is now being said are hardly less than insulting to the intelligence of the thoughtful man or woman who has a very real interest in what goes on at the national capital. Neither good government nor sound economic policies are promoted in this way, and those who indulge in it should by good rights have to pay for it at the polls.

The truth of the matter is that this Administration is open to severe criticism not because it has turned its back upon those things that were dear, and presumably are still dear, to the heart of Mr. Truman, but precisely because it has adopted so much of his philosophy and programs. It is the New Dealish tinge of so much of what

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Farm Economy Diagnosis And Prescription

By DR. JOHN D. BLACK*

Professor of Economics, Harvard University

American Economic Association President proposes in place of more costly Brannan and rigid parity plans: (1) farm income floor; (2) decreasing income supports with larger output; (3) free market prices; (4) more consumption and conservation; (5) additional temporary intermediate credit, and (6) a long-range program and reconstruction of low income farm areas to meet future food needs and war contingencies. Dr. Black finds little evidence recessions are "farm led" in our wage economy.

This analysis of agriculture in the nation's economy distinguishes between before 1950 and since.[1] It is important, therefore, to be fully aware of the decline in number of farms by 600,000 between the spring census enumeration of 1950 and the fall enumeration in 1954. This appears to be very close to the actual decline, since the same definition of a farm was used in both counts and as near as possible the same enumeration procedure. This is double the decline of the preceding five years, and about the same as from 1940 to 1950, if allowance is made for the 150,000 to 170,000 dropped out by a change in the census definition. The decline in agriculture's share of the nation's economy from 1910 to 1955 is measured in three ways in Chart I. It is greatest from 1910 to 1950 in terms of share of the labor force, from 31 to 10%,

John D. Black

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*A summarization and adaptation by Dr. Black of his address before the American Economic Association's annual meeting, New York City, Dec. 28, 1955. The full text is to be published in the March number of the *American Economic Review*.

1 Most of the data is from published materials of the Agricultural Marketing Service of the U. S. D. A. and the Census Bureau. The author received special aid from the members of the staff of the Agricultural Marketing Service, but no one is responsible except myself for the interpretations and extrapolations.

The Investment Outlook: What Do We Do About It?

By SHERWIN C. BADGER*

Financial Vice-President, New England Mutual Life Insurance Company

Mr. Badger believes investment decisions will change insignificantly even with a Dow-Jones average 13% decline, because of capital gains and income tax deterrences. Avers: (1) low and high points have been reached for bonds and interest rates, respectively; (2) Federal Reserve will relax and possibly reverse its policies with a downturn; (3) easy credit may not stimulate sales in 1956 as it did in 1955, and (4) easy money makes corporate bond yields generally unattractive except for direct placement with large institutions. Sees steadily rising institutional holdings giving "blue chips" a scarcity value.

What do we mean by the investment outlook? The investment outlook for whom? For individuals, and if so for what kind of individuals and in what tax brackets? For pension funds, charities, colleges, and so forth which are wholly tax exempt? For life insurance companies which have an unique tax formula?

Sherwin C. Badger

The investment outlook as of Feb. 6, 1956, is by no means the same for all these various kinds of accounts. Thus the danger in talking about the outlook is that any generalization may be completely misleading in terms of specific investment problems.

So it occurred to me that it might be much more interesting to lay emphasis on what we can or should do in translating into action our ideas about the investment outlook. After all, the important thing is what we do, not what we think or say. The real test is our decision to hold,

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*An address by Mr. Badger before the 37th Mid-Winter Trust Conference, American Bankers Association, the Waldorf-Astoria, New York City, Feb. 6, 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 34.

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

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

Signal Oil & Gas Company

In today's unsettled market it behooves the investor to emphasize management and where possible to stress industries where successful management has the potential of creating large increments in value relative to the corporate equity base. Signal Oil & Gas has all these desirable attributes in abundance.


Armand G. Erpf

One of the few strong crude producers available to the investing public, Signal is in the process of embarking upon what might be called the intensified exploration phase of its remarkable career. In the prewar years, and indeed until quite recently, Signal preferred to pay high royalties to acquire semi-proven properties rather than take the greater risk involved in wildcatting. Pursuing this program, gross crude production grew from 1.3 million barrels in 1938 to 15 million barrels in 1949, and since has mounted gradually to 16 million barrels in 1954. As production grew the continuing conservatism in exploration led to the accumulation of substantial cash balances, abetted by the need to segregate proceeds from Tidelands production pending a settlement of the dispute between the Federal and State Governments.

In due course the cash flow of some $14 million a year after dividend payments superimposed upon a rich working capital position led to greater scope of exploration from its California backyard to the Williston Basin and the Mid-Continent areas and, more recently, the Louisiana tidelands in partnership with Forest Oil Co. The increase in the exploration budget and the broadening of the move out of California, where the industry discovery record has been below that of the nation as a whole, imparts to Signal a new speculative potential particularly significant when related to the small equity base of 3,862,000 common shares valued in the market at only $130 million.

Illustrative of the speculative possibilities in Signal Oil are the following:

(1) The Gulf State lease in Lea County, New Mexico, where Signal has a one-third interest in 2,500 acres upon which the first well found a 300-foot thick pay sand. This same sand has a highly prolific productivity history in fields in the immediate vicinity, and if the extent of this discovery is sufficient, it will be a major addition to Signal's oil reserves.

(2) Two large offshore plays: one a 25% interest in a 5,000-acre tract off the coast of Louisiana on the same structure, where after several dry holes Gulf Oil has established production. The other, an underwater extension of the Redondo Beach field in California, where Signal and two partners have acquired acreage.

(3) In the Kuwait Neutral Zone where the Wafra sand contains an estimated 500 million barrels and is now producing at the rate of 30,000 barrels a day, it may be that the deeper lying Ratawi zone, subsequently discovered, will prove to be an important supplement to reserves. Signal's 7½% interest in the total output is equivalent to 1 million barrels per annum of production, and this in time should rise.

The appraised value of Signal Oil is approximately $150 million or $40 per share, consisting of the following items: 1) Crude oil reserves in excess of 125 million barrels (taken at 85 cents per barrel), (2) 150 billion cubic feet of gas, (3) undeveloped acreage, (4) gasoline plants in California, Oklahoma, and North Dakota, (5) working capital of $10 million, and 6) three sizable investments—approximately 45% of American President Lines, a far-flung shipping operation with a fleet of over 300,000 tons of owned ships; 28½% of Long Beach Oil Development which operates a municipal oil field in return for a royalty; and 15% of American Independent Oil Company which owns a half-interest in the Kuwait Neutral Zone.

Earnings also support a valuation in excess of market. In 1955 net income will approximate $2.60 per share and the cash flow after taxes should exceed $4.50. Net income and cash flow include dividend receipts from the investments of about 80 cents, but in the asset valuation these holdings are taken at only $6 per share of Signal as part of the dividends were nonrecurring in nature.

Hence, Signal strikes me as an equity with intriguing speculative potential well supported by assets. The stock is listed on the Los Angeles and San Francisco Stock Exchanges and is also traded in the Over-the-Counter Market.

G. M. LOEB
Partner, E. F. Hutton & Company, New York City
Author of: "The Battle for Investment Survival"

Studebaker-Packard Corp.

I think I started writing about securities I liked as far back as 1921. I started at the same time reading what others wrote about securities *they* liked. The first one I ever wrote was about United States bonds which in those days were called "Liberty Bonds." The ones I wrote about were gold bonds totally exempt from all taxes except state and inheritance. Their yield to maturity averaged about 4% at the prices then prevailing.


G. M. Loeb

I vaguely remember around that time selling Goodyear Tire & Rubber First Mortgage 8% bonds at a discount and each and every one was payable at 120% at par. Those were the days when the private investor received a good return for the use of his money. The high take-home income that was left bought plenty because the cost of things was low and the cost of living was low. The loss to the conservative dollar saver from artificially lowered interest rates, increased taxes and the decreased value of money has been astronomical.

Shortly after the United States bond story, I started writing for a column then known as "Talks by Men Who Know." One of the earliest subjects was the ailing and failing Maxwell-Chalmers automobile company. I said Walter Chrysler, who was just taking over, would rescue it, and he did.

In all these years reading what others wrote about securities they liked, I never accepted their ideas without checking. Some were interesting; some were not. It seemed logical to me to look up those I liked and see if I agreed. There is always a time lag between when something is written and when something is printed and when it is read. Markets change, situations change, and opinions change. All these factors have to be considered. I think this present feature column of the "Commercial & Financial Chronicle" is one of the most valuable sources of ideas I know and I read it religiously. I think to act on it blindly would be a mistake.

I think the caption of the column "The Security I Like Best" is a fine one but it can mean many things to many people. To begin with, it runs every week, and who among us can possibly think that a "security I like best" at the "time I like best" at the "price I like best" can all occur week after week. I consider myself very lucky if once every year or two I can find all the elements that make for an ideal stock purchase in conjunction. The time to put forward such an idea is when it occurs rather than when space for its printing happens to be available. With this in mind, I think I have to look at the caption as having a little literary license and the reader will do well to do the same.

I think, too, it is logical to ask "best for what." In my day, I have had stocks I liked best for the backbone of an investment account. I have had stocks I liked best for those that insist on income. I have had stocks I liked best for those that want some special tax advantage. In fact, I am sure every contributor who responds with a story when asked is thinking of it in one of these ways. It is only once in a few years that any of us really have a stock we like best on all counts taking the strict dictionary meaning.

Right now, I have a stock I like best for out-and-out radical speculation. It is Studebaker-Packard Corporation and it happens to be selling at the lowest adjusted price since 1942. At $9, it compares with the equivalent of $33 in 1953. Low price and a record of failure is ordinarily a red flag rather than a reason for buying. In this case, we have to forget the past record and anticipate that the change in management which occurred in Packard in 1953 and in Studebaker in 1954, will turn the trend. Management in my view is everything. It turned the trend for Maxwell-Chalmers years ago and, as is on everybody's tongue right now, it turned the trend for Ford in 1946.

From a long-term point of view, the outlook for the motor industry is extremely bright. The 10 million car-year is not far away.

From the near-term point of view, trying to rebuild Stude-

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The Business Outlook

By DR. MARCUS NADLER*
New York University

Dr. Nadler maintains a peak has already been reached; business will remain at this high plateau for several months; some time in second half automobiles and home construction may witness a moderate decline; the decline will be brief, with business activity resuming its upward course after a few months and subsequently exceeding its 1955 peak. Concludes: (1) 1956 will be either the best or second-best peacetime year in country's history; (2) growth of private indebtedness cannot continue at 1955 rate; (3) moderate short-lived decline may take place; (4) in any event, soft goods and retail trade will prosper; and (5) our free fluctuating economy is essentially sound.

In order to approach the problem of what lies ahead of us, I believe it is advisable first to say a few words about where we are today, and then to probe what the future holds in store for us. Right now, at the end of 1955, we are in the midst of the greatest boom in the peacetime history of the country, and I could spend the entire time allotted to me to cite to you figures to prove my statement. I'll mention only a few:


Marcus Nadler

The total number of people gainfully employed in the United States at the end of 1955 numbered 65 billion with wages higher than ever before in the history of the country. The total number of unemployed was less than 2½ billion people. The Gross National Product—that is the sum total of all the goods and services, expressed in terms of dollars—in the third quarter of 1955, on an annual basis, aggregated $392 billion, as compared with $367 billion during the third quarter of 1954, on an annual basis.

The index of industrial activity, by which we measure the physical volume of business, and from which the dollar sign is removed, in November, 1954, stood at 128, and in November, 1955, the latest figure available, it was 144, and I could go on citing to you more figures, indicating that we are in the midst of the greatest boom in the peacetime history of our country.

But not all segments benefited from this great boom. Farm income declined, and in spite of the great boom, the number of failures was large. In spite of the great boom, the number of liquidations was great, and the merger movement continued unabated.

The year 1955 was marked by a great up-swing in the equity market, and I believe you know it as well as I do, if not better, that the movement of the equity market has a pronounced effect upon business activity, on business spending, as well as on the spending and saving habits of the people.

At the end of 1955, the economy of our country was prosperous. But you know this better than I do, you merely have to look over your own figures, you merely have to look over the volume of sales, to reach the same conclusions.

"Where Do We Go From Here?"

But, "Where do we go from here?" The answer to this question isn't easy. Nobody really knows what the future holds in store for us and if, right now, there is a great wave of optimism all over the land—and, in my opinion, justifiably so, if all the reports emanating from Washington are very favorable, if all the statements made by the leading business men in the United States are favorable, it reflects their feeling as of today.

A few days ago I took the trouble to read over the statements that were made in the beginning of 1929 and believe me, with the exception of a few crackpots who had been predicting doom and perdition since 1923, nobody foresaw the break that occurred in 1929.

And, again, I looked over the State of the Union Message, delivered by the Preseident in January 1937, and that Message speaks with a great deal of pride about the recovery that had taken place in the United States. Nobody at that time foresaw the rather sharp break which occurred after Labor Day 1937.

I mention these two facts, not because I am pessimistic, and certainly not that I expect a major recession in 1956, but merely to prove to you how narrow the vision of the human being is and that, really, nobody can tell you what the future holds in store for us. This is true all the time. It is particularly true today.

Election Year

1956 is an Election Year and in all probability internal political developments will have an influence on business activity. The international political situation, which looked so hopeful in June and July, has taken on an ominous character again. And who knows where or when a minor conflagration may break out anywhere in the world, and which we all know is bound to have repercussions on our economy.

At the same time, I do believe

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*An address by Dr. Nadler before the 18th Annual Arthur M. Reis Forum, New York City, Jan. 10, 1956.

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, February 9, 1956

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

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

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

Subscription Rates

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

Other Publications

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

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

Short- and Long-Run Factors In Outlook for Common Stocks

By THOMAS J. HERBERT*
Vice-President, Fundamental Investors, Inc.

New Jersey investment authority believes: (1) second half of 1956 will be better than what others forecast; (2) tight money will not deter expansion nor unduly depress consumer spending; (3) renewed confidence could increase price-earnings capitalization from 13 to 15; (4) average annual Gross National Product and Disposable Income rate of increase for next five years will be 4% and 5%, respectively; (5) new saving sources to provide stronger investment demand; and (6) current down-beats are offset by strong up-beats and by enlarged government, labor positions in the economy. Find investors' confidence somewhat impaired in past 13 months though current stock yields are higher than prior peaks and dividends expected to hold market decline to current level. Mr. Herbert traces capitalized earnings since 1929 to date and concludes that expanding trend character of the American economy is most significant factor affecting common stock long-term outlook.

It seems to me that the near-term outlook for common stocks is dominated by the factor of confidence, and that the most important thing affecting the long-term outlook for common stocks is the expanding character of the American economy. This means it is difficult to forecast the short-term trend since the motivating force is an intangible, and it also means that one can predict with considerable confidence that over the longer term we will have higher common stock prices.

Thos. J. Herbert

The most essential ingredients of common stock prices continue to be earnings and dividends. These items are multiplied by variable factors to determine price or value. When confidence is low the multipliers are low as was the case from 1948 through 1950 and, to a lesser extent, from 1951 through 1953. In the first of these periods there was a lack of confidence in the maintenance of the inflated price structure, a fear of a postwar depression which followed every previous war, and consequently little confidence in the maintenance of corporate earnings.

Price-Earnings Ratio

The Dow-Jones Industrial Average fluctuated between 161 and 235 during the 1948-1950 period. These levels were 6.4 to 8.5 times earnings. In the 1951 through 1953 period the price-earnings ratio of the 30 Dow industrial stocks fluctuated betwen 9.0 times and 11.8 times. It was not until 1954 that the market took cognizance of the tremendous basic growth in our economy from the end of World War II and the Dow Average at 404 at the end of 1954 was capitalizing that year's earnings of $28.40 a share at a little over 14 times. This was neither a new peak nor an extraordinarily high capitalization factor. In fact, in every year from 1929 through 1946, except the first two years of the war (1941-1942) the Dow Average, at its high, capitalized earnings at an equal or higher ratio. At the peak of the 1929 boom the capitalization factor was over 19 times; at the peak of 1936 it was 18 times; and it was almost 16 times at the top of the 1946 market. Last year the Dow-Jones Industrial Average advanced 21% to a year-end peak of 488. During 1955 earnings on the 30 Dow-Jones stocks rose a thumping 27% to about $36, while dividends on these stocks increased 23%. Thus, at its recent peak the price-earnings ratio of the 30 Dow stocks was 13.8 and at the recent low of 460 the ratio was about 12.8 times. As you can see, there has been some impairment of investor confidence in the last 13 months.

Bond-Stock Yield Ratio

In talking about the high level of stock prices much has been said about the current narrow spread between stock yields and bond yields. It is narrow in relation to the spreads existing in the early postwar years when we had a pegged money market and were capitalizing earnings on stocks at low ratios. The ratio of Dow-Jones Industrial stock yield to Moody's Aaa corporate bond yield currently stands at only 1.22 against what many observers consider a normal ratio of about 1.75. But the current yield on the Dow 30 stocks was 4.4% at the 488 recent peak and 4.7% at the recent low of 460. This is not low in relation to yields at prior peaks of the market. In 1929 the yield was only 3.34%; it was 3.81 in 1936 and only 3.53 at the 1946 high. Furthermore, we are currently having a steady flow of increased dividend declarations. I do not think the market can decline very far from the current level without the dividend factor providing real support.

Surveys Capitalization Factor

If you believe that business activity for 1956 will equal or exceed the 1955 peak levels or even come pretty close to those peaks, there is, in my book, room for the market to advance. In my organization we are estimating 1956 earnings for the Dow-Jones stocks at something around $38. If you capitalize these earnings at a ratio of 13, it is equivalent to a Dow Average of 494. If enough people believe that these earnings are potentially attainable and there is a return of confidence to a 14 times ratio, the equivalent for the Dow would be 532. If, as I personally believe, we are having our most important 1956 adjustments in business early in the year so that the second half will be better than is being forecast in many places; if, as I also believe, the tight money situation will not deter business expansion nor unduly depress consumer spending; and if we have favorable political results, it is quite possible that renewed confidence could raise the capitalization factor to 15, equivalent to a Dow-Jones Average of 575. On the other hand, if there is a further lack of confidence in the maintenance of current economic activity for any one of a variety of reasons, the capitalization factor could slip back and you can pick your own point as to how far you think it would go in that direction.

Basic Trends

From the peak of the postwar boom in 1948 to the present time we have had a population increase of approximately 20 million people, or 13%. We have physically expanded the production of goods, as measured by the FRB Index, by 38%; our gross national product is up 50% and disposable income in the hands of the public has risen 44%. That these trends are basic and continuing ones seems to me a quite reasonable assumption. Population increase is one thing we can forecast with a fair degree of assurance and population is slated to go up another 12 million people in the next five years. While this is not as rapid a rate of increase as witnessed in the last seven years, it is substantial and particularly important because the largest increases will be in the under 20 and over 65 brackets. If you want to look ahead for a 15-year period, the gain is estimated at some 31 million people which is almost 20% above our current level.

There are other things that seem to me to give promise of a bright tomorrow. They include the continuing decentralization and expansion of industry, the tremendous research activities, the average American's desire for a better way of life and the almost unknown factors of atomic and solar energy. While the continuing growth of our economy seems assured, the upward trend may be temporarily interrupted from time to time and in any event will never progress in a straight line. In my organization we are estimating a modest continuing upward pressure on prices and believe that gross national product will increase over the

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*An address by Mr. Herbert before the Investment Forum, Graduate School of Banking's 20th Reunion, New York City, Feb. 3, 1956.

The State of Trade and Industry

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

There was a slight decline in total industrial production for the country-at-large in the period ended on Wednesday of last week, but output, nevertheless, exceeded by a considerable margin that for the corresponding level in 1955. Slight reductions were noted in the output of automobiles, steel and electric power.

With respect to the employment situation, it was learned that initial claims for unemployment insurance decreased almost 12%, with the level 12% under that of a year ago. Layoffs slackened in the lumber, construction and apparel industries. The greatest drop in claims occurred in North Carolina, New York and California.

Employment set a January record despite larger-than-normal layoffs in automobile and soft goods industries, a joint report of the United States Departments of Commerce and Labor stated.

The report noted that 62,900,000 persons had jobs in mid-January, 1,300,000 fewer than in December, but 2,700,000 more than in January, 1955, and 1,900,000 above the previous January record set in 1953. The agencies called the drop from December "seasonal" because of the large number of temporary, holiday season jobs in December.

In a separate report, the United States Department of Labor said the number of persons making first claims for state unemployment compensation continued to taper off in the week ended Jan. 28. The week's 274,100 initial claims were 7,200 fewer than a week earlier.

The department's latest count of persons receiving state unemployment compensation went up, however. Tallied a week earlier than the initial claims check, total insured unemployed came to 1,472,000 in the week ended Jan. 21. That was 31,200 more than in the previous week, the department said.

In the steel industry higher prices are needed to help pay for the biggest steel expansion program in years, states "The Iron Age," national metalworking weekly, this week.

If the pressure grows strong enough, there could be an across-the-board price increase of $3 to $4 per ton, soon. Perhaps more. Meanwhile, advances in steel extras and additional charges for special requirements have increased average steel prices (base plus extras) about $1.30 per ton since last July. This is exclusive of extra revisions in tinplate, which is sold largely on a contract basis, declares this trade weekly.

Although business and profits have been good, steel producers argue that their return on investment is not up to return on sales. With expansion costs averaging $200 per ton, a lot more than the book value of installed capacity, the need for higher prices is apparent, it states.

Recent revisions in extras on hot-rolled carbon sheets and strip average out to about $3 per ton increase and similar extra changes on carbon plates about $5 per ton. As a result of these and other changes warehouse prices have risen accordingly.

Steel producers are more concerned than they care to admit over the outlook in steel labor this summer. Dave McDonald's United Steelworkers will play up better steel profits for all they're worth, this trade authority points out.

The recent settlement for 15 cents an hour in the oil industry and built-in increases ranging from six cents an hour in other industries will be further talking points for Mr. McDonald.

If steel labor's price for another year of peace in the industry is 17-18 cents an hour, as some suspect, it will be touch and go on the question of a strike. If McDonald wins, steel prices may have to rise as much as $8-9 per ton to compensate for the increase, "The Iron Age," concludes.

The ranks of idled auto workers continued to swell last week as United States car producers continued to prepare for further braking of car output, "Ward's Automotive Reports," noted on Friday of last week.

Nevertheless, car rosters for the current work period, pegged at 141,209 units, showed a 3.5% gain over last week's production

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Observations . . .

By A. WILFRED MAY

THE TENDER SUBJECT

The corporate revolution, be it deemed either company "revitalizing" or lowly "raiding," marches on! Western Auto Supply, whose stockholders are now being importuned to *tender* their shares, constitutes the scene of the latest full-scale attempt by outside interests to wrest control from incumbent management. This process, motivated by shrewd investors desiring to improve properties and earning power or snap up undervalued properties for a quick personal profit, or both, has run the gamut from contested elections, as in the cases of Montgomery Ward and New York Central, to so-called "raids" involving Libby, McNeil & Libby; Tiffany's; Penn-Texas; South American Gold and Platinum; Ohio Match; Atlantic Gulf & West Indies; New York & Honduras Rosario Mining; IT&T; Bayuk Cigars; Fairbanks, Morse, *et al.*

A. Wilfred May

In any event, the popular word "raider" constitutes an unfortunate epithet with unfair connotations, to describe the activity. In more cases than not, the actions of the insurgents, in displacing the management and renovating the operations of the business, prove beneficial to all of the stockholders of the company.

Whether an insurgent's attempt to "muscle in" involves drama-laden election contests entertaining the general public, or an attempt to gain control without an election fight, crucially important corporate, legal, ethical, and investment issues are entailed. It highlights important implications of our corporate system's separation of control (by management) from ownership (by the scattered stockholders), with the resultant possibility of conflict of interest between the two.

As a matter of fact, the election itself realistically is the least important event in a fight for control, since the result has almost invariably been already determined by preceding events. Usually the election is merely the anti-climactic routine wind-up battle in a war with an assured outcome.

And as long as there are still available companies as "sitting-ducks," such operations for galvanizing underlying values into the realization of a justified market price for the shareholders will continue. The two indispensable prerequisities are: (1) The practical possibility of obtaining working control via availability of stock, and (2) The possibility of acquiring sufficient stock at its depressed price level, so that a worthwhile profit can be made.

Tender, or Competitive Stock Purchase?

The choice open to the insurgent faction between getting a foothold through tender offer or outright stock purchasing, often offers a real procedural problem.

The tender device is definitely preferable where the company's stock has a thin market (as when it is unlisted), or where the management, exceptionally, owns a large block of the stock.

Otherwise, market purchasing is preferable to the tender technique; principally because it permits management to act in opposition less readily. Such management opposition may take the form of (1) General contrary action; (2) Touting the company in various ways; (3) Getting the dividend up, and even possibly stock-splitting to boost its market price; (4) In cases of companies having authorized, but unissued stock, having it issued to a friendly party. As in the Fairbanks, Morse-Niles Bement Pond fight; (5) Continued attack via direct stockholder communication, as in this week's renewed barrage against Leopold Silberstein for the Fairbanks, Morse management; and/or (6) The withholding of stockholder identification.

Where management has little stock, and particularly if secrecy is maintained, by insurgents' quick and otherwise strategic buying

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Trucking Industry's Dynamic Future and Credit Requirements

By ROY A. FRUEHAUF*
President, Fruehauf Trailer Company

Trucking leader describes motor transport's phenomenal growth and foresees further dynamic expansion and its accompanying credit needs. Ascribes increased trucking share of intercity freight ton-miles to: (1) population change; (2) suburbanization and its shopping centers; (3) additional mail carrying; (4) industry decentralization; (5) piggy and fishy-backing profitableness ; (6) better highways, and (7) bankers' receptivity to truck loans. Calls attention to the peculiarities of the trucking industry's balance sheet, and the financial requirements of power tractors and trailers.

What I plan to tell you concerning the future of motor transportation is based on sound reasoning, considerable research — and fine sharp thinking of some really brilliant people.

Roy Fruehauf

We in the motor transport industry —which today is America's largest industrial employer —feel that we have a real basis for confidence—some "plain, plump facts" as the poet Browning called them, which merit an optimistic view of the future.

Back about a hundred years, the English statesman, Richard Cobden, said: "Great economic and social forces flow with a tidal sweep over communities that are old half-conscious of that which is befalling them."

Motor transport has come with a tremendous tidal sweep in the last 10 years. In the 10 years ahead—the "ten golden years" ahead, as Philip D. Reed, General Electric's Board Chairman, has labeled them — motor transport's growth will be even more tremendous, even more engulfing than the growth of the last 10.

Motor transport got its modest start in 1898 when an enterprising business man removed the rear seat from a passenger automobile and replaced it with a box to hold packages.

It was some 16 years later—in mid-1914 — before another enterprising business man walked into my father's blacksmith shop in Detroit and presented my Dad with a problem. He said he had to haul a boat from Detroit to a lake in upper Michigan. The boat was much too long, he said, to be hauled in his model T Ford. "What can you do?" he asked my Dad. No one is certain what Dad answered verbally, but the result of that request was the construction of the first Fruehauf trailer.

In 1914 there were 99,000 trucks registered in the 48 states. In 1928 this figure, which now included truck-trailers, reached 3 million.

By 1937 a total of 4 million trucks and trailers were on our highways. World War II gave trucking another tremendous boost because our armed forces were quick to seize upon this "go anywhere" type of transportation. Our company alone designed and built 125 different types of trailers for the men under arms.

By 1945 there were 5 million trucks and trailers in use. In 10 years' time this total doubled. In 1955, 10 million trucks and trailers carried the freight over our highways.

When the Interstate Commerce Commission started regulation of motor carriers and received its first reports from motor carriers for the year 1937, there were 54 trucking companies which had annual revenues of more than $1 million each. In 1955 there were more than 853 motor carriers which reported to the Commission annual revenues of $1 million or more. This represents a phenomenal growth. That segment of the motor carrier industry which is not subject to economic regulation, such as private carriers and carriers of exempt commodities (agricultural commodities and others), has also expanded at an accelerated pace.

Motor carriers, both public or for-hire and private, transported 9.1% of the intercity freight ton-miles in 1946. This increased to 19.1% in 1954.

A recent advertisement of the First National City Bank of New York, under the headline, "Trucks triple work load in 15 years" has excellently summarized the case for the trucking industry. The ad stated that:

Last year, the country's 10 million trucks and trailers hauled the equivalent of 100 round-trips to the sun with a 10-ton load. This represents a 200% increase over the year 1940.

To do this job, trucking has become America's largest industrial employer and a leading public servant. Today, motor transport moves 75% of the nation's freight, provides one of every 10 jobs, and spends almost $30 billion on wages and materials. Truck owners pay one-third of all motor vehicle taxes, and buy over 10 billion gallons of gas a year. In 1954, truck and trailer manufacturers bought raw materials from every state to produce a million new trucks and trailers.

Now, if you will pardon a personal aside, I would like to point out that while amazing has been the growth of trucks in use, the growth of the nation's trailer fleet has been even more astounding.

For example, in 1940 there were only 130,000 freight-hauling trailers on our highways. By 1950 the trailer total had grown to 420,000. In 1955 it totaled 700,000. So, while trucks doubled in number of vehicles in the 15 years, from 1950 to 1955, the trailer fleet grew to nearly 5½ times its 1940 total.

All this brings us to the threshold of 1956—and to the forecasts for Mr. Reed's 10 golden years ahead.

What do we see for motor transport in the next 10 years?

Let me tell you first what some others think about our industry's and the nation's business prospects.

For example, Dr. Charles Taff, professor of transportation, University of Maryland, in his newly published textbook, "Commercial Motor Transportation," writes, "The phenomenal growth of commercial motor transportation is one of the most significant economic developments of the 20th century." He looks forward in the years ahead to "a continuing growth rate for motor transportation that will accelerate even more sharply than the rate of growth of the national income."

Several studies, notably that by the President's Materials Policy Commission, have now been substantiated by the Joint Committee on the Economic Report, U. S. Congress, which forecasts a tremendous growth of the economy, including a 64% growth in corporate products, by 1965 — just nine years from now.

Looking over these reports — and after considerable research on its own—the staff of Standard and Poor's Corporation, in a just published study, labels the years ahead as "the age of dynamic expansion."

"In the future," the study concludes, "we will have more of

Continued on page 28

*An address by Mr. Fruehauf before the Eighth National Credit Conference, American Bankers Association, Chicago, Ill., Jan. 17, 1956.

Looking Ahead at the Market

By WILLIAM R. WHITE*

Stock Market Analyst of Hornblower & Weeks

Mr. White lists as overhanging business handicaps: (1) imminent decline in passenger car production; (2) contraction in building of new homes; and (3) credit restrictions. Points out offsetting favorable factors; and maintains President Eisenhower's political intentions constitute market's most important near-term factor. Concluding pessimism has been overdone, cites as prominent among backward market groups: steel and non-ferrous metal producers, railroad equipment, farm equipment, tobacco, and sugar producers and refiners.

Business and financial markets seem destined to face an intense struggle this year to keep from losing part of the tremendous gains of 1954 and 1955. This is the considered view of eminent economists and of numerous market technicians. There are sound reasons, in the national economy as well as in technical aspects of price behaviorism, to support the thesis that has induced widespread doubts over the ability of stocks to continue their vigorous rise. On the other hand, numerous favorable influences undoubtedly could be called upon to retard deflationary forces as they begin to manifest themselves or even possibly to revive confidence in another upward surge of enthusiasm. Since an important national election looms on the horizon, it would seem reasonable to suppose that recourse may be had to easing money rates if a downtrend in the industrial production index or in share prices should develop momentum.

William R. White

Looking ahead for the next 10 to 12 months then one may wonder whether prospects of increased corporate earnings and dividends warrant any considerable further rise in stock prices; at the same time, the investor interested primarily in current income and long range appreciation of underlying equities may doubt the wisdom of disposing of seasoned securities. Extremely burdensome capital gain taxes discourage profit-taking. Accordingly, we find powerful forces combining to restrict market fluctuations in a narrow sidewise trend. Over the coming months popular measurements of stock quotations may not deviate from current levels of more than 10 to 12%. The Dow Industrial index stands some 3% below its all-time peak. As a guess, a new high may be reached before May 15 and another peak may be seen in the early autumn.

*A talk by Mr. White before the Bull & Bear Club of the Harvard Law School, Feb. 8, 1956.

Reasons for Caution

Examining more closely some of the reasons for caution previously mentioned, we find that there are three principal handicaps with which business must contend — a decline in passenger car production, curtailment in residential construction and slackening in demand for "big ticket" household appliances. A slower pace in these important segments of the economy almost certainly will counteract expansion in industrial construction and perhaps a moderate pickup in defense expenditures. As a result, the production index may decline moderately by the end of the year.

A modest contraction in volume of new motor cars would not be surprising, of course, considering the unexpected splurge last year which accounted for the best sales total ever known. A drop of 12% to 15% would not be too much to anticipate, since attractive terms offered by dealers last year undoubtedly encouraged purchases by individuals who otherwise would have waited until 1956 for a new model. Moreover, enthusiasm stimulated by the vigorous rise in stock prices in 1954 and the first few months of 1955 undoubtedly spurred demand for cars that would not have developed from other causes. Hence, an urge to replace the old car with a new two-tone model surely must be less aggressive this year than 12 months ago — especially since the stock market has failed for many months to provide the necessary aura of wealth created by market profits.

Potential Motor Revival

If the drop in new car sales should show indications of becoming excessive by May or June, manufacturers may be expected to rush plans for an early display of 1957 models. Introduction of next season's lines is counted upon to spur new interest, since leading makers already have determined on extensive changes in design and equipment. An early showing of new cars may bring about a greater-than-normal dip in manufacturing activity in the vacation period of late June and July, but could rouse enthusiasm that might find reflection in a rally in stocks in late summer and early autumn.

The second most important restraining influence on industrial activity is the probable contraction in building of new homes. Last year's exceptionally large total of sales, encouraged in no small measure by credit inducements and by the favorable stock market environment of 1954 and early 1955, went a long way toward satisfying actual wants. Sales must have exceeded new family formations by a wide margin. Expansion of suburban areas has been so rapid that numerous school and commuting problems have developed to plague new residents and to serve as restraining influences as city residents search for homes in the country. In short, the need for additional housing has greatly lessened and the attractions that drew families from metropolitan areas are not nearly so strong as a year or two ago.

Handicap of Credit Restrictions

Consideration of the third important handicap on business brings up for examination a factor likely to have an important bearing on the trend of industry and finance—namely, credit restrictions. A probable decline in demand for major appliances was mentioned as a potential depressing influence this year. More careful scrutiny of credit risks and imposition of stricter terms account in no small measure for a slightly reduced volume of orders. The prospect that fewer new homes will require installations of appliances may be mentioned as another possible cause of a downtrend in sales, and stricter credit arrangements could be advanced as a basis for reduced demand for homes.

The credit valve can be adjusted so easily, however, that it is well to recognize the possibility of a shift in emphasis having significant repercussions. As an example, one may recall that tightening of margin requirements undoubtedly curbed speculative activity last year, contributing to the slowdown that encouraged caution in other segments of the economy. The lack of market enthusiasm induced by higher margins may have had much to do with the recent sales slump in motor cars as well as in a widespread tendency to postpone demands for more commodious living quarters.

What might happen if margin requirements now should be lowered? A modest easing certainly could be justified, since speculation that flowered early last year has faded to a shadow of its former self. In view of the fact that most investors anticipate reactionary trends in industrial production, the urge for revival of speculative interest is lacking for the moment. Accordingly, a return to 60% margins might have immediate effect. If business should remain on a higher plateau than had seemed possible or should rise contrary to expectations, easier credit well might contribute to a strong recovery in stock prices and thereby rouse buyer interest in new cars and better homes.

It will be interesting to see whether the vital ingredient of credit can counteract a natural reluctance to enthuse over stocks that have reached levels where earnings and dividends seem to have been fully appraised.

The $64 Question

The discussion up to this point has omitted the most important near-term market factor likely to require appraisal this year, namely, President Eisenhower's disclosure of his 1956 political intentions. So much has been said on this subject that it need not be reviewed here. There seems little doubt that the decision would have considerable bearing on sentiment in the business world and undoubtedly would influence policies governing expenditures on long-range construction programs.

Removal of uncertainty surrounding this situation promises to have a favorable effect—especially if the President decides to head the Republican ticket again. Possibility of a decision to retire from public life appears to have been discounted to a large extent —perhaps not quite completely— and elimination of all doubt would prove constructive, since uncertainty poses a greater problem for investment managers than any actualities.

Clarification of the political atmosphere, then, could prove a significant near-term market factor. Beyond early autumn, business and finance probably will be influenced more by projections of 1957 earnings and dividend potentialities than by campaign promises.

Backward Groups

In contemplating prospects for the next 12 months, one should not overlook the fact that because many industrial groups have not participated in the two-year boom, these exceptions should be regarded as vulnerable to depressing forces. Prominent among backward groups are manufacturers of railroad equipment, who have experienced a resurgence in orders; farm equipment companies, cigarette and cigar manufacturers, sugar producers and refiners, and many smaller groups. In addition, the steel industry seems certain to prosper for at least many more months and non-ferrous metal producers are being called upon to supply urgently needed materials. Pessimism can be overdone.

Form Citizens Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ALEXANDRIA, La. — Citizens Investment Co., Inc. has been formed with offices at 1407 Murray Street to engage in a securities business. Officers are James L. Williams, President; B. L. Williams, Vice-President; and Leonard Williams, Secretary-Treasurer.

Irving J. Rice Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Herbert W. Busher has been added to the staff of Irving J. Rice & Co., Inc., Pioneer Building.

With B. C. Morton Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Samuel P. Glassman has become associated with B. C. Morton & Co. Mr. Glassman was previously with Waddell & Reed, Inc.

Dewey, King & Johnson Formed in New York

Formation of the firm of Dewey, King & Johnson to conduct a general securities business is announced today. The new firm which will maintain offices at 64 Wall Street, New York, will have representatives in Albany, Troy, Boston, Philadelphia, Washington, Harrisburg, Allentown, Williamsport and Providence.

Partners of the firm are George A. Dewey, Jr., Ross E. King, Andrew R. Johnson, Gilbert M. Blakeney and Joseph Sussman. All were formerly associated with R. H. Johnson & Co.

Formation of Dewey, King & Johnson was previously reported in the "Chronicle" of Jan. 19.

Elmer C. Schroeder With Manley, Bennett

DETROIT, Mich. — Elmer C. Schroeder has become associated with Manley, Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. Mr. Schroeder was formerly a partner in Andrew C. Reid & Company.

Exchange Firms Govs. To Hold Meetings

The Board of Governors of the Association of Stock Exchange Firms will hold scheduled meetings in 1956 as follows:

Houston, Texas, March 12-14, Edward Rotan, Rotan, Mosle & Co., Resident Governor in charge of arrangements.

Detroit, Mich., Oct. 3-5, William C. Roney, Wm. C. Roney & Co., Resident Governor in charge of arrangements.

New York, N. Y., Nov. 14, Local Committee.

Bank Credit Associates To Hold Dinner Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting on Thursday, Feb. 16, at the Railroad Machinery Club. Reception will be held at 5:30 p.m. with dinner at 6:30 p.m.; tariff, $4.75.

A feature of the evening's program will be a panel discussion on "Hedging in the Commodity Futures Markets," with Harry B. Anderson, Irving Hankin, and Herbert F. Kebel, of Merrill Lynch, Pierce, Fenner & Beane, as panelists.

Reservations should be made with Robert J. Kurau, Grace National Bank of New York.

Four With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — Richard F. Ellison, Robert E. Mauck, Edwin H. Russell and Charles D. Zeisler have become affiliated with King Merritt & Co., Inc., Woodruff Building.

Economy's Irrepressible Growth And Changing Scope of Industry

By R. C. INGERSOLL*
Chairman of the Board and President, Borg-Warner Corporation, Chicago

Prominent industrialist portrays the ever increasing and changing spread of our basic industries in reviewing "unbelievable achievements of today" and "limitless" potentialities of tomorrow. Foresees a good year in 1956, and urges rejection of complacency in education and development of technical and administrative personnel. Whether smaller manpower potential will match great rise in living standards and production brought on by automation seen by Mr. Ingersoll to be our greatest problem.

It is a far cry back to that day in 1892 when the first successful horseless carriage made its debut. It has changed the pattern of our life since then. The automobile at first was a luxury —a rich man's plaything. Today it is a necessity for most American families.

Roy C. Ingersoll

But even beyond that, let us consider the automobile's tremendous impact upon all American industry and upon the economy as a whole.

In 1899, automotive manufacturing plants employed 2,500 persons. Today they employ 910,000. More than 23% of all steel shipments went to the automotive industry in 1955. Also: 85% of new rubber; 74% of glass; 64% of malleable iron castings; 47% of magnesium; 42% of lead; 22% of zinc, and 18% of nickel are fed into the cars and trucks on the road today. In addition, billions of dollars worth of parts, accessories, plastic materials, copper, brass, textile materials, chemicals, abrasives, welding supplies, fixtures, and lubricants are purchased annually by the automotive industry.

There are 286,952 automotive firms of various sorts. Out of every 100 automotive employees, 30 are working in the automobile or automotive parts factories, 28 are engaged in public utilities work (like trucking, highway transportation, and taxicab service), 36 are in retail trade (as in new and used car dealerships, gasoline service stations, and accessory stores); and six are employed in auto repair shops and garages. Millions of farmers, miners, and other workers also look to the auto industry as a market for much of their output.

So we easily can see from these few statistics what a tremendous part the automobile plays in the lives of Americans everywhere and how vital it is to all of us that the motor car industry prospers.

Industrial Interdependence

These figures also illustrate the great and increasing interdependence of American industry. It is important to recognize this interdependence of industry as a key factor in the functioning of our economy. . . .

I recall once having created a little stir back in 1948 or thereabouts when I remarked that the 1946 decline of slaughter in packing houses—caused by government controls—had cut down the construction of new homes. How could this happen? What did the slaughtering of animals have to do with housing? Well, nails for house construction are basically made of wire. The wire cannot be drawn without the use of certain lubricants which are a by-product of commercial animal slaughter. Thus, reducing the packing plant output in 1946 deterred the building of homes, as many a contractor or real estate man will remember.

This is all a part of the technological and economic interdependence of today's industry.

Farming Changes

Consider the amazing transformation of the agricultural industry, for example. When I was a boy, we raised most of the things we needed. The farmer did not have to concern himself greatly with cash outlay.

The farmer used to grow his power in the oats field. Today it comes from gasoline cans. Technological improvements have greatly increased the farmer's dependence on the industrial economy.

Modern farming is capital farming. Machinery, insecticides, hybrid seeds, and so forth—these are necessities for any farmer, even when he is starting in business, if he is to keep his head above water in the efficient and increasingly competitive field which agriculture has become.

This means that the farmer must lean more heavily upon industry — that he needs much more cash to do an efficient job —and also that he is increasingly exposed to fluctuations in price levels. Therefore, it is small wonder that he turns more and more to you in the banking business for intermediate credit. That, I know, is why all of you have given increasing attention in recent years to the fact that the average farmer, unlike his city cousin, may need a three, or four or five-year loan instead of a short-term loan if he is to equip his farm properly and be efficient and competitive.

In 1900 one worker on the farm supported about seven persons off the farm; today he supports about 17. There has been a decline of 20% in manhours worked on our farms in the last 25 years, and in that same period there has been a 70% increase in agricultural output. A declining labor force and a rising productivity—this is how modern technological advancement has dramatically changed the pattern of our agricultural life.

Housing Construction

Now let us take a look at urban living. Every 38 seconds an American family is moving into a new home. Just since World War II we have built over 10-million homes. One out of every four persons today is living in a new house erected in the last 10 years. Meanwhile—though we seem to lack accurate statistics on this subject — it is generally agreed in the building industry that our expenditures for home improvement equal and perhaps exceed those for new home construction.

Home building, of course, is one of the measuring sticks of our economic status, and by this measurement we would seem to be in a very healthy situation. You, whose responsibility it is to sift credit risks and to see that the borrower has some equity in what he is buying, must judge whether there are unduly loose credit terms in this industry. Terms like "no down-payment and 40 years to pay" for a home astound many of us frugal old-timers.

Another well recognized change in the pattern of our American home life is the so-called "flight to the suburbs." The population growth in the suburbs of the nation is about seven times as fast as that of the cities they adjoin—a situation largely made possible, as we have indicated, by the automobile. Just in the last five years, according to a report by the Census Bureau, the suburban population has jumped nearly 28% while the population of central city areas has grown by only 3.8%.

Another change in our home life—our metropolitan home life —that is not quite as generally recognized is the relatively new and concentrated effort to "build from within"—to arrest the stagnation of our central cities—to give them a brighter future by the rehabilitation not only of their obvious slum areas, but by the improvement and modernization of their less obviously deteriorated business and residential districts. I am proud to have been an active worker with the Chamber of Commerce of the United States for many years. I hope that those of you who are concerned with these urban problems will join our increasingly successful program designed to halt urban decay as represented by intolerably crowded streets, costly traffic delays, overoccupied houses and buildings that are in need of major repairs or deficient in plumbing and heating facilities, and inadequate public and recreational facilities.

Female Labor Force

Yes, modern industry and its products are changing our economic and social pattern. I read recently that 11-million married women are employed outside their homes in America today. I remarked on this to Jud Sayre, the President of our Norge Division, the other day; and I didn't surprise him a bit. He pointed out that mechanical refrigerators, freezers, gas and electric ranges, automatic washers and dryers, and scores of other modern appliances have eliminated a great percentage of the drudgery from housekeeping. Housewives used to spend about a third of their waking hours on the preparation of meals. Today packaged foods and mechanical conveniences make it possible to serve a meal within a very few minutes.

An associate of mine who lives in a small, modest home asked me recently to guess how many motors there were in his place. I guessed six or seven. He told me that he had discovered 27 — in kitchen and laundry appliances, a vacuum cleaner, a record player, the furnace, an electric clock, etc. This is proof that our houses today have become mechanized industries in miniature.

Petroleum Products

The industrial-economic picture is a motion picture. This gives it its great interest and its profound significance. Our company has become increasingly active, particularly within the last two years, in the area of petroleum. It is estimated that expenditures for the drilling of wells in 1956 will total $59 billion as against $57.5 billion in 1955. But in addition, I should like to point out that this industry, like all American industry, does not stand still —it does not rest on its laurels. Beyond the great strides which we all know it has made in serving industry and our economy as a whole, it has now developed an industry within an industry—the petro-chemical industry. Many things, from rubber to textile fibers to plastics, are made from petroleum today. This new industry within an industry is growing by leaps and bounds.

Somewhat similarly, the aircraft manufacturing industry has sired an "infant" industry—and I put quotation marks around the infant. This infant is the lusty air transportation industry, which since 1929 has shown an annual rate of growth of 30.3%—more than three times the rate of growth of any other industry.

Chemical Industry

Now — the chemical industry. Frankly, I would like to talk to you for a long time about my company's program of expansion in the field of plastics. But I will try to cut short the "commercial" by saying simply that a tough new thermoplastic called Cycolac, developed less than a year and a half ago by the Marbon Chemical Division of Borg-Warner over in Gary, Indiana, has already won a very high national market acceptance. To meet the demands of the end users of this product, we right now are expending many millions of dollars to expand our Marbon production and laboratory facilities.

But for the purposes of my talk, this is merely a single illustration of the theme which I have been seeking to develop—that is, the changed and changing industrial and economic picture and how it is affecting the pattern of our lives.

Let us consider, for instance, the possibilities for the future in only one branch of the chemical industry—synthetic resins and plastics. The plastics industry isn't new. John Wesley Hyatt invented celluloid in 1868. Shellac was first used in phonograph records in 1895. But it was not until 1926 that plastics came into its own, and about 30 new synthetic plastic materials have been introduced since then. It was not until post-World War II years that plastics really became a part of the pattern of our living. Today the average seven-cubic-foot refrigerator contains 22 pounds of plastic components compared with one pound in a typical 1935 model. The average automobile today has an estimated 20 pounds of plastics as opposed to 7½ pounds per car in 1941. The amount of plastics used by the average American family has increased from nine pounds in 1940 to 83 pounds in 1955. Within the next five years, this is expected to reach over 150 pounds.

I quote from the January 1956 issue of the magazine "Modern Plastics": "Plastics and synthetic resins sales went through the roof like a charge of dynamite in 1955. The much sought-for goal of three billion pounds was left far behind as all major resins exceeded past records for a total of somewhere near 3½ billion pounds. When the final record is written, it will probably verify the estimate that 1955 sales exceeded 1954 by almost a billion pounds — an increase somewhere between 35 and 40%." It also should be noted that the 3½ billion to 4 billion pounds of synthetic resins and cellulosics produced last year compare with 100 million pounds produced in 1934.

Continued on page 31

*From an address by Mr. Ingersoll before the Eighth National Credit Conference of the American Bankers Association, Chicago, Ill., 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:

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.

Beneath October 1955 Lows—List of 40 issues selling at discounts from lows of last October—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Commonwealth of Massachusetts—48th edition of booklet giving up-to-date financial statistics—Tyler & Company, Inc., 11 High Street, Boston 10, Mass.

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

Government Bond Portfolios—Circular giving breakdown of Sources of Gross Income — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Investment Facts—Pamphlet listing common stocks traded on New York Stock Exchange, which have paid cash dividends each year for 25 to 108 years—New York Stock Exchange, New York 5, N. Y.

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

Japanese Stocks—Current information—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

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 13 issues—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Outlook for Electronics Industry—Bulletin—Seligman, Lubetkin & Co., 30 Pine Street, 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.

Stock Market Forecasts—23rd annual appraisal of the outlook for business and stock prices—Available to subscribers to "Business and Investment Timing" service—Six months' trial subscription $25—Anthony Gaubis & Company, 37 Wall Street, New York 5, N. Y.

Turnpike Issues—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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American Encaustic Tiling—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Dow Chemical** and **Reynolds Metals.**

Atlas Consolidated Mining & Development Corporation—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Avien, Inc.—Bulletin—Greenberg, Strong & Co., First National Bank Building, Denver 2, Colo. Also available is a bulletin on **Moab Mines, Inc.**

Beckman Instruments, Inc.—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Black & Decker Manufacturing Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **American Cyanamid Company**, a review of the market and "Pocket Guide for Today's Investor."

Celotex Corporation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Chesapeake and Ohio Railway — Annual report — Chesapeake and Ohio Railway, 3813 Terminal Tower, Cleveland 1, Ohio.

Consumer Credit Corporation — Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Dresser Industries—Memorandum—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Eastern Air Lines, Inc.—Review—$2 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Gisholt Machine Co.—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Hooker Electrochemical Company—Annual report with 5-year summary of the combined companies — Secretary, Hooker Electrochemical Company, 35 Forty-seventh Street, Niagara Falls, N. Y.

Houston Oil Field Materials Company Inc.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

Jones & Laughlin Steel Corporation—Analysis—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Kerr McGee Oil—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Loew's Inc.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

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

Mohasco Industries, Inc.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Pacific Uranium Mines Co.—Circular—Singer, Beane & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Pepsi Cola Co. of Washington, D. C.—Bulletin—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Phillips Petroleum Company—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Philco Corp.**

Radio Corporation of America—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **York Corporation.**

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

Rockwell Manufacturing Company — Card memorandum — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Scranton Spring Brook Water Service Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is monthly comparison of **Public Utility Common Stocks.**

Servo Corporation of America—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Tri Continental Corp.—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

United Fruit Company—Analysis—Hay, Fales & Co., 71 Broadway, New York 6, N. Y.

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

Strange Doctrine

The underdeveloped areas are "the biggest vacuum in the history of the world.

"It will take the most extraordinary and skillful combination of government and business partnership this country has ever produced if we're going to fill this vacuum before the Communists fill it. Obviously we cannot afford to let them fill it.

* * *

"They are offering aid of one kind or another to nations all the way from Egypt to Japan.

"The question is whether they are going to have government capitalism and ultimately communism or whether they will have a people's capitalism and freedom."—Thomas E. Dewey.

Thomas E. Dewey

Do we really have to buy these people off from their own destruction?

Who supposes that the Kremlin will really fill any "vacuum" of the sort?

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.

Feb. 21, 1956 (New York, N. Y.)
Milwaukee Bond Club annual meeting and election of officers at the Skyroom of the Plankinton Hotel.

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.

March 12-14, 1956 (Houston, Tex.)
Association of Stock Exchange Firms meeting of Board of Governors.

April 26-28, 1956 (Corpus Christi, Texas)
Texas Group of Investment Bankers Association annual meeting at the Hotel Driscoll.

Oct. 3-5, 1956 (Detroit, Mich.)
Association of Stock Exchange Firms meeting of Board of Governors.

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

Nov. 14, 1956 (New York City)
Association of Stock Exchange Firms meeting of Board of Governors.

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

Texas I. B. A. Group To Hold Annual Meeting

DALLAS, Texas — The Texas Group of the Investment Bankers Association will hold their annual meeting in Corpus Christi, Texas, April 26-28 inclusive. Headquarters will be at the Driscoll Hotel.

Arthur M. Krensky & Co. Opens NYC Branch

Arthur M. Krensky & Co., Inc., members of the New York Stock Exchange, have opened a branch office at 39 Broadway, New York City, with Arthur M. Krensky and Robert K. Wallace as resident officers. Joseph Meyer is also associated with the new New York branch. The firm's main office is located in Chicago.

Honor B. H. Armstrong—Fifty Years with Firm

The partners and employees of Jesup & Lamont, members of the New York Stock Exchange, gave a dinner Thursday evening at Oscar's Delmonico restaurant in honor of Ben H. Armstrong, celebrating his 50th Anniversary with the firm. Mr. Armstrong started his career Feb. 5, 1906 becoming a partner in 1932.

With Powell & Co.

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C. — Silas C. Crabtree is now with Powell & Co., 120 Anderson Street.

Present and Intermediate Stock Market Outlook

By AUGUST HUBER

Manager, Stock Department, Spencer Trask & Company
Members, New York Stock Exchange and
American Stock Exchange, New York City

Stock market expert concludes "intermediate vulnerability on the downside continues to outweigh the more restricted upside possibilities" and that present stock prices are above equilibrium level. Finds: (1) increased business expansion over last year running at $31 billion annual rate; (2) state-municipal spending increasing; (3) favorable expectation in consumer income level; (4) possible moderate income tax reductions; (5) credit restraints to ease with business downturn, and (6) 1956 corporate earnings to level out though business volume may increase. Describes role confidence plays in the economy and notes key position of Eisenhower. Sees closeness of stock-bond yield spread as indicative of approaching bull market peak.

Following a rapid recovery of the substantial ground lost by the shock of President Eisenhower's sudden illness, stock prices again entered an intermediate downtrend last November. During more recent sessions renewed rallying power developed, spurred largely by strength in the oil and gas issues. This performance anticipated the favorable Congressional action on the natural gas legislation.


August Huber

In my previous market discussion (Nov. 21), at which time confidence apparently had been largely restored, with the market at a new high, I pointed out a few future probabilities which suggested a cautious approach to the market.

Among these were (1) the uncertainty which would probably tend to grow as the weeks went by relative to President Eisenhower's political future; (2) a prospective decline in automobile production; (3) some easing in new housing. In conjunction with these factors were continued restrictive credit policies, sharply expanded level of private debt and, probably most important, the majority of stock prices were in a price area of apparent "overvaluation" relative to earnings, dividends, and nearer-term prospects. During the past month the market has evidently been reflecting these factors which have subsequently gained greater prominence and publicity as they moved from the realm of possibilities to realities.

The Dow-Jones Industrial Averages closed the year at their high of 488.40. This was just a shade over the tops reached on three previous occasions (between 477-488) on Sept. 23, Nov. 16, and Dec. 8. This area proved to be a rather effective upside "ceiling." The market subsequently declined to about 462, or 26 points, since the year-end.

While the recent decline had been fairly substantial, certain individual issues performed comparatively well and prices generally have improved during the past week. After their recent weakness the "Averages" were still comfortably above the low of 438 reached on Oct. 11 which followed in the wake of the shock from the President's heart attack.

Among the favorable factors in the outlook, are (1) the further estimated increase in capital expenditures by industry for new plant and equipment, which last year totaled $28.3 billion and is now running at a $31 billion annual rate; (2) further increases in State and Municipal spending; (3) expectation of favorable level of consumer incomes (though these were substantially augmented by borrowing last year); and (4) some possible modest reductions in income taxes of individuals.

In reappraising the situation currently, it is quite apparent that two of the chief aids to the overall economy last year were automobile and residential building activity. Both were substantially stimulated by heavy borrowing.

The estimated volume of mortgage debt on one-to-four family non-farm houses at the end of 1955 was $89 billion. This was a gain of $13.5 billion from a year earlier and was about double the average increase in the past 10 years of $7 billion annually.

Automobile instalment credit was up approximately $4 billion last year. This was the biggest gain ever registered in one year. Total auto debt of $14.3 billion was 5.3% of disposable personal income (also the highest relationship ever recorded) and compares with 4.1% the year before.

Total consumer credit outstanding at the close of 1955 reached $36.2 billion (an increase of $6.1 billion for the year and was 13.4% of total disposable personal income ($269 billion). This was well above the 11.8% of 1954 and compares with 9.9% in 1941; 9.3% in 1936-37, and 7.8% in 1929.

While the Administration's credit policies were tightened somewhat to restrain the boom, there appears little question that such restraints would be relaxed in the event of business sliding off, particularly in this election year. On the other hand, it cannot yet be definitely established whether the moderate declines in automobiles and residential building in recent months have resulted from credit policies or a temporary partial saturation of the markets. Credit tightening in any case, however, was probably a contributing factor.

The confidence factor is an important ingredient in assuming increased debt, both by business and individuals. Business will spend for new plants and equipment when earnings are good and the management is confident of the future. Consumers will borrow more heavily to buy durable goods and finance homes when they feel confident of their jobs and stability of future income.

There is one observation that can be made with reasonable certainty and that is that should underlying confidence wane, for one reason or another — economically or politically—business and consumer spending plans would very likely be curtailed.

The willingness of consumers to increase their personal debt was a dominant economic influence last year. The present all-time high ratio of debt to incomes is probably a strong obstacle to further appreciable expansion of personal debt this year.

So often, at this stage of the cycle, numerous consumers become oriented to a higher level of income and assume financial responsibilities which they later cannot fulfill. When such a situation has been attained, national output is invariably above the level of equilibrium. The result could be that some concatenation of events would precipitate a decline in expenditure for investment and consumption.

There are many elements of economic and political life which are not measurable or determinable with precision. There is also no accurate yardstick which indicates where the market, as a whole, should sell relative to earnings, at any given time. When confidence is high, stock prices will sell at better ratios to earnings, obviously, than when uncertainties exist and sentiment is less than exuberant.

During the past six years, the Dow-Jones Industrial Averages have sold as high as 14.2 times earnings (1954) and conversely, as low as 6.4 times earnings (1950).

Earnings per share on the "Averages" in 1955 rose to an estimated $36.25 per share from $28.40 the year before. Meanwhile, stock prices kept pace with this rise. At the high of 488 they were 13.4 times earnings, compared with a 14.2 ratio at the 1954 high, and 9.9 times at that year's low.

Dividends on the "averages" were $21.58 per share in 1955 against $17.47 the year before. At the highs for each year the yield was exactly the same, 4.3%. This compares with an average return, in the five-year 1950-54 period, of 6%.

The present yield spread between a composite list of 50 Industrial stocks (Standard & Poor's) and highest grade bonds, is 1% and about even (1.1%), with high grade preferred stocks. These relationships have frequently prevailed as the market approached bull market peaks.

From the present indications for 1956, as I view them, corporate earnings, on the whole, are likely at best to level out. As an example, the President's recent report forecast that corporate income taxes to be paid will remain at the same figure as last year—$20.3 billion. This would indicate that while the Administration is optimistic on business volume, corporate profits would feel the effects of both keener competition and higher costs.

In the main, stock prices are above what may be considered a level of equilibrium. There is no economic law which would prohibit them from going still higher if future expectations, based on continued confidence, stimulated further aggressive buying. However, there appear to be a number of uncertainties in the present outlook which could dampen interim enthusiasm. If future anticipations do not materialize as quickly as had been hoped, a price readjustment to nearer-term reality could develop.

The one common motivating factor in all business and market cycles is human expectation—which in turn—is affected by both reason and emotion. I may be belaboring the obvious but at the present time I believe the major confidence factor revolves around President Eisenhower. Whatever the ultimate decision may be will undoubtedly influence business and investment sentiment to a major degree one way or the other. To attempt to anticipate this decision would be dangerous and risky. But, at this stage of the market, with stock prices at relatively high levels, and in many cases already largely anticipating future contemplated growth rather than simply reflecting current and nearer term earnings, I would say the intermediate vulnerability on the downside continues to outweigh the more restricted upside possibilities. Basic investment policy should be guided accordingly.

With Harvell Inv.

(Special to The Financial Chronicle)

DENVER, Colo. — William F. Daugherty has joined the staff of Harvell Investment Company, Travel Center Building.

Joins Intermountain Secs.

(Special to The Financial Chronicle)

DENVER, Colo. — Raymond E. Cutrell is now with Intermountain Securities, Inc., 1712 South Broadway.

L. M. Ladet Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Howard J. Anderson has been added to the staff of L. M. Ladet Co., California Building.

Wm. H. Boggs Joins Sidney Jacobs Co.

William H. Boggs, formerly of New York and Baltimore, has returned to the Street, and is associated with Sidney Jacobs Co., 40 Exchange Place, New York City.


Wm. H. Boggs

Mr. Boggs just returned from two years active duty with the U. S. Marine Corps. He is an active member of the Marine Corps Reserve, and holds the rank of Lieutenant Colonel in the Reserves.

Bateman Adds Ayers, Hannon, Kendall & Marcellus to Staff

PALM BEACH, Fla. — Ira L. Ayers, Fred J. Hannon, Messmore Kendall, Jr. and Robert de Marcellus have become associated with Frank B. Bateman, 243 South County Road. Mr. Ayers, who was formerly with Ira Haupt & Co. in New York will be manager of the municipal bond department; Mr. Hannon, formerly with Hornblower & Weeks in Boston, will be statistician-counselor; Mr. de Marcellus will be manager of the mutual funds department. Mr. Kendall was previously with Sterling, Grace & Co. in New York.

Two With Mountain States

(Special to The Financial Chronicle)

DENVER, Colo. — Charles W. Fifield and Paul A. Welbourne are with Mountain States Securities Corporation, Denver Club Building.

Shaiman Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Frank A. Randall has been added to the staff of Shaiman and Company, First National Bank Building.

Should Stock Yields Decline To the Bond Yield Level?

By HARRY G. GUTHMANN
Morrison Professor of Finance, Northwestern University
and
TOM M. PLANK
The First National Bank of Chicago
Lecturer, Northwestern University

Authors see current approaching identical stock-bond yield as a return to the customary past. Maintain investment decisions, if this theory is true, may require change if based upon: (1) belief in naturalness of higher stock yields; (2) formulas built upon stock-bond yield ratios since 1930, and (3) assumed post-1930 stock valuation capitalization rates. Great Depression is shown to mark bond-mortgage investment shift from individuals to financial institutions, leaving common stock to individuals. Recent descent in stock-bond yield ratio seen reflecting competitive entry into stock market of pension funds, financial institutions, investment companies and monthly investment plans. Authors conclude future dividend increases will largely determine stock price advances.

When stock market analysts discuss the present bull market, they sometimes point to the higher average yields obtainable from

Dr. H. G. Guthmann   Tom M. Plank

common stocks than from bonds as evidence that stocks have not yet reached their peak.

For those who are accustomed to think of stock yields as naturally higher, this idea that a bull market is not over until stock yields fall to the bond yield level may not seem convincing. They feel that it rests upon the premise that a bull market must repeat the *excesses* of the past before it comes to an end. Many have become accustomed by the record of the past quarter century to expect stock yields to fall to the level of bond yields only when the stock market goes to excessive heights. This article raises the question whether we are witnessing a temporary wave of excessive bullish optimism, or a transition which may return dividend yields of common stocks to the level of bond yields as a more or less "normal" condition.

Past Stock-Bond Ratio

The argument for the "transition" explanation would start by noting that such a relation was fairly common during the first three decades of the present century. The chart shows how industrial stock yields did actually fluctuate around high-grade industrial bond yields during this period. Some of the variations of dividend yields from a rough equality with the more stable bond yields were considerable. During World War I high industrial earnings pushed up dividends. But high dividend yields indicated that the market failed to keep pace with higher dividends, regarding them as a temporary war-induced phenomenon.

On the other hand, in the late 1920's, the bull market rose so much faster than dividends that dividend yields fell below bond yields. The chart also shows stock yields were lower on various earlier occasions. For this period as a whole (1900-1930) common stock yields averaged 5.28% compared with 5.01% for high-grade bond yields. If the high stock yields for the three war years, 1916-18, are omitted, the average stock yield drops to 5.01% and the bond yield average to 4.96%.

(Dividend yields rather than earnings return on market price were regarded as the more pertinent measure of capital return for this study. Many of the changes in dividend yields are, of course, explainable in terms of the varying dividends - to - earnings relation.)

Changed Stock Concepts

This similarity of yields may seem extraordinary to the present generation of investors. For them higher stock yields have seemed the natural thing. The greater risk of common stock investment has been the customary explanation. Yet bonds were regarded as the investment par excellence until the late 1920's. Not until then did the literature on investment begin to emphasize the advantages of common stocks for appreciation and as protection against inflation. This was the period of Edgar L. Smith's "Common Stocks as Long Term Investments" (1926) and Irving Fisher's much-publicized advocacy of common stocks.

That stock and bond yields were almost identical prior to this time indicates that the appreciation potentialities of common stocks through earnings retention were recognized as a counterbalance to the greater risks of common stock investment before the point was recognized in investment literature. Enthusiasm over this idea was whetted and carried to extremes in the 1928-29 bull market. The similarity of yields even before that explosion strongly suggests that investors compared and moved enough between the stock and bond markets to produce a rough equilibrium.

Actually, individual investors were free to do just that. Older men in the "Street" will remember when corporate bonds were sold by solicitation of individuals as well as institutions. Bonds of $100 and $500 denomination were common. Investment banker gross margins were wider during the 20's than in recent years. They needed to be wider to cover the more intensive selling on a retail scale to individuals.

Individuals' Savings Flow

After the Great Depression a change came over the bond market. It was more and more dominated by the buying of the great financial institutions. Refunding at declining interest rates shifted bonds from individuals to institutions. The proportions of corporate and government bonds and of real estate mortgages held by individuals shrank. The level of bond yields came to be dominated more and more by the flow of savings through institutional channels and less and less by the individual as a direct investor. (Of course, the savings moving through institutions belong to individuals.)[1]

Stock Yield's Descent

The role of the individual continued to be that of leading man in the stock market. Institutions such as life insurance companies and mutual savings banks were largely barred by legal restrictions from buying common stocks regardless of their attractive yields. Interestingly enough, the recent descent (1950-55) in the ratio of stock to bond yields began about the time that laws were changed in the key State of New York permitting life companies and savings banks to invest in common stocks. While it is true that they cannot yet be classified as substantial buyers of common stock, this action undoubtedly has had a psychological effect on the attitude of investment managers toward common stocks.

Much more important as a stock market influence than these two institutions has been the buying by pension funds. During the post-war period these funds have been piling up investments not only to cover their currently accruing pension obligations, but also to make good on their accumulated pension liabilities for services rendered by employees before the pension plans were established.

Investment companies and monthly investment plans have also directed the flow of individual savings into the stock market. Had such savings flowed through the financial institutions they would presumably have found their way into bonds and real estate mortgages. But with these new channels directing the flow of investment money into the stock market, it would not seem unreasonable to expect it to become more competitive with the bond market on a yield basis. The creation of a larger group of investor interests able and willing to direct funds into either bonds or stocks should draw the two securities markets closer together. A return to the rough equality of yields that was typical in the earlier part of this century would seem quite possible.

Because such a market adjustment depends upon investment fashion and human whims, it must be regarded at this stage as a working explanation rather than a demonstrated fact. But as a theory it suggests not a "new era," but rather a return to the past which the present generation of investors may have forgotten. As a "transition" theory it would explain the more rapid rise of stock prices over dividends in the last few years.

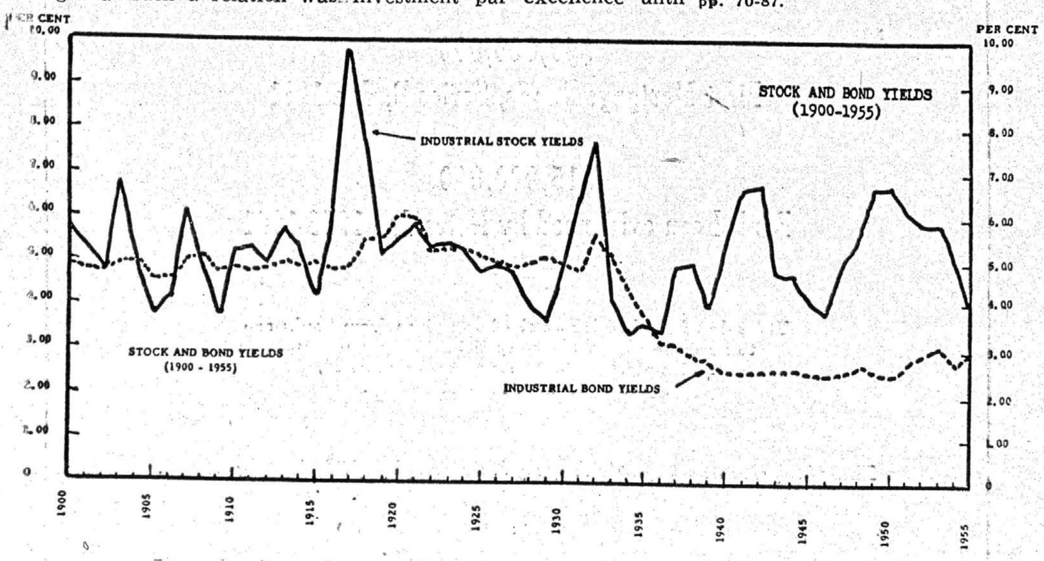
Transition to the Past

An examination of the chart covering the years 1950-55 suggests that such a "transition" has been largely completed. The stock market is rapidly approaching a level from which it must depend more upon further dividend increases to provide a rational basis for further advances in stock prices. Should business volume recede or profit margins on existing business be impaired by stiffening competition growing out of huge additions to our industrial capacity, the upward march of earnings and dividends not only would be halted, but could retreat. Even though the "transition theory" is accepted, stock prices might decline if dividends fail to provide an average return as great as bond yields.

Investment Decisions

Investment managers will wish to give this theory the closest scrutiny. If true, it will greatly affect their investment decisions. In the first place, stock valuations would be based upon different rates of capitalization of income from those of the last quarter-century. In the second place, cyclical timing formulas based upon the relationship of stock and bond yields since 1930 would be misleading. The theory would explain why such formulas generally have switched their adherents out of the stock market too soon.

[1] Guthmann, Harry G., "The Movement of Debt to Institutions and Its Implications for the Interest Rate," *The Journal of Finance*, V. (March 1950), pp. 70-87.



Sources: Standard and Poor's A1+ Industrial Bond Yields
Cowles Commission Common Stock Indexes, 1900-1925
Standard and Poor's 420 Industrial Stock Yields, 1926-1955

Business Man's Bookshelf

Essential Books — Magazine published five times a year announcing and describing books on subjects of interest to scholars, libraries, the various professions and other readers with serious interest — Essential Books, Inc., 16-00 Pollitt Drive, Fair Lawn, N. J. (a subsidiary of Oxford University Press, Inc.) (paper) 25 cents per copy; $1 per year.

European Trade Ways — An appraisal of conservation practices, manufacturing methods and economic factors in wood-using industries of Europe and Scandinavia—Harry G. Uhl—Timber Engineering Company, 1319 Eighteenth Street, N. W., Washington 6, D. C. (paper). Copies on request.

Export-Import Banking—William S. Sherian—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. (cloth) $6.50.

Freeman — Monthly journal of ideas on liberty — Foundation for Economic Education, Inc., Irvington - on - Hudson, N. Y. (paper), 50 cents per copy.

Getting and Holding Good Employers — Report of Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C. (paper), 50 cents per copy (discount on quantities.)

Government Publications—Monthly list of British Official Publications—50c per year—British Information Services, 30 Rockefeller Plaza, New York 20, N. Y.

Introduction to Economic Reasoning — Marshall A. Robinson, Herbert C. Morton, and James D. Calderwood—The Brookings Institution, 722 Jackson Place, N. W., Washington 6, D. C. (cloth), $3.

Knowledge Is Power: The Life Story of Percy Hampton Johnston, Banker — Frank Wilson Nye—Random House, 457 Madison Avenue, New York 22, N. Y. (cloth), $5.

Personal Income During Business Cycles — Daniel Creamer — Princeton University Press, Princeton, N. J.—cloth—$4.

Railway Progress, February 1956 — monthly magazine — Eastern Railroads, 143 Liberty Street, New York 6, N. Y.

Stock Market Forecasts—23rd annual appraisal of the outlook for business and stock prices — available to subscribers to "Business and Investment Timing" service—six months' trial subscription $25 — Anthony Gaubis & Company, 37 Wall Street, New York 5, N. Y.

Trouble With Gatt-OTC and H. R. 5550—Trade Information Committee of the American Tariff League, Inc., 19 West 44th St., New York 36, N. Y. (paper).

Year Book of International Trade Statistics: 1954—(A United Nations Publication) — Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper) $5.

Joins Reinholdt Gardner

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Nathan Winnerman has become connected with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Joins First of Michigan

(Special to The Financial Chronicle)

DETROIT, Mich. — Frank E. Johnson has become associated with First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

Elastic Equities

By IRA U. COBLEIGH

Enterprise Economist

Partially a review, and partially a projection pertaining to leading rubber company shares.

The spinning wheels, not so much of fortune as of motor vehicles, bounced the big rubber companies into new high ground for 1955. With the single exception of U.S. Rubber Company, heavily hit by flood damage in Connecticut, the members of the so-called "big four" all racked up record sales and record net earnings last year. Totally, the industry produced 115,000,000 pneumatic tires last year. No preceding year had ever seen the 100 million mark crossed (1953 missed it by 50,000). To turn out all these out-sized elastic quoits, as well as to provide the makings for hundreds of other rubber products, the industry consumed 1½ million long tons of new rubber, 900,000 tons of it being synthetic.

Ira U. Cobleigh

This synthetic phase requires special comment. As you know, the government built, during the war, a number of synthetic rubber plants to offset the cutting off of shipments of natural rubber from Java and the Straits. These plants with one exception, were all sold to private industry early last year. While some oil and chemical companies got into the act, the big rubber companies all obtained important synthetic manufacturing capacity. Now there are three main types of synthetic rubber. The most common, accounting for 81% of total production is GR-S (which stands for Government Rubber-Styrene). A newer one is polyurethane which seems to have a bright future because of its fireproof, oil and chemical resistant properties. In addition to its potential for tires (it's the lightest synthetic) it is thought to have a good future in the making of foam rubber, heretofore made almost entirely from the natural product. The third synthetic is Butyl which because of low porosity, went mainly into inner tubes (a declining area today due to the advance of tubeless tires).

Apart from its structural properties, synthetic rubber is a great boon to the rubber industry because it assures a steady raw material supply at a quite predictable price. Price swings in natural rubber have, in the past (1920-22 and 1932), been wide and erratic due to changes in demand, varying tonnages of tree-grown rubber turned out yearly, and more important, political and economic uncertainties in the growing areas. Since all rubber companies have to keep a large stock of raw rubber on hand, a big drop in the rubber market could (and did) create a whacking inventory loss almost overnight. Thus synthetics are now welcomed as major factors in stabilizing earning power in the rubber business. Look for larger synthetic production, and, through research, improvement in quality, and the broadening of its uses.

Before we take a quick look at the companies, individually, it should be observed that the production of eight million motor cars is unlikely to be repeated, in 1956, and, thus, delivery of new tires may be at a 10% or 15% lower level this year. Replacements due to the larger total number of cars, trucks, buses and trailers now on the road should increase somewhat, however, and over the longer future, propelled by our huge national road building program, sales of tires should by no means be projected on a declining curve line.

Fashions among rubber equities are quite discernible. For example, Firestone, Goodrich and Goodyear all split their stocks in the last 18 months 2-for-1. All pay dividends of between $2 and $2.50 per share which is somewhere around 40% of net in each instance. There's not ½% difference in yield among Firestone, Goodyear and U. S. Rubber, with Goodrich having for some time sold on the lowest yield basis—presently below 3%. Of the four, the only one likely to deliver a net increase (over 1955) is U. S. Rubber, since its flood losses of $2 per share should not, we trust, be repeated.

Goodrich

Goodrich, in respect to gross volume of business, ranks number four on the list, but for certain reasons, some of which we'll touch on, Goodrich has enjoyed perhaps the highest rating as a rubber equity and has regularly sold at a higher price-earnings multiple than the others. (Right now it's about 15 with stock at 78.) Goodrich got an early start in product diversification. Its entry into plastics in 1936 brought forward the well known Koroseal; it has pioneered in rubber hose; and its leadership in conveyor belting has led it from power applications to assembly lines, and the belt transmission of raw materials and aggregates; and it's a large producer of rubber heels, rubber soled shoes, boots, and flooring.

Before World War II, Goodrich had developed a synthetic rubber of its own; and Goodrich is a large and expanding factor in synthetic rubber today, with its own facilities, plus joint proprietorship with Gulf Oil in Goodrich Gulf Chemicals which bought plants from the government. Goodrich Gulf has also bid $11 million for a big (122,000 ton) synthetic rubber plant in West Virginia, confirmation of which is expected at any time. Finally, only last year, Goodrich researchers came up with a lab-made rubber in texture, quality, and properties almost identical with the tree-raised variety.

Doing $750 million a year, earning around $5 on 8,812,600 common shares (preceded only by $51,600,000 in debt) Goodrich with about 47% of gross in tire business has a lot of friends. Where you find rubber shares held at all in top drawer portfolios, you're pretty likely to find Goodrich. A commitment in the common 15 years ago at $15 a share, buttressed by six-fold multiplication of shares in the intervening years, would have created a capital gain today of over 3,100%. A Good Rich result!

Firestone

Firestone reported at its fiscal year-end, 10-31-55, a whacking gross above $1,100,000,000. Firestone has long been a big factor in natural rubber with plantations of its own; and the rising price of crude rubber was a considerable factor in raising Firestone net to $6.81 per share in 1955, an all-time high for net. It would be remarkable if this net were exceeded for 1956, but even predictable earnings of $6.20 leave a comfortable margin for payment of $2.50, the indicated current rate. Firestone common is listed NYSE and sells around 70.

Goodyear Tire

Many analysts are currently favoring Goodyear Tire and Rubber, which moved up past $1.3 billion in sales last year. Goodyear has aggressively expanded its synthetic production, and has been especially effective in development of polyurethane. It is moving ahead as a large scale chemical company with its Neolite for shoes and luggage, now internationally known. It also has important contracts with the government for aircraft products such as wing and tail assemblies, oil and fuel tanks, and blimps.

Goodyear, the largest rubber company in the world, has proved itself progressive and efficient. Its vast sales, both domestic and overseas, plus increased product research and diversification, give its 10,110,383 common shares considerable attraction at 62½, about 10¾ times indicated per share earnings.

U. S. Rubber

U. S. Rubber Company has been well regarded for years although it has not gone so widely and intensively afield from the tire business as the other three we've noted. On the basis of yield, quality of management and product reputation, U. S. Rubber may be favorably considered at current prices around 54. Due to reasonable expectation that flood losses of 1955 will not recur, U. S. Rubber presents perhaps the brightest prospects for earnings improvement over last year.

Lee Rubber and General Tire

A word or two should be said about a couple of others. Lee Rubber and Tire Company is a clean cut company with no funded debt, excellent working capital, and is an excellent performer in the tire replacement field. And for greatest diversification in activity, the nod would surely go to General Tire, which makes marine engines, guided missiles, rocket motors and is in the TV and Radio broadcasting business—all this, in addition to being a fine maker of tires and a large factor in the retreading business.

In conclusion, we note that 65% of all rubber still goes into tires, but that individual companies are, in each instance, seeking less dependence on tire business for growth in earning power. Another element to ponder here is lengthening tire mileage. For example, you could have bought in 1910 a tire that would have lasted 3,000 miles for $31; in 1954 a Chevy, Ford or Plymouth tire good for 35,000 miles, would have cost you around $24.

Perhaps the saddest thing about today's piece is that it wasn't written 10 years or so ago when the tire shares we've mentioned had enormous latent (if not Latex) bounce. Today they're solid values but it might be a bit difficult to select the one that could gain 1,000% in the next decade. Inflation might help, though!

Form Whitesides Inv.

LAYTON, Utah — Whitesides Investment Co. has been formed with offices at 973 East Gentile Street to engage in a securities business. Partners are Rulon M. Whitesides and Wilford A. Whitesides.

With R. J. Connell

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Clyde J. Satriano has become affiliated with Robert J. Connell, Inc., 818 Seventeenth Street.

Two With F I F

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harvey K. Cain and DeWitt F. Hagood have joined the staff of F I F Management Corporation, 444 Sherman Street.

Smallness and Uses of Securities Industry Credit

New York Stock Exchange head shows only 1.3% of total $350 billion private debt is used in the securities industry, and that the uses of such credit aids the economy's investment growth. Points out that since 1929 market value of stocks doubled but credit used is less than one-third of 1929 peak.

Credit used in the securities industry amounts to only 1.3% of the nation's total private debt, according to Keith Funston, President of the New York Stock Exchange.

G. Keith Funston

Mr. Funston made this statement in a special credit study just distributed to Congress, government officials, industrialists, economists, educators, bankers, labor and farm groups, and the securities industry.

In a letter accompanying the study, he said:

"Credit in the securities industry is so important to our nation's economic growth . . . and so misunderstood, that I've . . . summarized for quick and easy reading some of the simple facts shown in several recent surveys by our staff."

The nation's total private debt, excluding government debt, the study pointed out, amounted to about $350 billion at the end of June last year.

Of this, the securities industry was using only $4.5 billion, or 1.3%. An additional $920 million was available from cash balances owed by brokers to their customers (free credit balances).

"While the market value of stocks listed on the New York Stock Exchange has more than doubled since 1929, borrowing by member firms is now less than one-third the 1929 peak, representing only 1.2% of market value, compared with 9.8% in 1929," the study said.

Unlike the situation early in 1929, it was noted, credit now being used in the securities markets deprives no other parts of the economy of necessary funds.

The study pointed out that credit is supplied to the securities industry primarily through loans made by commercial banks. Customers' free credit balances with brokers are also available. Loans for purchasing stocks and most bonds traded on the Exchanges are now limited by the Federal Reserve Board to 30% of the market value of the security.

Under this 70% down-payment regulation, each new securities loan is thus secured by a market value of at least 3⅓ times the amount of the loan.

"At the end of 1955," the study noted, "there were over $10 billion of actual securities values behind the $2.8 billion of loans made to the public by the securities industry."

The study said that three out of four margin transactions are made for investment purposes—"to self-impose forced savings, to add to income through dividends, to build an estate through the hope of capital appreciation, to protect real purchasing power."

Of the $4.5 billion total stock market credit on June 30, 1955, one-fourth was used for essential but little-known functions of the securities industry. Brokers, underwriters, distributors, specialists, odd-lot dealers and the like were using credit for such purposes as financing working capital needs and carrying inventories and accounts receivable.

"Large fluctuations in credit may thus be totally unrelated to public margin purchases," the study said. "In the General Motors offering of $325 million worth of stock early in 1955, for example, underwriters borrowed $50 million and were prepared to borrow $200 million to help them handle the issue successfully."

The study concluded:

"Credit helps the financial community maintain a market that is orderly, open, and broad enough to meet the needs of business and of millions of individual investors.

"In 1956 and the years to come, securities industry credit will continue to help us move toward our economic goals by facilitating the flow of venture capital. It will help both seasoned companies and young industries to attract the equity capital needed to assure the people of this nation an even higher living standard than they presently enjoy."

Is Consumer Debt Too High?

Conference Board forum questioned from different directions the vulnerability and desirability of consumer debt in its principal varieties. Rate rather than size of the debt proved most disturbing to the majority of participating economists.

Viewed against the nation's marked economic growth in recent years, the current position of consumer debt is not alarming, according to a majority of distinguished economists participating in a recent session of the Economic Forum held under the auspices of the National Industrial Conference Board. None of the participants advocated the imposition of selective credit controls.

Clyde L. Rogers

Although Forum authorities were not worried over the size of the debt, the majority expressed concern over its rapid rate of increase in 1955. Many participants felt that the expansion in instalment credit contributed significantly to the recovery of business in the last year. They also felt that if the rate of gain in business activity and personal income were to slow down or reverse in the months ahead, the level of instalment debt would create additional hazards. In general, the participating economists did not take as serious a view of the level of mortgage debt, partly because payments on this debt are to some degree a substitute for rental obligations, and partly because they foresaw continuing strength in underlying physical demand for housing.

Most of the economists present also directed attention to serious shortcomings of the existing body of data on consumer debt, and suggested the need for further fact gathering in this area. The Economic Forum whose views on consumer debt were released Jan. 16, was under the chairmanship of Clyde L. Rogers, Vice-President, The Conference Board.

The following are highlights of the remarks made by the participants:

C. I. T. Financial Corporation Economist, Sidney E. Rolfe, in discussing the status of short-term consumer debt stated:

"I am prepared to dispose of the relation of disposable income to outstandings as a quantitative measure, and to question the use of the relation of repayments to disposable income. I think the first comparison is meaningless. The income to repayment comparison, while better, suffers from overaggregation of individual situations, from insufficient allowance for income distribution (i.e., the ability to carry more debt), and other factors.

Sidney Rolfe

". . . Almost all forms of credit affect the [business] cycle by increasing the money supply during an expansion period, and by making demands for liquidation in a recessionary period when liquidation is extremely difficult. [In this respect], instalment credit is probably different from other types of credit. First, consumer credit makes no liquidation demands beyond contractual obligations. Second . . . a large amount of the funds with which instalment credit operates is raised in the commercial paper market. . . . Because of the institution of privately placed commercial paper . . . the sales finance companies have gone to the sources of 'real savings' for their funds in periods of expansion. They have not drawn to the same extent on bank funds."

Looking into the status of mortgage debt, Miles L. Colean, Consulting Economist thought:

"The fundamental demand for housing is likely to remain high and to remain effective despite the more rigid credit situation that we face. . . . The rate of net new nonfarm family formation is still high, running fairly close to 850,000 to 900,000 a year. . . . We also have a very considerable migration of families from areas of low activity to areas of high activity. . . . Households have longer duration than they used to have. They are formed earlier and are maintained much longer. . . . The destruction of old housing as a result of urban highway and redevelopment operations is probably clearing from the market as many as 400,000 obsolete dwellings a year. . . . The advancing technology of the building industry has greatly speeded obsolescence and has created a desire for the new model. . . . Rising income is perhaps the most vital motivating force of all. We are having a very marked increase in the number of families that are rising into what we might call the effective area of the market. . . . Finally, vacancies remain at an extremely low figure.

Miles L. Colean

". . . A portion of the increase in national income going to debt payment is really simply a transfer of funds that would have been made by the same families, or a large proportion of them, for rent. . . . It is important to bear in mind that as many as 46% of owner-occupied houses are reported free of debt in spite of the great increase in house building and the great increase in liberal financing. . . . Also, the debt of owner occupants is still on the average only about 50% of the value of the encumbered property."

John M. Chapman, Emeritus Professor of Banking and consultant to the N. A. M expressed this view:

"What might be a rather satisfactory credit situation at one time might become rather quickly serious under sudden shifts in production or employment. . . . I think one place where caution is needed is [in] the rate at which the changes [in debt] take place. I believe we have reached that point, and I recommend caution."

Dr. J. M. Chapman

Ernst A. Dauer, Household Finance Corporation Director of Consumer Credit Studies, said:

"More and more families have a wider margin of income over the amounts necessary for mere subsistence spending. . . . Changes in our social structure and living habits have been conducive to the acquisition of family fixed assets. The lack of household help has made even middle-income families dependent upon appliances to assist in household duties. Instalment payments on such labor-saving devices merely replace the obligation to pay wages to former servants. . . . Over the years there has been an increased acceptance of the use of consumer credit by an ever-widening group of families. . . . There has been a continued expansion of instalment credit into new areas.

Dr. Ernst A. Dauer

"These factors represent long-term trends that will, in my opinion, continue. . . . It is probable that the ratio of instalment credit to consumer income after taxes will continue to increase in years to come."

Relying upon a broad background of studies on the relationship of consumer demand and income made for the Federal Reserve authorities, George Katona of the Survey Research Center, University of Michigan, observed:

"Debt for consumer investment (that is, instalment debt for the purchase of automobiles and large household goods) is strongly associated with income increases. There is no other group which goes into debt so frequently as those who anticipate income increases. . . . As long as year after year our national income rises, or, more specifically, as long as the majority of American families experience income increases year after year, our debt is not too high.

George Katona

". . . Nevertheless, there is not the slightest doubt on the basis of our cross-section surveys that there are millions of families who because of their debt have to restrict some of their spending. . . . There are great problems about the debt, not necessarily today, but a year or two or three from now."

Ford Motor Economist, George P. Hitchings, discussed the rate of change factor, to wit:

"The emphasis on consumer debt should not be so much on the level as on the rate of change. . . . There is a marked impact on the economy when the rate of change in credit is quite different from that in the preceding or following period. That kind of situation has prevailed this year [1955]. Consumer credit has expanded sharply, in comparison with virtually no change in the previous year. . . . While the level of debt is . . . not a problem in terms of repayment, the rate of change in credit buying is highly important. . . . The problem is to determine whether this rate of buying . . . can be maintained in future months. . . . I am not particularly concerned about the debt being excessive at any future time except during periods of downturn in business activity. . . . I don't think the lengthening of terms has created too much of a credit problem, assuming that there is not a downturn in employment and income."

Geo. P. Hitchings

Bradford B. Smith, Economist for the United States Steel Company, described the role credit has performed in helping income to rise and noted:

"The rate [of increase] for mortgage debt has been 18.3%, June [1954] to June [1955]. . . . On instalment selling the annual June to June increase is about 15%. . . . These are unsustainable rates of increase. . . . There is no trouble involved here as long as incomes keep on rising. [But] we must note also that one of the reasons incomes have been increasing is because credit has been expanding. Now we have reached, if not a credit crisis, something that is pretty close to it. . . . We are confronted with the problem of stopping the inflation of money and credit without stopping or injuring business activity, which has become almost hopelessly dependent upon its continued expansion. That is difficult to do."

Bradford B. Smith

Discerning the possibility that easier terms lead to trouble, Geoffrey H. Moore of the National Bureau of Economic Research, noted as follows:

"A rapid increase in the volume of credit is likely to lead to deterioration in terms of ultimate losses if borrowers run into difficulties. That happened in the Twenties. . . . Rapid increases frequently have meant deterioration in quality in terms of the over-all risk position that the lender is taking. . . . Factors such as these have put us into a more risky situation—the possibility that we might run into a recession—than was true a year or two or three years ago."

Dr. G. H. Moore

Looking at consumer credit as a convenience that should not be abused, Ira T. Ellis, Economist, E. I. du Pont de Nemours & Company, observed that:

"The present level of consumer credit is not excessive. . . . Instalment credit has been used increasingly as a convenient method of payment. . . . The people who get credit are the hard core of our regular employees. Credit is frequently granted to people who don't need it. . . . We have $37 billion in E bonds still outstanding. A great many use credit as a convenience, realizing that they have a nest egg to back them up.

Ira T. Ellis

". . . One big difficulty with instalment credit is the abuse of the privilege. . . . Credit has been made unnecessarily easy, deliberately. I would include here terms which permit the purchase of a house with nothing down and 30 years to pay. . . . How are we going to put pressure on costs if every time we get up against the problem we merely extend the terms and make it easy to buy? I think our approach should be to use credit wisely."

Yale University Professor of Economics, O. Glenn Saxon, showed no concern over the current credit picture and indicated that "comparative per capita consumer and mortgage debts for 1939 and 1955 are much more meaningful than mere dollar figures."

Dr. O. Glenn Saxon

"Monetary controls plus business judgment," appealed to Malcolm P. McNair, President of the Harvard University Graduate School of Business Administration, as the only safe way in the long run to handle our reliance upon consumer credit "to foster and encourage consumption," adding:

"Consumer credit has been a very important and useful weapon. Nevertheless, it is obviously a two-edged weapon. . . . We may be at one of those points now when our economy . . . may well be rolling at a faster rate than can be sustained. . . . The expansion of consumer credit has been one of the fairly important reasons why business activity in this last quarter of 1955 may be moving at a faster pace than can be kept up. . . . When consumer credit is expanding at a rate as fast as it has been this year, the chances are that at some point business stability will be jeopardized more than would otherwise be the case."

Prof. M. P. McNair

Dun and Bradstreet Economist, Edwin B. George, before expressing a negative view of the unsustainable rate of consumer credit, indicated that the "total consumer debt is not any astronomical percentage of disposable income."

"We have not mortgaged our income much more heavily than in past periods of booms. Many debtors own more than they owe — which has been brought out here two or three times. . . . Some of the acceleration in debt expansion is not only a natural and wholesome response to the step-up in marriage rates that has marked most of the post-war years.

Edwin B. George

". . . All of those things are true but they are rather puny in comparison with one big fact. . . it is impossible for us to main-

Continued on page 21

Automation and Employment

By L. C. MORROW*

Consulting Editor, "Factory Management"

General Chairman, Plant Maintenance & Engineering Conference

Mr. Morrow welcomes automation as the answer to: (1) definite cost-cutting need; (2) labor supply deficiency and decreased working hours, and (3) maintaining the same trend rate in improving living standards. Expects in 1975 an $858 billion output of goods and services.

I want to say a few things about the position of the maintenance function economically, and perhaps help set at rest some of the qualms you may have as to what is going to become of all of us and our jobs in this age of automation. I am not particularly anxious to use that word, but so many people are using it who say dire things about it that I feel I must use it to point out that most of those dire statements and predictions are untrue.

L. C. Morrow

It is commonly said that automation has increased the importance of the maintenance function. That is true. But the importance of the maintenance function has been undergoing rapid growth for many years. So has the application of automatic operations to manufacture — and that's what automation is. If we had not increased the proportion of our work done automatically we'd be in a sad condition today. Many of the popular items of living would be so costly that few people could afford them.

The claim is made that the increased use of automatic operation reduces jobs. It does in some instances — that is, in individual plants. It always has. The automobile put carriage makers out of business. The linotype destroyed hand typesetting jobs. Recently the "American Machinist" surveyed 1,574 metal-working companies. It found that all these companies had had experience with so-called automation and that:

Twenty-six percent reported increases in employment averaging 21%; 51% reported no change in total employment; 23% reported decreases in employment averaging 16%; 40% reported that they required more skilled maintenance men, while 21% said they had increased their engineering staffs.

My own publication has made a study of the outlook for jobs and finds as follows:

The active labor force, except during wars, has been 41% of the total population for a long time. In 1975, which seems far enough to look ahead, 41% of the population will be 90 million workers. But age distribution and economic patterns will reduce that number of around 86 million, which compares with 64 million today.

That won't be enough workers to fill the demand, unless there is a great deal more speed in the application of automatic operation than we can see today. If we continue to improve standard of living at the rate we are going, by that time we'll have to produce $3,900 worth of goods and services for each of our 220 million population, or a total of $858 billion.

At that time each worker will be producing $10,150 worth of goods and services per year. That means 84 million workers would be required. But we'll probably be working shorter hours. Going to a 40-hour week would create a demand for 21 million more workers.

So we can keep right on trying as hard as possible to improve ourselves without feeling that we are going to have on our consciences the responsibility for putting a lot of people out of work.

Let me give you a few reassuring words about the year 1956, too. My company's annual survey of the outlook for expenditures by the manufacturing industries for capital goods indicates an increase of 30% over 1955. That's awfully good news, because the record shows that total employment is good when the outlay for capital goods is good. American business as a whole will not increase expenditures as much as the manufacturing industries, but, even so, the increase will be 13%, the largest planned capital spending since 1951. The manufacturing industries expect sales in 1956 to go up by 7%.

*Remarks of Mr. Morrow at the Plant Maintenance & Engineering Conference, Philadelphia, Pa., Jan. 23, 1956.

With Allen Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Don Lusk has joined the staff of Allen Investment Company, Mile High Center.

Shearson, Hammill Co. Admit Five Partners

The New York Stock Exchange firm of Shearson, Hammill & Co., 14 Wall Street, New York City, announces the admission of five new general partners. The new partners are James M. Heller, Robert J. Humphrey, Jr., Robert A. King, John H. Schutt and Reuben F. Ruth III.

Mr. Ruth, resident manager of the firm's Beverly Hills, California office, becomes the only West Coast partner. The other new partners will be associated with the firm's New York office.

Joins Income Funds

(Special to The Financial Chronicle)

NEW HAVEN, Conn.—William Winnick has been added to the staff of Income Funds, Inc., 152 Temple Street.

Southern Investment Opens New Branch

SPARTANBURG, S. C. — On Feb. 1 Southern Investment Company, Inc. opened a branch office at 504 Montgomery Building under the direction of A. J. Komenak, Jr.

Two With Laird, Bissell

(Special to The Financial Chronicle)

NEW HAVEN, Conn.—W. Craig McCaughey, Jr., and John F. Tufel are now with Laird, Bissell & Meeds, 44 Whitney Avenue.

Wm. Newman Co. Opens

William Newman is engaging in a securities business from offices at 52 Broadway, New York City, under the firm name of Wm. Newman Co.

Illegal $2 Billion Handout

By DR. WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President,
Economists' National Committee on Monetary Policy

Charging illegal diversion of over $2 billion from Federal Reserve surplus funds to the Treasury under rationalized use of Section 16 in violation of Section 7 of the Federal Reserve Act since 1947, Dr. Spahr uses former Chairman Eccles' testimony and the 1915 Board Counsel's interpretation to show that Section 16 was not designed to contradict Section 7. Condonation of this practice is characterized: (1) mislabeled confiscation; (2) invalid; (3) a mockery of past use of and the amendments to Sections 7 and 16, and (4) a usurpation by Board of legislative power.

The Federal Reserve authorities again announce another dissipation of earnings of the Federal Reserve banks. On Jan. 5, 1956, the Board of Governors stated that the Federal Reserve banks had given $251,000,000 to the United States Treasury "as interest on Federal Reserve notes." This is the ninth such annual gift to the Treasury which began in 1947. The total of the gifts has now reached the sum of $2,048,065,070. Every one of these annual gifts has been in direct violation of the clear wording of Section 7 of the Federal Reserve Act, and every one of these violations of law has been ignored by Congress.


Dr. Walter E. Spahr

The provisions of the violated Section 7 are thoroughly clear in meaning. That section provides that "After all necessary expenses of a Federal Reserve bank shall have been paid or provided for, the stockholders [member banks] shall be entitled to receive an annual dividend of 6 per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid into the surplus fund of the Federal Reserve bank."

Beginning in 1947, the Board of Governors decided that, to reduce the amount of Federal Reserve earnings which would go to Surplus under provisions of Section 7—earnings arising largely from monetization of Federal debt—they would give 90% of these earnings to the United States Treasury. Instead of going to Congress and asking that Section 7 be amended to authorize such a procedure, they decided to do it without amendment of the Act by pretending that they had authority to do it under Section 16 which was designed to accomplish altogether different purposes. Section 16 was not placed in the Act to enable the Federal Reserve authorities to invalidate Section 7 of that law. And these gifts to the Treasury are not "interest on Federal Reserve notes," as provided for by Section 16, but simply a mislabeled confiscation of 90% of the net earnings of the Reserve banks.

On Dec. 23, 1955, the "Capital paid in" of the Federal Reserve banks stood at $302,361,000; Surplus under provisions of Section 7 was $660,901,000; Surplus under provisions of Section 13b was $27,543,000—a total of $990,805,000. Had the Reserve banks retained the $2,048,065,070 of earnings illegally dissipated by the Reserve authorities during the years 1947-1955, Surplus under Section 7 would have been $2,708,966,070 instead of the $660,901,000 left on the books of the Federal Reserve banks at the end of 1955.

Why have the Reserve authorities been violating Section 7? The Banking and Currency Committees of Congress should be able to ascertain the facts as to why the Reserve authorities began this violation of law in 1947 and have persisted in it every year since if these Committees would obtain correct answers to the following questions:

(1) Was it not to keep down the earnings of the Federal Reserve banks, derived largely from monetization of Federal debt, in order to avoid attacks by those members of Congress who were critical of earnings so derived and who were agitating for nationalization of the Reserve banks?

(2) Did not the Board of Governors avoid a direct appeal to Congress to amend Section 7 in order to escape open hearings on the main source of the earnings of the Federal Reserve banks which hearings might have attracted the attention of the advocates of fiat Treasury currency and nationalization of the Federal Reserve banks and might have provided these advocates with some material which they might have used to the disadvantage of the Federal Reserve System?

(3) Did not the then Chairman, Eccles, inject the question of his right to utilize Section 16, to accomplish what is prohibited by Section 7, into House and Senate Committee hearings devoted to other issues as a means of pretending that he had been before Congress with this question and had obtained authority to utilize Section 16 as has been done since 1946?

(4) Is it not a fact that when Chairman Eccles injected his discussion of his proposed use of Section 16 into the hearings before the House and Senate Committees, devoted to other considerations, he stated that he realized that Section 16 was not designed for the purpose to which he proposed to put it but that his lawyers had advised him that the Board nevertheless could employ Section 16 to circumvent the provisions of Section 7?

(5) Did Congress ever ask for, inquire into, or put into the record of any Committee hearings that opinion of the Board's lawyers to which Mr. Eccles referred?

(6) Has the Reserve Board ever published that legal opinion, and should not Congress inquire into the nature and background of that piece of legal advice?

(7) Is it not a fact that there is on record a statement by Board counsel, made on Oct. 15, 1915, which explains the meaning of Section 16 and proves that the purpose of Section 16 was not to enable the Board to nullify Section 7 but to supplement the rediscount powers of the Reserve banks by giving the Reserve Board authority to regulate the volume of Federal Reserve notes entering circulation according to the varying needs of different sections of the country?

(8) Is it not a fact that, when Congress, up to and including 1933, desired that the United States Treasury participate in the earnings of the Federal Reserve banks, it amended Section 7 accordingly?

(9) Is it not a fact that if the Reserve Board could determine under the provisions of Section 16 that the Treasury should and could receive any percentage of Federal Reserve earnings which the Board might wish to give it, all amendments to Section 7 prior to and in 1933 arose from misconceptions on the part of Congress as to the meaning of Sections 7 and 16?

(10) Have not some of the Reserve authorities stated that they were restoring a former provision of Section 7 which Congress had repealed in 1933—in other words, have they not stated in effect that they were legislating for Congress? Did not the Board of Governors in its *Annual Report for 1954* state, p. 54, that "These allowances [to the Treasury] are consistent with the provisions of the franchise tax [under Section 7] *when it was in effect*"? (Italic in the original.) Did not the Federal Reserve Bank of New York, in its *Annual Report for 1954*, state, p. 56, that "Since 1946, the interest charge [it is not an interest charge] levied by the Board of Governors on Federal Reserve notes not covered by gold certificates has had the same purpose [as provided by Section 7 prior to 1933]—to require each Federal Reserve Bank to pay to the Treasury 90% of its earnings after accumulation of a surplus equal to its subscribed capital"?

What of the duties of the Banking and Currency Committees of the House and Senate? Do not these Committees have a duty to see to it that the money and banking laws of Congress are administered as written and as intended? Or is it their position that obedience to laws of Congress is required only of people who are not in government offices and who are not officials of the Federal Reserve System?

What would these Committees contend is the duty of law-enforcement officials if any group of men outside the government or Federal Reserve circles laid their hands on over $2 billion of funds belonging to others and gave them to someone else?

Would these Committees regard, and be able to demonstrate, as in accurate a newspaper headline as follows: "Federal Reserve officials take possession of $2 billion of Federal Reserve earnings, which under the law are assigned to the Reserve banks after the payment of dividends, and give them away without any investigation being made, or punitive action being taken, by Congress"?

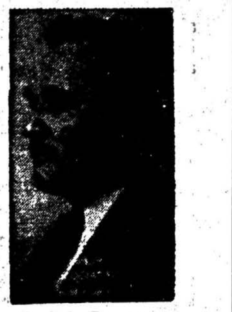
What may members of these Congressional Committees properly state is the significance of this persistent violation of law by the Reserve authorities and the failure of Congress to take any corrective action in respect to it?

*A statement by Dr. Spahr to the Banking and Currency Committee Members of the House and Senate, Jan. 27, 1956.

From Washington Ahead of the News

By CARLISLE BARGERON

Ever since World War I, we have come increasingly to live in two worlds, one in which things are actually as they are and the other in which things are made to seem what the publicity artists want them to be. I sometimes think that one out of every ten persons in this country must be engaged in publicity. No sizable corporation would attempt these days to go without a publicity staff; if you are up against the law and can afford it a publicity man is often considered as much of a necessity as a lawyer.


Carlisle Bargeron

Washington abounds with publicity men, practically every government agency has them, Senators and members of Congress have them. This explains much that goes on here, the sensational headlines, the seemingly crazy actions. I doubt seriously that the cold war would be so hot were it not for publicity men on both sides.

Anyway, from the time Ezra Taft Benson came here as Secretary of Agriculture he has been a publicity problem. He is mild mannered, honest to the core. An apostle of the Mormon Church, the headlines have been anathema to him. He believed in calling a spade a spade and letting the chips fall where they may. The Department of Agriculture has had a publicity staff, of course, but they have worked in the image of the Secretary, calmly and quietly, never attempting to give an aura of greatness to their chief or trying to make the people believe that things are any different from what they actually are.

But after the bloomer which the department pulled in congratulating the editor of "Harper's Magazine" for an article calling the farmers "tyrants," the Secretary's friends finally broke down his reserve and got him to accept the offer of a high pressure publicity firm to help him. Two weeks' results show the Secretary to be an entirely different man. No longer is he just the earnest, hard working citizen trying to solve the farmers' problems. He is a hard-hitting, two fisted fighter for the farmer. It is downright funny.

First, the publicity entrepreneurs take him out to the Chicago stockyards where the pigs are being marketed. Under their direction he takes over the job of auctioning off a lot of pigs, scolding the meat buyers for their cheapness, extolling the raiser of the pigs. You could have bowled the buyers over with a feather. Through thick and thin they have been his warmest supporters.

But the Secretary is engaged in giving the lie to those who claimed the "Harper" article incident showed he was no friend of the farmers.

The end of the Secretary's aggressiveness in behalf of the farmer, however, is not yet.

Returning to Washington he called upon the railroads to withdraw their petition for a rate increase on farm products. He has taken his fight to the Interstate Commerce Commission. Who says Ezra is not a friend of the farmers? Those mid-western politicians who have been demanding his scalp will have to eat their words.

I don't know what stunt his publicity men will think up for him next but the chances are you will see a greatly invigorated agriculture Secretary from now on. Somehow it is something that I hate to see. I hate to see such a genuine article as he is polished up to seem like something he isn't. And although it may well make him more of a political asset to the Administration than he has been, it is doubtful if the farmer's lot will be any better than if he had been let alone.

Over the years, publicity men tried vainly to work over the late Senator Taft. They sought to make him colorful, to give him political appeal. There finally came a time when it dawned upon them that the Senator's genuineness was what made him liked. He continued to win campaigns in his own state. His last state campaign, in 1950, was a tribute to the popularity he had attained. Campaign contributions poured in from all over the country. And he would have been elected President in 1952, too. Over the years I did a lot of publicity for the Senator. But I never tried to make him something he wasn't. I did try to publicize his attributes, but they were those he had, not something I tried to manufacture for him.

High pressure publicity has given Estes Kefauver quite a popular appeal. But it will never get him to the White House. It isn't built upon solid enough stuff.

Joins Geo. R. Harris

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John Talbott has joined the staff of George R. Harris, First National Bank Building. Mr. Talbott was formerly with Carroll, Kirchner & Jaquith, Inc.

With American Secs.

(Special to THE FINANCIAL CHRONICLE)

GREELEY, Colo. — Robert J. Guerette is now with American Securities Company of Colorado, 1515 Eighth Avenue.

Ronald P. Boardman Now With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Ronald P. Boardman has become associated with E. F. Hutton & Company, Board of Trade Building. Mr. Boardman was formerly Vice-President of the City National Bank & Trust Co. of Chicago.

Robert N. Williams

Robert Nowell Williams, 62, Vice-President of The Milwaukee Co., since 1941 and an investment dealer here for more than 40 years, passed away after a long illness.

A native of Milwaukee, Mr. Williams attended the University of Wisconsin and was a member of the Chi Psi Fraternity. He lived at 3349 N. Summit Ave. He was manager of the Milwaukee office of A. B. Leach & Co. from 1914 to 1922, except for two years spent in the Army during World War I. He later was Vice-President of the Morris F. Fox & Co. before founding and operating his own firm, the R. N. Williams Co., from 1923 to 1930. Mr. Williams was Vice-President of the former Edgar, Ricker & Co. from 1931 until he joined The Milwaukee Co.

He was a member of the Milwaukee Club and the Milwaukee Curling Club.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Meyer K. Mazon has become connected with King Merritt & Co., Inc., Woodruff Building.

Joins Chiles-Schutz

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Robert J. McGuire has joined the staff of Chiles-Schutz Company, Farm Credit Building, members of the Midwest Stock Exchange. Mr. McGuire was previously with L. A. Huey Co.

Macmillan's Economic Dilemma And Britain's Political Horizon

By PAUL EINZIG

Well-known British Economist sees no change in the value of sterling or imposition of statutory restrictions upon dividends. Anticipates Conservative split should Mr. Macmillan's April 10 Budget statement advocate either increased credit restrictions or physical controls to combat Britain's main danger of inflation. Crucial test and precedent expected if steel is allocated to aid export industries. Labor seen exploiting any split in Conservative ranks.

LONDON, Eng.—There are as yet no indications of Mr. Macmillan's intentions, and he is not expected to disclose his full plans of how to deal with inflation before Budget Day. In the meantime he and the junior Ministers of the Treasury, when answering questions in Parliament, usually resort to the time-honored formula: "I cannot anticipate the Budget statement." Nevertheless, he has already made it plain that he intends to make no change in the value or status of sterling, and that he intends to introduce no statutory limitations of dividends. For the rest, he remained tantalizingly vague. So speculation is ripe if, and to what extent, he will resort to controls in order to reinforce the operation of the credit squeeze and of other measures adopted by his predecessor. It now seems certain that those measures will need reinforcing, for they have completely failed to arrest the inflationary wages spiral.

Paul Einzig

Inflation Main Danger

Admittedly, the latest bank figures show a marked decline in the amount of bank advances. Sterling has been firm since the turn of the year, and the Treasury actually succeeded in recovering some gold in January. But there are as yet no indications of any basic change in the trend of the balance of payments. And the domestic situation continues to be inflationary. When a Socialist member of Parliament demanded that the government should drop the credit squeeze on account of its deflationary effect on industry, the Economic Secretary to the Treasury, Sir Edward Boyle, reminded the House that inflation and not deflation remains the main danger.

Tightened Credit vs Controls

Mr. Macmillan has to make up his mind between now and April 10, when he will make his Budget statement, whether to administer yet another dose of orthodox credit restrictions, and supplement them with a 6% bank rate, or to resort to unorthodox physical controls and measures of compulsion. It has been suggested, for instance, that he might repeat the Keynesian device of compulsory saving, by adding another shilling in the pound to the rate of income tax and credit the proceeds to the accounts of taxpayers. The idea is that these amounts should be released if and when consumer demand will show genuine signs of slackening. There is already an amount of £520 million earmarked for that purpose, the outstanding balance of the "Postwar Credits" which were supposed to be repaid after the war but which are only repaid as and when the beneficiaries reach retiring age. Even so, the amount is being gradually reduced. Possibly the government may be anxious to replenish this fund, so as to be able to intervene more effectively by releasing this pent-up purchasing power if and when there are signs of a major depression.

The possibility of a return to steel control is well in the cards. Industry is suffering from an acute shortage of steel, and the government is subject to Socialist criticism on account of its attitude in allowing steel to be used extensively for the construction of office buildings and other nonproductive schemes, while some of the dollar-earning exporters are short of raw material and have to cut their output. Such criticism is not confined to Socialist quarters. The Conservative Party appears to be sharply divided between the "diehards" who prefer ruthless orthodox measures of credit restrictions and the more progressive elements who would like the government to relax its "ideological dogmatism" in face of the realities of the situation.

Although the practical case for resuming the system of steel allocations to safeguard the supplies of exporting industries is a strong one, a large proportion of Conservative politicians and almost the entire Conservative Press are opposed to it, for fear that it might become the thin end of the wedge. Once the principle that shortages justify the reintroduction of physical controls is adopted in one instance, it is liable to be applied in many spheres. In spite of this, a by no means insignificant section of the Conservative Party is in favor of it. There is a growing feeling amongst them that under Mr. Butler's Chancellorship the government had gone too far toward liberalizing trade, and that under prevailing conditions Britain's expanding economy is bound to entail inflation in the absence of some physical controls. Those who think on such lines are hoping that Mr. Macmillan will prove to be their man.

Conservative Split

Mr. Macmillan, when deciding on this issue of freedom vs. controls, will have to bear in mind that the Conservative Party has committed itself heavily on the side of economic freedom. But he himself is as yet uncommitted, and it is just possible that the reason why Mr. Butler was succeeded by Mr. Macmillan is precisely that it is always easier to eat the words of one's predecessor than one's own words. There is the danger that the reintroduction of physical controls might split the Conservative Party from top to bottom. Already there are indications of Right-wing hostility towards Mr. Macmillan, even before anybody knows what he intends to do. There are other elements of possible disunity—the forthcoming Monopolies and Restrictive Practices Bill, over which Conservative opinion is sharply divided, and the personal rivalries between the Conservative leaders. The traditional Conservative Party discipline and loyalty will be put to a very severe test this year. And Mr. Gaitskell, the newly-elected Leader of the Socialist Opposition, is awaiting his opportunity to exploit any split in the ranks of government supporters.

The political horizon in Britain is thus far from clear, in spite of the increase of the government's majority at the general election last year. It would be deplorable if the difficult economic situation were aggravated by political complications.

With Braun, Bosworth

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio — Donald W. Applegate is with Braun, Bosworth & Co. Incorporated, Toledo Trust Building.

Joins Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Carl J. Kubin has been added to the staff of Foster & Marshall, U. S. National Bank Building.

THE MARKET ... AND YOU

By WALLACE STREETE

Stocks put on another discouraging show this week when the natural gas bill cleared Congress but failed to spark any lasting popularity for the oil and natural gas issues. The bill had been held for months as a favorable factor that might generate a new show of strength in the market but when this failed the other major sections fell back into their laggard ways.

* * *

The stories told by the various indices were a bit more drastic than the facts warranted, due to the heavy number of pivotal issues that went ex-dividend during the week including such potent ones as Standard Oil of Jersey, U. S. Steel, Consolidated Edison, Norfolk & Western and Southern Rail. Especially in the case of Standard of Jersey, this situation also broke a rather impressive string of new highs being posted by the issue.

* * *

In falling some 26 points from the final posting of 1955, the industrial average made a low about where it had been expected to make a stand, and subsequently rebounded some 16 points to provide the classic one-half correction. Whether the Jan. 23 low will have to be tested before a new uphill climb, is still moot with the largely indecisive action of the list this week doing little to furnish a quick answer. On a couple of sessions recently, advances and declines came within 20-odd issues of matching each other, which isn't convincing action in any sense.

Pre-Hot Weather Favorites

There were some indications that the nearby market course had been written off and some of the traders were turning to the issues that normally find seasonal favor in hot weather, including Pepsi-Cola which was able to push ahead both in drifting markets and against the trend in lower ones. Another that was showing some signs of stirring was Motor Wheel where the big attraction is its Reo line of power lawn mowers. The industry forecasts call for 1956 sales ranging over the 2,500,000-unit mark which would make it a record year and boost sales some 10%. A bit of this type popularity also stemmed from the National Garden Supply Trade Show that closes today after a three-day stand.

* * *

Northern Pacific, a favorite some years back when the stock pushed close to the par line, was appearing in market recommendations on a growing scale again, largely as a result of the best earnings in five years last year. Activity in the Williston Basin has been picking up with the prospect of accelerated earnings. In fact, the entire Northwest has been developing encouragingly with Northern Pacific drawing down increased revenues from it. In addition to its rail operations, the company also has potentially valuable oil lands itself and is well stocked with timberlands. In addition there is also the prospect of a merger with Great Northern. The stock has been holding recently at a price level a full 20 points under its 1950 peak.

* * *

Steels still continue in group favor with the market analysts both because of their peak activities and the fact that they are selling at lower times-earnings factors than the general run of quality issues. Only National Steel has been able to show a 10-times-earnings price at recent levels, with the others selling around eight-times-earnings. National, like some of the others including Bethlehem, Armco and Republic, more times than not yields 5% or better.

Borg Warners' Outstanding Prospects

Auto issues have been anything but stalwarts, but contrary action is a market phenomenon and the specific item in this case is Borg Warner of the auto parts field. Part of the popularity for this issue is that even a decline in auto production will be offset by wider use of the Borg automatic transmissions, plus the fact that its sales to the auto industry are now down under the 50% level and the home appliance line is growing. It also has a position in the oil well equipment line to offset any adverse auto business facets. Moreover, the stock had reacted modestly from last year's high reached after the 1954 stock split which was a 3-for-1 division.

* * *

Chemical shares traditionally sell at high price-times-earnings ratios of 20-to-1 or better, which currently brings American Cyanamid to light since it has been holding at a level only 16-times last year's estimated results and only 14-times the projected earnings anticipated for this year. The company has the benefit of being both in basic chemicals and synthetic fibers as well as in the consumer market through acquisition of Formica. It also is in the drug business through its Lederle Laboratories which is not unknown in drug circles.

A Backward Oil Supplier

So far this year the oil shares have been rather prominent on good strength, some of it discounting the natural gas price decontrol moves and part of it from the high business activity in supplying fuel for a colder than normal winter. National Supply, whose fate is linked directly with the level of oil activity, could be considered among the backward issues not only recently but through the bull swing as well. It has had a mundane trading life and also has reacted moderately from last year's peak price, despite good earnings right along.

* * *

Not much has been said that is good in the carpet industry group, but the recent merger of Mohawk Carpet and Alexander Smith has brought some limited popularity to the surviving corporation, Mohasco Industries. The company in the merger acquired among other things a convenient tax loss credit which will offset future earnings and enable a far brighter showing than has been general in this depressed industry.

* * *

Cement stocks, despite assurances that some form of heavy highway commitments will result from legislative sessions not only on the national but on the State level as well, have been unable to show any great independent strength. A similar story is that of the school supply firms, American Seating and Brunswick Balke, which have an excellent future prospect in all the activity in school construction plus possibilities of Federal aid to spur it even more.

Ramifications in Celotex

Celotex Corp., one of the larger building supply firms, plus other indirect activities, is among the issues that have also had a mundane market life through the bull swing. In fact, it held in a range of only a fraction more than 10 points all last year. On a typical market session the issue will straggle to a few random appearances leaving it more or less neglected. Through stock ownership, however, Celotex is interested in one of the leading sugar producers and, going one step further, is also beneficially interested in the oil and gas field through South Shore Oil & Development. A large stock interest is held in this by South Coast Corp., the cane sugar unit, with Celotex holding nearly a majority of South Coast's common and more than three-fourths of its preferred.

[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.]

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

James J. Lynch

The Boston Securities Traders Association will hold their annual winter dinner on Friday, Feb. 10, 1956 at the Parker House, Boston, Mass.

Members of the Committee include:

Chairman: James J. Lynch, Paul D. Sheeline & Company; Richard J. Corbin, Blyth & Company, Inc.; Clive Fazioli, White, Weld & Company; Henry F. Griffin, A. C. Allyn & Company, Inc.; David H. May, May & Gannon, Inc.; John J. McDonough, H. C. Wainwright & Co.; Fredrick S. Moore, New York Hanseatic Corp.; Walter T. Swift, Kidder, Peabody & Company; Albert G. Woglom, Clayton Securities Corp.

BOSTON SECURITIES TRADERS ASSOCIATION

At the annual business meeting of the Boston Securities Traders Association the following officers were elected for 1956:

Gilbert M. Lothrop

Alex. W. Moore

Frederick V. McVey

Carl V. Wells

John A. McCue

President: Gilbert M. Lothrop, W. E. Hutton & Co.

Vice-President: Alexander W. Moore, New York Hanseatic Corporation.

Treasurer: Frederick V. McVey, Childs, Jeffries & Thorndike, Inc.

Recording Secretary: Carl V. Wells, Paine, Webber, Jackson & Curtis

Corresponding Secretary: John A. McCue, May & Gannon, Inc.

Governors: Wilfred G. Conary, G. H. Walker & Co. (Providence); Francis R. Cogghill, White, Weld & Co.; Raymond V. Coppens, Blair & Co. Incorporated; Walter F. Eagan, Harris, Upham & Co.; James E. Moynihan, J. B. Maguire & Co., Inc.; and Leo F. Newman, American Securities Corporation.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The investment Traders Association of Philadelphia will hold its 32nd annual Mid-Winter Dinner on Friday, March 2, at 7:30 p.m. at the Bellevue-Stratford Hotel. The dinner will be preceded by a member-guest luncheon at the Bellevue-Stratford at noon. Reservations may be made with Clifford G. Remington, Woodcock, Hess & Co., Inc., or Rudolph Sander, Butcher & Sherrerd.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Jan. 26, 1956 is as follows:

Team	Points
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	10
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	9
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	7
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	6
Barker (Capt.), Bernberg, H. Murphy, Whting, McGovan	6
Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	6
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	4
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	4
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	3
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson, Smith	3
Growney (Capt.), Define, Alexander, Montanye, Weseman	2
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	1

200 Point Club

Ray Forbes	245
Nat Krumholz	225
Jack Valentine	212

5 Point Club

Will Krisam
Charlie Kaiser
Walt Bradley

Common Stocks and Common Sense

By ROBERT G. GERRISH*

Manager, Syndicate and Municipal Bond Departments
G. H. Walker and Co., Providence, Rhode Island.

Referring to the N. Y. Stock Exchange and Federal Reserve Board surveys of stock ownership, Mr. Gerrish contrasts the 27 million family automobile ownership as compared with the 4½ million families who own common stocks, and depicts the magnitude of the potential market. Portrays the record of stock ownership as a hedge against price inflation and cites how the common sense value of stock ownership can be stressed for greater sales. Finds the tremendous demand for Ford stock an encouraging omen and offers advice on how to find a good stock.

I am delighted to have this opportunity to talk with you today partly because any salesman is always delighted to talk about his product. More to the point though, each of you devotes your talents each day to analyzing the market for, and presenting the merits of, your own special product. For that reason I regard you as a very unusual audience. I am eager to have you turn your thoughts to my product—common stocks—and to explore with you some of the curious and interesting things about them as well as some of the interesting and even more curious things about the market for them. The word "market" of course can have several meanings. Right now I use the word as it relates to the number of families who now own stocks and the number of potential owners of them. A little later we will talk about the stock market.


Robt. G. Gerrish

A recent survey showed that only about 4½ million families owned common stocks. Contrast that if you will with the ownership of automobiles by about 27 million families and the production of about eight million new automobiles this past year. I said a recent survey showed that only about 4½ million families owned common stocks. Actually that survey may now be outdated because it seemed to many of us in the investment business that about twice that number of families wanted to buy Ford stock. Quite seriously though if the demand for that security was actually as broad as it seemed and was reported, then the effects can be of tremendous significance both to us in the investment banking business and to you who own stocks now or who may intend to buy them.

If it is true that a vast number of new investors were or wanted to be buyers of that issue, it could be one of the most important market occurrences in the last 20 years. For it might well mean that the arithmetic of our times coupled with the magic name of a tremendously successful company never before owned by the public, have combined to create a demand and desire for common stock ownership far greater than the rather meager dimensions of the present participation by these families who have money to invest. It may mean that a vast new number of people have taken that way to say that they realize what well chosen common stocks can do for their owners and that they want to have a part in their savings invested in them.

I hope I have not taken you or myself too far down the road of wishful thinking, but the point I make is that demand can have just as great an effect on the price of common stocks as it has on automobiles or refrigerators. And confidence can have an even greater effect. Demand in point of any greater number of buyers has begun to widen only recently. Confidence is also a relatively new ingredient.

Consider this(and I refer again to recent surveys by the New York Stock Exchange and the Federal Reserve Board)—

(1) Only 10% of all adults said they would choose common stocks as a way to invest money.

(2) But only 23% know what a common stock is.

(3) I mentioned that about 4½ million families of which 3 million earned over $5,000 a year were shareholders. There are another 9½ million families with incomes over $5,000 a year.

(4) Thus we have sold only 25% to 33% of our potential market.

(5) Indeed—and this applies to you people in this room—the survey showed that 65% of the families earning more than $10,000 a year have never been contacted by telephone or in person by a broker.

Strangely enough this situation exists in spite of the arithmetic of our times. You have seen this arithmetic work and you have felt it work. In the 10-year stretch from Jan. 1, 1945 to the end of December 1954, the cost of living increased by 50%.

Now there are only a few things you can do with your surplus money. You can—

(1) Hold cash.
(2) Put it in a bank.
(3) Buy bonds.
(4) Take a real estate mortgage.
(5) Buy stocks.

Let's see how each of these would have fared.

(1) Cash obviously would have shown no increase and in fact suffered a loss of about ⅓ in purchasing power.

(2) A bank deposit at 2½%-3% compounded quarterly would have shown an increase of 28%-35% or at best only ⅔ of what was needed to stay abreast of the increase in the cost of living.

(3) A high-grade corporate bond at 3% would have done no better.

(4) A 5% real estate mortgage would have equaled the increase.

(5) Common stocks as measured by the Dow-Jones Industrial Average showed an increase of 165% or better than three times the increase in the cost of living.

Perhaps you would be interested in a study prepared by the University of Michigan covering the period Jan. 15, 1937 to Jan. 15, 1950. The market stood at essentially the same level at the beginning and the end of the period.

Yet a fixed sum of money invested every year in a cross section of common stocks with dividends reinvested produced a 12.2% return compounded. Too good to be true? Remember this survey did not allow for any pronounced market rise. Yet over the past 55 years stock prices again as measured by the Dow-Jones Industrial Average have increased at the average rate of 3.18% a year. Note, please, that this does not take into account any dividends paid during this long period of time.

Perhaps now your imagination may begin to stir with mine at the possibility of somehow telling the story of common stocks to the tremendous number of potential investors. Is the Ford story a forerunner of a greatly different market acceptance and demand? Is it possible that quite unwittingly and very probably quite unwillingly Henry Ford the elder, whose ideas changed the habits and face of this country, may have played a part in changing the market for common stocks?

Most of you will agree, I think, that a successful business can only be built over a lengthy period of time, and with the principal emphasis placed on lasting profits rather than quick profits. So it is with investing. Good results take time. We have seen that the long-term trend of stock prices has been upwards. There have been price declines and there will be more. But the investor who bought and kept good stocks has done very well.

How do you find a good stock? I think you should look for several things:

(1) **It should be in an industry that is growing and is essential.** For example, oils, chemicals, natural gas, electric utilities.

(2) **It should be operated by skilled and successful management.** Certainly the odds would seem to favor your having a better investment result if you entrust your money to a DuPont, a General Motors, or a Ford type management than if you left it in the care of a management which is not as well regarded and who has not been able to produce substantial profits for the stockholders.

(3) **The money with which the business is operated—the capital or capitalization, so called, should be reasonably balanced between bonds, preferred and common stocks.** The proportions in each class may vary depending on the stability of sales and profits expected for the particular industry. In general, though it is good practice to determine that the company you consider buying has about the same proportion of bonds and preferred outstanding as is standard for its industry. The reason for this is because bonds and preferreds represent a prior charge on earnings before common stocks. If the proportion in bonds and preferreds is too high it is possible that in poor times with a declining earnings trend it could mean that all the profits have to go to the bondholder, and preferred stockholders, leaving very little for the common stockholder.

(4) **There should be an acceptable relationship between the market price and the demonstrated and expected earnings.** The most frequently mentioned yardstick is 10 times. That is, that the stock would sell for about 10 times earnings. I think that this test is a very difficult one to apply in any arbitrary manner, and it is here that your broker can be very helpful. Most investment firms make every effort to uncover companies whose earnings should show an important improvement. This improvement can come about by reason of a new product for which a great demand can be predicted, a more efficient manner of operation, a generally increased demand for that company's products as a whole or increased production of a product that is in short supply. Close personal contacts with company managements or large investors frequently provide the starting point for a lengthy analysis with the hoped-for result of substantial profit to an investor.

(5) **It isn't necessary to be right half the time.** I believe that this is one of the least understood points of investing. It isn't necessary to be right half the time simply because you don't have to have a strong opinion all the time. There is nothing wrong that I can see in saying you are not sure enough of your facts to buy. It isn't greatly different than concluding you don't have to bid every bridge hand dealt to you. There is no one in this room who will ever have to run his eye over the newspaper page showing the transactions in the New York Stock Exchange and decide whether he should buy or sell every one of those issues at that time. So I say, you don't have to be right half the time simply because you don't have to risk your judgment or your money all the time. You buy only those you believe in.

(6) **The potential gain should justify the risk.** For example, let's take a stock which is selling at 15 and by reason of some development such as a new product, additional capacity or increased efficiency, may product earnings which would justify its selling at 20. It is probably fair to say that the stock is reflecting in its price some part of its promise. So let's suppose that if this hope did not exist that the stock would have a value of 10, which could be justified on the basis of its current earnings and reputation. My opinion is that you and your advisor should feel that there is a 50-50 chance or better that this promise will be realized. Otherwise the gain will not justify the risk and the stock is a poor purchase. I think this is a terribly important point and I wish time would permit me to discuss it further, for I am sure that few investors place it in its proper perspective.

(7) **Your broker or investment banker.** He should of course be well regarded, both for his ability and his integrity. Equally important, though, you should like him. You should feel he is interested in you and in what you are trying to accomplish. If you choose well you will both gain by building a business relationship that may well exist during your entire business career — when you are trying to do what he should be skilled in helping you accomplish —to build an estate that will provide for your retirement, the education of your children, or any of the many other things we all want money for.

*From an address by Mr. Gerrish before the Salesmanagers Club of the Greater Providence Chamber of Commerce, Providence, R. I., under the auspices of the Investors Information Program of the New York Stock Exchange, Jan. 19, 1956.

With Mid Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Ted Cohen and John C. Roberts, Jr. are now with Mid Continent Securities Corp., 3520 Hampton Avenue.

Samuel Hirsch Co. Formed

Samuel Hirsch & Co., members of the New York Stock Exchange and Associate members of the American Stock Exchange, have opened offices at 29 Broadway, New York City. The firm will also have a branch office at 286 Broadway, Monticello, New York, under the management of Samuel Penski. This will be the first permanent brokerage office in Monticello in more than 20 years. Members of the firm are Samuel Hirsch (Member New York Stock Exchange), Harold Lewis (Managing Partner), Samuel Simon (Limited).

Barber & Kane Formed

CHICAGO, Ill.—Barber & Kane has been formed with offices at 10 South La Salle Street to engage in a securities business. Officers are Willis R. Barber, President and Treasurer, and John F. Kane, Vice-President and Secretary.

De Witt Conklin Opens West Coast Offiice

The De Witt Conklin Organization, 100 Broadway, New York City, specializing in stockholder and financial relations, announced over the weekend the opening of a new West Coast office in the Russ Building, San Francisco. This office was established to enable the De Witt Conklin Organization to render a more complete service to its clients and particularly those located on the Pacific Coast. Robert E. Anderson, formerly Vice-President in charge of research for the investment banking firm of Hill Richards & Co., Los Angeles, has been appointed manager of this new San Francisco office.


Robert E. Anderson

Milwaukee Bond Club To Hold Annual Meeting

MILWAUKEE, Wis.—The Milwaukee Bond Club will hold its annual meeting and election of officers on Tuesday, Feb. 21 at Skyroom of the Plankinton House. Brenton H. Rupple, Robert W. Baird & Co., Inc. is Chairman of the arrangements committee. Reservations should be made with Harry Madary of Robert W. Baird & Co., Inc.—tariff $10 for guests. James Hintz of Merrill Lynch, Pierce, Fenner & Beane is Chairman of the Options Committee.

Slate of new officers to be elected is:

President: Brenton H. Rupple, Robert W. Baird & Company.

Vice-President: Fred D. Jenkins, Brew-Jenkins Company.

Governors: Joseph N. Austrup, Merrill Lynch, Pierce, Fenner & Beane; Harold A. Franke, The Milwaukee Company; Lester B. McElhiney, Bache & Company; Stanley L. Rewey, Marshall & Ilsley Bank; Robert J. Riley, Loewi & Co.; Thomas H. Twitchell, B. C. Ziegler & Company.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange announces the following firm changes:

Franklin, Meyer & Barnett will not dissolve on Feb. 3 as previously reported.

The name of Warburton, Greiner & Batkin will not be changed on Feb. 4 as previously reported.

William J. Flynn, Walter A. Schiffer, member of the Exchange, and C. Kenneth Smith retired from partnership in Bache & Co. Jan. 31.

John F. Sammon retired from partnership in William L. Burton & Co. February 1.

Bruns Nordeman Branch

WEST MEMPHIS, Ark.—Bruns, Nordeman & Co. has opened a branch office at 110 East Thompson Street under the management of James R. Pugh.

Bond Women to Hear

Gordon Dean, Senior Vice-President of Nuclear Energy Division of General Dynamics Corp., will be the guest speaker at a luncheon meeting of the Women's Bond Club of New York at the Bankers Club, February 7. His subject will be "Atomic Energy in Industry."

Impact of Reduced Auto, Housing Output Analyzed

The First National City Bank predicts $400 billion economy for current quarter with expected auto and housing decline unlikely to carry the rest of the economy with them. Finds auto cutback publicity obscures favorable comparison of new car sales with last year's. Estimates housing outlays to keep residential construction with 8% of its 1955 high.

The February "Monthly Bank Letter" of the First National City Bank of New York, in viewing the general business offsetting changes taking place, points out that another "rolling readjustment" is under way and expresses confidence in the outlook despite the expected decline in automobile and housing industries. In summarizing the general business conditions, the "Letter" observes that "since the automotive industry is the largest buyer of materials, parts, and supplies in the country, even a modest curtailment causes some dampening of enthusiasm and takes something away from the force of the business advance. Together with the slippage in housing starts, which continued through December and has now lasted for some months, it signifies a narrowing and slowing of the rise, and possibly the reaching of the crest which so many have been expecting.

"In other lines, however, there are few indications of slackening, and some are still gaining. Where a crest seems to be forming, as in steel and certain other industrial materials, it is due generally to limitations of capacity rather than to softening demand. In many industries, manufacturers would be producing more if they could possibly do so. Unfilled orders are heavy, often requiring capacity output for months to come. Incoming business holds at high levels. Machinery and equipment output and non-residential construction are expanding. In the general merchandise trades, reports from the January wholesale markets, which reflect retail conditions and buyers' sentiments, have been uniformly good.

"From all indications, the country will cross the invisible boundary line into a $400-billion-a-year economy, measured by the total output of goods and services, some time in the current quarter. There is no particular magic in this figure except as it emphasizes the rapid growth of the past year, the unprecedented height reached, and the way in which many lines must strain at the limits of manpower, materials, and capacity to make this possible. In the past year the extraordinary total of 3.1 million people have been added to the working force, and output of steel, nonferrous metals, glass, paper, and other materials has been pushed as close to capacity as is economically feasible. At such high levels, further gains are difficult and limited, while cutbacks in line which have become temporarily overextended are to be expected. This is the situation in automobiles.

"The stock market has been vacillating, and some tendency to shorten commitments is reported by purchasing agents. In view of the dangers of duplication of orders and excessive inventory build-up, which could only carry on the boom at the expense of later recession, conservative buying policies should be welcomed. None of these developments provides clear signs that business is at a turning point.

Prospects for Automobiles

"The spotlight has focused on the automobile and homebuilding industries as primary sources of weakness in 1956. Both industries had remarkably good years in 1955, and both are currently operating considerably below their 1955 highs. Harlow H. Curtice, President of General Motors, has predicted that domestic automobile production (excluding vehicles for export) will total 7.5 million cars and trucks in 1956, a decline of 14% but still the second best year on record. The industry expects truck production approximately to equal the 1,050,000 turned out for domestic use in 1955; hence, the anticipated decline of roughly 1.2 million units from 1955 to 1956 would appear to be entirely in passenger car output.

"The publicity given to cutbacks in auto output has tended to obscure the fact that retail sales of new cars are holding well up to last year's performance, which is no small achievement. In November, December, and the first 20 days of January, dealers sold somewhat more cars than they did a year earlier, when the new 1955 models were arousing so much interest. The key question is how long dealers can maintain this pace.

"Whereas the '55 model year started off with low stocks and a moderate rate of production, output of '56 models quickly attained near-record levels and by Dec. 31 had piled up dealers' stocks of 725,000 new cars, according to Ward's Reports. Since mid-December, manufacturers have been striving to bring production more closely into line with sales, but even so new car stocks at the end of January were probably at an all-time high. By eliminating overtime and Saturday work and by laying off over 25,000 workers, factories have cut passenger car output 23%, from 178,400 in the week ended Dec. 10 to 137,200 in the last week of January. For February, production is scheduled at about 600,000 cars, still a good rate for the off-season by pre-1955 standards.

"The greatest part of the adjustment to date, by both auto manufacturers and suppliers, has been accomplished by a shift from overtime operations to a normal work week, which is hardly a depressed condition. Some suppliers, notably steel mills, have continued to operate at record levels because demand by other customers was so great. What little steel was released by auto companies has been eagerly snapped up. If dealers' new car sales start slipping, further production cutbacks are likely to follow, but to date the reductions in output and payrolls have not reached proportions that would fan out far into the rest of the economy; indeed, the release of materials may make it possible for some other industries to increase output. In any case, the restyled '57 models will provide a stimulus to the market in the latter part of the year.

The Housing Market

"Home building has been declining for some time with little visible effect on over-all economic growth. The number of new homes started reached a peak seasonally adjusted annual rate of 1,478,000 in December 1954 and declined to 1,187,000 in December 1955. The cumulative effect of tighter mortgage credit, more restrictive terms, resistance to higher prices, and localized saturation of a few markets tended to accelerate the drop in the latter part of 1955.

"More recently there have been indications that the tide is turning. The Home Loan Bank Board arranged in December to make as much as a billion dollars in standby credits available to Federal savings and loan associations. In January, the Veterans Association and Federal Housing Administration extended maximum maturities on mortgages guaranteed or insured by them from 25 to 30 years, reversing their action of last July. The Federal National Mortgage Association opened facilities for 'warehousing' mortgages. Generally, funds available for investment in mortgages appear to be somewhat less tight. It is likely to be spring before it can be seen whether or not these changes are sufficient to halt or reverse the downtrend in housing starts. Meanwhile most experienced observers are reasonably optimistic. In both government and private building circles the consensus is that the number of units started in 1956 should reach or exceed 1,200,000, which is a little better than the December 1955 rate.

"The number of dwellings started in December was down one-fifth from the peak a year earlier, but total expenditures on residential construction were off only 8% from their 1955 high. The difference is attributable to rising construction costs, to demand for homes with more rooms and more special features, and to the rise in cutlays for alterations and improvements. These trends will help maintain expenditures even in the face of a further decline in housing starts in 1956."

Geyer, Warren V.-Ps. Of Blair & Co. Inc.

Blair & Co. Incorporated, 44 Wall Street, New York City, announced the election of George Geyer, as Vice-President in

George Geyer Robert H. Warren

charge of the bank and insurance department and Robert H. Warren as Vice-President in charge of the corporate stock syndicate department.

Mr. Geyer and Mr. Warren were President and Vice-President, respectively, of Geyer & Co. when it was merged into Blair in September, 1954.

A veteran of 28 years in the investment business, Mr. Geyer has specialized in insurance stocks since 1932. He founded Geyer & Co. in 1940.

Mr. Warren has been in the securities business since 1934. He joined Geyer in 1944 and had been Vice-President in charge of institutional sales in the New York office from 1951 until the merger with Blair.

New S. F. Exch. Member

SAN FRANCISCO, Calif. — The Governing Board announces the election of Mark O'Donnell to membership in the San Francisco Stock Exchange effective Feb. 1, 1956. Mr. O'Donnell, a general partner in the member firm of J. Barth & Co., acquired his membership by transfer from B. E. Stewart, also a general partner of that firm. Mr. O'Donnell will represent J. Barth & Co. on the Floor of the Stock Exchange.

Decatur Bridge Now Operating on Toll Basis

Dedication ceremonies set for May after long delay occasioned by whims and caprices of Missouri River. Role of investment bankers in overcoming difficulties noted.

When the Burt County Bridge Commission was authorized by the Nebraska Legislature in the late 40's to construct, operate and maintain a bridge and its approaches to span the Missouri River between Decatur, Neb., and Onawa, Iowa, public officials and residents of both states were more than gratified as the economic need of such an artery had long since been evident. Not so evident, however, were the numerous difficulties, both man-made and the product of nature, which operated to delay opening of the structure for toll traffic until approximately five years after its completion.

In view of the fact that the bridge has been opened for traffic since Dec. 19, 1955, with formal dedication ceremonies scheduled for sometime in May, it is of interest to review the history of the delay and the vital role played by the bankers which marketed the necessary bonds in resolving the difficulties which beset the project. Equally important is the fact that the time, effort and expense borne by the bankers of the bonds in protecting the invested interests of its customers was not required on legal grounds. The financing, incidentally, was effected by a group headed by Shields & Co., New York City, Robert E. Schweser & Co., Omaha, and R. W. Spraggins & Co., Memphis. It consisted of the sale in March, 1950, primarily to life insurance companies, of $1,970,000 3¾% obligations, dated Feb. 1, 1950 and due Feb. 1, 1980.

Subsequent to the sale of the bonds, work on the bridge got under way, completion of which was achieved in the fall of 1951. The bridge, however, could not be opened for traffic as the unpredictable Missouri River had not returned to its original channel which the bridge spanned. As a matter of fact, it had moved even further to the east, such gyrations, incidentally, being far from unusual as witness the testimony of the U. S. Army Corps of Engineers whose task it was to keep the surging river "tied down." However, reduced Congressional appropriations for the work of the Army Corps, along with the problems created by the Korean War, prevented the engineers from carrying out their original intentions of returning the Missouri to its proper channel.

Shields & Co. were unaware of the channel problems and even upon learning of them were not too much concerned as it was assumed that the 30-month interest appropriation in the original purchase price of the bonds would cover any situation until the bridge could be opened for traffic. By 1952, however, with the Missouri then even further east of the original channel and no definite plans for returning it, the underwriting house became aware of the seriousness of the matter.

Although preliminary legal opinion indicated the firm was not guilty of any negligence and could successfully defend any suit brought against it based on the prospectus, Shields felt that its obligation to the purchasers of the bonds demanded something be done to rectify the situation.

The initial steps taken by Shields fell largely into two groups. First an almost frontal attack on the Executive Branch of the Federal Government and the Bureau of the Budget to have money placed in the budget specifically designated to return the river to its original channel. Secondly, Shields engaged an engineering firm to make an estimate of the costs of returning the river to its channel.

The task assumed by the firm proved to be a gargantuan one, including formation of the Missouri Valley Developmnet Corporation, engaging a Washington law firm familiar with the conventions and policies of the Bureau of the Budget, and having residents, townspeople and Governors of the States of Iowa and Nebraska to enlist the aid of the proper Congressional Committees to authorize the required funds to restore the Missouri to its proper channel in order that the bridge could be placed in operation.

Among other things, Paul Shields, in a letter to President Truman defined the position he thought the Government should take, stating: "By allowing the Decatur Bridge to be built the Government assured the bondholders the river would be returned to its proper channel." Then followed the taking of numerous other actions before the bond house achieved success in its mission, aided considerably by Rep. Jensen of Iowa; former Budget Director, Joseph M. Dodge; Sen. Knowland of Calif.; General Potter, Division Chief of the Army Engineers; and General Itchenor, Deputy Chief of Engineers.

In view of the trend, however, it must be conceded that when the bridge might have been opened, without the aid of Shields & Company, can only be conjectured. Certainly the large expenditure of money and the incalculable amount of time and work given by the firm hastened the completion of the artery. This reflects credit not only on Shields for protecting the invested interests of its customers beyond the normal legal obligations but is also a tribute to the entire investment banking field.

Odile Stewart Joins G. H. Walker & Co.

CLAYTON, Mo.—Roy W. Jordan, resident manager of the Clayton office of G. H. Walker & Co., 8224 Forsyth Boulevard, announced that Miss Odile V. Stewart had become associated with the firm as a Registered Representative.

Odile V. Stewart

Miss Stewart was educated in St. Louis and graduated from Washington University. She then took the Management Training Program at Radcliffe College, a course designed to train women in the field of business and finance. After completing this program, she started in the investment business in Washington, D. C., with the firm of Johnston, Lemon & Co. as a Trader in their unlisted department. She spent a year and a half with them in this capacity and then returned to St. Louis where the local branch of Merrill Lynch, Pierce, Fenner & Beane employed her as an assistant account executive. She left them after 13 months to join the sales force of G. H. Walker & Co.

With Bear, Stearns Co.

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Jack Schaefer is now associated with the firm as a registered representative.

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The Security I Like Best

maker-Packard right now is something like planting seeds in the winter time. The month of January has been featured by production cuts on the part of the Big Three and record inventories in their dealers' hands.

Naturally, the outlook should improve in the Spring, and the end of 1956 should be exceedingly good. We must remember that 1956 is a face-lift year in the automobile business. 1957 models will represent new automobiles with a major sales appeal. One of the best economists I know has estimated that barring only something unforeseen, such as overnight wartime rationing, this year's September-January production will run way ahead of the 1955 September-January production. In fact, this economist sees the possibility of a nine million car annual production rate at the end of the year. If I understand him correctly, he thinks these cars will also sell, not only because they will be new but because after Labor Day the motor car buying public will have repaid enough consumer debt to be credit-clean, as it were.

The past of Studebaker-Packard from the standpoint of having something to work with is favorable. Studebaker, manufactured in South Bend, has a tradition of above average careful workmanship. In many cases, a tradition carried on from father to son from the horse and buggy days. Packard had a second-to-none reputation for wartime motor building. As one of the 100 largest companies in the country, it is still a factor to be reckoned with. Studebaker-Packard has 114,000 stockholders, and even at current low operating rates, probably 18,000 to 19,000 employees. In its day the two companies between them produced over 400,000 vehicles one year. They have facilities and know-how and now they have direction and leadership.

Outside of the motor business there is some life in the old girl yet. As recently as last December the Studebaker-Packard Corporation received a multi-million dollar contract to make J-57 parts for the U. S. Air Force jet engine program. The company announced that the project will result in expansion of employment by about 20%, equal to 2,000 workers in the company's Detroit area plants. This is important to Studebaker-Packard and it is important from a national policy standpoint. There are those who believe that it is not in the interests of the Nation's security to concentrate all government business among the very largest producers.

At $9, the 6,400,000 common shares of Studebaker-Packard have a market value of $58 million. This is a very low price to pay for the equity of a company of the size of Studebaker-Packard. You pay very little per dollar of sales. You pay very little per employee working for you. You pay very little for production facilities. You get a great deal thrown in. The book value of Studebaker-Packard is over $20 per share. Working capital is over $10 per share. The tax loss carry-over is approximately $40 million, or something like $6.50 per share. One analytical service is of the opinion that the corporate shell alone, exclusive of the company's tangible assets, is worth close to $10 per share. I do not know how they reached this conclusion and care less because I am not interested in buying coffins. There is no better way of losing money than buying "bargains" which represent assets that can not be used to produce profits and dividends. I cite these values here because I think they are in a position to again become productive and profitable.

Studebaker-Packard has an insurance loan and a line of bank credit. Additional working capital will probably be needed for their 1957 program but it does not look at this time as if there will be any major difficulties in securing it.

Ownership of Studebaker-Packard is at present very widely distributed. The latest reports suggest that the directors of the company own less than 100,000 shares. The new management holds options at around $16 per share. The technical position as I evaluate these things is exceedingly strong. Bearishness in all quarters has been well-nigh universal. In the last six months of 1955, a very large amount of stock was liquidated in a two-point range and I think went into very strong hands.

1955 sales are estimated at $460 million. Production of vehicles is estimated at about 200,000 cars and trucks. The full year report will probably be out the end of February. Some loss is anticipated in the fourth quarter of 1955. The indicated nine-months deficit of the merged company totalled almost $29 million, of which something like $19 million was charged to the third quarter. The cash flow loss was probably substantially lower.

I do feel that the company certainly has the worst behind it. The cost of reorganization has been very heavy, particularly getting the South Bend labor situation on a competitive basis. Model changeover costs have not been fully absorbed. The major benefit of the economies anticipated from the merger by the management will begin to be realized with production of the 1957 car model.

Studebaker-Packard production is now efficient and has been running ahead of last year. Packard production is now being cutback and the real test for Studebaker production will come when its dealer pipelines are filled. Nevertheless a black first quarter is possible for 1956. The company's percentage of the industry's production last year probably was a shade over 2%. In the past, it had been above 6%. Studebaker-Packard has over 4,000 dealers. They need more and better ones. With internal problems behind, the management can now concentrate on dealers and sales.

Studebaker-Packard styling is in charge of William Schmidt, formerly chief Lincoln stylist and designer of the Lincoln "Futura." The chief change is that Studebaker is going American and going Detroit and going for a big car package fully competitive with the Big Three. The only foreign type body being made is the very much improved new line of sport "Hawks." These cars were grouped by "Life" in its recent automotive survey with the Ford Thunderbird and the Chevrolet Corvette and yet while competitive, they are not similar. They really are unique in offering the one-car family a real sports car for the man, with seating space and protection for the children, and baggage space to please the woman.

1956 body improvements have been accomplished on minimum budgets and the use of new techniques such as fibre glass in place of some costly dies.

Engineering-wise, the Packard Division is the only American company presently offering torsion bar ride. This is not only said to be the best in the industry but rumored to be ready for adoption by at least one of the Big Three. Another exclusive feature is the non-slip differential which works for all practical purposes in exactly the opposite manner of the standard differential. The non-slip type channels the power to the wheel that has the most traction. The type in general use channels the power to the wheel with the least traction. The car with the non-slip differential with one wheel on a good road and the other wheel in an icy ditch can pull out on its own power. A third exclusive engineering feature is the so-called electronic type of gear shift which is controlled electronically by buttons.

Going back to the start of this story, all of the above is meaningless unless Studebaker-Packard can get momentum in building up sales, securing more and stronger dealers and attracting new young second echelon men. One of the most famous and successful of the motor tycoons told me: "Give me some lean young men and a handful of stock options and I can build up any company." Success in building sales attracts dealers. Success in building sales also creates value for the stock. The moment Studebaker-Packard shares acquire value and promise in the public eye, at that moment the problem of new young and aggressive manpower to fill in under Mr. Nance solves itself.

I think that the present management has already demonstrated its ability to cope with production and financial problems. Now for the first time its energies are released for devotion to the first line of battle, namely, sales. In this connection, the record and reputation of Mr. J. J. Nance, President of Studebaker-Packard, is top-flight. He is known particularly for his achievements with the Hotpoint Division of General Electric.

In conclusion, it seems to me that regardless of any of the points discussed here the Studebaker-Packard shares meet a prime speculative objective, namely, the risks of loss would seem to be, on a percentage basis, substantially less than the chances for gain. Practically everything bad, outside of utter failure, has been discounted. On the other hand, if the same success achieved in straightening out the internal problems of the corporation now begins to be achieved in sales, then the market effect would be electric. Buyers and owners of shares of an established company that starts to slip, lose on every front. The decline in earnings multiples market-wise in declining investor appraisal of its assets, earnings, dividends and future. Likewise, when a stock like Studebaker-Packard that has been stripped of all investor regard begins an earnings recovery, investor appraisal is restored along with the new uptrend.

I doubt very much whether Mr. Nance accepted his management options at $16 without the hope of at least seeing them double. Nobody knows whether this will happen but it certainly is within the realm of possibility that it might happen.

Since 1946, the successful leaders have kept pulling away from the field. It is the rare exception nowadays that a laggard company can be successfully rebuilt. The effort here has a real chance.

This then is the situation as I see it on Thursday, Feb. 2, 1956. As time goes on, it will change for the better or the worse with developments in the news, in politics and in the market. Let each reader decide for himself whether he agrees or disagrees with my conclusions.

Salomon Nelson Opens

Salomon Nelson is engaging in a securities business from offices at 550 Fifth Avenue, New York City, under the firm name of Income Producing Properties.

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Short- and Long-Run Factors In Outlook for Common Stocks

next five years at an average annual rate of at least 4% and that disposable income over the same period may rise on average 5% a year. On these assumptions the earnings on the 30 Dow stocks will rise to something in the neighborhood of $47 a share by 1960. This could easily put the Dow Average betwen 650 and 700.

Increasing Stock Demand

In talking about the long-term outlook for common stocks one cannot, of course, neglect to mention the floor placed under their price structure by their increasing use and acceptance. The demand for investment stocks will continue to be strong as more and more money seeks investment through the media of pension funds, trusts and endowments, and mutual funds, and insurance companies (particularly if they actively enter the field of so-called variable annuities).

Offsetting Down-Up Beats

We have been living in recent years in an economy where business has experienced a series of moderate peaks and valleys superimposed upon a strong basic growth trend. I believe this type of economy will continue for the foreseeable future, and that we can continue to have rolling adjustments of various industries at different times without heading the whole structure into a downspin. Right now we are having a down-beat in automobiles and residential construction, but a strong up-beat in freight cars, heavy electrical generating equipment, non-residential building and industrial capital expenditures for plant and equipment.

It is most important to keep in mind the longer term horizons when investing in common stocks. In addition to a belief in an expanding economy other basic concepts that motivate my thinking include a recognition of the enlarged position of both the Federal Government and labor unions in the business scene and a recognition that the Russian problem is a deep-seated and lasting one for which there is no ready solution.

Averages Mislead

The opportunities for profitable common stock investment are very great. The problems involved in arriving at sound decisions of which stocks to buy when, and which stocks to sell when, continue to multiply. The market averages as you know do not tell the whole story. The stocks of many fine companies declined in price during 1955 when the general market rose over 20%. Of the 1,023 most actively traded stocks on the New York Stock Exchange in 1955, only 325 rose as much as 20%; 273 declined; 15 were unchanged in price; 223 were up from 1% to 10%; and 187 rose from 10% to 20%. Thus, the chance of doing as well as the Dow-Jones Industrial Average was about 3 out of 10.

Your bank customers need professional guidance. Don't let them be "do-it-yourself" casualties. Encourage them to use your investment advisory services, if you have the facilities, or to use the other professional services available which include investment counsel firms, and mutual funds.

McNeil 50 Years With Spencer Trask & Co.

John J. McNeil, assistant cashier of Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, observed on Feb. 2, 1956 his 50th anniversary with the investment firm.

Mr. McNeil was only 17 years of age when he started his career with Spencer Trask as a runner in 1906.

His fellow members of the firm's 25 Year Club presented Mr. McNeil with a solid gold wrist watch.

With Kidder, Peabody

WINTER PARK, Fla.—Kidder, Peabody & Co., member of leading securities exchanges, announced today that Philip M. Stearns is now associated with the firm in its office at 137 East New England Avenue, Winter Park, Fla.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At a meeting of the Board of Directors of **Bankers Trust Company, New York,** on Feb. 7, the following changes in its management family were announced:

(1) S. Sloan Colt, President, was elected Chairman of the Board, and continues as the Chief Executive Officer of the bank; (2) E. Chester Gersten, Executive Vice-President, was elected Vice-Chairman of the Board; (3) Francis S. Baer, Executive Vice-President, was elected Chairman of the Executive Committee; (4) Alex H. Ardrey, Executive Vice-President, was elected President, and will become Chief Administrative Officer of the bank; (5) William H. Moore, Vice-President, was elected Executive Vice-President, and became a member of the Board and of the Executive Committee; (6) J. P. Dreibelbis, Vice-President, in charge of the banking department, and Brian P. Leeb, Vice-President, in charge of the pension and personal trust department, were elected Senior Vice-Presidents and members of the Board of Directors; (7) John M. Budinger, Vice-President and Director, was confirmed as Vice-President and Chairman of the Advisory Committee.

Mr. Colt, in commenting on these appointments, pointed out that they involve no changes in policy on the part of the management of the bank. "They represent," he said, "our best effort to decentralize management responsibility, and to plan for the future, so that our bank will continue to handle the business entrusted to us by our customers as competently and effectively in the future as it has in the past."

Mr. S. Sloan Colt, newly elected Chairman of the Board of Bankers Trust Company, joined the bank in 1930 as Vice-President and Director. He was elected President in June, 1931; he was 38 at the time; Mr. Gersten, newly elected Vice-Chairman of the Board of Bankers Trust Company, became an Executive Vice-President last year (1955) following the merger of Bankers Trust Company and The Public National Bank and Trust Company of New York, of which he had been President since 1929; Mr. Baer, newly elected Chairman of the Executive Committee of Bankers Trust Company, joined the management as Senior Vice-President and Director in 1949. He previously held the position of Senior Vice-Chairman of the Board of Bank of America, N. T. & S. A., San Francisco. He was named Executive Vice-President of Bankers Trust in 1955. Mr. Ardrey, newly elected President of Bankers Trust Company, came to the bank in 1930 as Vice-President, and was named head of its banking department in 1946. He was elected to the Board of Directors in 1948, and was made Executive Vice-President in 1949. Mr. Moore, newly elected Executive Vice-President, Director and Member of the Executive Committee of Bankers Trust Company, joined the bank's staff in 1938. He was named Assistant Treasurer in 1948, Assistant Vice-President in 1949, and Vice-President in 1951.

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James W. Toren, of **City Bank Farmers Trust Company, New York,** has been appointed an Assistant Vive-President and will be associated with the investment group of the pension trust division. The appointment was made at the regular meeting of the Board of Directors of the trust company on Feb. 7.

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Wilfred C. Allan has resigned as Treasurer of **American Trust Co.,** 70 Wall Street, **New York,** to become Vice-President, Treasurer and a Director of Merkel, Inc., Jamaica, L. I., a leading independent meat packer, it is announced by Sinclair Robinson, Chairman.

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The New York State Banking Department on Jan. 11 granted approval to the **Central Bank and Trust Company of Great Neck, Long Island, N. Y.,** to increase its capital stock from $500,000, in 50,000 shares, par $10 per share, to $1,000,000, consisting of 100,000 shares of the same par value. As noted in our issue of Nov. 10, page 1984, the bank represents a conversion as of Sept. 26 of the **National Bank of Great Neck** into a trust company.

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The Gramatan National Bank & Trust Co. of Bronxville, N. Y., reported a capital of $300,000, effective Jan. 16, the amount having been increased from $275,000 by a stock dividend of $25,000.

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The Poughkeepsie Trust Company of Poughkeepsie, N. Y., received authority Jan. 11 from the New York State Banking Department to increase its capital from $300,000, consisting of 60,000 shares, par $5 each, to $350,000 in 70,000 shares of the same par value.

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The issuance of additional stock by the **Oneida National Bank & Trust Company of Utica, N. Y.,** to the amount of $177,910, has enabled the bank to enlarge its capital from $1,067,500 to $1,245,410, effective Dec. 28.

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A new branch office of the **Rockland-Atlas National Bank of Boston,** was opened on Jan. 30 at 32 Huntington Avenue in the Copley Square area. H. Frederick Hagemann, Jr., is President of the bank. The new branch is the sixth office of the Rockland-Atlas National Bank. Ralph L. Donnelly, Assistant Vice-President, will be in charge of this office, assisted by John J. Marshall, as Assistant Manager.

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The capital of the **Boonton National Bank of Boonton, N. J.,** following an addition of $50,000 by a stock dividend of that amount, has become $250,000 as of Jan. 17, compared with $200,000 previously.

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Martin J. Kaiser, an Assistant Vice-President of the **National Newark & Essex Banking Co. of Newark, N. J.,** died on Jan. 27. He was 46 years of age, according to the Newark "Evening News," Mr. Kaiser had been with the **Savings Investment & Trust Co. of East Orange** and became associated with National Newark when that bank absorbed Savings Investment.

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An increase of $100,000 in the capital of the **National Bank of Ocean City, N. J.** became effective as of Dec. 12, the addition having occurred through the sale of $50,000 of new stock and the declaration of a stock dividend of a like amount, the capital having thereby been raised from $150,000 to $250,000.

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The election of A. M. McNickle, who for the past eight years has been Vice-President in charge of trust development for **Fidelity Trust Company, of Pittsburgh, Pa.** to the office of Vice-President-Business Development is announced by John A. Byerly, Fidelity President. At the same time, Mr. Byerly announced the election of Paul A. Davis to succeed Mr. McNickle as Vice-President in charge of Trust Development. Both officers were named at the organizational meeting of the Board of Directors of Fidelity Trust Company, following the annual meeting of stockholders. Long active in banking associations, Mr. McNickle has served as Chairman of the Committee on Public Relations of the Corporate Fiduciaries Association; as Chairman of the Trust Development Committee of the Pennsylvania Bankers Association and as a member of the Committee on Trust Information of the American Bankers Association. Mr. Davis joined Fidelity as an Assistant Secretary in 1948, following several years association with Manufacturers & Traders Trust Company, Buffalo, N. Y. He was appointed associate Trust Officer in 1951 and elected Assistant Vice-President in 1954.

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The Directors of the **Seaboard Citizens National Bank of Norfolk, Va.,** announced the election on Jan. 11 of Abner S. Pope as Chairman of the Board and J. Hoge Tyler, III as President.

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The Mahoning National Bank of Youngstown, Ohio, enlarged its capital on Jan. 19 from $1,500,000 to $1,650,000, by a stock dividend of $150,000.

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As of Dec. 30 the **National Bank of Hudson, Ohio,** with common stock of $100,000 was merged into the **First National Bank of Akron, Ohio,** with common stock of $3,500,000 under the title of the latter. At the effective date of the merger the enlarged bank had a capital of $3,640,000, in 364,000 shares of common stock, par $10 each, surplus of $5,500,000 and undivided profits of $2,019,891.

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The Citizens Bank of Madison, at Madison, Ohio capital $50,000 was merged with the **Lake County National Bank of Painesville, Ohio,** (with common stock of $400,000) effective as of the close of business Dec. 31, under the charter and title of the last last named bank, according to the weekly "Bulletin" of the U. S. Comptroller of the Currency. At the effective date of the consolidation the consolidated bank had a capital stock of $487,500, in 48,750 shares of common stock, par $10 each, surplus of $487,500 and undivided profits of not less than $255,709.

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Howard T. Fuller, President of **Illinois State Bank of Quincy, Ill.,** was elevated to the post of Chairman of the Board, and Frank Strieby, Executive Vice-President, was elected President at the monthly meeting of the Board of Directors, it was announced on Jan. 24. At the same time it was announced that R. W. Pipe, formerly Assistant Cashier, had been elected Assistant Vice-President, and Dean Johnson, Assistant Cashier. President Fuller also told the board that in the past year deposits increased $1,027,540, rising from $19,553,282, at the end of 1954, to $20,580,823. Total resources rose $605,557 to $23,358,518. In 1940 resources were $4,735,829; $18,528,319 in 1950.

Mr. Fuller came to the bank as Vice-President and Cashier in January, 1940, and became President in 1945.

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As a result of the sale of $75,000 of new stock and the declaration of a stock dividend of $25,000, the capital of the **Broadway National Bank of Quincy, Ill.,** became $250,000 on Dec. 14, as compared with $150,000 previously.

* * *

The Liberty National Bank & Trust Company of Oklahoma City, Okla. has enlarged its capital to the extent of $1,500,000 by the addition of a stock dividend of $750,000 and the sale of $750,000 of new stock, as a result of which, the capital, previously $3,500,000 was raised to $5,000,000 as of Dec. 30.

* * *

The recently organized **Bank of Arkansas, of Little Rock, Ark.,** began business on Jan. 3, as a member of the Federal Reserve System. The officers are: Dabbs Sullivan, Chairman of the Board; B. T. Harris, President; James H. Kays, Executive Vice-President; George W. Wilson, Vice-President and Cashier, and M. D. Turnage, Secretary.

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A stock dividend of $1,000,000 announced by the **First American National Bank of Nashville, Tenn.,** has resulted in increasing the bank's capital, effective Jan. 17, from $5,000,000 to $6,000,000.

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The directors of the **Atlantic National Bank of Jacksonville at Jacksonville, Fla.,** announced the retirement on Dec. 31 of Clarence O. Little, Vice-President.

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Wiley R. Reynolds, Jr. was re-elected President of the **First National Bank in Palm Beach, Fla.,** at the January directors meeting on Jan. 26 following the annual stockholders meeting. President Reynolds announced that at the shareholders meeting Bert D. Cole was elected a Director of the bank. Mr. Cole, who is President of the firm of B. D. Cole, Inc. has been active in civic affairs, and is presently serving as Director of the West Palm Chamber of Commerce, of which he was formerly President.

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Reporting a capital of $750,000 as of Dec. 29 the **Longview National Bank of Longview, Texas,** raised the amount from $500,000 as a result of the sale of $250,000 of new stock.

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In **Houston, Texas, The Bank of the Southwest,** formerly the **Second National Bank of Houston,** has named A. G. McNeese, Jr., President. He succeeds L. R. Bryan, Jr., who has been advanced to Vice-Chairman of the Board and Chairman of the Executive Committee. At the Jan. 17 meeting of the stockholders of the **Second National Bank,** it was voted to amend the bank's articles of association and change the name to **Bank of the Southwest National Association, Houston.** Only the approval of the Comptroller of the Currency is needed to make the new name official, it is stated. Colonel W. B. Bates will continue as Chairman of the bank's Board of Directors, and C. M. Malone will continue as another Vice-Chairman of the board. Jesse Andrews, who has served as Chairman of the Executive Committee for seven years, will continue on the committee as its Vice-Chairman. Mr. McNeese was Assistant President. Mr. Bryan will continue as an active officer of the bank. The board also named Lloyd M. Bentsen, Jr. to the board's Advisory Committee and promoted two Assistant Vice-Presidents to Vice-Presidents. They are William B. Black, Jr. and Newton Wray. Plans to change the name of the Second National Bank of Houston to the Bank of the Southwest National Association were referred to in our issue of Dec. 29, page 2365.

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The directors of the **California Bank of Los Angeles, Calif.** voted on Jan. 30 to issue 169,200 shares of common stock at $42.50 a share to be offered through rights to stockholders of record Feb. 8, according to Frank L. King, President. The shares will be offered on the basis of one new share for each seven shares held. Fractional shares of stock will not be issued. However, both fractional and whole-share warrants may be bought or sold from Feb. 8, date of the issue of warrants, until March 9, the expiration date. With the issue of new shares, the bank will have outstanding 1,353,604 shares. Mr. King stated that from the $7,191,000 to be realized through the sale of stock, $2,115,000 par value of the new shares will increase the bank's capital from $14,805,050 to $16,920,050. The remaining $5,076,000 will be added to surplus, bringing that figure to $24,276,000. With undivided profits of more than $9,000,000 the bank's total capital funds will then exceed $50,000,000. Blyth & Co., Inc., will head a syndicate of investment houses who will underwrite the unsubscribed stock.

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The Bank of California of San Francisco, added its 10th office on Feb. 6 with **First National Bank in San Leandro** joining The Bank of California's tri-state system. A. J. Oliveira, formerly Executive Vice-President of First National in San Leandro, has been named Vice-President of The Bank of California and Manager of the **San Leandro Office.** Following the merger ratified on Jan. 24 by the stockholders of the Bank of California, the entire staff of First National Bank has been retained and will participate in The Bank of California's retirement plan, group insurance, etc. The San Leandro Office is the fifth added to The Bank of California system in approximately one year. New offices were opened at Millbrae last July and at Oakland last November. In August, 1955, Bank of Berkeley merged with The Bank of California, and some months before that, the Bank of Martinez joined the tri-state system. The San Leandro merger (plans for which were noted in our Dec. 1 issue, page 2327) brings The Bank of California's resources to more than $539,000,000 (based on Dec. 31 figures). Chairman of the Board is Elliott McAllister. President of the Bank is Edwin E. Adams.

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The Commercial National Bank of Alameda, at Alameda, Calif. with common stock of $100,000, was merged with and into **First Western Bank and Trust Company of San Francisco,** under the charter and title of the latter bank, effective Dec. 16, it was announced on Dec. 22 by the U. S. Comptroller of the Currency. An item bearing on the proposed merger appeared in our Dec. 1 issue, page 2327.

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First Western Bank and Trust Company of San Francisco, Calif. announced on Feb. 1 that its offer to merge with the $13 million **Southern Commercial & Savings Bank of Pasadena, Calif.** has been approved by the directors of both banks. First Western's report followed an announcement in Pasadena by E. L. Olmstead, President of Southern Commercial & Savings, that the approval by his directors is to be followed by a vote on the proposal Feb. 28 by shareholders of the bank. When the consolidation is consummated the Southern Commercial with its two offices will become an integral part of First Western's banking system, and its personnel will be retained without loss of seniority. The Southern Commercial & Savings had resources of $13,652,000 at the end of 1955 and total deposits at the end of the year of $12,351,000. In addition to its main office in Pasadena it has a branch office in San Marino.

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First Western Bank and Trust

Company of San Francisco started th new year with an award of a $1,000,000 office remodeling contract which will create a new landmark in downtown San Francisco. This was revealed on Jan. 5 when T. P. Coats, Chairman of the Bank's Board of Direcors, announced the award for the contract creating what amounts to a new banking office at Montgomery and California Streets. The work involves the reconsruction of part of First Western's office building at 405 Montgomery St.

First Western Bank and Trust Company's plans for a second banking office in **Fresno** was made known on Jan. 17 when Mr. Coats, announced approval of the State Banking Department for an office in the Tower District of the city. The bank's existing office in Fresno is located in leased quarters at 1522 Fulton Street.

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Subscription rights to 1,600,000 shares of additional common stock of **Bank of America, of San Francisco, Cal.**, at a preferential price, will be issued to all shareholders if this action is approved by the bank's stockholders at a special meeting to be held on March 6. Transferable warrants will be issued to shareholders of record on a date to be set by the directors following the special meeting, at which time the preferential subscription price will also be determined. This announcement was made by S. Clark Beise, President of the bank, following a meeting of the directors on Jan. 17. At the meeting a special committee of the board recommended that the number of outstanding shares be increased to 25,600,000 and the amount of capital stock be increased to $160,000,000. Under the proposal, shareholders will have the right to subscribe for one share of the new stock for every 15 of the present stock owned by them of record on the date to be set. President Beise stated that a nationwide underwriting group headed by Blyth & Co., Inc., and Dillon, Read & Co., Inc., is expected to participate in the offering which has received the tentative approval of the Comptroller of the Currency.

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The U. S. National Bank of Portland, Ore., (capital $18,000,000), opened its new Coos Bay branch in January. The new branch brings to 63 the number of U. S. National banking offices in Oregon. The Coos Bay branch was opened following a merger of the **Coos Bay National bank of Marshfield, Ore.** (capital $100,000) with the U. S. National. Guy C. Rea, newly elected Vice-President of the U. S. National and formerly Branch Manager at Astoria, will manage the new Coos Bay branch. Reidar Bugge, who has been President of the Coos Bay National, and Jos. F. Williams, Vice-President of that institution, were also elected Vice-Presidents of the U. S. National. Wallace Langworthy, also formerly with Coos Bay National, is now an Assistant Vice-President at the Coos Bay branch. The U. S. National has issued 100,000 additional shares of stock of which 16,500 shares are being exchanged for stock of the Coos Bay National and the balance is being distributed on a pro rata basis to shareholders of U. S. National. The Coos Bay National bank was organized by Mr. Bugge in 1915 as the **Scandinavian American Bank of Marshfield**; its name was changed to Coos Bay National in 1921. Deposits of the Coos Bay operation were nearly $11,000,000 at the 1955 year-end. Year-end deposits for U. S. National are reported as $781,492,894. Following the merger, its capital was indicated as $20,000,000.

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Shareholders of **Seattle-First National Bank of Seattle, Wash.,** are being offered rights to subscribe to additional shares of common stock. The $8,500,000 to be realized through the sale of the stock will be added to the capital funds of the bank, $2,000,000 to the capital stock account and $6,500,000 to surplus. Following the financing, the capital funds accounts will be: capital stock, $20 par value, $20,000,000; surplus $30,000,000 and undivided profits $13,803,116. Total capital funds will be $63,803,116. Book value per share will be $63.80. Shareholders of record on Jan. 18, are receiving transferable rights to an additional 100,000 shares of $20 par value common stock of the bank at $85 per share at the rate of one new share for each nine shares held. The right to subscribe expires on Feb. 24. Seattle-First National Bank has total assets of approximately $862,000,000 and operates 68 banking offices in the state of Washington. According to the bank, Blyth & Co., Inc., is heading a group of underwriters who will purchase all unsubscribed shares.

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In its issue of Feb. 3 the "Globe and Mail" of Toronto, Can., stated that L. S. Mackersy, President of the **Imperial Bank of Canada at Toronto** announced that the amalgamation between **Imperial Bank of Canada** and **Barclays Bank (Canada)** became effective on Feb. 1, on which date the Governor-General in Council, on the recommendation of the Treasury Board, approved the Amalgamation Agreement entered into between the two banks, whereby they have agreed to continue as one bank under the name of **Imperial Bank of Canada.**

Plans for the merger of the two banks were noted in our issue of Nov. 3, 1955, page 1882.

Continued from first page

As We See It

President Eisenhower has been doing that has more or less silenced or softened critics in the Democratic party and given rise to what Mr. Truman thinks of as the need to call upon them to attack and attack and attack.

The facts are plain and discouraging. The present Administration inherited from the Roosevelt and the Truman regimes a vast, expensive and unsound social security scheme; far from abandoning it or moderating it, the Republican regime greatly enlarged it until its future liabilities have a "present value" of the size of all the national debt as ordinarily cited. And the Administration is now, with support from the Democrats, planning to expand it further. President Eisenhower inherited a set of laws shackling the securities business of the country; his Administration has done nothing to ameliorate the costly situation thus created. He inherited a tax system designed to make the successful men of the nation carry an excessive share of the cost of various schemes to help the "underprivileged," while permitting a great many of the rank and file to escape scot free—at least so far as that could be done by legislation. These excessively progressive features of our tax laws remain on the statute books.

The Farmers Still With Us

The previous regimes passed on to the Eisenhower Administration a nasty mess in agriculture. The new regime inaugurated some superficial changes in the system and made a great noise about them, but essentially the same old scheme of things is at work and the Administration is now engaged in working out a scheme for adding very substantially to the subsidies the farmers of the country are to receive. And so the story goes. The Republican party has had much to say about its moderation, its middle way, and the like, and it is a fact that as compared with some of the proposals and the philosophies of the New Deal, it could perhaps be termed "moderate." But New Dealish it still is and, so far as one can determine, it is not very different from what such men as Mr. Stevenson (or possibly Mr. Truman) would have done had they been in office.

All this leaves Mr. Truman and the others who want to "give em Hell" with a lot of rather shabby phrases about a rich man's Administration, a general policy of give away, and certain politically unfortunate remarks of such men as the Secretary of State, the Secretary of Agriculture and the Secretary of Defense. And they hope to whip up emotions by reference to some of the charges of Republican campaigners in 1952 and again in 1954. But all this, somehow, has a hollow ring at a time when real public questions are so much in need of careful and statesmanlike study and action. We can only hope that something or other will presently occur to force a change in tactics for the coming campaign.

It would appear perfectly true that Democratic orators are rather hard put to it to find issues really suitable for use by them. They sound too much as if they were criticising themselves when they attack almost any of the major policies or programs of the Eisenhower Administration. But it is not difficult to find grounds for complaint about what has been going on in Washington during these past three or four years. The Augean stables appear to have been cleaned more or less, better administration techniques and practices have been installed, and an atmosphere of friendliness to business in general has been generated, but when we come down to brass tacks, programs are much as they were during the previous four years.

It is extremely unfortunate that it does not lie in the mouths of the Democratic politicians to attack the present Administration because it has continued public expenditures at a very high level, and attained a balanced budget —if, indeed, it has attained one—by very large tax collections which appear to be a result of good fortune more than of good management. It is too bad that the Democratic critics can not or will not turn their guns on the Republicans when the issue of increasing the cost of social insurance, so-called, is under consideration instead of aiding and abetting in the project and appearing to compete for the "credit" for further burdening future generations.

In No Position to Object

If only the Democratic party were in a position to object to the fact that the Administration has shown no interest whatever in repealing or at the very least rewriting the so-called securities acts and closely related legislation! And how helpful it would be if the record supported the Democrats in demanding that the farmer be plainly told that he, like the rest of us, must stand on his own feet, and that if he can not make both ends meet at what he has been doing, then he, like the rest of us, needs to find some other way of getting his daily bread! But all this and more like it are New Deal in origin and it is therefore sacrosanct in the parlance of the opposition.

And where does it leave the country? There is no organized group with any great influence, either in political life or elsewhere, to bring both the Democratic and the Republican party to book for its creeping socialism — which, incidentally, is not always so creeping in its rate of approach. It seems to be one of the things that the New Deal will have to answer for to history that it so altered the thinking and the very mores of the people that these issues of loyalty to American traditions and to common sense and to the teachings of history simply no longer appeal to, or apparently are even understood, by the rank and file of the people.

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Is Consumer Debt Too High?

tain the rate of credit expansion at which we have been running. . . . When [the] reaction occurs, there is going to be interaction with other forces in the economy. The total effect of the downward pressure will be redoubled in contrast to what it would be had the credit not been pushed so far."

Noting that we have not reached the point where we have to worry about an immediate setback, A. D. H. Kaplan of the Brookings Institution suggested:

"We have reached the point where we ought to be concerned to see where the impact of this increased debt is falling, whether the latest borrowers have reduced the quality of the consumer credit outstanding, and what their obligations mean for consumer expenditures generally. . . . However good the overall figures look, they still leave the possibility that important segments of the consumer body are overstimulated for present buying and are making the economy more vulnerable to a setback or the need of inflationary measures."

A. D. H. Kaplan

In making the concluding summary remarks, Chief Economist of the National Industrial Conference Board, Martin R. Gainsbrugh observed that:

"The position of total consumer debt [was not considered] alarming. . . . Concern was not over either the absolute or relative position of consumer debt, but over the very rapid rate of growth it has experienced in recent months, [and] how much it might contribute to an accelerated business downturn.

M. R. Gainsbrugh

". . . I heard no real objection tonight to the policies thus far pursued by the Federal Reserve Board to dampen down . . . the rapid extension of both instalment and residential mortgage credit over the past six months or so. Nor did any participant . . . call for the imposition of selective credit controls. . . . Through voluntary policing of credit . . . we may have already begun to improve the quality of credit at a time when consumer incomes and employment are still high and promise to go even higher."

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The Business Outlook

that it is better to have a vague idea of where we are going than perhaps none at all. If we analyze all the forces as we can see them, weigh them, measure them carefully, and don't indulge in wishful thinking, we are bound to reach certain conclusions, and the chances of erring will not be very great.

The outlook for the first few months, whether it be four months, five months, or six months, I don't know—but the outlook for, let us say, the first half of the year, is good.

Why?—And the answer is very simple: The momentum is very great, and our economy is a high-powered engine. It can not stop at a moment's notice; even though you may detect weaknesses at present, it will take some months before these weaknesses really take hold.

The disposable income—that is, the total income of the people, net, after taxes—is high and will increase. And that is a fact that interests you most, because as merchandisers you know that when the people have money, you can induce them to buy, but when they have no money, no matter what you do, you can not make people buy. The disposable income of the people is increasing.

High Capital Expenditures

Capital expenditures by corporations for plant and equipment in 1956 will be higher than in 1955. Estimates have been made that such expenditures this year may be 13% higher than they were a year ago, and I would not be surprised if this estimate comes true because of the fact that all of us know the cost of doing business is high and constantly going up. Every manufacturer is on the lookout for new labor-saving devices. Research creates new machinery, new equipment, new labor-saving devices, and these are being bought, and have an effect on business activity.

Unfilled orders in the hands of manufacturers are considerable. They mounted, at the end of November, to over $53 billion, and they are still increasing. Before business could go down, we know that these orders will be filled first.

We are still in the midst of an accumulation of inventories, and I need not tell you that when inventories are accumulated it means that we are producing more than we are consuming, and this, in turn, creates employment and purchasing power.

The steel industry is booked up solidly for the next four months and, on many items, for much more than a full year.

All these factors combined, and assuming no unforeseen event, lead me to the conclusion that the next few months are bound to be good and business will remain at a high level.

Longer-Term Developments

What follows thereafter? — I'll give you my conclusions first, and then I'll develop the reasoning behind my conclusions, and the conclusions that I reach, briefly, are these:

One: We have already reached the peak of the present boom. Whether the peak was reached in November or December, we do not know as yet. But in the immediate future business activity can not go to a higher level from the present, because in many lines we are operating at capacity. This is true about steel, it is true about aluminum, copper and nickel, and a number of other basic commodities.

Therefore, I have reached the conclusion that a peak has already been reached.

The second conclusion is that business will remain at this high plateau for several months, and I have just enumerated to you the various reasons for this conclusion.

The third conclusion is that there is a possibility that in the second half of the year, some time in the second half of the year, the durable consumer goods, notably automobiles and home construction, may witness a moderate decline. That decline will not go very far, nor will it last very long. And then, after a few months, after the present weaknesses have been eliminated, business activity will resume its upward course. Then, based on the inherent strength and natural growth of the American economy, business activity will go to higher levels than we had at the peak of 1955.

Gross National Product

These are the conclusions. On what are they based? They are based on an analysis of the gross national product of the country. As I stated a moment ago, the gross national product embraces all the goods and services that are being produced in the country. If we analyze which of these goods and services will tend to go up, which of them will tend to go down, and assuming no unforeseen events, we will be able to reach certain definite conclusions.

The gross national product, for the purpose of our discussion here, divides itself into three major groups. One is government expenditures; the second is gross private domestic investments, and the third one, in which you are primarily interested, is personal consumption expenditures. Let's analyze these three groups without any wishful thinking, and let us see what comes out.

Let us take the easiest one, government purchases; that is, the purchases of goods and services by the government, that is the Federal, state and local governments. This is a very important item, because it aggregates 20% of the gross national product. Our government is a big government, it takes 20% of all the goods and services produced in the country. What will happen to government expenditures?

Of this I am certain: They will go up. Government purchases in 1956 will be higher than in 1955. We already have an inkling as regards the budget for the fiscal year 1956-57. We do know that military expenditures will be increased, and we are more than certain that expenditures of state and local governments in 1956 will be higher than in 1955.

Therefore, we start off with the simple fact that that sector of the economy which is directly influenced by government purchases of goods and services, if anything will be somewhat larger in 1956 than in 1955. Expenditures by government will continue to influence business activity, generate purchasing power, all over the land.

We come to the second sector, and that is gross private domestic investment, and that in turn involves, (1) new construction for homes, residential homes; it includes commercial and industrial construction; (2) it includes the purchase of machinery and equipment, by corporations; and, finally, it includes changes in inventories.

This sector absorbs 15% of the total output of all goods and services. It is less important than government. What can one see here?

Home construction in all probability, in 1956, will be smaller than in 1955. In 1955, we had 1,300,000 home starts. I doubt very much whether we will exceed 1,200,000, and I am doubtful as to whether we will reach the figure 1,200,000.

We find, therefore, in my opinion, that home starts will go down, and home construction will not play the same role in the economy of the country as it did in 1955.

At the same time, commercial construction and industrial construction will remain at a high level.

(2) I have already indicated that industry will continue to spend huge amounts of money on new machinery and equipment, and in all probability this will be somewhat larger in 1956 than in 1955. The unknown factor is what inventories will do.

You will remember that the decline in business activity which set in in August 1953 was caused primarily by two factors, (1) a liquidation of inventories, and (2) a reduction in expenditures by the Federal Government.

Inventories

What inventories will do in 1956, who can tell? Right now, inventories in relationship to sales are small. But if sales were to fall off, then inventories may become too large. The way I visualize the situation is as follows:

Inventories will continue to increase during the first half of the year. During the second half of the year we may witness a decline in inventories of durable consumer goods. I doubt very much whether the soft goods industries and, particularly, the textile industry, will be affected by this decline in inventories.

The third and most important factor is consumption expenditures, because these embrace 65% of the total gross national product. Your business, as distributors of goods, is included in these personal consumption expenditures. What will they be in 1956?

First, one has to approach the problem of what will the disposable income be? Will the people have more money, or less money to spend?

In my humble opinion, personal disposable income in 1956 will be higher than in 1955. People will have more money to spend than in 1955.

Why?—In the first place, we do know that wages are increasing. We do know that on March 1, the minimum wage will be raised from $0.75 an hour to $1 an hour, and will affect about two million people. When the minimum wage is increased by 25%, it will lead to a general increase in wages in those areas where the minimum wage plays an important role.

Two:—and of this I am sure, too—that the demand for wages in 1956 will be greater than even in 1955, because organized labor will approach the wage demands in 1956 based on corporate profits of 1955, and corporate profits in 1955 before taxes were at a peak, and labor looks at profits before taxes.

Increase in Personal Disposable Income

It is therefore quite evident that personal disposable income will increase. Moreover, since 1956 is divisible by four, and irrespective of the wishes of the President not to reduce taxes, I'm almost certain that Congress will lower taxes for the people in the lower income group and that, in turn, will further increase the purchasing power in the hands of the people.

Moreover, to judge from the agricultural message of the President at this time, I have also reached the conclusion that more money will be placed at the disposal of the farmer, and therefore I reached the general conclusion that the disposable income in the hands of the people will be large, probably larger in 1956 than it was in 1955.

You have, therefore, a solid basis to work from, namely the people will have the money to spend.

1955's Spending Spree

Now, in 1955, however, the people were not satisfied merely with spending the money that they earned, they went on a spending spree. The people were willing to mortgage their future in order to meet not only their present demands but also their present whims, and as a result of this, private indebtedness increased at a rate which at times was frightening. Mortgage credit increased by nearly 17 million, and consumer credit increased by nearly $6 billion. While I, personally, am not greatly concerned about the total amount of the debt outstanding, I do know that the rate of increase in consumer credit and of mortgage credit can not be maintained at the level of 1955. Therefore in analyzing consumption expenditures we have to go a little further, and inquire: "How do these consumption expenditures divide themselves?"

They are divided into three major groups: durable consumer goods, notably automobiles; soft goods, including food; and services. Since I have already stated that in my opinion the people will not borrow as freely in 1956 as they did in 1955, that volume of consumer credit can not increase at the same rate in 1956 as it did in 1955, it follows that the sale of durable goods, notably automobiles, this year, is bound to be smaller than in 1955.

Now, the automobile industry exercises a powerful influence on the economy of the country as a whole. It has been reported that almost every seventh man in one form or another earns his livelihood directly or indirectly through the automobile industry, and automobile production in 1956 will not reach the level of nearly 8 million cars, as we had in 1955.

Naturally, if we have a decline in home construction, accompanied by a decline in the output of automobiles, plus a leveling off of the accumulation of inventories, we may have a decline of moderate proportions in the volume of business activity.

Favorable Aspects of Textiles

The question that arises is this: "How will this affect the textile industry in general?" I believe the textile industry as a whole should be favorably affected by the decline in the purchase and sale of durable consumers goods. In 1955, our womenfolk could not resist the two-tone automobile. Now, after we've bought the automobile, the television and the home furnishings, and all the other things, well, there was very little left to buy anything for the old man.

In 1956, we'll be spending less on durable consumer goods, and therefore, since disposable income will be larger, in my opinion, more of it will go into soft goods and services.

Secondly, we must not overlook the fact that the population is increasing, that by the end of 1956 the population of the United States will be about 2½ million to 3 millions larger than it is right now. We must not overlook the fact that during the year 1956 over 4 million babies will be born, and the moment they are born they become customers of the textile industry.

We must also not overlook the fact that the increase in the minimum wage from $.75 an hour to $1.00, not only will lead to an increase in the cost of doing business, but also it will lead to an increase in wages, and to an upgrading of merchandise. All this will contribute to making the United States even more a nation of middle-class people than is the case today.

The revolution that has occurred in the textile industry as regards fibers will continue, and the merger movement which hit the textile industry only lately, will continue unabated and before long — I don't say it will take place in 1956, certainly not — the textile industry will cease to be that huge, disorganized industry that it still is, and will begin to assume the character of the major industries of the United States.

If the total volume of disposable income is large, and if retailers throughout the country are as energetic in promotion as they were in 1955 — and if they adopt the practices adopted by the automobile industry in 1955, then I'm sure in my own mind that the total volume of retail trade, even though the sale of automobiles and other durable goods may be smaller than in 1955, will be large and may be even larger than in 1955.

Final Conclusions

Now, what conclusions can one reach?—And the final conclusion that I reached is this:

(1) 1956 will be a good year; whether it is the best year that we ever had in the peacetime history of our country, better than 1955, or only the second-best year, is not as yet clear. A great deal will depend upon the internal political development, upon the external political developments, and upon the movement of the equity market, which as I stated before exercises a powerful influence on business. But, be it as it may, 1956 will be a good year.

(2) The volume of private indebtedness can not continue at the rate of 1955. A reduction in the rate of growth will affect the durable consumers goods as well as home construction and, through it, the entire economy.

(3) A moderate decline in business activity during the year is quite possible. The pattern of the decline, its duration, will depend upon forces which can not be foreseen. But, be it as it may, the decline, when it takes place, will not go very far nor last very long.

(4) The soft goods industries, in general, and the textile industry in particular, will not be materially affected by a decline in the durable consumer goods sector of the economy. Disposable income of the people is rising, the population and their standard of living is increasing, and the growth of the middle-class augurs well for the soft goods industry and for retail trade.

Finally, our economy, fortunately for us, is a free economy. A free economy is bound to have its ups and downs, reflecting the mood of the individuals.

I'll give you a concrete case: I have a little place in the country, and I was born on the land, and somehow or other, I always had a yen for a tractor. I have as much use for a tractor as I have for a hole in the head. I don't drive a car, and anything that moves with an engine in it to me is a deadly instrument. But somehow or other, I always wanted a tractor.

In April I was out at one of these farm implement stores. The equity market had gone up the day before, I felt good, I bought a tractor. What I'm going to do with it, I don't know . . .

Fluctuating Economy

In a free economy, we are bound to be influenced by the mood of the individuals, and such an economy is bound to fluctuate.

Our economy is essentially sound. Maybe we overdid a little consumer and mortgage credit—but outside of this, the economy is sound and highly dynamic. The dynamism of the American economy springs from the fact that our population is increasing, the standard of living of the people is rising, there is a strong decentralization movement, from the congested cities to the suburbs. There is a new middle-class arising in the country. And as George Bernard Shaw once said, "The middle-class woman is the greatest spending machine in the world," and the middle-class is rising. The long range outlook for industry and trade in the United States is brilliant, because nowhere in the world do you have so many people in the higher income brackets, and more and more people are getting there.

Economy Dynamic

Our economy is dynamic. It is dynamic in that billions of dollars are being spent on research. Research creates new values and destroys old values. Automation is nothing but the realization that the cost of doing business is increasing, that the cost of wages is steadily increasing, that the number of older people over 65 is increasing, that the number of children under 15 are increasing, and that fewer people have to produce the goods and services to meet the demands of a larger population.

But our economy is a free economy, and will continue to be highly competitive. Competition in 1956 in all probability will be keener than in 1955.

Phila. Inv. Women to Hear

PHILADELPHIA, Pa.—Catharine V. Mais, Chairman, Educational Committee of the Investment Women's Club of Philadelphia, has announced the next Education Meeting will be held Thursday, Feb. 9, 1956, in the Board Room of the Fidelity-Philadelphia Trust Co. It will be a panel discussion on the "Whys" of the Current Merger Trends in Industry, with the panel including Alexander Biddle, Executive Vice-President of the Philadelphia-Baltimore Stock Exchange, Mr. Samuel H. Ballam, Jr., Asst. to the President, Mr. Lincoln W. Hall, Asst. Vice-President, and Mr. John M. Miner, Security Analyst, all of the Fidelity-Philadelphia Trust Company.

Whitehall Secs. Opens

(Special to The Financial Chronicle)

BOSTON, Mass.—Whitehall Securities Corporation is engaging in a securities business from offices at 80 Federal Street. Edward J. Young is President and Robert Shaw Secretary.

Joseph L. Gruber, Jr., and Edward R. Masters are associated with the firm.

With Peninsular Inv.

ST. PETERSBURG, Florida—Charles E. Beck, George D. Cromartie, Sherwin W. Hadley, Charles W. Harpold, Russell B. Hayes, Paul Hendley, Dan A. Kirkpatrick, R. LeRoy Lastinger, James W. McKnight, Clarence E. Sansom and Warren C. Solberg are with Peninsular Investments, 134 Beach Drive, North.

First Jersey Secs.

NEWARK, N. J.—First Jersey Securities Corp. has been formed with offices in the Union Building, to engage in a securities business. Officers are Leonard P. Weinstein, President and Maurice Weinstein, Secretary-Treasurer. Leonard Weinstein was previously with Berry & Co.

Form First Western Corp.

(Special to The Financial Chronicle)

DENVER, Colo.—First Western Corporation has been formed with offices in the Equitable Building to engage in a securities business. Officers are Samuel T. Taylor, President; Virginia B. Gordon, Vice-President and Treasurer; and Fernando J. Serafini, Secretary.

With Metropolitan St. Louis

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Alfred C. Saxton has become associated with Metropolitan St. Louis Co., 315 North Seventh Street, members of the Midwest Stock Exchange.

Why Complete Retirement?

By ROGER W. BABSON

Noted financial advisor advocates changing retirement practices: (1) in order to retain a retiring person's experience; (2) to consider, besides the age factor, rearranging the character of the work, and (3) to permit half-time after reaching retirement age. Mr. Babson advises retired going into their own businesses not to seek new fields of endeavor, and cautions against acceptance of positions requiring financial investment.

With all this talk today about President Eisenhower retiring from the Presidency I grasp the opportunity to discuss the general problem of retirement as applicable to officials and to wage earners of corporations.

Roger W. Babson

Probably a compulsory retirement plan is wise for most business organizations; at least, so far as it applies to the specific position which the man holds. This, however, should not necessarily mean that he would leave the employ of the company. The present custom of demoting active Presidents to inactive Chairmen of the Board might be applied to other officers and even foremen. There should be some happy medium between dropping an employee entirely and thereby losing the benefit of his years of experience, and continuing him with the business in some capacity.

Although age may not be a good yardstick, yet it is one measure of a person's energy. I forecast the time when accountants will insist that their annual audits show the age of all officers and important foremen, and probably the age of the directors. Retirement, however, should be decided from many standpoints. Age is one definite factor.

Consider Character of Work

Another important consideration is the character of work which an executive should do after he is 65 or 70 years of age. I seriously question whether it is advisable for such a man to be kept in a position requiring energy or important decisions. There are many other phases of work that he could do excellently, such as serving as employment manager, or in public relations. These are positions which require ability that can be secured only by experience.

Therefore, I appeal for the practice of changing a man's work after he reaches the retirement age, but not necessarily making him retire from the company. This especially applies today when surgery and medicine have overcome many of the effects of age. The study of old age has already become a science, known as Gerontology. Two of the best authorities are Dwight S. Sargent, of the Consolidated Edison Company of New York City, and Prof. Ward C. Halstead of Chicago University.

Why should "compulsory retirement" require 100% retirement? A man might go on half time after he reaches 65 or 70. It seems wrong, for both the individual's and the company's standpoint, to make him retire altogether. It certainly should be possible to have one job continued by two men, both of whom would be acquainted with the work.

Importance of Youth

Perhaps too much consideration has been given to a "retirement age" and too little to a "promotion age." If a person is to be retired at a certain age, it seems only reasonable that he should have been promoted at a certain age. An old saying is: "It's a poor rule which does not work both ways." I consider that this suggestion is very important. Youth is very valuable to a business. We should learn to respect the suggestions of younger people.

The growth of most businesses is due to the influence of youth within the business. As people get older, their judgment is influenced by a natural increased conservatism and timidness. It is necessary that every automobile have brakes; but it is important that these brakes be adjusted so that they "wear" only when the brakes are intended to be on.

Beware of Investing After Retirement

In closing this column, let me call to your attention two dangerous temptations which face all persons who retire:

(1) A man who has made a success in his regular business too often thinks he can make a success in any business. This is a great mistake. Therefore, such a man should never start a new business and, if possible, should avoid taking a position in any business very different from the one to which he has given his life.

(2) After a person retires from business and has become "itchy" for something to do, he may be offered a position which looks attractive, but has a "hook" in the bait. This hook is that he must invest some money in the enterprise. In three cases out of four, such an investment is very dangerous to make and the money is lost. Finally, do not let anyone get money from you by flattery and telling you how smart you are. Vanity and pride are the two most expensive luxuries.

Richard E. Kohn Adds

NEWARK, N. J.—William Cohn of Irvington has joined the staff of Richard E. Kohn & Co., 20 Clinton Street, members of the New York Stock Exchange, as a registered representative, it was announced by Bernard S. Wallerstein, partner in the firm. The former Secretary-Treasurer of the Jersey Milk & Cream Co. at LaFargeville, New York, Mr. Cohn served as a naval officer in the Pacific during World War II. He attended Newark public schools and is a graduate of the University of Wisconsin.

W. D. Patton Opens

HOLLYWOOD, Fla. — William D. Patton is engaging in a securities business from offices at 349 Georgia Street.

W. R. Quinan Opens

HOUSTON, Texas.—William R. Quinan is conducting a securities business from offices at 1007 Preston.

Bornstein Co. Formed

Bornstein & Co., Inc., has been formed with offices at 42 Broadway, New York City, to engage in a securities business. Officers are Louis Bornstein, President and Treasurer and Morris J. Bornstein, Vice-President and Secretary.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

Insurance stocks, as has been emphasized here several times, are long-term growth investments. This is in part because they retain all of underwriting earnings in the business and hence appeal to investors who do not seek current income, but prefer capital growth because of our tax laws. So a look at what 1955 contributed is in order.

To a considerable degree they follow the general securities markets, subject, of course, to developments that affect the industry peculiarly, *e.g.*, hurricanes, catastrophic fires, etc. Insurance stocks are sensitive to the general economy, first, because trends in general business determine not only the volume of writings put on the insurance company's books, and its loss experience, but also as its securities holding values are affected by the ebb and flow of the general market.

For example, as to underwriting, it is not realized widely that the so-called "moral hazard" at times plays such an important part. In the earlier part of the depression of the 1930's many insured businesses resorted to arson to "bail out" of bad situations; arson, indeed, was said to account for a formidable proportion of all fire losses. However, this state of affairs changed considerably a few years later when the unscrupulous business man was in the hands of his creditors, and it did not profit him to set fire to his stock of goods or his plant.

So, making allowance for the eventualities that are more-or-less peculiar to the industry, the insurance stock average, as measured by Alfred M. Best Company's fire and casualty index, started 1955 at 284.0, rose to a high at mid-year of 312.3, and closed at 290.8, a decline from the high of about 7%. Individual issues are expected to better their year-end prices in 1956, as some that reported little or no underwriting gain in the first half are showing sizeable underwriting profits, versus those of 1954, as the preliminary figures appear.

It must be remembered that extended coverage losses, equated with the expected hurricane visits in September and October, did not pile up, as this time the storms caused much water damage, which was for the most part uninsurable; and brought along but little wind damage, which was insurable. The year 1955 was the second in seven consecutive years when the insurance industry fared comparatively well on its extended coverage results; and as the line is assuming greater importance in the insurance business, a year of good experience in it adds importantly to the overall underwriting showing.

Another absentee trouble maker for 1955 was inflation, or the threat of it. Inflation had piled up troubles for the fire insurance companies directly after the end of world war two when the replacement values of lost or damaged properties were rising in rapid fashion. And, as statutory profits tend for the time being to decline in periods of rapidly rising premium volume, such as accompanying inflationary periods, earnings were adversely affected in those years and market prices of fire and casualty stocks suffered.

The 1955 investment results were generally pleasing to insurance company managements. When the reports are all in both income from investments and appreciation in holdings for the year will show up as among the best on record.

For example, such were the increased dividend declarations by many corporations in 1955 that investment income of Continental Insurance, one of our larger investors in common stocks (before Federal taxes), was $9,592,000 against $9,213,000 in 1954. As most of the appreciation in price in common stocks occurred in 1954, that year's increase in investment valuation of $73,274,000, was greater than 1955's $43,297,000. But the latter figure, on top of that for 1954 nevertheless was impressive. And the reports will generally reflect this condition.

So, what promised at mid-year to be only a moderately profitable year in underwriting will probably prove to be a very satisfactory one for the more important units.

Wise & Co. Opens

(Special to The Financial Chronicle)

MANSFIELD, Ohio — Wise & Company Inc. has been formed with offices at 3 North Main Street to conduct a securities business. Officers are Ralph O. Wise, President and Treasurer, and S. L. Wise, Secretary.

With Bache & Co.

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Jesse D. Schwartz is with Bache & Co., 1 Lincoln Road Building.

Joins Gerard Jobin

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — Albert S. Branin is now with Gerard R. Jobin Investments, Ltd., 242 Beach Drive, North.

Curtis Merkel Adds

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Daniel T. Winter has been added to the staff of Curtis Merkel Company, Inc., 601 First Avenue, North.

New Staats Branch

LOS ANGELES, Calif.—William R. Staats & Co., members of the New York and Los Angeles Stock Exchanges, have opened a branch office at 1434 Westwood Boulevard under the management of Arnold A. North.

San Francisco Exch. Appoints Committees

SAN FRANCISCO, Calif.—William H. Agnew, Chairman of the Governing Board of the San Francisco Stock Exchange, has announced the appointment to standing committees of the Exchange of the following:

ETHICS AND BUSINESS CONDUCT—Mark C. Elworthy, Elworthy & Co., Chairman; R. William Bias, Jr., Shuman, Agnew & Co.; Sherman Hoelscher, Sherman Hoelscher & Co.; R. Russell Hodge, Frank C. Shaughnessy & Co.; and Wendell W. Witter, Dean Witter & Co.

FINANCE — Paul A. Pflueger, Pflueger & Baerwald, Chairman; Joseph F. Edelstein, York & Co.; Walter A. Hamshaw, Sutro & Co.; Harry Meyerson, Stewart, Eubanks, Meyerson & Co.; George B. Simpson, Jr., Walston & Co.; and Richard W. Wild, First California Company, Inc.

FLOOR TRADING—William V. Murphy, A. G. Becker & Co., Incorporated, Chairman; John D. Berl, Edwin D. Berl & Sons; Harry F. Flachs, Stern, Douglass & Co., Inc.; Jack C. Johnsen, Parrish & Maxwell; Neil L. Laughlin, First California Company, Inc.; and Ralph E. Van der Naillen, Henry F. Swift & Co.

LISTING — Robert E. Sinton, J. Barth & Co., Chairman; Gerald F. Brush, Brush, Slocumb & Co.; Daniel J. Collins, Holt & Collins; John G. Eidell, Hooker & Fay; William D. Kilduff, E. F. Hutton & Company; and Kenneth C. Koch, Walston & Co.

PUBLIC RELATIONS—Richard Lawson, Lawson, Levy & Williams, Chairman; Richard M. Davis, Davis, Skaggs & Co.; Brantley M. Eubanks, Stewart, Eubanks, Meyerson & Co.; Harry E. Fisher, Fisher & Co.; Arthur Gambarasi, Shaw, Hooker & Co.; Murray Innes, Jr., Irving Lundborg & Co.; Merl McHenry, J. Barth & Co.; and James M. Stewart, Wilson, Johnson & Higgins.

With Craig Hallum

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Richard D. Brown has joined the staff of Craig-Hallum, Inc., Rand Tower.

With John G. Kinnard

MINNEAPOLIS, Minn.—Hector H. Lyman is now with John G. Kinnard & Co., 133 South Seventh Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Although volume and activity in the Government market has slowed somewhat because there appears to be a bit more of a tendency now to await developments along the economic front, the demand for selected issues still continues to be fairly sizable. It is reported that more long-term money is being put to work in Government bonds, especially in the 3s of 1995. The movement towards the longer end of the list is also being helped through the medium of switches.

The short-term Treasuries are not without important buyers because corporations and others continue to put surplus funds into these obligations. Yields for the near maturities of Government securities will most likely continue to reflect the ease or tightness of the money market. However, it is indicated that many money market specialists are of the opinion that short-term rates will not fluctuate too widely in the near future.

Business Trend Being Watched

The Government market appears to be in one of those waiting periods, watching to see what the trend of business will be because the future course of economic conditions is going to have an important influence upon the future action of the monetary authorities. It is evident that money is continuing to flow into near-term Treasury obligations, with corporations still the principal buyers of these securities, even though private pension funds and foundations have stepped up their commitments in these issues. The large commercial banks, according to advices, are not doing very much in short Government securities, because their funds are still being used for loans that are being made or have been committed for previously.

The intermediate and longer Government obligations are still showing signs of considerable steadiness in spite of the backing and filling which is going on. These fluctuations are believed to be evidence of a somewhat professional tone in the market for certain of these issues.

Important Buying in Long Bonds

Even though the money market does not have too much appeal attached to it at this time, there are reports that many Government securities (aside from the short-term issues) are going into strong hands in what is being classified as buying for "profit." The amount of money which is being invested in the more distant maturities of Treasury bonds is not considered to be large, by former standards, but under present conditions, it is looked upon as important buying. Although the amount of these individual commitments have not been too sizable, when taken as a whole, however, they are having more than a small effect upon the floating supply of the available securities. It is reported that the size of the market as far as certain of the securities which are being bought is concerned has been greatly curtailed by the purchases which have been made in the past year.

To be sure, there is no question but what a desirable quotation will bring securities in for sale whether they be Governments or others. However, it seems that the changing attitude towards the money market is having the effect of making it not too easy to fill even the present-day buy orders which are appearing in the market.

Smaller Banks Active in Intermediates

It is reported that the smaller commercial banks, outside of the large money centers, have been making commitments in the intermediate term maturities in somewhat enlarged amounts. It is indicated that the 1959 and 1960 maturities with the most favorable yield after taxes are the issues in which these institutions are making purchases. While there is a fair amount of competition from the tax-free obligations as far as the intermediate maturities are concerned, it is reported that when these yields are within what is considered to be an appropriate yield differential, the Government obligations are being taken on. It is also reported that a certain amount of switching is being made from the 2¼s of 1959-62 into some of the 1960 maturities because of the more favorable yield after taxes.

Long 3s and 2½s in Demand

The 3% of Feb. 15, 1995 continues to be the bellwether issue as far as the longest Government obligations are concerned, because there is a real investment demand around for this bond. The addition of a large foundation to the list of buyers of the most distant Treasury bond has had a favorable effect upon the market action of this obligation. This buying has helped to absorb the profit taking which has been going on in this issue from time to time.

The 2½s of 1967-72 are not too far behind the longest Government bond as far as demand is concerned at this time, because there are a number of institutions that are showing a growing interest in these issues. The discount at which they are selling is one of the reasons for these acquisitions.

J. B. Joseph Co. Admits

J. Bernard Joseph & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on March 1 will admit Margaret M. Hansen to partnership.

To Represent Southern Inv.

KINSTON, N. C. — Marvin G. Vick is now representative for Southern Investment Company of Charlotte in the eastern part of North Carolina, with headquarters at Kinston.

Dean Witter Admits

SAN FRANCISCO, Calif. — On Feb. 16 Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit Ednah S. Miller to limited partnership.

Mountain States Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Robert E. Greene has been added to the staff of Mountain States Securities Corporation, Denver Club Building.

LETTER TO THE EDITOR:

Reader Demands Adherence To Federal Reserve Preamble

Frederick G. Shull, New Haven monetary critic, wonders whether innovators of the Federal Reserve Act would recognize their handiwork today. Sees Gold Standard as answer to New York Federal Reserve President's request for "automatic cr mechanical device" in order to remove the risk of exercising "fallible human judgment." Agrees with the timeliness of Sproul's quotation from Thackery's *Vanity Fair* and recommends to Mr. Sproul report of the 1931 Macmillan Committee.

Editor, Commercial and Financial Chronicle:

Your issue of Jan. 5 carries a very interesting Address by Mr. Allan Sproul (President, Federal Reserve Bank of New York) delivered at a joint luncheon of the **American Economic Association** and the **American Finance Association** in New York City, Dec. 29, 1955. Mr. Sproul's 6,000-word address contains many statements that seem to indicate that, in his view, some of the present activities of the Federal Reserve System are not all they are cracked up to be.

Frederick G. Shull

Early in the address Mr. Sproul says he "is not a professional economist"; but that he "has been practicing central banking for the past 35 years." He gives his address the title "Reflections of a Central Banker," and then proceeds as follows: "Monetary policy was in the doldrums for a number of years prior to and during World War II. . . . Big claims had been made for it as a solvent of our economic ills, and when it couldn't support these claims there was a tendency to discard it in favor of more direct and what might seem to be more powerful economic controls."

With all due respect to Mr. Sproul, I should like to suggest that, possibly, the reason our "monetary policy has been in the doldrums" for a number of years is largely due to the fact that the American Dollar was taken off the Gold Standard in 1933—and we haven't had an **honest Dollar** since. And, in my view, we shall never have an **honest Dollar** until the United States returns to the Gold Standard as the best "solvent of our economic ills."

He goes on to say: "For a time, preceding and following the passage of the Federal Reserve Act in 1913, such problems attracted a lot of men. Then it began to appear that more important work could be done, or more hay could be made, in other branches of economics, while interest in central banking suffered a relative decline."

At this point I should like to quote from Mr. Sproul's Address what he has to say about the Federal Reserve Act of 1913: "The preamble to the Federal Reserve Act says that the Federal Reserve System is to be concerned with the provision of an elastic currency, affording means of rediscounting commercial paper, and establishing a more effective supervision of banking in the United States, and for other purposes." Immediately following that quote Mr. Sproul voiced these words: "Well, the 'other purposes' have long since stolen the show." Could it be possible that this is largely the reason why our "monetary policy is in the doldrums?" For, if the Federal Reserve had confined itself more closely to the specific activities clearly set forth in the "preamble to the Federal Reserve Act"—and not tried to regulate every phase of our economy—we might be in a far better monetary condition today.

Incidentally, while Mr. Sproul doesn't mention it, the Federal Reserve Act of 1913 stipulated that Federal Reserve Notes were to be **redeemable in gold**; but, today, according to the fine-print legend on those Notes, they are merely "redeemable in lawful money" — and gold hasn't been "lawful money" since 1933. Hence, by that alleged "redeemability," we are merely accorded the doubtful privilege of swapping one piece of paper for another—enough to make Adam Smith and Alexander Hamilton turn over in their graves!

With evident reference to the "other purposes" mentioned in the preamble to the original Act, Mr. Sproul says: "The role of a central banking system in this attempt to achieve better balance in our economy has never been spelled out specifically, and probably cannot be." But the original "preamble" did clearly **spell out** the prime functions of the Federal Reserve System, namely: to provide "an elastic currency"; to afford means of "rediscounting commercial paper"; and to establish "a more effective supervision of banking in the United States." The careful carrying out of those assigned functions would seem to be enough to keep a central banking system pretty well occupied; so, instead of **playing by ear** with the "other purposes," why can't the Federal Reserve stick to those phases of the Act that are **spelled out** in the "preamble," and let the **law of supply and demand** be restored to its proper function of largely regulating our economic affairs—even including the amount of Credit, within good banking practice, that Member Banks may extend to their customers? It is very doubtful that Representative Glass and Senator Owen — framers of the Glass-Owen Currency Act of 1913—ever dreamed that a day would come when the Federal Reserve System would try to control the entire economy of this Nation.

Mr. Sproul raises this question: "Are we right in the belief that stability of the dollar and a growing high level economy are compatible?" I should like to change that question to read: "Are we right in the belief that a **sound dollar** and a growing high level economy are compatible?" And to that question there is just one answer, **Yes.** For the United States operated with a **sound dollar** from 1792 to 1933, with minor exceptions, and we outstripped every nation on the face of the earth, economically.

Mr. Sproul says: "We realize that we are trying to measure and adjust the flow of credit in a money economy, and we are steeped in the belief that whether the economy works well or poorly depends in part on our success or failure in discharging our responsibilities." And he goes on to say: "The oppressive character of such a heavy responsibility leads men to seek some automatic or mechanical device as a guide to policy action, in order to remove the risk of exercising fallible human judgment. The gold standard, as it existed during the latter part of the 19th Century and the early years of the present century, largely performed this role in those countries which had central banks and which looked first and almost entirely to the state of their balance of payments and the size of their gold reserves in formulating central bank policy."

In the light of these facts, the Gold Standard would seem to be the answer to Mr. Sprouls' prayer. For the gold standard is an "automatic or mechanical device" that, over the decades, has proved its worth "as a guide to policy action," and a **device** that can definitely "remove the risk of exercising fallible human judgment." And since we are a "country which has a central bank," and since we have nearly 22,000 tons of Gold, why don't we use this "device" that would seem to be made-to-order for the United States of America?

Just why Mr. Sproul confines his conclusions to the "gold standard, as it existed during the latter part of the 19th Century and the early years of the present century," rather than to **the gold standard in the U. S. from 1792 to 1933**, is hard of understand; for Alexander Hamilton and his co-workers established the **value** of the Dollar at 24.75 grains of fine gold in 1792 (dropped to 23.22 grains in 1837); and, with minor exceptions, we operated on that standard from 1792 right down to 1933. And, as a nation, we did **quite well!** My suggestion, therefore, is that Mr. Sproul actively support the effort to get this nation back on the Gold Standard, and thus relieve the Federal Reserve System of much of the "heavy responsibility" which it has chosen to assume, over and above its functions so clearly set forth in the **preamble** of the original Federal Reserve Act of 1913.

Somewhat later in his address Mr. Sproul quotes the following from Thackeray's "Vanity Fair.":

"Everybody must have observed how well those live who are comfortably and thoroughly in debt; how they deny themselves nothing; how jolly and easy they are in their minds."

That quotation seems to pretty well fit the United States Government today: We are certainly "thoroughly in debt" — as evidenced by the $280 billion we owe, which is equivalent to the total value of all the land, all the buildings, all the plants, all the mines, everything of tangible value throughout the entire United States. (Authority: Senator Byrd.) Our Governmental agencies "deny themselves nothing" — supplying dollars, without stint, to influential segments of our population, and to foreigners to the extent of **billions** of dollars. And, with it all, the Administration seems to be "jolly and easy in their minds"—for they joyfully tell us "we never had it so good!" **Fish Cakes! !**

Mr. Sproul closes by saying: "What I would now like to see is a renaissance in the study of money and banking in general and of central banking in particular. I would like to see a fresh and thorough examination of our existing banking and credit machinery and our money and capital markets. I would hope that out of such a study and examination would come new ideas and new proposals which would give shape and direction to future public policies and private actions. It would be a task worthy of the best talent you can bring to bear on it."

As a layman, I strongly recommend for consideration in such a study the following statement made in a report by the British committee of 14 eminent economists and financiers in 1931, known as the **Macmillan Committee.** They said in that Report:

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system; but there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

FREDERICK G. SHULL

2009 Chapel St.,
New Haven 15, Conn.
Jan. 30, 1956.

Securities Salesman's Corner

By JOHN DUTTON

Selling as a Career

You have no doubt heard it said that many young men today who are preparing themselves for a career in business seem to shy away from becoming salesmen. I understand that many of our college graduates look for jobs where there is a promise of something they call "security." I don't know how true it is but I've also heard that many of our young men who are about to enter the business world have expressed the idea that there is some stigma attached to the job of a salesman —that it isn't quite a dignified or honorable a way of making a living as other fields of activity such as personnel work, management, or some other phase of business such as purchasing or planning. Whatever truth there may be in all of this I think I would like to tell you a story about a man who has made quite a success of his job as a salesman, and some of his experiences which he related to me the other night when I called at his invitation to discuss a Mutual Fund investment in the presence of his two growing sons—one age nine and the other about 14.

Self Reliance vs Security

During the past two years this man led the entire United States in sales for his territory against every other territory in the country for one of the leading manufacturers of dictating equipment. He asked me to call at his home because he believed that his two boys should know something about investing even though they were quite young in years. Here was a man who took his first job with his company on a straight commission basis and had made his way up the ladder to a state managership, with 15 salesmen under his direction, and he knew the pleasure and joy of accomplishment that comes to a man when he makes his own way in the world. He was raising his two sons to be self-reliant, to know the value of work, and of saving. The 14 year old lad came in at 7:00 p.m. from his newspaper route as hungry as he was proud. His father told me that he was earnings $25 dollars a month and saving it.

The conversation got around to an interview that this man had with the head of a department of salesmanship in a Midwest university. When he called on this professor to interview him regarding some of the graduates who might be worthwhile candidates for sales positions with his firm, the professor was aghast at the idea that these positions were on a straight commission basis. He was horrified at the idea that a young man should go to college for four years and then be asked to go out and sell on a commission. He would have preferred $50 to $75 a week to start — that would have been alright.

My friend the salesmanager today earns possibly three to four times the salary of the well meaning professor. He is making it as certain as possible that his boys will learn the one lesson that this particular college does not seem to be teaching its young men who are studying salesmanship, and that is that SELF-RELIANCE is the only security that any man can ever find in this uncertain world.

And Then We Got Around to Mutual Funds

As I sat there with this father and mother and their two fine boys, and the father asked me to tell them about Mutual Funds, I too learned a new lesson in salesmanship. I began by telling them in short words that boys could understand about working, saving, and investing. Then I told them as simply as I could that a Mutual Fund is an investment where thousands of people who have saved their money acquire an interest in many growing and strong companies, that a great bank holds these investments, that a group of people who are capable of selecting the best investments and watching them, manage the funds and they get paid for their work just like people who do any other kind of work. I mentioned that there is a cost of placing these Mutual Funds in the hands of people who can use them to help their capital grow just like their Dad must receive pay for his work in placing his office equipment in the hands of people who can use it and need it.

Then I asked them a few questions and they answered, such as, "Some companies grow more than others, some companies pay out more than others to their owners, and other companies keep more of their earnings and make their business bigger. Which companies would you think should be the ones that will grow the most— the ones that pay out, or the ones that put money back into the business?" Using the most ultra-simple language I found out that I was making one of the most understandable explanations of what a Mutual Fund is, and what it does, that I could possibly bring before them.

By putting my ideas into language a nine and a 14 year-old boy could understand I discovered that I was making things clear to the mother and father.

I've been selling a long time, almost 30 years. I am sure this father of these two boys agrees with me when I say, "I have nothing against a college education, but if a man wants to learn how to become a salesman, he can start in when he is a boy of nine or ten — by learning to be a man!"

This country was built by men who placed SECURITY at the bottom of the list when it came to the desirable objectives in life. It is a rewarding and satisfying career, that of being able to have achieved success in sales work. It takes qualities of self-mastery, self-reliance, the ability to sustain defeats and discouragements and rise above them; it keeps a man perpetually youthful, it helps the world to live better for without the salesman, the wheels of progress would spin to a stop. It is a job for men, and its rewards are some of the best paying positions in the field of business or any other line of endeavor.

And the best part of it all is that even after 30 years of it you can still learn something every day. I learned that the best sales talk is often couched in words that a nine-year-old will understand.

Public Utility Securities

By OWEN ELY

Equitable Gas Company

Equitable Gas Company became an independent natural gas company in March, 1950, when its two million shares of common stock were sold by the holding company. The company and its subsidiaries operate in the states of Pennsylvania, West Virginia and Kentucky, engaging in production, transmission, storage and distribution. 1955 sales were 71,350,000 mcf. and gas service revenue about $38 million.

The System serves almost 241,000 customers, the principal service area being in and around the City of Pittsburgh. In Pennsylvania, where about 95% of retail customers are located, 184,000 out of 230,000 residential and commercial customers use gas for heating purposes. The saturation of gas ranges and water heaters among the residential customers are now up to 91% and 93% respectively—high figures compared with industry averages. The new gas clothes dryer has more than tripled in use in recent years, with saturation about 8%.

Equitable last year obtained about 47% of its gas requirements from System production in some 3,000 wells in Kentucky and West Virginia. Some 12% was purchased in the Appalachian fields and 41% in the southwest. This setup is very flexible, since some contracts permit taking reduced volume of gas in the summer without a price penalty. Moreover, the gas brought from the southwest (at an average cost of 34 cents per mcf.) is delivered by Tennessee Gas Transmission and Texas Eastern Transmission to points near Pittsburgh, so that very little expense is required to bring it into the consuming areas. The proximity of pipeline supply also insures continuity of service, which is important in connection with the substantial heating load.

In recent years Equitable has obtained about half its peak-day requirements, and about one-quarter of the entire winter's System supply, from storage. Underground storage facilities have been developed steadily during the four-year period of independent existence. The company had over 29 million mcf. in 12 underground storage pools in West Virginia and Pennsylvania at the beginning of the 1955 heating season. All of the storage capacity is in gas-bearing sands which formerly held gas under high pressure for millions of years.

A hydrocarbon extraction plant is being constructed at Maytown, Kentucky, to recover about 10,000 mcf. of ethane concentrates daily from part of the rich gas produced and purchased in the Kentucky fields. Liquid products will be sold to Union Carbide. Based upon present estimates the net income of the hydrocarbon company for the first full year of operation will be approximately $700,000. It is anticipated that the whole project will be in operation by March, 1957.

Equitable competes with two other gas companies in the Pittsburgh area, but its rates for all classes of service are lower than the rates of the other two companies. The company believes it could increase its rates for space-heating and other purposes if necessary, without impairing its competitive position in relation to other fuels.

Sales and revenue per residential customer should continue to increase even though there is now a high saturation of residential heating customers. Since most population growth in the Pittsburgh area will take place in the suburbs, Equitable will be in a position to share in the service to these new families because its lines cover both city and suburban areas. Gas is on a good competitive basis since the estimated annual cost of heating a typical six-room house is only about $98 compared with $187 for fuel oil and $131 for coal.

Year-round gas air-conditioning is a logical load-building supplement to automatic gas heating. Nearly 100,000 of the company's central heating customers in Pennsylvania now use gas-fired warm-air heating equipment. The adaptation of these installations to air-conditioning, and its use in new homes, is now being promoted.

Both the commercial and industrial markets also offer opportunities for growth because additional sales to these markets were restricted until 1954. Recent studies of these markets show potential sales additions amounting to more than 8 million mcf. during the next five years.

Equitable's share earnings for 1955 will approximate $2.03 vs. $1.81 in 1954. The improvement reflects a number of factors, including rate increases and increased sales. President Conover has commented on the outlook for 1956 as follows: "We expect to sell more gas in 1956 than we did in 1955. As of this moment, we know of no pipeline increases that are proposed. However, wages will be higher, since we granted wage increases toward the end of 1955. . . . I anticipate that our company, along with all other businesses, will be compelled to pay higher taxes in Pennsylvania in the future. Nevertheless, I anticipate that subject to . . . normal weather and approximately present levels of business activity, our 1956 earnings should be at least as high as those in 1955."

Equitable Gas has been selling recently around 27½, and based on the $1.50 dividend the yield is about 5.5%. The price-earnings ratio is about 13.6.

Thomas J. Hughes Forms Own Investment Firm

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Thomas J. Hughes & Co. has been formed with offices at 432 Walnut Street to engage in a securities business. Partners are Thomas J. Hughes, formerly with Ratterman & Co. and prior thereto for many years in the municipal trading department of Edward Brockhaus & Co.; and Terrance A. Hughes.

Ross, Lyon Branch

PASSAIC, N. J.—Ross, Lyon & Co. have opened a branch at 20 Howe Avenue with Zachary S. Ross and Adolph Shryer as co-managers.

Calvan D. Cavaal Opens

LAKE WORTH, Fla.—Calvin D. Cavaal is conducting a securities business from offices at 810 Lucerne Avenue. Mr. Caaval was previously with Auchincloss, Parker & Redpath.

Continued from first page

Farm Economy Diagnosis And Prescription

or by 68%;[2] only from 42 to 22%, or by 48% in terms of tangible private assets used in production; and from 16.1 to 7.4%, or by 54%, in terms of Gross National Product (G.N.P.).

Agriculture's share of the G.N.P. was 62% of its share of the labor force in 1951, as compared with 45% of it in 1910. Thus the two shares are coming closer together. One reason for this is agriculture's relatively large and increasing share of the productive assets. In 1951 the average worker on farms was producing with more than twice the tangible assets of the average non-farm worker. The reason for the slowing up of the decline of agriculture's share of productive assets in the 1930's was the stagnation of the non-farm part of the economy in the Big Depression. In the World War II years, agriculture was expanding rapidly and the military effort was absorbing much of the non-farm. The accelerating decline in agriculture's part of G.N.P. in the 1920's was checked by the stagnation of the non-farm in the Big Depression years. The labor force line shows clearly how labor was dammed up on farms in the 1930's and then drawn off in the 1940 decade.

As a result, partly of this larger quota of land, farm buildings, power and machinery, and livestock used by each worker in agriculture, the per-worker output increased greatly, 60% from 1940 to 1955. Other factors were a greater use of fertilizers, commercial feeds, sprays and other supplies, and more advanced technology.

But why does not agriculture have as large a share of the G.N.P. as of the labor force? Before this question is answered it needs to be pointed out that the difference is not as great as appears in the Chart because the farm-produced farm products consumed by the farm family and the use of the farm dwellings are valued in this Chart at the farm and not at what the farm family would have to pay for them in the city. Any accurate comparison of farm and non-farm output must put both on the same basis. In a dominantly urban country, this had better be urban rather than farm value. There is also the consumption use of the farm automobile charged off partly as an expense in figuring G.N.P. The rest of the difference still remaining arises from the simple fact that farm products are still underpriced relative to other commodities and to services; in other words, the terms of trade are still somewhat against agriculture. In an economy shifting from largely agricultural to one largely urban, even over a span of a century, one would expect a large factor of lag in the adjustment. Never enough have shifted to bring the terms of trade fully into balance. Nor can we be sure that they ever will. It may well be that enough families will prefer life in the open country and particularly being their own bosses on a farm of their own, to keep a margin between farm and non-farm returns.

It was in the peak year 1951 that agriculture's share of G.N.P. was up to 62% of its share of the labor force. Since then it has fallen to 56% as a resut of the 10% break in farm prices. This break has come about as a result of a declining export demand in the face of a 9% rise in farm output since 1951. This creates the dilemma in which the farmers and their public servants and their politicians now find themselves. There is no escape from it except to offset the results of the strong technological surge under way by a rapid extensification of much of our agriculture, that is, shifting it to uses that employ much less labor and some other inputs per acre.

The lower end of the lines on Chart I suggest how much of this we can expect by 1975—to 6% of the national labor force, 12% of the productive assets, and a little over 4% of the G.N.P. Associated with these changes will be a decline in number of farms to four million or less, with 1.25 workers per farm, down from 1.37 in 1950 and 1.82 in 1910. The farm labor force will be around five million compared to 7,507,000 in 1950 and 6,583,000 in 1955. Agriculture's share of G.N.P. will be 70% of its share of the labor force, with farm product figured in the same way as now.

These declines are all on the conservative side, it must be admitted. The now British economist Colin Clark has projected a farm labor force of only 2½% by 1975, but along with this he says that this nation will be importing half its farm products in 1975. Clark expects our farms to be almost half deserted by that time. Clark has lived a good part of his life under a labor government in Australia under which the central drive was to expand industry more or less to the neglect of agriculture. Those who have lived in this country have been wondering instead, most of the time since 1920, how we can get enough people off the land to bring production into line with demand, and expect to be still working on this 10 years from now.

Chart II shows in larger perspective the shift of this nation from dominantly farm to superdominantly non-farm. After all, Clark's projection (b) is only an extension of the line from 1880 to 1950. The speaker's conservative (a) projection is founded on an expectation that a point will be reached around 1980 when the number of farms will stop declining and presently begin to increase a little, partly as a result of bringing some land back into cultivation again. He accepts the P.M.P.C.'s projection, adjusted to a population level of 210 million by 1975, of a 53% increase in the demand for farm products from 1950 to 1975. A factor in the change in number of farms will be a relatively small decline in the number of part-time and residential farms.

Perhaps it needs to be made clear that this country will have no difficulty in meeting any demand for farm products that is within the range of present vision. The Soil Conservation Service has classified only 40 million acres of land now in cultivation as needing to be converted to permanent pasture or woodland, and 285 million now in unimproved pasture or woodland, mostly the former, as usable as cropland, mostly in rotation with pasture. At any particular period, sound land-use practices will achieve that balance of higher yields on land now in crops and additional land in crops that represent the most economical combination of these two.

The reduction in number of farms will mostly take place, as in the past four years, among the Class V and VI Commercial farms with sales of product of $2,500 or less and acreages from 10 to 70 acres. These farms will depend less on hand-labor crops like cotton and tobacco and more on feed crops, pasture, and livestock.

The next question to raise is whether the nation should be disturbed because agriculture is becoming so tiny a part of it—only about one-twentieth of it in labor force by 1975. So far as the economies of it are concerned, the fewer people it takes to feed the nation, provided they do it adequately, the better off the nation is. Of course this would be true for housing, or transport — for anything that makes up our living.

One constantly runs into attempts to determine how many persons in this country are *dependent* on agriculture. The range in estimates is from about 25 to about 40%. What most of them mean by this is how many have anything much to do with the producing, buying and selling, transporting, and processing of farm products and the food, clothing and other products made from these; and similarly for farm machinery, fertilizer, feed and other supplies and goods used by farmers and their families. It is true that if farmers all stopped producing all these would be largely out of jobs. But farmers are not going to quit producing. They themselves would be the first ones out of a job if they did. The only dependency of those who buy and process farm products is that they suffer somewhat if there is a short crop because of bad weather and the like; they don't suffer if there is a big crop and low prices. They are thus not much dependent on farm prosperity. The only real dependency is that of those who sell to the farmers; they lose seriously if farm buying power declines.

But how much does this represent? It is the sum of:

(1) Net farm income;

(2) Wages paid farm labor;

(3) Production expenses for off-farm supplies.

These totaled $23 billion in 1950, or 8% of G.N.P. This means that if this total should fall off one-fifth in some series of years, something like 8% of the population would suffer a loss of something like one-fifth of their sales to farmers. This is almost the whole extent of this kind dependence on farm prosperity in ordinary peacetime in the United States.

This can, of course, mean a good deal in small cities out in the open country. But it will not mean much in cities of several hundred thousand even in the Midwest.

Much more fundamental is another sort of relationship—namely, if agriculture makes progress in turning out better products more efficiently, city folks get the benefit of this in the form of no rise in prices, and perhaps even lower prices. One can see this very clearly in the case of poultry meat and eggs in the last 20 years. The new developments in feeding beef cattle will benefit them in the same way.

But surely larger in dimensions are the increased benefits to farm folks from progress made off the farm. Matched against the more and better foods and fibers that the farms have contributed to city folks are the automobiles and motor transport that the cities have made available to agriculture, the modern power-farming equipment, the commercial fertilizers, modern communication, radio and television, and modern household facilities in so far as they have reached the farms. After all, city folks spend only a fourth of their disposable incomes for food, and more than half the retail value of food is off-farm created. A gain of one-fourth in the on-farm efficiency of food production would mean only a 3% gain for them (¼x⅛).

But most important of all is the interdependency not yet named. This comes in wartime. The wars in which the United States becomes involved now are world wars, and in these wars the United States has to provide food in large quantities for overseas armies, not just its own but those of its allies. Our agriculture must be ready to meet these needs. It wasn't quite ready for this in World War I. It did better in World War II because of surpluses on hand. Then came immediate post-war years of rehabilitation of our allies. United States agriculture rendered a great service to the Free World in 1940-48.

But when the allied countries get rehabilitated there is excess production, and sharp breaks in prices. This country cannot maintain an agriculture in readiness to expand as needed during the wars without surpluses at the end of the rehabilitation period. We can do a better job of getting ready for the readjustment than we have But still we can't let agriculture suffer alone. We must help it get readjusted.

The most interesting recent contribution to the question of changing relative farm and non-farm incomes is a chart in the 1956 *Agricultural Outlook Charts* reproduced here in Chart III. This chart is not on a per-capita or per-worker basis. It says that in spite of the big decline in agriculture's share of the nation's labor force and productive assets, its aggregate income kept very roughly in line with that of the nation from 1920 to 1948. Part of this unusual effect is due to using the peak-period years 1947-49 as the base period. If the usual parity base years were used, the farm income line would have appeared to run about 20 points below the present income line from 1920 to 1948.

Let us examine this chart decade by decade:

1910-19: This was a peak period for agriculture, as compared with before and after. Urban wages were low in these years.

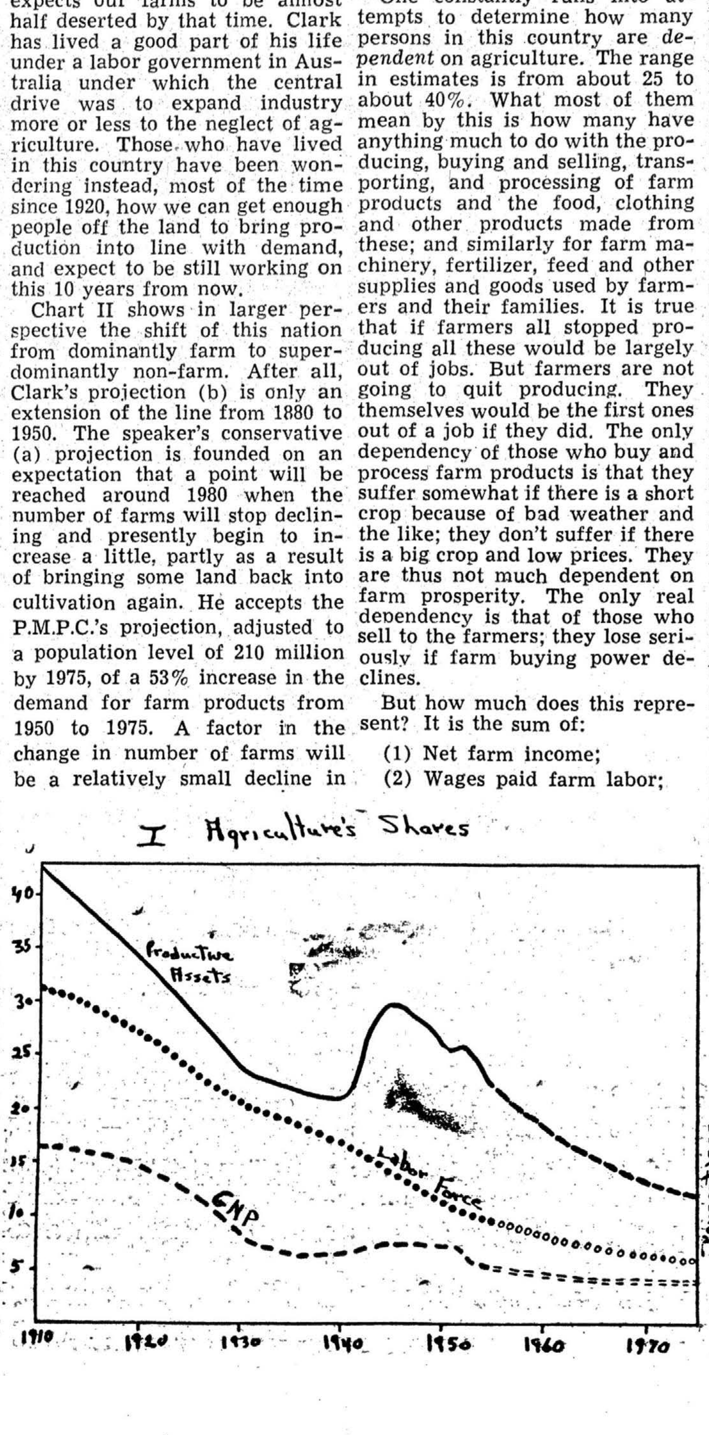
1920-29: Wages doubled coming out of the war and industry and trade caught up with agriculture.

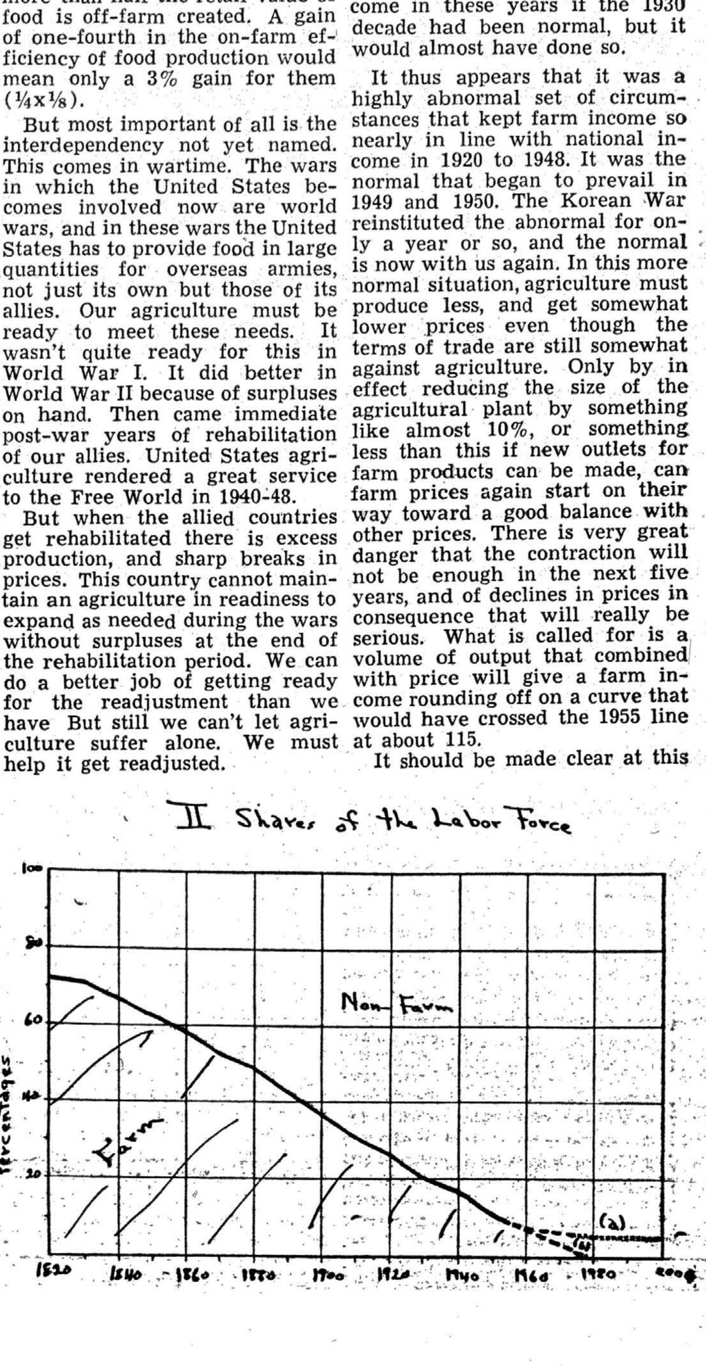
1930-39: Industry and trade were stagnant and agriculture only a little worse off. The normal for this decade would have been an extension of the 1920-29 ascending line for national income across the decade to about 65 in 1941, with the line for agriculture rounding off below it at somewhere around 50. This rounding off would have been not because of lower farm incomes, but because of fewer farms and workers.

1940-48: The war and post-war needs for farm products boosted farm income. It would not have caught up fully with national income in these years if the 1930 decade had been normal, but it would almost have done so.

It thus appears that it was a highly abnormal set of circumstances that kept farm income so nearly in line with national income in 1920 to 1948. It was the normal that began to prevail in 1949 and 1950. The Korean War reinstituted the abnormal for only a year or so, and the normal is now with us again. In this more normal situation, agriculture must produce less, and get somewhat lower prices even though the terms of trade are still somewhat against agriculture. Only by in effect reducing the size of the agricultural plant by something like almost 10%, or something less than this if new outlets for farm products can be made, can farm prices again start on their way toward a good balance with other prices. There is very great danger that the contraction will not be enough in the next five years, and of declines in prices in consequence that will really be serious. What is called for is a volume of output that combined with price will give a farm income rounding off on a curve that would have crossed the 1955 line at about 115.

It should be made clear at this





[2] The Census Bureau's series for farm labor force is used here rather than that of the U. S. D. A. It does not include those working off the farm 100 days or more.

point that the declines in 1951 to 1955 are really not as large as appears in a simple plotting of total farm and national incomes. The first series needs to be divided by 600,000 fewer farms in 1954, and the second by the larger population in the succeeding years. This is not done in the recent report of the Conference on Economic Progress called "Full Prosperity for Agriculture."

Chart IV is designed to put in large perspective the business-cycle aspect of our subject. It is being said freely these days that if the present break in farm prices is not checked, a severe business recession will ensue; by some that farm support prices prevented this in 1949-50. This is the "farm-led and farm-fed" doctrine. The income totals in Chart IV exclude the government-civilian and military. They are for the private economy alone. The base period is 1910-14.

(A) Consider first the *secular* changes:

Labor has by long-odds advanced the most—labor measured as a product of labor force times wage rates. This economy of ours has become a wage economy by a wide margin.

Capital's share of the economy measured in rewards has advanced much less than labor's. The decline in interest rates since the 1920's and of dividend and rental rates more or less in keeping with interest rates, has been a major factor in this.

Agriculture's share follows capital's from 1920 to 1948, but at a lower trend than in Chart III because of a change in the base period.

(B) The *breaks:*

In 1920: Only agriculture broke sharply. This was postwar, the same as 1951-55.

In 1930: Labor broke the least, in spite of what is considered heavy unemployment. Labor would suffer still less in any future recession because of social security, guaranteed annual wages, etc. Capital's broke the most and the sharpest. Agriculture's decline was about the same as labor's, but started from a lower level because the 1920 agricultural depression was still not all over.

In 1937-38: In this minor recession agriculture suffered the most because surplus production still continued, production control having begun to fail.

In 1954-55: Labor and capital both recovered strongly from the minor recession of 1954, with agriculture in reverse.

General conclusions that may be drawn from the foregoing are as follows:

Most important of all, agriculture is most affected by wars and postwars, and least by business recessions. There is little evidence anywhere that business depressions are "farm led." No doubt the loss of farm buying power does contribute a little to a general recession, but very little.

The more important inter-relation is the other way around — business recession causes farm prices to fall. But in 1919-20, and in 1949 and 1952-55, loss of export market caused farm prices to break.

The break in farm prices in 1949 was world-wide. Professor Hansen says it did much to check the world-wide inflation still under way. No doubt he is right. But agricultural products are far more important in the world market than in the United States.

The most important thing to point out in considering the policy aspects of our subject is that never before in its history has the nation faced an agricultural situation like the present one, or probably as acute as this one is. The elements of which this acuteness is compounded are as follows:

(1) A surge in use of new technology such as never experienced before, and continuing unabated.

(2) A similar, but probably not so strong, surge in countries buying from us until recently or supplying the same markets, with a sharp reduction in export demand in consequence.

(3) Accumulations of stocks from previous years.

(4) The breakdown of production controls largely.

(5) Relatively few farmers are in desperate straits yet because farm earnings were relatively high in 1951 to 1953, not to mention 1946 to 1948 and earlier. But several more bad years will really create an emergency for several hundred thousand farmers with heavy debt loads.

The main reason other than weather that production has expanded since 1951 is that the prices that have prevailed, at least until 1955, have made a larger output profitable for the farmers practising the advanced technologies, and these account for more than half the output of most products. Or the following statement may fit part of the cases better—they lose more individually if they reduce their output by reducing inputs and yields or acres. Prices supported at present slowly declining levels may not change this situation in any large way in the next few years.

The imposition of acreage controls alone apparently does not change this situation importantly with most crops—the fewer acres planted are the best acres, more fertilizers and pest controls are used, etc. With marketing quotas, the excess acres are shifted to other crops—to corn in the South, to grain sorghum in the West—this adding up to a larger expansion of livestock than of cash-crop production, and direct price supports and production control are difficult or impossible for most livestock products.

The only really effective and workable program for the next few years would appear to be to put a floor under farm incomes at a level relatively low, but one which would keep most farmers from losing their farms if nothing else were done for them, and let prices of the different products drop to a level that will clear the market in three to five years, with the aid of:

(a) A stepped-up school feeding program stressing livestock foods.

(b) An expanded program of getting more of these same foods consumed by families on relief and low-income families generally.

(c) Larger exports possible because prices are no longer supported above world market levels in this country.

(d) An expansion of economic foreign-aid programs, with the aid taking the form of shipments of farm products to be used in these countries to put otherwise unemployed or underemployed persons at work on village-aid and other development programs in these countries. This will represent *additional* consumption in these countries.

(e) A "soil-bank" program administered as an expansion of the present Agricultural Conservation payment program, with a large expansion of the combination program—larger than is now being planned in administration circles. This is the most direct way of achieving an extensification of our agriculture.

The income supports in these years should be in the form of compensatory payments making up the difference between the market prices resulting under the foregoing and prices varying with the size of the current crop or output in such a way that the *net* return from a large crop or output of any product is a little less than from an *average* crop, so that there will be no premium on a larger output. These compensatory payments should be limited to the individual farm quotas in the case of farms under acreage or market quotas. It should be clear that such a program of compensatory payments is very different from the Brannan Proposal for them. The cost of it will of course be very much less, and it will be on a descending scale year by year.

It surely will cost less than price supports at a rigid 90% of parity level, besides offering much more hope of coming part way at least to an end. Nothing more unreal can be conceived than saying to farmers after they have marketed a big crop at high prices: "Go ahead and grow another big crop. We guarantee you the same price as this year's." This is the very method we used to get expanded production during the war. Is 90% of parity a high price? It surely is in the present supply-demand situation.

At the very start, the present levels of "flexible" prices at "modernized" parity may serve to determine the size of the compensatory payments; but as soon as possible some new ones should be worked out that fit the foregoing definition product by product.

It will also be important, if it proves to be necessary in order to prevent many foreclosures of farm mortgages and other loans, to develop some emegency program for carrying these over the next five years, much as was done in the years of the Big Depression of the 1930's.

This program will need to be kept in operation, at least on a standby basis, over the next ten years at least, before our farm output is brought into reasonably good balance with demand at home and abroad.

In the meantime some longer-run programs will need to be extended or developed. Most of what is needed in the longer run comes under the head of *stability* for agriculture. By stabilizing agriculture, we do not mean keeping it at a constant level, but rather keeping its growth and development steady. Of course, the major part of this problem by far lies outside of agriculture. If there were no wars or business cycles, there would be left first the production cycles for hogs, beef cattle, dairying, and the like, the quick ups and downs in poultry farming, and probably some long sweeps in orchard fruits; second, the over-expansion that commonly comes with a burst of new technology in a line of production, and necessary leveling out or contraction following; third, the rather sudden shifts in demand due to new developments in the market, such as margarine's substituting for butter, and artificial fibers for cotton and wool, or due to loss or gain of foreign markets. Given continuing wars and business cycles, a good part of the problem for agriculture is adjusting itself to them, expanding just enough at the right time and way, and then contracting afterwards.

It should be apparent that the measures outlined above can be adapted to fit the need for expansion as well as contraction. They surely can be used to check over-expansion due to new technology, or bring about adjustments due to loss of markets. In spite of full awareness of the hog-corn cycle for 40 years, however, there is evidence of very little headway in controlling it. Indeed, real success along any of the lines just listed will call for a more vigorous and determined effort than has thus far been made, except in the case of wartime expansions. The first part of such an effort is over-all current analysis to see what is ahead and the adjustments needing to be made, for the nation as a whole and by regions and major types of farming. Much progress has been made along these lines in the past ten years. The second part is reducing this to terms of adjustments needed on representative or model-type farms in different sections of each state, so that those working with the farmers in these sections will know each year in what direction the farming needs to be heading so that it will fit into the pattern of needed change. This should be a joint undertaking of the Agricultural Extension Service, the Soil Conservation Districts, the Farmers Home Administration, the Production Credit and the Farm Loan Associations, the Farm Foresters, and all tied into the new Farm and Home Development Program. The staffing of the Extension Service for its major role in this effort is highly inadequate. About four times as much extension effort is now going into technology of production as is going into planning needed for adjustments and implementing the plans. Also, much more production economics research is needed as a foundation for this farm planning. Such research is rarely more than one-tenth of the research of the State Experiment Station. The result is that the agriculture of most of the nation is well out ahead with technology to increase yields and make the land more productive, but poorly equipped with the know-how of harnessing the knowledge and putting it to such use as will make it contribute as effectively as it might to better life on the farm and a more orderly serving of the needs of the rest of the nation.

Finally, and most important of all, a successful handling of the foregoing two problems will not help much the lower-income third of our farm families, except in one important particular, namely, that a steadily advancing economy with reasonably full employment will provide employment outside of agriculture for more of these families or members of them. Much of what is being said and written on this problem these days is largely in terms of this solution. What they propose in effect is to depopulate and abandon these low-income areas as has been done in the past in much of the Northeast. Yet the bold truth is that our country has

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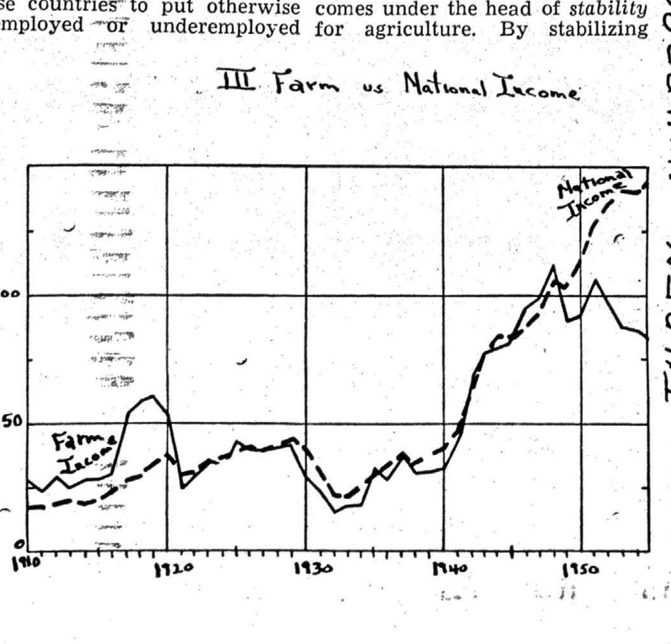
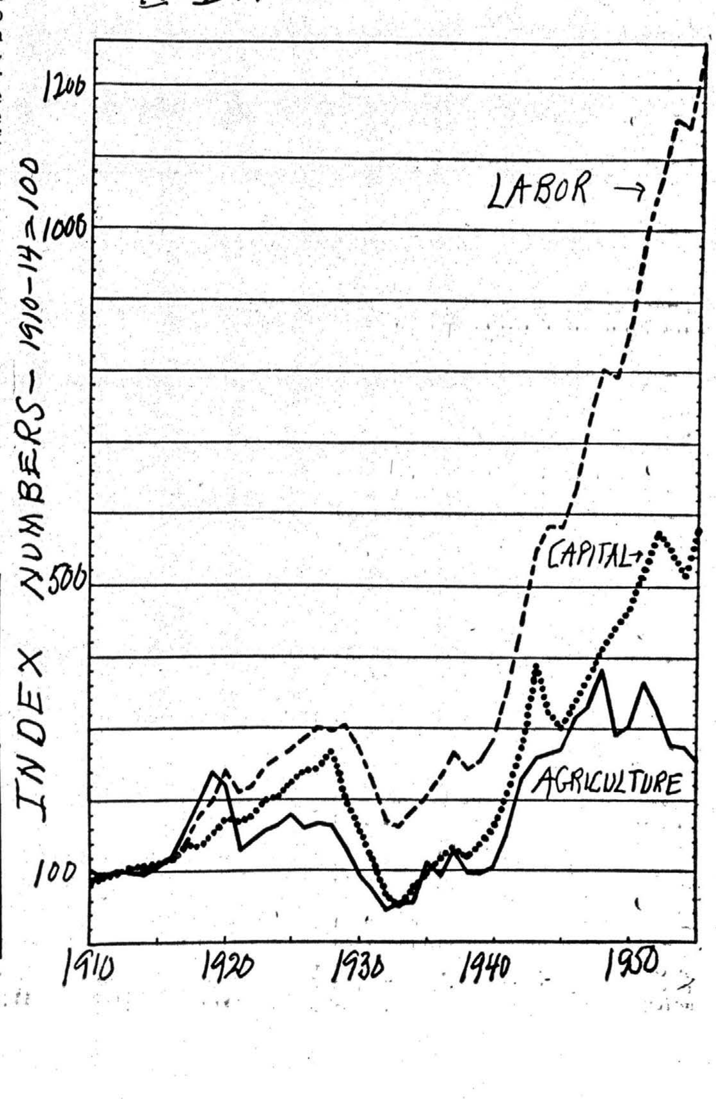
III Farm vs National Income



IV. INCOMES-TOTAL



Continued from page 27

Farm Economy Diagnosis And Prescription

grown to the point where in another generation it is going to need to have much of these low-income areas in agriculture and forest-crop production. Moreover, as has been pointed out earlier, any contribution that the improving of agriculture in these areas is going to make to surpluses in the next five years is so small that it can be ignored. The other important factor in this situation is that the technology of farming the land in much of the low-income area of the United States has been developed to the point where all that is needed to have good income is to practice this technology on farms of sufficient acreage. The cost of bringing very much of this land into the uses suited to it—dominantly hay and pasture — and of employing the new technologies is far less than that of reclaiming new land in the regions of scanty rainfall.

The rational program for these low-income areas is therefore to help the better farm families among them to take over the land being abandoned by the rest and thus enlarge their farms as needed, and at the same time to improve their present land plus that acquired, and to apply the new technologies to it. What is required for the long-overdue reconstruction of the agriculture of the low-income areas is primarily a much expanded program of helping the farm families in these areas to work out plans for developing the resources already in their farms and for buying additional land if this is needed, and then credit in the right terms. It will be mostly intermediate-term credit or real-estate mortgage credit. In either case, the loans should be of the budgeted or open-end type so that the loans can be enlarged year by year in the earlier years and then paid off year by year later. The necessary private and public agencies to furnish this credit are already in existence, but the Farm and Home Administration needs much larger financing than in the recent past. An extra pair of extension workers is needed in each of the low-income counties to specialize in the planning work on their low-income farms.

At the same time, the provision of education and medical services for these areas needs to be much improved. To tax the incomes of our city population to help provide this better education and health for areas that are going to provide many of their future citizens is not in the least unreasonable. Such education and health aids, plus access to modern communications, will presently help greatly in keeping down the size of families in these backward areas. The improved education and communication will facilitate out-migration.

The foregoing is far from a full outline of the needed program for agriculture. Credit financing is needed for other than low-income farmers, particularly for young men ready to start as farm operators — the "future farmers of America," upon whom depends the quality of the farming in the next generation. Also our leasing systems need to be revised so as to make it advantageous for both landlord and tenant to conserve and even improve the farms which they jointly operate.

It will not take long to present the main political aspects of the problem with which we are dealing. What was conceived as an adjustment program around 1930 and got embodied in large measure in the Act that Congress passed in 1933 called the Agricultural Adjustment Act, was transformed more and more into a price-support program from 1938 on. Many thousands of persons still living heard President Ed O'Neal of the American Farm Bureau Federation tell on one occasion or another how he once said to Sam Gompers, the great pioneer labor leader of this country, "Sam, you have had great success in organizing labor to work for its own interests. I am starting out to help farmers as you have helped labor. Haven't you some good advice to give me?" "I surely have," said Sam. "The American Federation of Labor is interested in much more than wages for its members. But it does not stress these other things. We pick out one thing, simple, that everybody can understand, wages, and fight hard to raise them. You must do the same." Ed O'Neal then asked, "I suppose then that you would say that higher prices for the farmer is what the Farm Bureau should fight for." "I surely would," said Sam. And this is what the Farm Bureau did in those years.

No doubt a sizable fraction of the farmers of this country realize pretty well that our government cannot keep on supporting prices on a level that brings forth growing surpluses. But many of these will say if asked, "Labor is grabbing all it can get. Business always has been able to get pretty much what it wants. If we farmers don't grab the same way, we are being silly."

In this confused situation, there is a fair chance that rigid 90% price supports will be voted in either in 1956 or 1957. The U. S. Department of Agriculture that has the task of administering such an Act will be in a worse spot than the present Department of Agriculture is in now. It will be dramatic injustice if it is not a Democratic administration that has to take on this task. Such a course of events will simply mean that bad as things seem now, they will have to get worse before the rank and file of the people of our nation sense the situation well enough to take the necessary action. The party in power at the time they sense it will lose a good deal of standing with the general public in the ensuing five or 10 years.

As for the final outcome, we need have small fear. But as a nation we will be better off and less distraught in the next five years if such a program of action as here outlined can be set forth upon even as early as in the present Congress.

It should be evident by this time that the education in the public affairs of agriculture that is needed in order to obtain constructive action without too long delay must not be limited to farm people. The other 86½%—before long 90% or more—need an understanding of these affairs too. They will at times need to come to the rescue of agriculture. This coming Congress and election may be such a time.

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Trucking Industry's Dynamic Future and Credit Requirements

everything. Essentially, this growing giant will require the same as it does today, except that it will need more, much more of nearly everything, particularly more raw materials, more power, more houses, more roads, more plants and tools, more food and more transportation."

Is there any wonder the road ahead for motor transport is so bright and shining?

Ten years from today—in the year 1966—we believe:

The nation's motor transport fleet, which now numbers 10 million vehicles, will grow to 15 million.

America's freight trailer fleet, now 700,000, will be more than double this figure.

Many units in these fleets will be powered by the atom.

There'll be more and more plastic trailers.

These trucks and trailers will be equipped with every conceivable safety device, which 10 years hence might include an airplane-type steering gear, and even radar screens.

Piggybacking — which just began to grow in 1955—will become the biggest single revenue-producing factor for the nation's railroads.

Convinced by then of piggybacking's great potential, the railroads in 1966 will began replacing the nation's 716,000 box cars with flat cars each carrying two truck-trailers.

Fishybacking, the carrying of loaded truck-trailers on steamships, will grow to great importance along both coasts and on the St. Lawrence Seaway. Trailer ships will become more and more numerous.

By 1966 truck-trailers will be carrying more than half of all the total freight being carried on railroads and highways.

Motor transport, 10 years from now, will be carrying 99% of the nation's mail on runs up to 300 miles.

All this traffic will be moving over the most modern of highways.

In addition to the regular highways, toll superhighways will connect every section of the nation, making it possible to go from New York to San Francisco, Chicago to Miami without even seeing a traffic light.

These new highways will have special expressways for trucks and truck-trailers. On many other highways, specially colored concrete lanes will indicate the truck-trailer right of way.

Passing lanes will be built on more and more highways enabling the truck and trailer to turn out and allow faster traffic to go by.

Our cities will be less congested.

Underground garages and push-button garages, which will store cars and bring them back automatically, will be helpful factors in reducing traffic.

There'll be "truck streets" in the downtown areas. The "no parking" signs for motorcars will be on many streets.

Sidewalks will move—and more and more pedestrians will move underground under the traffic, on these rolling sidewalk conveyors.

In the nation's factories, truck-trailers, an essential part of present-day automation methods, will have an even greater role in producing more at less unit cost.

All these predictions for 1966 sound pretty exciting, don't they?

Let me tell you briefly why I think every one of them will come true—many of them probably before 1966.

The first big reason for trucking's expected growth is the baby boom. America is literally crawling with babies—new babies. Last year births totaled a record 4 million plus. United States is now 167 million people. By 1966 there will be 193 million Americans.

Dr. Wilfred Owen of Brookings Institution has estimated that for every person in the United States, 16 tons of material, like food, fuel, building materials, and metals, are consumed annually. On the basis of Dr. Owen's estimate, we figure our fellow Americans in 1966 will need the astronomical total of over 3 billion tons of materials each year—or a total of 253 million truck-trailer loads.

Our second reason for this great belief in trucking's potential is the steadily increasing trend toward suburbanization and suburban shopping centers. There are now 1,000 shopping centers in operation; 2,000 more are under construction or planned. Like the suburbs, these centers are not being built on or even near a railroad. Already 50,000 communities are supplied entirely by truck and trailer—and this number is growing steadily.

Other reasons for trucking growth are rooted in the increased use of trucking to carry the mails, the sweeping decentralization of industry and in this thing called piggybacking. By the end of 1955, 34 major railroads were providing their customers with piggyback service. Piggybacking—which means the elimination of millions of material handlings annually and thus more profits for the railroads—has been called "the greatest potential in trucking's last two decades" by Marvin J. Barloon, professor of Economics at Western Reserve University.

A still newer word in our business lingo is fishybacking—which is used to define the hauling of loaded truck-trailers on steamships. This has really begun to catch on. For instance, four companies have just announced plans to build 17 trailerships to carry truck-trailers between New York, Los Angeles, other coastal ports, and along the St. Lawrence Seaway. The Maritime Administration is seeking to create an available source of privately owned roll-on-roll-off ships to provide ocean transportation for mobile military equipment—and the Office of Defense Mobilization is granting fast tax writeoffs to steamship companies.

Now a bit about highways.

I know that you know we need new highways—not only to carry our increasing number of motor cars and our important truck-trailer traffic, but also for the nation's defense.

I firmly believe that our nation will build these sorely needed new highways; and when this program is adopted, motor transport will get another healthy boost.

You can't build new highways without the truck-trailer. For example, the highways almost literally pour out of tank-trailers carrying cement, asphalt, and similar materials. In addition, dump-trailers carry fill materials for low areas. The offices of contractors, and the emergency machine shops they set up to keep their apparatus in order, are housed in truck-trailers. The bulldozers, scrapers, and smaller cranes move on Carryall trailers. The steel for bridges comes to the site on trailers. The concrete is mixed from sand and gravel hauled in dump-trailers, and cement arrives in bulk by tank-trailer.

When these highways are built, more and more truck-trailers will be riding them — carrying more and more freight more and more economically.

That brings me to my last point in the reasons for trucking's expected growth. That point concerns the use of truck-trailers in automation.

Truck-trailers fit into this picture of automation in more ways than you can imagine. All over the country, in all kinds of industries—like Ford and Plymouth in Detroit and Admiral and Zenith here in Chicago—and more and more — Truck-trailers are being woven, as integral parts, into industrial processes that are automation in its purest and best sense — because they are automatic processes designed to make the job easier and to save money for both industry and consumers.

All this adds up to a mighty impressive case for trucking's future—a future in which America's bankers will certainly have a part.

Although trucking is now a gigantic industry, most of its operators started as relatively small business men. They sometimes had difficulty financing their expanding equipment needs.

I recall vividly a long talk recently in New York with one of the nation's most important bankers. "Truck loans did not represent a good investment for us until a few years ago," he said. "Then, several years ago," he explained, "we decided to take another look at this growing trucking industry. We put together a comprehensive study—and, after looking at the facts, we changed our tune about trucking industry loans. When truckers now come to see us, they find that our investment people have worked out constructive and imaginative approaches to their problems. Our people are now well versed in the economic factors underlying the trucking industry."

As another banker on the West Coast said to me several weeks ago, "The trucking industry has surely come of age creditwise in the last few years."

There are several facets to the credit phase of the trucking industry.

For instance, a trucker may need loans to bolster working capital, or for his equipment, or for new and expanding terminal facilities.

When you're talking about collateral, the truck-trailer is certainly a "good piece of collateral." It won't wear out in three, five, or 10 years—in fact, some of the stainless steel trailers we built in 1939 are still operating. The only problem in trailers is their obsolescence. But many of our nation's truckers have no worries about obsolescence for they haul things that don't require greater cubic carrying capacity.

I said the trailer was a "good piece of collateral." In our own company, we have been lending money on trailers for over 25 years—and our losses, right to this week, represent only 2/10 of 1%.

The trailer has several characteristics which make it entirely different than the power tractor as a "piece of collateral." The trailer, unlike the tractor, has no motive power, no transmission, and no differential to break down and wear out; and, with the trailer, there's not the question of style which you'll find in tractors. So with tractors, as opposed to trailers, it's a credit problem of determining the motive power's fitness through examination of use and maintenance. These factors are not associated with the trailer.

Truckers and trucking have really started to grow up. The old trucker—who started as the driver of his one truck — now owns hundreds or thousands. The companies are better managed, too. As another banker ably expressed it, "trucking managements now include better business men than ever in their history — and they're still getting better. As in many other industries, professional management is a most noticeable participant."

Another point I am certain you will be interested in is the fact that the trucker is a consistent user of bank credit.

A Chicago banker explained this most colorfully when he said, "Right now we have borrowers coming in the windows. But that may not always be so. When we can't get other borrowers, the trucker will still be with us."

A thumbnail view of the industry's credit problems is presented in the book "Financing the Motor Carrier Industry," published by the American Trucking Associations. The book states: "The simple fact is that earnings retained after taxes will not be sufficient, in the present era, to support a program of expansion such as the industry will need during the coming years."

With your permission, may I point out that a reading of a trucking company's balance sheet requires an understanding of the industry particularly because the assets of the trucker are not those usually found in the balance sheet of the ordinary business. For instance, the trucker doesn't have inventories as such. His inventories consist of his accounts receivable and the equities in his equipment.

This is truly a dynamic industry operating in an age of dynamic national expansion. Truckers will need credit—much credit—in the years ahead. The extending of this credit will require the constructive use of that credit by America's bankers. It will require skillful credit judgment, too.

May I respectfully suggest that all of you take a closer look at this industry whose road ahead is "so bright and shining."

For it is true that we in trucking, like a number of other great American industries, stand on the threshold of a golden atomic-powered age in what is still the most exciting country in the world.

This brings much sober reflection.

Winston Churchill, speaking before the British House of Parliament several years back, said much of what I am now thinking when he declared: "Man in this moment of his history has emerged in greater supremacy over the forces of nature than ever has been dreamed of before. There lies before him — if he wishes—a golden era of peace and progress. All is in his hand. He has only to conquer his last and worst enemy—himself."

Private Borrowings by Reynolds Metals Co.

The Reynolds Metals Co., it was announced on Feb. 8, has arranged to sell to institutional investors $60,000,000 4¼% first mortgage bonds, series B, due 1981 and to borrow from banks $15,000,000 on 3¾% notes due 1958-1961.

This financing, arranged through Dillon, Read & Co. Inc. and Reynolds & Co., Inc., is expected to be completed on or before April 1, 1957.

The proceeds are to be added to the corporation's general funds and applied as needed to the construction of a new aluminum reduction plant at Listerhill, Ala., and to the construction of additions to its existing bauxite mining, alumina and other facilities.

O'Quin Preferred Stock Offered at Par

Arnold Feldman Co., New York City, on Feb. 8 offered 46,500 shares of 6% preferred stock of O'Quin Corp. at ($1 per share). For each 1,000 shares purchased, 40 shares of common stock (par $1) are to be issued as a bonus.

The net proceeds are to be used for working capital and other corporate purposes.

The corporation, with offices at 595 Madison Ave., New York 22, N. Y., was organized to manufacture "O'Quin Charcoal Sauce" and and to distribute such product by means of sales promotion which will include advertising and other endorsements by Bing Crosby.

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The State of Trade and Industry

of 135,586 units, with Chevrolet, Cadillac, Lincoln and American Motors planning unusually better-than-a-year-earlier turnouts.

General Motors remains the most consistent performer, the corporation schedule last week rising 8.6% over the week previous and only 5.5% under its volume in the like 1955 period.

General Motors will garner 54.0% of all United States car building, Ford Motor 25.9%, Chrysler 14.6% and American Motors and Studebaker-Packard combined 5.5%, said "Ward's." In the comparable week last year, General Motor's share of production represented 49.1% of the total, Ford's 26.4%, Chrysler's 19.4% and the other two producers' 4.9%.

Truck building, which rose to a six-week high Jan. 23-28 at 26,461 units is holding firm this week at 26,567 units. On a year-to-date basis, truck building is enjoying a 14% lead over the same year-ago stage, while car manufacture is lagging by 12%.

Marring the week's upturn, said "Ward's," were the announcements of layoffs affecting 7,800. Dodge Division suspended second shift operations on Friday night last, idling 1,500. Earlier, Packard announced a two-week car building halt affecting 5,500 production workers in Detroit and Utica, Mich., and American Motors reported it had furloughed 800 of its Wisconsin work force.

Across the border, considerable optimism brightened the automotive scene which has been overcast since the 136-day old General Motors strike began last Sept. 19. Negotiators on both sides of the bargaining table dug into remaining non-economic issues and made considerable progress the past week. Most of these, including a Guaranteed Annual Wage, have been virtually resolved paving the way for tackling of the union's biggest demands which include eight paid statuatory holidays, annual increases of six cents during a three-year pact, four cents across the board, improved pension plan, night differential and a company-paid health plan.

Steel Output Set the Current Week at 97.6% of Capacity

The steel industry will continue capacity operations through June, despite cutbacks by automakers, "Steel" magazine forecast on Monday of this week.

It added that strong business is assured by the rolling adjustment under way, a situation in which one consumer increases its orders as fast as another consumer drops out.

Continuation of this rolling adjustment is indicated by "Steel's" latest inventory and delivery survey. Some 18% of steel, copper and aluminum users responding to the survey expect to build higher inventories during the next three months.

In the last quarter, and for the first time in a year, the number of metal users totaling 16% who built up inventories exceeded the 12% who told "Steel" that they planned to do so.

The publication reported railroad freight car builders and construction users, especially, are waiting to snatch unwanted auto tonnage.

On Jan. 1 of this year, freight car builders had orders for 147,320 cars or 10 times as many as on Jan. 1, 1955.

Reflecting heavy demand, mills produced steel for ingots and castings at 99.3% of capacity in the week ended Feb. 5, down one-half point from the preceding week.

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 97.6% of capacity for the week beginning Feb. 6, 1956, equivalent to 2,403,000 tons of ingot and steel for castings as compared with 99.3% of capacity and 2,444,000 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 98.6% and production 2,428,000 tons. A year ago the actual weekly production was placed at 2,095,000 tons or 86.8%. 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 Shows Improvement In Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 4, 1956, was estimated at 11,540,000,000 kwh., an increase above the week ended Jan. 28, 1956, according to the Edison Electric Institute.

This week's output rose 38,000,000 kwh. above that of the previous week; it increased 1,493,000,000 kwh. or 14.9% above the comparable 1955 week and 2,866,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Jan. 28, Continued to Fall, Declining 1.1% Below Prior Week

Loadings of revenue freight for the week ended Jan. 28, 1956, decreased 7,436 cars or 1.1% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Jan. 28, 1956, totaled 691,850 cars, an increase of 54,734 cars, or 8.6% above the corresponding 1955 week, and an increase of 63,657 cars, or 10.1% above the corresponding week in 1954.

U. S. Car Output Registered A Gain of 3.5% Above Week Ago

Car output for the latest week ended Feb. 3, 1956, according to "Ward's Automotive Reports," advanced 3.5% ahead of the previous week, despite the preparation for further braking of car output by producers.

Last week the industry assembled an estimated 141,209 cars, compared with 135,586 (revised) in the previous week. The past week's production total of cars and trucks amounted to 167,776 units, or an increase of 5,729 units above the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 5,623 cars, while truck output gained by 106 vehicles during the week. In the corresponding week last year 164,265 cars and 18,425 trucks were assembled.

Last week the agency reported there were 26,567 trucks made in the United States. This compared with 26,461 in the previous week and 18,425 a year ago.

Canadian output last week was placed at 6,175 cars and 1,201 trucks. In the previous week Dominion plants built 6,106 cars and 1,069 trucks, and for the comparable 1955 week, 6,581 cars and 869 trucks.

Business Failures Turn Slightly Lower in Past Week Following A Four-Week Rise

Commercial and industrial failures dipped to 273 in the week ended Feb. 2 from the postwar peak of 284 in the preceding week, Dun & Bradstreet, Inc., reported. This decline ended a four-week rise, but the total remained above the 264 and 238 in the corresponding weeks of 1955 and 1954. Compared to the prewar level, failures were 14% lower than the 318 occurring in 1939.

Liabilities of $5,000 or more were involved in 229 of the week's failures as against 237 in the previous week and 224 a year ago. Small failures, with liabilities under $5,000, dipped to 44 from 47, but were slightly above the 40 of last year. Twenty-two businesses failed with liabilities exceeding $100,000 as compared with 19 a week ago.

Wholesale Food Price Index Holds to Forward Movement of Prior Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., continued its upward movement last week to stand at $5.95 on Jan. 31, as against $5.89 the previous week, and the six-year low of $5.86 recorded two weeks earlier. The current figure compares with $6.85 a year ago, or a drop of 13.1%.

Higher in wholesale price the past week were flour, wheat, corn, rye, oats, hams, bellies, lard, coffee, cottonseed oil, hogs and lambs. On the down side were barley, beef, sugar, cocoa, peas, eggs and steers.

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 Continued Mild Advance of Previous Week

The general commodity price level continued the mild upward movement of the preceding week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 280.29 on Jan. 31, from 279.45 a week earlier. It compared with 280.08 on the corresponding date a year ago.

Grain price movements were narrow with the general trend slightly higher during the week.

Wheat advanced moderately in late dealings influenced by a growing realization that price supports at 90% of parity might be restored to basic crops.

Early weakness in the bread cereal was influenced by additional moisture over much of the Winter wheat belt and the report showing stocks of wheat on Jan. 1 at 1,535,000,000 bushels, the largest on record. Corn prices were steadier, mainly reflecting smaller receipts, a further upturn in live hogs and continued cold weather in sections of the Midwest.

Oats were firm as country marketings declined sharply, while strength in rye reflected an advance in Canadian prices. Trading volume in grain and soybean futures on the Chicago Board of Trade was smaller last week. Daily average purchases totaled 29,200,000 bushels, against 33,500,000 the previous week and 44,600,000 a year ago.

Spot cotton prices moved irregularly higher. Supporting influences included price-fixing for domestic and foreign account, continued large loan entries, a growing sentiment that 90% of parity supports will be restored to the new farm bill, and expectations that the soil bank will be adopted. Reported sales in the 14 spot markets last week rose to 312,600 bales, from 252,400 the previous week and 237,100 a year ago. Domestic mill consumption of cotton during December averaged 34,200 bales per working day, compared with a daily rate of 37,100 in November and 32,100 in December, 1954.

Trade Volume Spurred By Clearance Sales Rose Moderately Above the Level of A Year Ago

Continued clearance sales encouraged consumer spending in the period ended on Wednesday of last week. The total dollar volume of retail trade was moderately above the level of the similar period last year.

There were noticeable increases in the buying of household goods and men's apparel. Automobile dealers reported a slight increase in volume in new cars with sales in automobile parts and supplies moderately higher.

The total dollar volume of retail trade in the week was 2% to 6% 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 and Northwest +2 to +6; East and South +4 to +8; Middle West +3 to +7; Southwest +1 to +5 and Pacific Coast 0 to +4%.

Wholesalers reported a slight increase in bookings in the week and the total dollar volume moderately exceeded that of the similar 1955 week. Buyers were especially interested in television sets, upholstered furniture, and children's clothing, while volume in women's Spring apparel was sustained at the high level of the previous week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 28, 1956, increased 8% above those of the like period of last year. In the preceding week, Jan. 21, 1956, an increase of 3% was reported. For the four weeks ended Jan. 28, 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 the past week continued at a high peak with trade observers estimating the week's gain at about 9% ahead of the corresponding period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 28,1956, increase 10% above those of the like period last year. In the preceding week, Jan. 21, 1956, an increase of 8% (revised) was recorded. For the four weeks ending Jan. 28, 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.

Continued from first page

The Investment Outlook: But What Do We Do About It?

to buy or to sell. I remember at the very bottom of the great depression, I asked one of my good friends what he thought of the outlook. He said he thought things looked awful. "Well," I said, "what are you doing about it; how many of your stocks have you short of the market or what?" you sold; are you all in cash; are "Confidentially," he said, "I've never played it so close to the chest; in fact, I'm not reinvesting my income." There was a Proper Bostonian for you!

Now, of course, before we start talking about what we are going to do about the investment outlook, we must have some reasonable idea as to what we think the outlook is. That doesn't mean looking into the crystal ball or deluding ourselves that forecasting has become a science. To my mind, it means making an informed judgment of likelihoods rather than of probabilities.

Group Forecast

Maybe I go around with the wrong people or read the wrong things, but what strikes me most forcibly now is the relative uniformity of views. Just to avoid sticking my own neck out, I am going to give you a sample of the ideas of a discussion group which meets quite regularly in Boston. It is composed of several experienced and responsible investment managers, several bankers, and a few practicing economists, some of whom have national reputations.

This group was asked first what it thought about the business outlook as measured by the Federal Reserve Index of Industrial Production. This index averaged about 139 for 1955. The group was almost equally divided about the average for 1956. Fifteen believed it would be slightly higher, and 16 believed it would be slightly lower. In other words, taking the year as a whole, they, like the President's Council of Economic Advisers, think 1956 will be another good business year.

Then they were asked whether they thought the level of business would be higher or lower at the end of 1956 than at the end of 1955. Only one member thought the index would close at the end of 1956 at as high a level as at the end of 1955. The median guess was that it would close the year five points lower; namely, at 140. The lowest guess by any one was 124, a decline of 21 points, while more than a third of the members felt the closing index would be 10 or more points below the close in 1955.

Clearly, the forecasting pattern is that the momentum of the boom will carry on during the early part of the year, to be followed by a downturn of from minor to moderate proportions. Little change was anticipated in wholesale commodity prices.

Our hardy Boston group even had the temerity to give its views on the 1956 stock market. They were asked what they thought the high, the low, and the closing quotations for the Dow-Jones Industrial Stock Average would be. The 1955 range, as you all know, was approximately 388-488, the latter being also the year-end close. The median guess for the 1956 high was 510, with the range of individual guesses for the high running all the way from 480-600. The average guess for the low prices of the year was 410—and the lowest figure mentioned by any one as a possible extreme low was 350. As for the closing price for 1956, the average guess was 440. Only two people believed the closing level would be higher than the 488 figure at which 1955 ended.

Possibilities

If, as seems likely from predictions made not only by our Boston group but by many others as well, the boom is topping off and in danger of turning downward, then it would seem a reasonable guess that before too long there will be some relaxation in the restrictive policy of the Federal Reserve and even a reversal of policy. If so, it may well be that we have already seen the low point in the bond market and the high point in interest rates, that we can look forward sometime during the year to higher bond prices and lower interest rates. Indeed there is evidence that the causes of the excesses in consumer credit and real estate mortgage expansion have already moderated for reasons other than the Federal Reserve's restrictive monetary policy. The down turn in automobile sales and production can hardly be explained by lack of credit availability—it is still available. A much easier explanation, it seems to me, lies in the fact that the extra stimulus to sales given in 1955 by the relaxation of consumer credit terms can hardly be repeated in 1956. It is indeed difficult to see how down-payment and repayment terms can be liberalized much further. It is also possible that the glamour of the 1955 new model styles is beginning to wear off.

Although residential builders complain about the cost and limited supply of mortgage funds, the real explanation for the downturn in new building starts seem to lie in the apparent fact that in certain areas there has been overbuilding.

Investment Decisions

Now, of course, many of you will disagree with this thumbnail sketch of a few major possibilities in the building and financial world. Let us assume for the moment, however, that we as investment advisers and managers have accepted this rough kind of forecast. Specifically, let us assume we expect the Dow-Jones average to decline about 12 or 13% sometime during the year. What are we going to do about it? What specific investment actions are we going to recommend? What are you going to do to better the position of the people whose money is entrusted to you?

My guess is that collectively you're going to do very little even though you may be quite convinced that the bloom is off the rose. I suspect that some of you may revise, if you have not done so already, your policy regarding the investment of new funds. You may, for example, have decided against buying additional common stocks. You may have decided now is a good time to buy long-term bonds or tax exempts. Except in pension accounts, however, your net inflow of new investible cash is relatively minor. The principal area in which a major policy decision could be made has to do with the composition of funds already invested.

I suspect that even if you should decide some cutting back of common stock holdings is prudent, you would find more arguments against than in favor of carrying such a policy into effect. You would be faced with both practical and theoretical obstacles.

Except in pension, charitable, and educational accounts, the most important obstacle to sale is the capital gains tax. It is true that General Electric, for example is quoted around 54. Forgetting for the moment the cost of commissions and transfer taxes, General Electric is worth $54 a share only to such owners as may have happened to pay that exact price. To all other owners it is worth, net after the capital gain tax or capital loss credit, some other figure. For one trust account its net value after sale and payment of taxes may be 48, for another only 44.

If you are doing your job of trusteeship well, and I am sure you are, you must appraise General Electric's net value differently for every account; and then you have to reappraise whether you could reinvest the net proceeds from sale to the advantage of your customer. After all, for the vast majority of your trust beneficiaries, income is all important. At 54, General Electric yields 3.4%. To better this yield, the seller whose stock is worth only 48 after taxes must buy a security yielding 3.8%, and if the net value after taxes is only 44, he must get 4.2%.

Being practical investors, you know quite well that the capital gains tax makes it not only difficult to replace or better income, it makes it very easy to outsmart oneself, or rather one's client). It is entirely possible that if the stock market breaks this year, General Electric may fall from 54 to 48 or perhaps to 44. But you know that you probably would not be lucky enough, or bold enough, to buy it back at or even near its low point.

Investment Obstacles

The capital gains tax is not the only tax we have to consider in formulating shifts in investment policy. Income taxes both Federal and state have made profound changes in the characteristics of various investment markets. Most of us realize this, but I sometimes think that much of our investment discussion is really in a sort of vacuum and still assumes that we are operating in what might be called an area of pure investment; namely, one where taxes are not present.

For a long time, we have all recognized that tax-exempt bonds have a market of their own which very frequently acts at variance with other sections of the money market. How clearly do we realize some of the changes that have taken place in other markets?

Take marketable corporate bonds and notes, for example. To a bank trusteed pension plan, the net yield on a corporate bond is approximately 26 basis points higher than to a life insurance company and approximately 1.75% more than the yield after taxes to a fire or casualty company; and of course the yield differential to an individual depends upon his income tax bracket. The result has been that in this era of comparatively easy money, most quoted corporate bonds have become completely unattractive for most individuals, for fire and casualty companies; and to an increasing extent, they have become less attractive to life insurance companies. Thus the corporate bond market has become less active and less significant. Publicly issued corporate bonds are no longer the major source of new long-term funds.

Paralleling this change, the direct placement of bond issues with institutions, principally life insurance companies, has grown by leaps and bounds, as you all know. Only a few of the larger trust funds or pension plans are equipped to handle this type of transaction; and, anyhow, comparatively few of the trust accounts of banks would find the direct placement a suitable investment medium.

The income tax has also greatly altered the comparative importance of interest rates to corporate borrowers, and consequently has altered the methods by which individual bonds should be analyzed. One of the important criteria for bonds used to be the number of times its interest requirements were earned. Under modern practices of regular bond sinking funds, particularly for industrial issues, it is rare that interest alone represents the importance of the annual debt burden. Under a 52% corporate income tax where interest is a deductible expense but debt amortization is not, it takes approximately $2 of earnings before taxes to pay off $1 of principal, whereas it takes only $1 of pre-tax earnings to pay $1 of interest. Thus, the pre-tax burden of principal payments as compared to interest payments is likely to be in a ratio of from 2-1 to as high as 6-1. Furthermore, in most corporate bonds and in most real estate mortgages, annual principal payments remain constant over the life of the loans, whereas the interest payments decline as the balance of the outstanding debt declines.

Another interesting example of how the income tax is putting various segments of the market into individual compartments is seen in preferred stocks. Despite the rise in interest rates that took place last year, preferred stock prices remained steady to strong. To institutions like fire and casualty companies, preferred stocks have become very attractive because of their comparatively high returns after taxes. In fact, to such institutions high grade preferreds yield approximately 2% more after taxes than high grade bonds. In considering reinvestment of common stock money, are preferred stocks at their relatively high prices, because of their special attraction to certain types of investors, as attractive for your uses as would appear on the surface?

There may be another reason why you may hesitate in putting into effect a program of reducing common stock holdings. Some of you, I am sure, must be giving serious consideration as to how easy it might be to replace any sales you might make. Most of you deal in large funds and substantial blocks of individual stocks. By the very nature of your fiduciary position, you must stick principally to the stocks of strong well-managed companies with established records of earnings and dividends. You, like most other financial institutions, necessarily concentrate your stock holdings in a relatively small number of large and well known companies.

Institutional Stock Holdings

We do not yet know anywhere nearly as much as we would all like to about the ownership characteristics of common stocks. The increasing concentration of ownership by financial institutions in the so-called "blue chips" is no longer a matter of mere academic interest. How much this concentration may have influenced prices and how much it may affect prices in the future cannot be demonstrated. We do know, however from recent studies by the New York Stock Exchange that the proportion of institutional volume on the New York Stock Exchange has been steadily rising. In a sample period in June of last year in institutional transactions on the New York Stock Exchange amounted to 13% of the total volume. The percentage of institutional participation in transactions in the "blue chip" category must have been very substantially higher.

The recent S.E.C. Study of Corporate Pension Funds indicated that net purchase of common stocks in 1954 totaled $539-million or more than double the figure of only four years earlier. In that same year, total pension fund assets increased $1.8 billion. The Fulbright Committee hearings estimated that institutional holdings of equity securities amounted to slightly over $66 billion at the end of 1954 or approximately 25% of the total market value of the outstanding capital stocks of all American business corporations. Very clearly, the percentage must have been much larger in the listed stocks that are typically owned by fiduciary institutions.

It seems entirely possible that a new impetus to stock holdings by financial institutions will be given before too long by that new and controversial financial instrument known as the variable annuity. Without getting into the discussion of whether life insurance companies should sell variable annuities or some adaptation of the idea, I feel as certain as I can be of anything that variable annuities are going to be sold by some one besides the two companies now offering these contracts.

If so, there will be a greatly increased demand for high grade investment type common stocks. Arnold LaForce, Vice-President of the Metropolitan Life Insurance Company, as one of his important arguments[1] against life insurance participation in variable annuities asks: "Where is the supply of stocks coming from to meet any sustained selling of variable annuities by life insurance companies?" He points out that severe restrictions will be imposed on the type of common stocks that would qualify for purchase by life companies. He notes that for the years 1950-54 inclusive, new money common stock sales averaged only slightly more than $1 billion per year. This is only about double the amount that was purchased net by pension funds alone last year. If to the present institutional purchasing of common stocks there should be added purchases for variable annuities, concentrated as they would be in a comparatively small number of issues, prices might be driven upward beyond all reasonable relation to intrinsic values.

Museum Pieces

It seems to me, therefore, that institutions such as yours and mine which already have a substantial position in investment type common stocks should think twice before reducing our holdings merely in order to take advantage of possible adverse but temporary developments in stock prices. Maybe the good stocks which we own are nearer to museum pieces than we realize.

Conclusion

I have tried to do a little guessing as to why I thought you probably would not do very much to adjust your accounts to a possible decline in general business and the stock market. I tried to point out that the capital gains tax places very heavy odds against selling even before you start. I have suggested that the incidence of income taxes has tended to compartmentalize the securities markets and has reduced to an important degree the areas you could turn to in lieu of the common stocks you already own. I have intimated that stocks in the more seasoned and strong corporations may well attain a scarcity value if they have not done so already.

I would like to suggest, however, that perhaps there is something you can do in translating your ideas about the investment outlook into specific action. To the best of my knowledge, most efforts to change the capital gains tax have been buttressed only by broad general arguments with little or no factual and demonstrable backing. We really know in a statistical sense very much too little about what the capital gains tax is doing to the investment

[1] See Mr. La Force's talk in the "Chronicle" of Jan. 26, 1956.—Ed.

market and to the economy as a whole. Might it not be a worthwhile field for a scientific and thorough investigation by competent and disinterested experts? Might it not be the type of project which trust companies and other institutional investors could profitably finance? If, as many of us believe but cannot prove, the capital gains tax tends to lock up securities in the hands of present owners and thus to decrease the fluidity of the capital markets, shouldn't we do everything we can to persuade Congress to change the law? Perhaps through such a program, intelligently and persistently pursued, we could do more for the customers we serve than we can possibly accomplish in any other way.

Continued from page 7

Economy's Irrepressible Growth And Changing Scope of Industry

So, as we see, there is a new major industry to be reckoned with here.

We could go on and on talking about other major industrial developments that have introduced new factors into our economy and changed our way of life, like the great increase in the demand for and the usage of that multipurpose metal, aluminum; and new developments in fibers — like Dacron shirts. You can travel around the world with two of them—wash them and wring them out every night—no ironing—no laundry bills—spend that money on something else. It is thus that new technological innovations raise and change our standards of living.

Educational Level

But a technological world must be an educated world. We as a nation have largely risen to this challenge—with 80% of our grade school graduates today going into high schools, and with 30% of our 18-to-20 year-olds in college today in contrast to 15% prior to World War II.

It is no accident that our educational levels have risen so rapidly. This gratifying rise has been synonymous with our expanding industrial economy and with our generally increased living standards.

But by no means can we become complacent or satisfied with our educational situation. Indeed, despite our progress in the number of upper grade students enrolled, the problem of educating our children to inherit their proper places in this scientifically operated world never was so serious nor so critical as now.

The fact that we were largely a debtor nation kept us for many years from being completely masters of our own fate, builders of our own dream of how to live in peace and prosperity.

It is significant that we developed different leadership after the war. Today the dream of a better America is broader, better. Industrial expansion and distribution of credit are part of that dream of a better world.

It is imperative that the understanding relationship between education and business continue to grow throughout the century. It is particularly important today to develop technical and administrative and subtechnical and subadministrative leaders.

Productive Age Trend

Here is our greatest concern, as I see it: will our smaller manpower potential be able to match the great rise in living standards and production brought about through automation — that is, through the application of nonhuman power to the development and distribution of goods and services?

Up to 1950 the production age group—persons 25 to 65 years old —was increased not only in numbers but also in proportion of the population. From 1850 to 1950 the production age group rose from one-third to comprise one-half of the population.

But the great drop in birthrates during the depression-ridden 1930's created a situation whose full effects we just now are feeling. The production age group is declining for the first time in our history. It has gone down in five years from 52% to 48%. It will drop to 46% by 1960 and 43% by 1970, according to estimates. Sometime after 1970 it should rise again. But today is a critical period. Today we really are suffering from the manpower losses attributable to past depressions. Technicians, engineers, scientists, nurses, teachers, and executives are lacking as a result of the economic recessions of yesterday and the resultant lowered birth-rates.

We are estimating 200 million Americans in 1970. The population has risen from 150 million to 165 million since the last census. But the production age group is declining meanwhile — so the pressure is on us to educate teenagers more thoroughly than ever before. Otherwise, we may go into a serious decline in executive personnel with a consequent threat to our present world leadership.

Although the proportion of teen-agers enrolling in college has greatly increased, a considerable portion of our high school graduates who are good college material are still not finding their way to the campuses of the nation. For this reason, it is a tribute to all of you that the banks are giving more and more consideration to making realistic loans to kids who want to go to school.

Otherwise, there will be state or Federal programs of taxation for this purpose. Many major corporations have seen the development of manpower through college educations not only as a good business investment but as a civic duty. I am glad to see the people who control credit and can influence the matter of manpower development are not aloof from their role but have become leaders in human engineering. The education of American youth is the responsibility of all of us.

I have been viewing today's economy through the spectacles I am most used to wearing—the spectacles through which I study the progress and the problems of the major industries which Borg-Warner serves.

1956 Outlook

I shall continue to wear these same spectacles as I look at the crystal ball labeled "1956." In other words, I may have a few ideas, right or wrong, about what we reasonably can expect to happen in those industries; but I certainly cannot pose as an expert on the economy as a whole. I shall try to be a shoemaker sticking to his last.

(1) We do not need a year like the boom year of 1955 to enjoy a prosperous economy. I think it is important to remember this when we view business prospects for 1956.

(2) I predict that business in the first half of 1956 will be better than that in the first half of 1955.

(3) I believe that some of the bloom will be off the economic rose in the last half of 1956. But by no means do I look for a really serious recession anywhere nearly approaching the depressions that were experienced in past decades. I merely believe that the boom of today's proportions may have slowed down by mid-year. Many economists and businessmen will sharply disagree with this view.

While there never will be a straight line upward on our American economic chart, I do definitely feel that the chart will not again show the great gyrations which still startle us when we look back at those periods when our whole economy was seriously disturbed.

There are factors which have developed and which have been developed that will greatly cushion and minimize events that have adversely affected our economy in past periods.

Credit Control

As inflation threatened in 1955, attempts were made to restrict a growth in the money supply. This money supply, in the 12 months ending in September 1955, increased by approximately $7 billion, or 3½%. Recently, efforts of the monetary officials have succeeded in lowering this rate of growth. As you know, loans of commercial banks have risen by more than $10 billion in the past year. The Federal Reserve increased the rediscount rate four times last year, and it is now at the highest level in 20 years. This served to cut down the demand for loans and reduced the threat of inflation.

As a result of these actions, the monetary authorities now will have some opportunity to relax credit and thus help to maintain expansion if need be. I believe we agree that it is wise to check maladjustments and excesses before they become serious. I feel that the Federal Reserve, the President's Council of Economic Advisers, and the Treasury are to be commended for their efforts to keep the economy in a healthy state.

There are other plus factors in the economy today which were not present in the 1920's. Public financing of roads, schools, and utilities; defense spending; Federal bank deposit insurance; unemployment insurance; social security; the granting of fast write-offs for capital expenditures; high marginal requirements that discourage excessive stock market speculation—all these and other factors will greatly cushion any declines in our economy.

However, some questionable factors of the sort that have been partly responsible for past depressions are in evidence today. There is the high rate of individual debt. The "Wall Street Journal" recently published the result of a survey on this subject taken among economists, banks, savings and loan associations, finance companies, and insurance companies in major cities from coast to coast. The "Journal" found there is no general agreement on whether present debts are dangerous. Most of the economists expressed some degree of concern. But the lenders pointed to the present high level of business activity and the very low level of delinquencies and repossessions in contending that consumer and mortgage debts are not too high. Mortgage debt on Sept. 30, 1955, amounted to $85.6 billion, an increase of 18% within one year's time. Consumer credit on Nov. 30 totaled $25.1 billion, a gain of 20% within one year's time.

I think we all appreciate the fact that our expansion in recent years has been fostered in great part by a steady growth of debt —private, state, and local debt. However, the general level of debt—when compared with levels of income—is more favorable today than it was in periods like 1939 and 1929. I shall leave it to you, who have knowledge and experience and judgment in this economic field far surpassing mine, to say whether the recent rate of debt expansion has been too rapid. But it is my own feeling that consumer debt, particularly instalment debt and home mortgage debt, must be watched most closely for the good of all of us.

Inventory Accumulation

Then there is another sphere of our economy that bears watching—the accumulation of inventories. The last reported 12-month increase in durable-goods manufacturing inventories was $1.6 billion. Beginning with $23.7 billion, and ending on Nov. 1, 1955, with $25.3 billion, it showed an increase of 6.8%. Of this total, transportation equipment, including cars, trucks, and other automotive equipment, rose from $5.7 billion to $6.2 billion—an increase of 8.8%.

It is understandable that in an expansion period inventories are generally built up. In most major manufacturing industries, sales have risen at a faster rate than inventories. Therefore, the inventory situation in general, as we enter 1956, appears to be reasonably favorable. However, we should remember that excessive inventories are not always apparent until trouble strikes. Almost overnight we can move from seeming shortages to serious surpluses.

Agriculture—a great and vital area of our economy—is having its troubles, as we all know. These may be magnified in a political year. But the contraction in farm prosperity is nevertheless very real, and this contraction tends to affect the balance of the economy, particularly in the less industrialized regions.

In general, and despite the various danger signals which we would be prudent to watch, 1956 should be a good year. Nevertheless, some phases of the economy may encounter difficulties, while others will expand.

Now I will put on again the spectacles through which I view the industries with which I am most familiar—the industries that Borg-Warner serves.

Automobiles: We do not expect the automobile business of 1956 to equal that of 1955. But the industry should be in a very health condition, with a production of approximately 6.5 million to 6.7 million cars. The automotive industry, like the economy as a whole, does not need to equal nor to top the phenomenal year 1955 to remain strong and prosperous.

Home Building: While there may be a mild decline in housing starts in 1956, our people who sell our many products to this vast industry expect expenditures for homes to equal or even exceed those of 1955 — because more families will be buying better and better-equipped homes. As for building construction of all kinds: we expect total construction this year to be worth slightly more than $56.5 billion compared to $54.5 billion in 1955.

Household Appliances: A 20% gain in the sale of clothes dryers, an 11% gain the sale of automatic washers, and a 6% gain in the sale of gas and electric ranges—those are the 1956 forecasts of our Norge Division's market research department for the industry as a whole. Naturally, we hope to capture an even better share of the market for Norge. As for conventional wringers, built-in ranges, refrigerators, freezers, and water heaters — we expect their very excellent unit sales in 1955 to be repeated at virtually an equal level in 1956.

Farm Equipment: Recent estimates by the major farm equipment producers have indicated a decline of about 5% in total sales for 1956 compared with 1955.

I already have told you of the bright view which we take of the inspiring progress that is evident in the chemical, petroleum, and aircraft industries, so I shall not talk further about them.

$400 Billion GNP

Yes, with total government spending—in particular, increased state and local outlays—expected to be up $1 billion, with a predicted increase of $3 billion in business capital expenditures, with an anticipated rise of $11 billion in consumer spending on goods and services other than homes, with a strong probability that the Gross National Product will exceed the $400 billion mark for the first time in the history of the United States — with all these favorable factors before us, it would be difficult to think otherwise than that 1956 will be a good year. But let us temper our optimism with conservatism and give proper heed to those danger signals that may appear here and there.

I have briefly reviewed our recent and current technological progress and the changes which a progressive industry has brought about in our lives since the beginning of the century—and particularly in the last decade. I have done this because, in the awesome regard which all of us have for what the atomic world of tomorrow holds for us, we may have partially lost sight of the great technological advances which already are accomplished facts.

But this does not mean that we are any the less aware of the vast implications of the new Technological Age, with its still only slightly understood and briefly explored scientific miracles. We at Borg-Warner are actively engaged in developing workable know-how in electronics, nucleonics, nonferrous metallurgical methods, solar energy techniques, and technological trends and forces that affect or influence the products we now make. In other words, we are planning our product structure for 1966 and even further.

We believe that the more we turn our research planning to an evaluation of the technological wonders of the years ahead, the better we will be prepared to develop processes and products that will be a part of tomorrow's industrial scene—a scene certain to be a vastly changed one. To this end, we currently are erecting a highly diversified research center in Des Plaines, Illinois, which we hope will be a credit not only to Borg-Warner but to the Chicago area and to American industry as a whole.

These, then, have been at least some of my thoughts about the economic picture as we enter the new year.

I have striven to show that industry never has stood still. It never has ceased its efforts to bring new benefits and comforts to Americans everywhere. Glorious and miraculous as our tomorrows may be, our yesterdays and today are fraught with accomplishment, too.

That is because we live and we learn under a free capitalistic system that is deeply rooted in American traditions. It is a system that is basically strong and will endure for the continued enrichment of all our lives.

With Founders Mutual

(Special to The Financial Chronicle)

DENVER, Colo. — Richard E. Block has been added to the staff of Founders Mutual Depositor Corporation, First National Bank Building.

With Hamilton Managem't

(Special to The Financial Chronicle)

DENVER, Colo. — Raymond M. Wainscott is now with Hamilton Management Corporation, 445 Grant Street.

Pitt With Scherck, Richter

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Roy A. Pitt Jr. has become associated with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange. Mr. Pitt was formerly with A. E. Weltner & Co. and prior thereto with Zahner & Company and Goldman, Sachs & Co.

Mutual Funds

By ROBERT R. RICH

Atomic Fund Explains Stock Changes; Reveals Sharp Income Rise

A sharply increased trend in earnings was noted in the semi-annual report of the Atomic Development Mutual Fund, Inc., issued by Newton I. Steers, Jr., President, and Merle Thorpe, Jr., Chairman of the Board.

Investment income during the six-month period ending on Dec. 31 was 18½ cents per share compared to 11½ cents in the comparable period of 1954. For the six months ending on June 30, 1955, earnings were 7 cents per share compared to 4 cents in the comparable period of 1954.

"This increase in investment income is particularly gratifying because the basic emphasis in the fund's investment policy has been upon long-term capital growth and not upon income," Messrs. Steers and Thorpe reported to the fund's 38,000 stockholders.

"We anticipate," the report continues, "that income per share will continue to advance as more of the companies working in the field of atomic energy reach a point in their development where they can distribute a portion of their profits in dividends to shareholders."

The fund made a number of changes in its portfolio during the quarter ending on Dec. 31.

These included purchase of 19,300 shares El Paso Natural Gas, 105,000 shares Can-Met Explorations, Ltd., 19,000 shares Consolidated Denison Mines, Ltd., 9,000 shares Peach Uranium and Metal Mining, Ltd., 4,700 shares Brooks & Perkins, Inc., $600,000 Tracerlab, Inc., 5% convertible debentures of 1970, 7,000 shares Newport News Shipbuilding and Drydock Company, and 15,000 shares Vitro Corporation of America.

Among the issues disposed of were: 12,900 shares Penn-Texas Corporation, 28,300 shares Faraday Uranium Mines, Ltd., 8,600 shares Minerals & Chemicals Corporation of America, 19,000 shares Sullivan Consolidated Mines, Ltd., and 3,700 shares Grinnell Corp.

Commenting on these changes, Messrs. Steers and Thorpe, stated, "Our purchase of additional El Paso Natural Gas shares was based upon the progress being made by Rare Metals Corp., El Paso's subsidiary, in the production of uranium and other metals, as well as the aggressive El Paso management which is placing the company in synthetic rubber manufacturing and adding to the company's already large growth potential in the natural gas industry."

They reiterated the fund's confidence in the future of uranium companies with large proven reserves or with government contracts, pointing out, for example, that Can-Met Explorations, Ltd., had recently added 1,500,000 tons of uranium ore, to bring its total reserves to over 5,000,000 tons. The fund's purchase of Peach Uranium and Metal Mining, Ltd., it was indicated, was based upon the 30% discount at which it sells from the market value of its holdings of Pronto Uranium Mines, Ltd., as well as the possibility of a merger of this company with others in the Technical Mine Consultants group.

Brooks & Perkins was described as a company with growing interests in atomic work, it having just received an initial order for boral, a radiation shielding material developed by AEC.

Hudson Fund Reports Net Assets At Record High

Hudson Fund, Inc., which retains Fiduciary Trust Company of New York as its investment adviser and is sponsored by Television Shares Management Corp. of Chicago, reported total net assets at a new year-end high of $6,177,582 on Dec. 31, last, equal to $15.14 per share on the 407,940 shares outstanding. This was after deducting $1.295 per share paid to shareowners from realized security profits.

At the close of 1954, total net assets were $5,708,874, equal to $14.84 a share on the 384,767 shares outstanding.

In the annual report to shareowners, James W. Maitland, President, said that in concurrence with the recommendation of its investment adviser, the six-year-old mutual fund's holdings of common stocks were reduced from 90% of total investments at the beginning of last year to 75% on Dec. 31. "This resulted," he explained, "in a substantial distribution from realized security profits, which under no circumstances should be construed as an assurance of future performance."

The report showed that during 1955 shares of the following companies were eliminated from the fund's portfolio: American Home Products Corp.; Bethlehem Steel Corp.; Chrysler Corp.; Deere & Co.; Federated Department Stores; International Harvester Co.; International Utilities Corp.; Merck & Co.; The National Supply Co. of Pennsylvania; Northern Pacific Railway Co.; Phelps Dodge Corp.; Simpson, Ltd.; Springfield Fire & Marine Insurance Co.; Stromberg Carlson Co.; Warren Petroleum Corp., and United Aircraft Corp.

The following were added: Cutler-Hammer, Inc., Equitable Gas Company, and Public Service Electric & Gas Co.

First Investors Sales

First Investors Corporation, distributors of shares of most mutual funds, and sponsors of its own periodic payment plans for the accumulation of shares of Wellington Fund and Mutual Investment Fund, Inc., reports December sales of $9,254,402, up $1,048,327 from the $8,206,075 reported for the period December in 1954. This is an increase of close to 13%. First Investors Corporation also reports that its representatives, working out of 13 branch offices, have sold mutual fund contracts in the year 1955 calling for total payments from investors of over $100 million.

Delaware Sales

Gross sales of Delaware Fund shares in 1955—up 138% over the preceding year — constituted the largest annual gross sales in the fund's 17-year history, according to W. Linton Nelson, President. They amounted to $14,304,411 as compared with 1954's total sales of $5,996,443.

December sales of shares amounting to $1,241,567, also broke all previous records to set a new high that month and were up 50% over sales totaling $824,739 in December, 1954.

Eaton & Howard Funds Gain in '56

Eaton & Howard Balanced Fund 24th Annual Report shows net assets of $165,318,804 up from $141,441,616 at the beginning of the year. Shares outstanding total 7,711,219 compared with 7,248,169. Asset value per share was $21.44 compared with $19.51 a year earlier—a 12½% increase after adjustment for the 50¢ per share distribution of realized profits made December 1955.

At the year-end, 6.4% of the fund was in cash, U. S. Govts., and short-term notes, 13.8% was invested in corporate bonds, 10.8% in preferred stocks, and 69.0% in common stocks. The largest common stock holdings were in the oil (15.6%), power & light (10.1%), insurance (5.4%), chemical (5.2%), and banking (4.7%) industries.

Changes in investments during the fourth quarter of the year, other than holdings of short-term notes, included addition of United Aircraft 4% convertible preferred and Colorado Interstate Gas Co. common.

Following stocks were eliminated: Continental Assurance Co., Public Service Co. of Colorado, Spencer Chemical and Swift & Co.

* * *

Eaton & Howard Stock Fund 25th Annual Report shows net assets of $55,956,995 up from $38,092,795 at the beginning of the year. Shares outstanding totaled 2,861,613 compared with 2,223,704 and number of shareholders 10,787 compared with 7,652. Asset value per share on Dec. 31, 1955, was $19.55 compared with $17.13 a year earlier, an 18% increase after adjustment for the 70¢ per share distribution of realized profits made December 1955.

At the year-end, 85% of fund was invested in 106 common stocks in 25 different industries. Largest common stock holdings were in the oil (14.1%), insurance (8.9%), chemical (7.5%), power & light (6.9%), and natural gas (5.4%) industries.

Changes in investments during fourth quarter of 1955, other than holdings of short-term notes, included addition of Superior Oil Company and United Aircraft 4% convertible preferred.

Following stocks were eliminated: Continental Assurance Co., Lily-Tulip Cup Corp., McKesson & Robbins, Inc., Northern Natural Gas Co., and Textron American, Inc.

* * *

Chemical Fund, Inc., in its annual report discloses that net assets, in the aggregate and per share, were the highest on Dec. 31, 1955, of any year-end in the fund's history. The assets amounted to $110,928,321, equal to $15.96 per share compared with $78,415,746, or $13.43 per share on Dec. 31, 1954, adjusted for the two-for-one stock split on June 30, 1955.

The fund had 6,949,891 shares of capital stock outstanding on Dec. 31, 1955, compared with 5,835,406 shares on Dec. 31, 1954, adjusted for the stock split.

Reviewing major developments in the chemical industry during 1955, F. Eberstadt, Chairman, and Francis S. Williams, President of the fund, reported that the portfolio companies of the fund reported average increases of approximately 20% in sales and 30% in net earnings per common share for the first nine months of 1955 compared with the corresponding period of the previous year.

Their report continued: "The introduction of important new products and the development of more efficient processes contributed to the increases in sales and earnings. The demand for chemicals continued at a high level during the fourth quarter of 1955. To date there appears to be no evidence of a letdown. When statistics for the full year become available, they will undoubtedly show 1955 to have been the best year on record for most of the portfolio companies."

* * *

Whitehall Fund, Inc., net assets per share were $24.37 on Dec. 31, 1955, compared with $22.80 a year earlier, the balanced mutual fund reported to shareholders today.

Net assets ended 1955 at a high of $7,124,420, compared with $5,751,543 a year earlier. Mr. Randolph reported the increase was divided about evenly between improved market value of investment holdings and new money received from investors' purchases of Whitehall Fund shares.

New common stock investments were made in 1955 in the food and metals industries, and holdings were increased in the public utility field. Investments in confectionery and retail trade stocks were eliminated, and holdings were reduced in electrical and electronics, railroad, shipbuilding, and tire and rubber stocks.

* * *

Managed Funds: A 39% rise in net asset value and other record gains highlight the annual report for 1955, described as "the best year in the company's history."

The report, covering the fiscal year ending last Nov. 30, reveals that the total net asset value of Managed Funds' eleven classes of mutual fund shares increased by $11,463,585 — from $29,569,652 in 1954 to $41,033,237, an all-time high. Of that record gain, the net proceeds from the sale of additional shares to old and new investors amounted to $10,527,159, another company high.

While there was a slight decline —of $19,154—in income dividends, net capital gains distributions were up sharply—from $1,484,984 in 1954 to $2,343,706 last year, a $858,722 rise.

Pace Elected Director of Dividend Shares and Nation-Wide Securities

Frank Pace, Jr., Executive Vice-President of General Dynamics Corporation, has been elected a Director of Dividend Shares, Inc. and Nation-Wide Securities Company, two investment companies managed by Calvin Bullock, Ltd., it was announced.

Frank Pace, Jr.

Mr. Pace was Director of the Budget from 1949 to 1950 and Secretary of the Army from 1950 to 1952.

Putnam Fund Assets Reach $121 Million

The George Putnam Fund of Boston reports a year of record growth in 1955, with total net assets at a new high of over $121,000,000 compared with $101,000,000 a year ago. Asset value per share increased from $11.78 at the beginning of the year to a new high of $12.75 at the year end, adjusted for the 100% stock distribution paid in May, 1955.

Payments to shareholders in 1955 totaled $3,634,000, equal to 40 cents a share, from investment income and $4,229,000, equal to 45 cents a share, from realized capital gains. The number of shareholders rose to 34,000 compared with 29,000 a year ago, and the number of shares outstanding increased to 9,506,100 compared with 8,573,662. As of the year-end the total market value of all investments owned exceeded cost by over $37,500,000.

In the report of the Manager it was noted that the Fund ended 1955 with approximately 66% of its resources invested in common stocks, compared with 69% a year ago. In commenting on the highly selective character of the stock market during 1955, the Manager stated that in spite of the fact that the market advanced to all-time levels, "of the 1515 issues trade on the New York Stock Exchange, 641, or 42%, either showed declines or remained unchanged in price."

* * *

National Investors Corporation per share value increased to $18.13 at the end of 1955, up from $16.53 a year earlier, the growth stock mutual fund reported in its 19 annual report. Francis F. Randolph, Chairman of the Board and President, stated that the increase amounted to about 16% when the record December distribution of $1.09 per share from taxable gain on investments is taken into account. There was a 132% gain in per share asset value over the $7.83 of March 31, 1937 when National Investors began operations.

Net assets totaled a new high of $57,289,942 at year-end, 21% more than the $47,218,073 at the end of 1954. The greater portion of this increase of more than $10,000,000 resulted from improvement in market value of investment holdings, the Chairman stated, new shares issued accounting for only $3,095,614.

Developments in nucleonics, electronics, instrumentation, automation and other new fields, the Chairman stated, are believed by National Investors to provide "new horizons for its growth stock policy, and the management has tried to encompass these new horizons in the scope of the investment portfolio."

Assets remained virtually 100% invested in common stocks, and no major change is planned, Mr. Randolph reported. Largest holdings by industries at year end were in the oil industry, 12.58%; chemical industry, 10.64% and electrical and electronics industry, 10.12%.

Dividend Plan

A dividend-a-month plan enabling holders of Managed Funds, Inc. classes of mutual fund shares to receive income and capital gains payments 12 times a year instead of quarterly was announced yesterday by Hilton H. Slayton, President of the firm.

In effect a dividend stagger system, the plan provides for monthly payments of full quarterly dividends to investors holding shares in combinations of three or more classes.

Sheldon Haas With Delaware Distributors

PHILADELPHIA, Pa.—The appointment of Sheldon B. Haas as a regional representative for Delaware Fund in Southern California, Arizona and Nevada was announced by W. Linton Nelson, Chairman, Delaware Distributors, Inc., sponsors of the $38 million mutual investment company.

Sheldon B. Haas

Mr. Haas was formerly associated with the Philadelphia securities firm of Butcher & Sherrerd where he was responsible for the organization and direction of the mutual fund department.

In his new Delaware post, Mr. Haas will be headquartered in North Hollywood, Calif., where he now resides.

Personal Progress

Robert W. Purcell, Chairman of the Board of Investors Diversified Services, Inc., Minneapolis, has become associated with the Rockefeller brothers as a business adviser and has been elected a director of the International Basic Economy Corporation, of which Nelson A. Rockefeller is President.

The International Basic Economy Corporation (IBEC) is one of the major business interests of the Rockefeller brothers and has financed and developed many new enterprises in Venezuela, Brazil and other Latin American countries.

As individual investors, the Rockefeller brothers also have been active in various venture capital enterprises, including a number of small companies which have been advancing technology in aviation, electronics and other growing industries.

A graduate of Cornell University Law School, Mr. Purcell was with the law firm of White and Case, New York City, from 1935 to 1938. He moved to Cleveland in 1938 and joined Robert R. Young and Allan P. Kirby shortly after the Messrs. Young and Kirby bought control of the Alleghany Corp. Until 1953 Mr. Purcell was Vice-Chairman of the Board and Vice-President in charge of legal affairs of the Alleghany Corp. and the Chesapeake and Ohio Railway Co.

In 1949 Mr. Purcell became a director of Investors Diversified Services, Inc., when Alleghany purchased the controlling interest in that corporation.

Mr. Purcell moved to Minneapolis as President of Investors Diversified Services, Inc., in 1953, becoming Chairman of the Board in 1954. Since last spring, when control of Investors Diversified Services was transferred from Alleghany to the Murchison interests of Dallas, Texas, Mr. Pulcell has been less active in affairs of the corporation.

In Cleveland Mr. Purcell was a director of the Central National Bank and the Cleveland Cliffs Iron Co. A native of Watertown, N. Y., Mr. Purcell now makes his home in New York City and Cape Vincent, N. Y.

M. I. F. Reports

Total assets of Mutual Investment Fund, Inc., increased 53% in 1955. This increase includes approximately $284,000 distributed during the year from securities profits. As of Dec. 31, 1955, assets totaled $8,304,394 as against $5,606,329 at year-end 1954.

Funds Report Ford Buying

A total of 17,975 shares of the recent offering of Ford Motor Co. stock has been purchased by the various mutual funds of the National Securities Series, which are sponsored and managed by National Securities & Research Corporation, it was announced by John A. Munro, vice-president of the company.

Purchased at a total offering price of $1,159,387, the Ford shares were acquired for long-term investment purposes and not for speculative profit, Mr. Munro stated.

The total of 17,975 shares was purchased by the National Securities Series of funds in the following individual amounts: the Balanced Series, 1,100 shares; Stock Series, 5,775 shares; Income Series, 5,600 shares; Dividend Series, 3,000 shares; and Growth Stocks Series, 2,500 shares.

In addition, a list of holdings for "Automobile Shares" of Group Securities, Inc., a class of this mutual fund that invests solely in auto stocks reveals that it is 11.6% invested in Ford Stock.

Distributors Group, Inc., sponsors of the fund, makes the point that "The dramatic response to the Ford offering can well serve as a memorable lesson for the entire investment fraternity," in the sense that the widespread interest, the need and the ability to invest "were there all the time."

"In this particular case," the piece continues, "the spark that touched this off happened to be an automobile stock. But it was really the dynamic story of American industrial growth that the public bought, and it too was there all the time."

Ford stock has also been added to the portfolios of The Common Stock Fund and The Capital Growth Fund of Group Securities, Inc., according to Herbert R. Anderson, President.

Axe-Electronics To Pay Dividend

Axe Science & Electronics Corporation, which commenced business early last year, expects to pay its first dividend to shareholders in March, according to Mrs. Ruth H. Axe, President. The amount was not specified.

In a letter with the first annual report to shareholders of the atomic mutual fund, Mrs. Axe also disclosed that the asset value of shares had risen to $9.54 on Dec. 31, 1955, from $9.29 on June 30, 1955. The initial asset value was $9.15.

The report showed an increase in net income from $8,298 for the period ending June 30 to $203,817 for the fund's full 10 months of operation. Market value of securities held at the end of 1955 was nearly $775,000 above cost as against a little more than $450,000 on June 30.

Mrs. Axe emphasized that under the terms of the original offering no investments were made until March 1, 1955. "Most of the corporate growing pains are now over," she told shareholders, "and a healthy approach towards the attainment of the over-all objectives has been made."

"Our advisers assure us that uranium will hold its place as the most important nuclear fuel—and we intend to continue our investment in these equities which on Dec. 31 constituted 14.3% of the corporation's portfolio as against 9.6% on June 30."

Newhard, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Douglas V. Martin III has become affiliated with Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and Midwest Stock Exchanges.

Continued from page 5

Observations . . .

on the open market, can gain a favorable position to deal with management on a strong footing.

Today's Western Auto Battle

The currently raging Western Auto Supply embroglio, resting on tender solicitation, represents one of the preponderance of contests thus avoiding a proxy and election contest. During the past decade the company has been unable to show growth earnings-wise, dividends have been low as related to working capital, and the stock has been selling at half its postwar high. Whether or not such stockholder frustration has been the fault of management, it does represent a good target for the "duck-shooters."

A fortnight ago Denman Enterprises Limited of Hamilton, Ontario, Canada, published an offer to purchase 300,000 shares (approximately 20% of the capitalization) at $38 per share) the preceding 1955-'56 high-low having been 31⅝-26). The company's refusal to furnish the insurgents with a stockholders' list makes tender response dependent both on self-initiated remission of shares, and much more importantly, on the efforts of brokers and dealers who receive the substantial pep-up fee of .75 cents per share purchased.

The sitting management in opposition via press release and advertisement, complaining that it has been unable to learn the motives of the offerers, or their operating plans, says that it is wary about one of those "increasing number of raids upon companies with a large working capital and the use of control for minority [sic] personal interest rather than for the benefit of stockholders as a whole." The management further rests its opposition on the failure of its efforts to ascertain the business connections and associates of Denman; on the insurgents' abstention from advising the company of its efforts; and the possibility of anti-trust action by the Department of Justice in the event of intended association with a competitor. It has just instituted injunction proceedings, under the alleged provisions of the anti-trust laws.

Mr. Denman, in re-rebuttal, "expressed surprise" at the opposition voiced by Western's management; needlingly points out that all five directors combined hold less than 2% of the outstanding stock; complains of the management's refusal to notify the holders of the other 98% of their liberal offer, while spending company funds to oppose the offer; and reiterates that Denman Enterprises, Inc. "are purchasing stock for their own account, and their account alone."

The Broad Aspects

To the uninvolved objective observer this altercation directly raises several broad and interesting questions. On the one hand, with the insurgents' cash-on-the-line, is it perhaps no rightful concern of the management, and irrelevant to the clear interests of the stockholder, for management to demand the spelling-out of motives and identification of the buyers; and playing tattle-tale to the Department of Justice (it had intervened in a previous merger negotiation)? And, on the other hand, should there be a legal obligation devolving on insurgents to make full disclosure to the solicited shareholders, concerning their identities and associates? To what extent does it behoove the insurgents to assist the shareholders to decide whether to tender, sell in the open market, or hold?

Existing Regulatory Incidence

Under existing regulatory provisions, there is no specific supervision called for by the SEC of tender offers, a situation where strangers to the company are buying from other strangers.

The only applicable provision is found in Rule X-10-B of the Securities Exchange Act of 1934, which in general terms prohibits fraud in the purchase or sale of stock. As a practical matter, this works out chiefly as applicable to the insider who has special knowledge of impending company developments.

Under the Federal and State civil statutes, in the absence of proxy solicitation, there is no compulsion on company management to aid insurgents in any way, including stockholders' list information, excepting on court order where prescribed by state law.

On the insurgents likewise, no disclosure is compelled excepting where the above-cited Rule X-10-B applies, as possibly in disclosing stock purchases from large-holding insiders.

Moral Conclusions

So much for the legal incidence. What shall we infer about the phases concerned with morals and justice?

We must conclude that, realistically recognizing management's natural non-objectivity, as well as our non-utopian mores, we cannot consider it duty-bound to promote its own expulsion.

As to obligation impinging on the insurgents, it cannot be laid down as a general rule that details must be disclosed, in view of the presumption that the enterprising buyers, laying out their good money, will make the stock worth a higher price. A seller in the open market makes his decision on the basis of price, not on any disclosures from the unknown purchaser.

Exceptionally, where the tender is not firm or the maximum stock offerable, there would seem to be a moral duty to disclose permanent information about the possible new management which would be sharing responsiblity with the incumbents in the company still partly-owned by the non-wholly bought-out shareholder. Under many such set-ups, (as with the Bayuk tender offer) the insurgents are seeking little more than a free option at a price not too far above the stock's ruling market price.

* * *

So, on ethical as well as legal grounds, let these contests be fought out democratically in the free market in the good old free-for-all-way—and may the untrammelled profit motive stimulate even more of these healthy tests of strength!

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Acme Oil Corp., Wichita, Kan.
Jan. 31 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For expenses incident to development of oil. **Office** — Orpheum Bldg., Wichita, Kansas. **Underwriter**—None.

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) being 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.

★ Arizona Uranium Corp., Las Vegas, Nev.
Feb. 3 (letter of notification) 4,000,000 shares of common stock (par 10 cents). **Price**—Five cents per share. **Proceeds** — For expenses incident to mining. **Office** — 710 South Fourth St., Las Vegas, Nev. **Underwriter**—None.

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.

★ Audubon Park Raceway, Inc.
Jan. 26 (letter of notification) 640,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders at the rate of one new share for each two shares held. **Price**—40 cents per share. **Proceeds**—For expenses incident to racing and for working capital. **Address**—RR 1, Old Evansville, Henderson Road, Henderson, Ky. **Underwriter**—None.

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.
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.

★ Beau Veneer, Inc., McMinnville, Ore.
Jan. 31 (letter of notification) 95,000 shares of class A common stock; 95,000 shares of class A 5½% cumulative preferred stock; and 95,000 stock purchase warrants for class A common stock. **Price**—Of stock, $1 per share; and of warrants, 15 cents each. **Proceeds**—To be used for payment of current and past due indebtedness; payment of mortgage indebtedness; plant expansion and inventory and general working capital. **Office** — North Highway 99W, McMinnville, Ore. **Underwriter**—None.

Big Ridge Uranium Corp., Reno, Nev.
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

Big Ute Uranium Corp., Overton, Nev.
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

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.

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.

Bonus Uranium, Inc., Denver, Colo.
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

B-Thrifty, Inc., Miami, Fla.
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business** — Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None.

★ Burroughs (J. P.) & Sons, Inc., Flint, Mich.
Feb. 2 (letter of notification) 5,000 shares of common stock. **Price**—Estimated at $5 per share. **Proceeds**—To George L. Whyel, Treasurer. **Office**—625 West Second St., Flint, Mich. **Underwriter** — Eisele & King, Libaire, Stout & Co., 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. Southern Bell Telephone & Telegraph Co., owner of 31.67% of the outstanding stock, intends to sell its 52,762 rights (36,162 at competitive bidding and 16,600 privately). **Price** — $125 per share to stockholders. **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.; Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—To be received up to 11 a.m. (CST) 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. **Offering**—Temporarily postponed.

★ Charter Oak Life Insurance Co., Phoenix, Ariz.
Jan. 30 (letter of notification) 135,000 shares of capital stock (par $1). **Price**—$2 per share. **Proceeds**—To provide the capital fund for the development of business. **Office**—411 N. Central Ave., Phoenix, Ariz. **Underwriter**—None.

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.

★ Consolidated Cigar Corp., New York
Feb. 7 filed 90,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — Eastman, Dillon & Co., New York.

● Cooper-Jarrett Inc. (2/13-17)
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.

★ Corporate Leaders of America, Inc., New York
Feb. 1 filed (by amendment) additional securities as follows: $30,000,000 of trust fund certificates, series "B" periodic payment certificates; and $1,500,000 of trust fund certificates, series "B" single payment certificates.

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.

★ Croff Oil Co., Salt Lake City, Utah
Jan. 31 (letter of notification) 1,250,000 shares of common stock (par 10 cents). **Price** — To be supplied by amendment. **Proceeds**—For expenses incident to development of oil and gas leases. **Office**—309 Crandall Bldg., Salt Lake City, Utah. **Underwriter**—None.

★ Crown City Plating Co., Pasadena, Calif.
Feb. 3 (letter of notification) 14,999 shares of common stock (par $10). **Price**—$20 per share. **Proceeds** — For working capital and other corporate purposes. **Office**—165 South Fair Oakes Ave., Pasadena, Calif. **Underwriter**—Pasadena Corp., Pasadena, Calif.

● Cuba (Republic of) (2/13-17)
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. (2/10)
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. Incor-

porated. **Bids**—To be received up to noon (EST) on Feb. 15 in Room 2033, Two Rector St., New York, N. Y.

★ Dayton Rubber Co., Dayton, Ohio
Jan. 30 (letter of notification) 2,050 shares of common stock (par 50 cents). **Price**—At the market, but not to exceed $24 per share. **Proceeds** — For working capital. **Office**—2342 West Riverview Ave., Dayton, O. **Underwriter**—None.

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.

★ Eagle Fire Insurance Co.
Feb. 1 (letter of notification) 72,165 shares of common stock (par $1.25) to be offered for subscription by stockholders on the basis of one share for each five shares held; rights to be exercisable over a 45-day period. **Price** — $3.00 per share. **Proceeds** — For working capital. **Office**—26 Journal Square, Jersey City 6, N. J. **Underwriter**—None.

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.

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 Oil Corp., Tulsa, Okla.
Feb. 3 (letter of notification) 174,058 shares of common stock. **Price** — At market (estimated at 15 cents per share). **Proceeds** — To I. J. Schenin. **Address** — P. O. Box 294, Tulsa, Okla. **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. It is not the intention of the company to sell any of the common stock at this time. **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 capital expenditures; and for working capital. **Underwriter**—For $1,500,000 of the debentures—H. Carl Aiken Investments, 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.

★ First Bank Stock Corp., Minneapolis, Minn.
Feb. 6 filed 221,500 shares of capital stock (par $10) to be offered in exchange for the capital stock of the following banks (except the preferred stock of Duluth National Bank) at the following ratios of exchange: (a) 1½ shares for each of the 75,000 shares of capital stock (par $20) of Northern Minnesota National Bank of Duluth (Minn.); (b) 1.2 shares for each of the 25,000 shares of capital stock (par $10) of Batavian National Bank of LaCrosse (Wis.); (c) nine shares for each of the 3,000 shares of capital stock (par $100) of First National Bank of Virginia (Minn.); (d) eight shares for each of the 3,000 shares of capital stock (par $100) of The First National Bank of Hibbing (Minn.); (e) 3.5 shares for each of the 4,000 shares of common stock (par $50) of Duluth National Bank which will be outstanding after a 100% common stock dividend has been distributed; and (f) 13 shares for each of the 1,000 shares of capital stock (par $100) of Worthington National Bank, Worthington, Minn.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Franklin Railway Supply Co.
Oct. 19 (letter of notification) 20,000 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—To reduce unsecured bank loans and for working capital. **Office**—927 Market St., Wilmington, Del. **Underwriter**—None, but C. W. Floyd Coffin and Herman F. Ball have agreed to purchase all shares not subscribed for by stockholders.

★ Freeman Chemical Corp., Port Washington, Wis.
Feb. 3 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To purchase equipment and working capital. **Office** — 211 E. Main St., Port Washington, Wis. **Underwriter** — None.

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.

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NEW ISSUE CALENDAR

February 10 (Friday)
Cumberland Corp. ______Debentures & Common
(William Staats & Co.; Carl M. Loeb, Rhoades & Co.; and The Bankers Bond Co.) $990,000
Saratoga Plastics, Inc.______Common
(First New Hampshire Corp.) $175,000

February 13 (Monday)
Cooper-Jarrett Inc. ______Common
(Allen & Co.) 125,000 shares
Cuba (Republic of)______Bonds
(Allen & Co.) $2,000,000
Western States Refining Co.__Debens. & Common
(J. Barth & Co.) $1,102,500

February 14 (Tuesday)
Central Power & Light Co.______Bonds
(Bids 11 a.m. CST) $10,000,000
Radiation, Inc.______Class A Common
(Johnson, Lane, Space & Co., Inc.) $750,000
Raytone Screen Corp.______Common
(A. J. Grayson & Co., Inc.) $300,000

February 15 (Wednesday)
Dallas Power & Light Co.______Bonds
(Bids noon EST) $10,000,000
Long Island Arena, Inc.______Common
(Dunne & Co.) $787,500
Lowenstein (M.) & Sons, Inc.______Debentures
(Eastman, Dillon & Co.) $40,000,000
Poloron Products, Inc.______Class A
(Hayden, Stone & Co.) 200,000 shares
St. Louis Steel Casting, Inc.______Common
(A. G. Edwards & Sons) 230,000 shares
Southern California Edison Co.______Preferred
(The First Boston Corp. and Dean Witter & Co.) 1,200,000 shares

February 16 (Thursday)
Miehle Printing Press & Mfg. Co.__Cl. A Common
(Smith, Barney & Co.) 261,816 shares

February 20 (Monday)
Good Luck Glove Co.______Debentures
(Edward D. Jones & Co.) $550,000
Van Waters & Rogers, Inc.______Common
(Blyth & Co., Inc.) 63,360 shares

February 21 (Tuesday)
Koppers Company, Inc.______Common
(The First Boston Corp.) 300,000 shares
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
Walden Telephone Co.______Preferred
(Blair & Co. Incorporated) $75,000

February 23 (Thursday)
American Security & Trust Co. of Washington ______Common
(Offering to stockholders—underwritten by Alex. Brown & Sons; Auchincloss, Parker & Redpath; and Folger, Nolan-W. B. Hibbs & Co.) $3,870,000
Illinois Central RR.______Equip. Trust Ctfs.
(Bids noon CST) $3,900,000
Ryder System, Inc.______Common
(Blyth & Co., Inc.) 151,050 shares
Southern Indiana Gas & Electric Co.______Common
(Offering to stockholders—underwritten by Smith, Barney & Co.) 83,030 shares
Southern Oxygen Co.______Debentures
(Johnston, Lemon & Co. and Union Securities Corp.) $2,650,000

February 27 (Monday)
General Steel Castings Corp.______Common
(Hornblower & Weeks) 165,000 shares
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
Ritter Finance Co., Inc.____Debens. & Class B Com.
(Stroud & Co., Inc.) $1,000,000 debentures and 125,000 shares of stock
Westcoast Transmission Co., Ltd.___Debs. & Com.
(Eastman, Dillon & Co.) $20,500,000 debetnures and 615,000 shares of stock
Western Greyhound Racing, Inc.______Common
(M. J. Reiter Co.) $2,250,000

February 28 (Tuesday)
Southern Natural Gas Co.____Notes and Common
(White, Weld & Co.) $4,505,000 notes and 70,100 shares of stock
Texas Electric Service Co.______Bonds
(Bids 11:30 a.m. EST) $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
Southwestern Public Service Co.______Bonds
(Dillon, Read & Co., Inc.) $10,000,000

March 1 (Thursday)
Colohoma Uranium, Inc.______Common
(General Investing Corp.) $1,000,000
Mississippi Power Co.______Bonds
(Bids 11 a.m. EST) $4,000,000
Mississippi Power Co.______Preferred
(Bids 11 a.m. EST) $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
Oklahoma Gas & Electric Co.______Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane) 298,479 shares

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)
Louisiana Power & Light Co.______Preferred
(Bids 11:30 a.m. EST) $7,000,000
Narragansett Electric Co.______Bonds
(Bids to be invited) $10,000,000
Pennsylvania Electric Co.______Bonds
(Bids to be invited) $25,000,000
Pennsylvania Electric Co.______Preferred
(Bids to be invited) $),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

April 16 (Monday)
Kansas City Power & Light Co.______Preferred
(Blyth & Co., Inc.) $12,000,000

April 18 (Wednesday)
New England Electric System______Common
(Offering to stockholders—Bids to be invited) 834,976 shares

May 1 (Tuesday)
Columbia Gas System, Inc.______Debentures
(Bids to be invited) $40,000,000

September 25 (Tuesday)
Virginia Electric & Power Co.______Bonds
(Bids to be invited) $20,000,000

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● **General Steel Castings Corp. (2/27-3/2)**
Feb. 1 filed 165,000 shares of common stock (par $1) of which 67,799 shares are to be sold for account of the company, 67,201 by American Steel Foundries and 30,000 shares by Baldwin Securities Corp. **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**
Jan. 17 filed 718,862 shares of 4½% cumulative preferred stock (par $20), being first 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; offer to expire on Feb. 24. Unexchanged new preferred stock to be offered publicly. **Price**—$20.50 per share. **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.**
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. **Offering**—Temporarily postponed.

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. (2/20)**
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 stockholders and employees. **Price**—$22 per share. **Proceeds**—To increase working capital. **Office** — Jordan & Union Sts., Allentown, Pa. **Underwriter**—None.

★ **Grand Canyon Broadcasters, Inc., Phoenix, Ariz.**
Jan. 26 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expenses incident to operating a radio broadcasting station. **Office** — 32 West Jefferson St., Phoenix, Ariz. **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) being 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. Offer will expire on March 2, unless extended to April 2.

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.

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.**
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., Philadelphia, Pa.

"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.

★ **Kassel Base Metals, Inc.**
Feb. 6 (letter of notification) 120,000 shares of capital stock (par 10 cents), of which 20,000 shares are being sold by Burt Hamilton Co. and 100,000 shares by Kassel company. **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—1019 Adolphus Tower Bldg., Dallas, Texas. **Underwriter**—First Western Corp., Denver, Colorado.

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.

● **Koppers Company, Inc. (2/21)**
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.

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.

Little Mac Uranium Co.
Sept. 12 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—440 West 3rd North, Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

★ **Lo-Kno-Pla Corp., El Cajon, Calif.**
Feb. 1 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To buy equipment, to retire current liabilities and for working capital. **Office**—1531 Luke Lane, El Cajon, Calif. **Underwriter**—Clarence L. Alling, 139 No. Virginia St., Reno, Nevada.

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.

★ **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.

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. (2/15)**
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.

★ **Marine Midland Corp.**
Feb. 6 filed 65,500 shares of common stock (par $5) to be offered in exchange for outstanding common stock of The First Bank of Herkimer at rate of 6½ shares of Marine Midland common for each share of First National common held as of record Feb. 24, 1956.

Mari-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif.

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 & Mfg. Co. (2/16-17)**
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.

★ **Mineral Projects-Venture Co., Ltd., Madison, N. J.**
Feb. 7 filed $4,000,000 of participations in capital as limited partnership interests in the venture to be sold in minimum units of $25,000. **Proceeds**—For expenses incidental to oil exploration program. **Underwriter**—Mineral Projects Co., Ltd., on "best efforts basis."

★ **Mississippi Power Co. (3/1)**
Feb. 3 filed $4,000,000 of first mortgage bonds due March 1, 1986 and 40,000 shares of cumulative preferred stock (par $100). **Proceeds** — Toward the construction or acquisition of permanent improvements, extensions and additions to the company's utility plant. **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**—To be received up to 11 a.m. (EST) on March 1 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

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.

★ **Morrison Knudsen Co., Inc.**
Jan. 26 (letter of notification) 7,228 shares of common stock (par $10) to be offered to employees of corporation and of Broadway Holding Co., pursuant to Employees Stock Purchase Plan. **Price**—$2 per share below market price. **Proceeds**—To reimburse company, in part, for cost of purchase of said shares on the open market.

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 Distillers Products Corp.**
Feb. 3 filed an aggregate of $1,731,771 of interests in company's Employees' Savings and Stock Purchase Plan, and 86,589 shares of common stock (par $5) which may be purchased under the Plan.

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.
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.

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.

★ **New York & Northeastern Strawberry Association, Inc., Honeoye Falls, N. Y. (3/1)**
Feb. 2 (letter of notification) 2,000 shares of class A stock and 5,000 shares of class B stock. **Price**—At par ($10 per share). **Proceeds** — For buildings, equipment and working capital. **Underwriter**—None.

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 1 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.

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**—$2 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.

★ **Pennsylvania Citrus Groves, Inc.**
Feb. 3 (letter of notification) 50,000 shares of common stock (par $2). **Price**—$2.50 per share. **Proceeds**—Expenses for acquiring, planting, developing and maintaining citrus fruit groves and marketing the fruit. **Office**—610 Smithfield St., Pittsburgh 22, 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.

Pipelife Corp., Tulsa, Okla.
Nov. 29 filed 115,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To pay current accounts and notes payable; for research and development; and general corporate purposes. **Underwriter** — North American Securities Co., Tulsa, Okla.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

● **Poloron Products, Inc. (2/15-17)**
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. (2/14)**
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. (2/14)**
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 (per one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Office** — Moab, Utah. **Underwriter** — The Matthew Corp., Washington, D. C.

★ **Rhodesian Anglo American Ltd. (London, Eng.)**
Feb. 6 filed $50,000 of American depositary receipts for ordinary shares.

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.

★ **Ritter Finance Co., Inc., Wyncote, Pa. (2/27-3/2)**
Feb. 6 filed $1,000,000 of 5¾% subordinated sinking fund debentures due 1971 and 125,000 shares of class B (non-voting) common stock. **Price**—To be supplied by

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amendment. **Proceeds** — For making of loans and to reduce bank debt. **Underwriter** — Stroud & Co., Inc., Philadelphia, Pa.

★ Rodar Leasing Corp. of Florida
Feb. 2 (letter of notification) 4,000 shares of common stock. **Price**—$10 per share. **Proceeds**—For expansion of operations. **Office**—Avondale Estates, Ga. **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.

★ Rush Uranium Corp., Dolores, Colo.
Jan. 20 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price** — 7½ cents per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 711, Dolores, Colo. **Underwriter**—None.

★ Ryder System, Inc., Miami, Fla. (2/23)
Jan. 30 filed 151,050 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds**—To help finance purchase of five other truck lines. **Underwriter**—Blyth & Co., Inc., New York.

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.

● Saratoga Plastics, Inc. (2/10)
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**—First New Hampshire Corp., Concord, N. H.

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.

Seaboard Drug Co., Inc.
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.

★ Slade (A. E.) Agency, Inc.
Feb. 6 (letter of notification) 500 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For expansion and working capital. **Office**—32-22 Steinway Street, Long Island City 3, N. Y. **Business**—General insurance agency and insurance brokerage. **Underwriter**—None.

● 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; rights to expire on March 6. **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.

★ Sonic Research Corp., Boston, Mass.
Feb. 3 (letter of notification) $30,000 of non-bearing interest notes (in denominations of $1,500 each). **Price**—66⅔% of face amount. **Proceeds**—For working capital. **Office**—15 Chardon St., Boston, Mass. **Underwriter**—None.

● Southern California Edison Co. (2/15)
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 Indiana Gas & Electric Co. (2/23)
Feb. 2 filed 83,030 shares of common stock (no par), to be offered for subscription by common stockholders of record Feb. 21, 1956 on the basis of one new share for each 11 shares held; rights to expire on March 8. **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—Smith, Barney & Co., New York.

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. (2/23)
Feb. 1 filed $2,650,000 of 6% convertible subordinated debentures due April 1, 1966, of which $1,400,000 principal amount will be offered in exchange for presently outstanding 6% convertible subordinated debentures due 1962, par for par. The old debentures have been called for redemption and payment March 31, 1956 at 100½% and accrued interest. On exchanges the one-half of 1% redemption premium will be paid. **Price**—To be supplied by amendment. **Proceeds**—To redeem old debentures, to purchase property and equipment, for new construction and working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Union Securities Corp., New York.

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.

★ Southwestern Public Service Co. (2/29)
Feb. 3 filed $10,000,000 of first mortgage bonds due 1981 and 120,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Spokane Natural Gas Co. (2/28)
Feb. 2 filed $3,505,000 of subordinate interim notes due Jan. 31, 1962 and 70,100 shares of common stock (par $1) to be offered in units of $50 of notes and one share of stock which will not be separately transferable until May 31, 1956. **Price** — To be supplied by amendment. **Proceeds**—Together with funds from bank loan of $6,275,000, for construction program. **Underwriter**—White, Weld & Co., New York.

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.

★ State Bond & Mortgage Co., New Ulm, Minn.
Feb. 6 filed (by amendment) an additional $2,000,000 of accumulative certificates, series 115, and $12,000,000 of accumulative certificates, series 120.

★ Stein Roe & Farnham Fund, Inc., Chicago, Ill.
Feb. 6 filed (by amendment) an additional 200,000 shares of capital stock. **Price**—At par. **Proceeds**—For investment.

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 noncumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

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.

★ TMT Trailer Ferry, Inc., Miami, Fla.
Jan. 23 (letter of notification) 12,000 shares of common stock (par 10 cents). **Price**—At market (not to exceed an aggregate of $50,000). **Proceeds**—To Joseph Abrams and Arthur H. Shaffer. **Underwriter**—Not named.

★ Taylor Fetroleum Corp., Norman, Okla.
Feb. 1 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital, drilling and completion of additional wells, possible acquisition of interests in additional oil and gas leases and exploration for oil and gas. **Underwriter**—Hayden, Stone & Co., New York.

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 to be received up to 11:30 a.m. (EST) on 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.

★ Trane Co., LaCrosse, Wis.
Feb. 8 filed 120,000 shares of common stock (par 2). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

Trans-American Development Corp.
Nov. 14 (letter of notification 45,000 shares of 8% cumulative preferred stock (par $1) and 45,000 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For working capital. **Office**—5225 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Traveler Publishing Co., Inc., Philadelphia, Pa.
Sept. 29 (letter of notification) $247,000 of 5½% convertible debentures, series A, due Sept. 1, 1965 and 24,700 shares of common stock (par 10 cents), to be offered in units consisting of $1,000 of debentures and 100 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—For payment of indebtedness, expansion, establishment of additional offices; professional and editorial assistance, advertising and promotion; and working capital. **Office**—Widener Bldg., Philadelphia, Pa. **Underwriter**—Albert C. Schenkosky, Wichita, Kansas.

Travelfares, Inc., Seattle, Wash.
Sept. 14 (letter of notification) 100,000 shares of nonassessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

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 6¾% 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 of Texas Oil Co., Houston, Texas
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.

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.

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.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

★ **Utco Uranium Corp., Denver, Colo.**
Jan. 30 (letter of notification) 200,000 shares of common stock, which are covered by an option held by the underwriter. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—310 First National Bank Bldg., Denver, Colo. **Underwriter** — Amos C. Sudler & Co., 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.

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.

★ **Walden Telephone Co., Walden, N. Y. (2/21)**
Feb. 1 (letter of notification) 1,500 shares of cumulative preferred stock, series B (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $19,000 5½% preferred stock; to repay bank loans of $40,000; and for construction program. **Office**—75 Orange Avenue, Walden, N. Y. **Underwriter**—Blair & Co., Incorporated, New York.

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 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. (2/27-3/2)**
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. (2/27-3/2)**
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. (2/13)**
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.

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.

★ **Yellow Queen Uranium Co.**
Feb. 3 (letter of notification) 14,000 shares of common stock (par 10 cents). **Price**—At market (not to exceed 20 cents per share). **Proceeds**—To selling stockholders. **Office**—485 So. York, Denver 2, Colo. **Underwriter**—None.

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 Security & Trust Co. of Washington, D. C. (2/23)**
Jan. 27 it was announced that stockholders will vote Feb. 21 on approving the issuance of 126,000 additional shares of common stock (par $10) first to stockholders on a 1-for-3 basis. **Price**—$45 per share. **Underwriters**—Alex Brown & Sons; Auchincloss, Parker & Redpath; Folger, Nolan-W. B. Hibbs & Co.

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.**
Feb. 9 Bank offered 169,200 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.

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.

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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.

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)
Bids will be received by the company up to noon (CST) on Feb. 23 at 125 East 11th Place, Chicago 5, Ill., for the purchase from it of $9,900,000 equipment trust certificates, series 42, to be dated March 1, 1956 and mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Jersey Central Power & Light Co.
Feb. 6 it was reported company may in May or June 1956, issue and sell $9,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair & Co. Incorporated.

★ Kansas City Power & Light Co. (4/16-20)
Feb. 7 it was announced company plans to issue and sell, probably in mid-April, 120,000 shares of preferred stock (par $100). **Proceeds**—To retire short-term bank loans. **Underwriters**—Blyth & Co., Inc., and The First Boston Corp.

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.

Kimberly-Clark Corp., Neenah, Wis.
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., New York.

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; White, Weld & Co.; Stone & Webster Securities Corp.; Blair & Co. Incorporated and Drexel & Co. (jointly). **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. (3/20)
Feb. 3 it was announced company plans to issue and sell 70,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—To be received up to 11:30 a.m. (EST) on March 20.

★ Maine Bonding & Casualty Co.
Feb. 4 it was announced that the company plans to offer to its common stockholders on a 3-for-7 basis an additional 30,000 shares of common stock (par $10). **Underwriter**—To be selected. **Meeting**—Stockholders on Feb. 17 will vote on increasing authorized common stock from 50,000 shares to 100,000 shares. Of the increased stock, 20,000 shares are to be issued as a 40% stock dividend on March 1 to stockholders of record Feb. 17.

★ Metropolitan Edison Co.
Feb. 6 it was reported that company is considering the sale of additional first mortgage bonds later this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp.

• Narragansett Electric Co. (3/20)
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds, series E, due 1986. **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 on March 20.

• New England Electric System (4/18)
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 on April 18.

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.

★ Oklahoma Gas & Electric Co. (3/7)
Feb. 6, Donald S. Kennedy, Chairman, said the company plans to offer to its common stockholders 298,479 additional shares of common stock on a 1-for-10 basis. **Price**—To be set on March 6. **Proceeds** — For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

★ Pacific Coast Aggregates, Inc.
Feb. 4 it was announced company plans to issue and sell about $4,000,000 of additional stock. **Proceeds**—Together with about $8,000,000 to be borrowed from insurance companies, to pay for cement business of Santa Cruz Portland Cement Co. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif. **Registration**—Expected this week or next.

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.

Pike County Natural Gas Co.
Oct. 17 it was reported company plans to sell about $600,000 of common stock. **Underwriter**—Bache & Co., New York.

Plantation Pipe Line Co.
Dec. 19 it was announced that company may do some financing in 1956 in connection with its proposed expansion, costing about $23,500,000. **Underwriter**—Morgan Stanley & Co., New York.

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 696,700 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.

★ St. Regis Paper Co.
Feb. 2 it was announced that company plans early registration of common stock to be offered in exchange for Rhinelander Paper Co. stock on a share-for-share basis. **Dealer-Manager**—May be White, Weld & Co., and/or A. G. Becker & Co., Inc.

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 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; William 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.

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.

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.

★ Van Waters & Rogers, Inc. (2/20-24)
Jan. 30 it was reported company plans early registration of 63,560 shares of common stock. **Office**—Seattle, Wash. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ Virginia Electric & Power Co. (9/25)
Feb. 6 it was announced company plans to issue and sell $20,000,000 of first and refunding mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wertheim & Co. (jointly); Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Union Securities Corp. **Bids**—To be opened on Sept. 25.

★ West Coast Telephone Co.
Jan. 30 company applied to the Washington P. U. Commission for authority to issue $5,000,000 of new securities, to consist of 3¾% first mortgage bonds and $1.24 cumulative preferred stock. **Proceeds** — To finance, in part, construction program to cost about $8,200,000. **Underwriter**—Probably Blyth & Co., Inc., San Francisco, Calif.

Railroad Securities

By GERALD D. McKEEVER

The Missouri Pacific Reorganization (Part I)

At its Jan. 30 session the U. S. Supreme Court made known its refusal to review the pending "agreed system plan" for the reorganization of the Missouri Pacific, turning down the application of two dissident minority groups. This has made it appear possible that the end of the road's bankruptcy of almost 23 years may be in sight. It is understood, however, that there is still one other case on appeal that could similarly be taken to the highest court, and even though a hearing should again be denied, further delay would be encountered before such is decided. But failing this or the possibility of less evident legal maneuver, it is thought that the reorganization of the Missouri Pacific may be consummated within the next two months or less.

This will mark the end of an historic case in the course of which six plans have been promulgated—a series of four ICC plans under Section 77, one plan under the Mahaffie Act, and now the current "agreed system plan," again under Section 77, initiated by the bankruptcy trustee of the system and approved by the ICC. The first three plans were bitterly opposed by equity interests and junior bondholders, and the equity interest particularly since they would have been wiped out, which was the case with other Section 77 reorganizations, while the fourth supplemental or "1949" plan of the ICC, which provided only minor recognition of MOP preferred and token treatment for the common, was reconsidered and rescinded by the ICC in 1953 just when it had seemed that it might go through.

Each successive plan was liberalized in an attempt to satisfy more of the objecting element and also to avert legal action by those who might claim injury. As a result, the reorganization of the Missouri Pacific, which started out to be a drastic one, will leave the system saddled with a heavier capitalization than the combined capitalization of the components that got them into financial difficulties in the days of the great depression. There is the difference, however, that the ICC, the courts and the reorganization managers have been finally obliged to recognize that the growth of the Missouri Pacific System in the past two decades must be taken into account. The $812 million system capitalization that is encompassed in the pending "agreed system plan" is incomparably less burdensome relative to the increased earning power of the system than was the 15% lighter capitalization in 1933.

This may be demonstrated by relating capitalization to revenues and earnings, and to eliminate distortion due to rate increases and thus to reflect true growth, by comparing the increase in capitalization to traffic measures, notably, ton-miles. The over-all publicly held capital of the system in 1933—that of the Missouri Pacific itself, of its subsidiary, the New Orleans, Texas & Mexico, and of the International Great Northern which is a subsidiary of the latter, was about $695 million, or some 7.8 times the combined revenues at that time, while the combined net operating income of the three in 1933 represented 1.25% of this capitalization. The proposed $812 million capitalization of the pending plan which provides for the consolidation of the three roads into one represents 2.7 times 1955 estimates gross revenues of the system and consolidated net operating income of the system is equivalent to 4.6% of this proposed capital, based on the 1955 estimate. Finally, while the proposed capitalization is only some 17% greater than the combined system capital of 1933, system ton-mileage showed the net gain of 140% between 1933 and 1954, with larger gains in certain intervening years.

The proposed capitalization has nevertheless been spread thinly. In order to satisfy at least one clamorous and large holder of the old common, and who had blocked the "1949" plan by threatening lengthy litigation, this stock has been accorded an interest in the pending reorganization. In order to do so it was required that all claims for unpaid fixed interest and cumulative dividends on the old preferred stock be recognized in full. This accounted for most of the $200 million increase in capitalization of the pending plan over that of the "1949" plan. Also, due in part to the fuller recognition of interest claims, but also largely due to the substitution of income debentures in lieu of new preferred stock, the debt ratio under the pending plan is increased to 76% as against 65% in the "1949" plan. As far as the proposed 5% income debentures are concerned in this it is a rather nominal matter, however, since these debentures have little more real seniority than a preferred issue. The greatest advantage over a preferred stock lies in the deductibility of the interest thereon before arriving at taxable income.

Back interest claims on the senior mortgage bonds of the system have been settled mostly by cash payments. The New Orleans, Texas & Mexico bonds have been abreast of their interest for a number of years and back interest on the Missouri Pacific "reefer" 5s was partly "picked up" by periodic payments since 1942 and was finally settled in full to the Jan. 1, 1955 dating of the plan by the payment of six coupons in December, 1954. Interest was paid when due on the several series of this mortgage throughout the first half of 1955 but subsequent accrual will be in respect of the new 4¼s which replace the "reefers" par for par. In the case of the International Great Northern first mortgage bonds, however, part of the arrears is to be settled by an increase in debt capital—39% of original principal in the case of the 6s and 32½% for the 5s.

The large interest funding on the other hand is on account of the junior bonds of the system consisting of Missouri Pacific general 4s of 1975, secured serial 5¼s and convertible 5½s of 1949, and the International Great Northern adjustment 6s, none of which have received any cash payments on arrears. These arrears together with the dividend arrears on the preferred, "QMOP," aggregate over $226 million, and are capitalized fully under the present plan except in the case of the International Great Northern adjustments which receive recognition of only a little over 85% of their $2,470 claim for principal and interest arrears.

Reflecting the opinion that the consummation of the Missouri Pacific reorganization may now be "just around the corner," prices of system securities have moved forward sharply in the past three weeks or so, first on the statement of counsel for one bond group that the "target date" was March 1, and again on the Jan. 30 refusal of the Supreme Court to hear objectors. As a result the "old" issues have reached a point where they look rather fully priced on a short-term basis, or as measured by respective workout values of the new securities to be allocated to them, based on "when issued" prices.

This does not necessarily represent the final word, however, since "when issued" prices may eventually prove to be on the low side, particularly in the case of the junior bonds and the Class A stock. In the first place, the net capital fund contribution of some $7½ million annually is required only for the first four years of the reorganization and earnings will benefit sharply by its discontinuance. Secondly, the road's maintenance charges which are at the rate of 35% of gross revenues are well above average. A reduction to the more normal rate of 30-31% would produce an additional $5 million or so.

[*Ed. Note:* Treatment of the various securities under the proposed plan will be discussed in next week's issue.]

Iowa Inv. Bankers Elect New Officers

DES MOINES, Iowa — At a meeting of the Iowa Investment Bankers Association the following officers were elected for 1956:

Allen M. McLaughlin, Vieth, Duncan & Wood, President; Douglas Conway, Conway Brothers, First Vice-President; Joe Becker, Carleton D. Beh Co., Second Vice-President, and James Rasely, Iowa-Des Moines National Bank, Secretary & Treasurer.

Join Mid Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Mrs. Thelma D. Gregory and Harold C. Hof have joined the staff of Mid-Continent Securities Corporation, 3520 Hampton Avenue.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—James H. Jennings has become associated with Merrill Lynch, Pierce, Fenner & Beane, Addison Building.

With W. C. Thornburgh

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Rufus W. Murphy is with The W. C. Thornburgh Co., Fifth Third Bank Bldg.

Merrill, Turben Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — David Tod is now with Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Opens Inv. Office

DENVER, Colo. — Juanita I. Pedotto is engaging in a securities business from offices at 809 East 16th Avenue.

Morton F. Stern

Morton F. Stern, partner in Bache & Co., passed away Jan. 30 at the age of 71.

Heatly C. Dulles

Heatly C. Dulles passed away Feb. 6 at the age of 88. Mr. Dulles was Chairman of the Board of Janney, Dulles & Co. of Philadelphia.

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. 12	§97.6	*99.3	98.6	86.8
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 12	§2,403,000	*2,444,000	2,428,000	2,095,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 27	6,934,300	7,044,950	6,937,050	6,677,450
Crude runs to stills—daily average (bbls.)	Jan. 27	¶8,057,000	7,952,000	7,907,000	7,402,000
Gasoline output (bbls.)	Jan. 27	26,452,000	26,566,000	27,249,000	24,546,000
Kerosene output (bbls.)	Jan. 27	2,707,000	2,627,000	2,475,000	2,724,000
Distillate fuel oil output (bbls.)	Jan. 27	13,310,000	13,575,000	13,207,000	11,920,000
Residual fuel oil output (bbls.)	Jan. 27	8,836,000	9,317,000	9,366,000	8,369,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 27	178,947,000	175,785,000	165,268,000	169,612,000
Kerosene (bbls.) at	Jan. 27	21,592,000	22,711,000	27,437,000	24,532,000
Distillate fuel oil (bbls.) at	Jan. 27	89,161,000	94,610,000	112,792,000	89,032,000
Residual fuel oil (bbls.) at	Jan. 27	38,351,000	39,012,000	39,872,000	43,537,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 28	691,850	699,286	574,663	637,116
Revenue freight received from connections (no. of cars)	Jan. 28	677,295	677,483	562,975	608,521
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 2	$532,973,000	$362,320,000	$160,459,000	$279,861,000
Private construction	Feb. 2	401,599,000	149,361,000	59,770,000	182,713,000
Public construction	Feb. 2	131,374,000	212,959,000	100,689,000	97,148,000
State and municipal	Feb. 2	105,048,000	157,618,000	73,869,000	66,705,000
Federal	Feb. 2	26,326,000	55,341,000	26,820,000	30,443,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 28	10,350,000	10,540,000	9,100,000	8,835,000
Pennsylvania anthracite (tons)	Jan. 28	580,000	628,000	479,000	608,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 28	94	98	88	87
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 4	11,540,000	11,512,000	11,057,000	10,047,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 2	273	284	198	264
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 31	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Jan. 31	$59.09	$59.09	$59.09	$36.59
Scrap steel (per gross ton)	Jan. 31	$50.83	$50.83	$53.33	$35.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 1	43.325c	42.775c	42.975c	32.700c
Export refinery at	Feb. 1	45.050c	45.325c	46.075c	34.050c
Straits tin (New York) at	Feb. 1	101.000c	103.000c	108.000c	89.625c
Lead (New York) at	Feb. 1	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	Feb. 1	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	Feb. 1	13.500c	13.500c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 7	96.16	95.96	94.82	97.55
Average corporate	Feb. 7	107.98	107.98	107.09	109.79
Aaa	Feb. 7	111.62	111.44	110.52	113.50
Aa	Feb. 7	109.97	109.97	109.24	111.44
A	Feb. 7	107.98	107.98	107.09	110.15
Baa	Feb. 7	102.80	102.63	102.13	104.66
Railroad Group	Feb. 7	106.39	106.04	105.34	107.98
Public Utilities Group	Feb. 7	108.34	108.34	107.62	110.52
Industrials Group	Feb. 7	109.42	109.42	108.52	110.88
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 7	2.79	2.80	2.89	2.68
Average corporate	Feb. 7	3.28	3.28	3.33	3.18
Aaa	Feb. 7	3.08	3.09	3.14	2.98
Aa	Feb. 7	3.17	3.17	3.21	3.09
A	Feb. 7	3.28	3.28	3.33	3.16
Baa	Feb. 7	3.58	3.59	3.62	3.47
Railroad Group	Feb. 7	3.37	3.39	3.43	3.28
Public Utilities Group	Feb. 7	3.26	3.26	3.30	3.14
Industrials Group	Feb. 7	3.20	3.20	3.25	3.12
MOODY'S COMMODITY INDEX	Feb. 7	406.8	411.6	406.3	413.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 28	258,781	249,990	290,959	244,391
Production (tons)	Jan. 28	296,802	293,186	211,615	257,931
Percentage of activity	Jan. 28	102	101	56	94
Unfilled orders (tons) at end of period	Jan. 28	539,461	577,998	577,240	354,462
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 3	107.09	107.34	107.50	106.95
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. 14	1,417,254	1,069,137	1,053,400	1,772,913
Dollar value	Jan. 14	$72,738,699	$56,369,435	$55,172,447	$86,516,910
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 14	1,091,669	856,980	994,765	1,474,801
Customers' short sales	Jan. 14	5,401	2,241	6,646	6,021
Customers' other sales	Jan. 14	1,086,268	854,739	988,119	1,468,780
Dollar value	Jan. 14	$54,883,089	$44,699,898	$48,269,166	$68,402,916
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 14	264,090	222,760	311,700	368,980
Short sales	Jan. 14	------	------	------	------
Other sales	Jan. 14	264,090	222,760	311,700	368,980
Round-lot purchases by dealers—					
Number of shares	Jan. 14	586,540	419,730	343,460	632,740
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. 14	467,390	277,300	414,230	640,780
Other sales	Jan. 14	12,333,000	9,507,780	12,338,630	17,858,980
Total sales	Jan. 14	12,800,390	9,785,080	12,752,860	18,499,760
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 14	1,579,880	1,148,180	1,508,740	2,092,850
Short sales	Jan. 14	224,210	160,270	189,930	354,000
Other sales	Jan. 14	1,480,150	1,140,680	1,250,310	2,029,440
Total sales	Jan. 14	1,704,360	1,300,950	1,440,240	2,383,440
Other transactions initiated on the floor—					
Total purchases	Jan. 14	322,470	237,730	369,650	634,980
Short sales	Jan. 14	20,730	10,700	12,300	38,300
Other sales	Jan. 14	340,550	285,680	346,690	634,250
Total sales	Jan. 14	361,280	296,380	358,990	672,550
Other transactions initiated off the floor—					
Total purchases	Jan. 14	530,391	504,276	929,440	692,995
Short sales	Jan. 14	95,940	50,190	98,610	74,020
Other sales	Jan. 14	603,224	420,639	842,636	1,054,116
Total sales	Jan. 14	6[illegible]9,164	470,879	941,246	1,128,136
Total round-lot transactions for account of members—					
Total purchases	Jan. 14	2,432,741	1,890,186	2,807,830	3,420,825
Short sales	Jan. 14	340,880	221,160	300,840	466,320
Other sales	Jan. 14	2,423,924	1,847,049	2,439,636	3,717,806
Total sales	Jan. 14	2,764,804	2,068,209	2,740,476	4,184,126
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 31	112.0	*111.7	111.3	110.6
Farm products	Jan. 31	86.7	*85.5	85.6	97.3
Processed foods	Jan. 31	99.5	98.6	98.5	105.2
Meats	Jan. 31	75.7	73.1	71.4	93.1
All commodities other than farm and foods	Jan. 31	119.8	119.8	119.8	114.5

*Revised figure. ¶Includes 860,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 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
AMERICAN GAS ASSOCIATION—For month of December:			
Total gas (M therms)	7,535,206	6,008,987	6,3[illegible]4,600
Natural gas sales (M therms)	7,197,413	5,730,156	6,037,100
Manufactured gas sales (M therms)	40,645	31,622	49,700
Mixed gas sales (M therms)	347,148	247,209	307,800
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of December	10,468,000	*10,247,398	8,237,073
Shipments of steel products (net tons)—Month of November	7,247,994	7,216,821	5,240,209
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of January (000's omitted):			
Total U. S. construction	$1,592,837	$1,693,051	$1,2[illegible]5,310
Private construction	866,820	921,292	806,276
Public construction	726,017	771,759	489,034
State and municipal	531,428	636,704	325,801
Federal	194,589	105,055	163,233
COAL OUTPUT (BUREAU OF MINES)—Month of December:			
Bituminous coal and lignite (net tons)	45,270,000	43,550,000	38,151,000
Pennsylvania anthracite (net tons)	2,383,000	2,268,000	2,816,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	569,890	1,405,786	487,653
Crushed (tons)	672,452	7[illegible]0,963	608,688
Stocks (tons) Dec. 31	2,420,659	2,523,221	2,320,716
Crude Oil—			
Stocks (pounds) Dec. 31	192,182,000	204,267,000	146,394,000
Produced (pounds)	226,931,000	262,589,000	196,923,000
Shipped (pounds)	199,941,000	203,340,000	168,333,000
Refined Oil—			
Stocks (pounds) Dec. 31	378,216,000	323,844,000	667,621,000
Produced (pounds)	185,720,000	189,943,000	157,682,000
Consumption (ounds)	117,038,000	130,453,000	146,167,000
Cake and Meal—			
Stocks (tons) Dec. 31	163,049	173,742	245,510
Produced (tons)	317,153	370,633	294,034
Shipped (tons)	327,846	367,612	300,071
Hulls—			
Stocks (tons) Dec. 31	120,204	110,870	80,279
Produced (tons)	150,238	172,985	133,135
Shipped (tons)	140,904	153,109	133,909
Linters (running bales)—			
Stocks Dec. 31	154,290	142,573	317,827
Produced	205,595	234,830	195,564
Shipped	193,878	206,038	129,794
Hull Fiber (1,000-lb. bales)—			
Stocks Dec. 31	526	546	809
Produced	949	1,141	814
Shipped	969	1,087	620
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Dec. 31	4,308	3,888	3,083
Produced	1,734	1,906	1,689
Shipped	1,314	2,708	888
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of January:			
Copper (per pound)—			
Domestic refinery	43.749c	43.480c	29.783c
Export refinery	45.562c	44.665c	32.574c
Lead—			
Common, New York (per pound)	16.151c	15.558c	15.000c
Common, East St. Louis (per pound)	15.960c	15.358c	14.800c
‡‡Prompt, London (per long ton)	£118.568	£113.344	£104.065
††Three months, London (per long ton)	£116.500	£112.633	£103.702
¶Antimony, New York boxed	36.470c	36.470c	31.970c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.500c
Antimony (per pound) boxed, Laredo	33.500c	33.500c	29.000c
Platinum refined (per ounce)	$103.560	$103.769	$79.500
Zinc (per pound)—East St. Louis	13.431c	13.000c	11.500c
††Zinc, London, prompt (per long ton)	£100.835	£98.438	£85.836
††Zinc, London, three months (per long ton)	£97.659	£95.694	£84.432
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.357c	90.450c	85.250c
Silver, London (pence per ounce)	78.267d	78.231d	74.238d
Sterling Exchange (check)	$2.80662	$2.80260	$2.73510
Tin, New York Straits	104.820c	107.774c	87.290c
§§New York, 99%	103.820c	106.774c	86.290c
§§Tin—New York, 99%	103.820c	106.774c	86.290c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$273.040	$279.423	$322.000
Aluminum, 99% plus ingot (per pound)	24.400c	24.400c	22.880c
Magnesium ingot (per pound)	32.500c	32.500c	27.000c
**Nickel	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Jan.:			
Industrials (125)	4.08	3.92	4.10
Railroads (25)	5.46	5.24	4.96
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.62	4.60	4.56
Banks (15)	4.41	4.22	4.14
Insurance	2.84	2.69	2.58
Average (200)	4.21	4.06	4.22
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of December:			
Total number of vehicles	799,009	860,800	766,185
Number of passenger cars	695,043	745,993	669,936
Number of motor trucks	103,556	114,448	95,882
Number of buses	410	359	427
NEW YORK STOCK EXCHANGE—As of Dec. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debt balances	$2,820,222	$2,796,465	$2,429,218
Credit extended to customers	33,755	37,780	41,459
Cash on hand and in banks in U. S.	341,506	346,403	346,640
Total of customers' free credit balances	834,541	876,386	1,018,933
Market value of listed shares	207,699,177	204,649,675	169,143,544
Market value of listed bonds	104,749,886	105,500,618	106,517,242
Member borrowings on U. S. Govt. issues	94,460	106,136	171,128
Member borrowings on other collateral	2,471,328	2,394,562	1,748,259
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	$873,926,343	$907,635,887	$793,063,386
Total operating expenses	656,781,142	671,294,285	597,012,682
Operating ratio	75.15	73.96	75.28
Taxes	$94,744,892	$102,798,152	$81,439,519
Net railway operating income before charges	103,087,974	110,929,588	94,166,240
Net income after charges (estimated)	80,000,000	92,000,000	77,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Our Reporter's Report

Institutional investors, at least in this area, apparently are still not convinced as regards the intermediate term outlook for the investment markets. At any rate they seem inclined to keep funds either in short government issues or in the form of cash.

Out-of-town institutions, on the other hand, are reported to be a bit more venturesome. They appear to be showing more interest in the market currently and inquiry would indicate that they are keeping a weather-eye on new offerings due out next week.

Generally speaking, however, market observers, outside the institutional fold, seem to feel better about things. They are talking in terms of some easing in money rates and corresponding adjustment in bond prices. These observers still believe that bond yields and those on preferred stocks are separated by a bit wider margin than should prevail.

They note that over a 15 to 20 year period the spread is usually ½ to a full 1%. Right now the spread is negligible and they fee that investors will see less risl in acquiring bonds than in takin; on preferred stocks.

Since preferred dividend rate generally are as fixed as bonc interest, they cannot see yields or such securities going up. So the calculate that any widening o the spread will have to come about through paring of the returr on bonds.

Ready to Go

Expectation at the moment is that M. Lowenstein & Sons' $4(million debentures will reach market about the middle of next week, with dealers looking fo: the issue on Wednesday.

Company officials and underwriters are slated to hold an information meeting tomorrow so that the last-minute adjustments in the undertaking will be ou' of the way over the week-end.

Proceeds will be used by the issuer to pay off small bank loans, redeem outstanding cumulative preferred stock, and defray the cost of the purchase of inventories of the cotton division of Pacific Mills, with any balance going to working capital.

Other Issues On Tap

Southern California Edison Co., using the negotiated route, will be in the market with an offering of 1.2 million shares of additional $25 par preferred stock on Tuesday if the schedule holds.

In addition, two other public utility companies are sending small debt issues to market for bids. Central Power & Light Co., on Tuesday, will open bids for $10 million of 30-year first mortgage bonds and, judging from the line-up of banking firms in the running for this business, the bidding will be keen.

The following day Dallas Power & Light Co. has a similar issue going up for bids and here again it appears that competition will be rife with no less than eight separate groups preparing to bid.

Echo of 1955

Taken by and large, inventories in the hands of underwriters and dealers representing unsold portions of offerings brought out in recent months are not of burdensome proportions.

True there are bits and pieces of various issues still seeking final lodging with investors. But as some market observer put it this week, such leftovers are not of a nature to prove embarrassing to those holding them.

Yet there are some odd situations growing out of business which has long-since been more or less forgotten. For example a few houses still hold small lots of the Baltimore & Ohio bonds brought out by that road in its comprehensive debt overhaul plan.

Done largely by exchange for outstanding issues, houses in the sponsoring syndicate had to take down small lots which went unexchanged. Seatterings of these are still around.

Morris Nelson Joins Harry J. Wilson Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Morris J. Nelson has become associated with Harry J. Wilson & Co., 39 South La Salle Street. Mr. Nelson was formerly in the trading department of Benjamin Lewis & Co. and prior thereto conducted his own investment business in Chicago.

Courts Adds to Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — Walter Myers has become associated with Courts & Co., Liberty Life Building. Mr. Myers was formerly with Thomson & McKinnon and Abbott, Proctor & Paine.

Joins Julien Collins

(Special to The Financial Chronicle)

CHICAGO, Ill. — Warren R. Spachner is now with Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — William H. Kenner III has been added to the staff of Reynolds & Co., 39 South La Salle Street.

With A. Lepper Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — H. Richard Dietz is now with A. Lepper & Co., First National Bank Building, members of the Cincinnati and Midwest Stock Exchanges.

Joins Westheimer Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Jack R. Spangenberg is now connected with Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

C. W. Sommer Forms Co.

FT. WORTH, Tex.—Charles W. Sommer III has formed C. W. Sommer & Co. with offices at 2521 Wabash Avenue to engage in a securities business.

With W. H. Hilbert

(Special to The Financial Chronicle)

MT. CARMEL, Ill. — John W. Stewart has joined the staff of William H. Hilbert, 1131 Mulberry Street.

DIVIDEND NOTICES

AMERICAN-Standard

PREFERRED DIVIDEND

COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable March 1, 1956 to stockholders of record at the close of business on February 23, 1956.

A quarterly dividend of 35 cents per share on the Common Stock has been declared, payable March 24, 1956 to stockholders of record at the close of business on February 23, 1956.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

FRANK J. BERBERICH
Secretary

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 127

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, $20.00 par value, of this Company has been declared, payable March 31, 1956 to shareholders of record at the close of business March 2, 1953.

3¼% PREFERRED DIVIDEND NO. 38

A regular quarterly dividend of eighty-one and one-quarter cents (81¼c) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1956 to shareholders of record at the close of business February 17, 1956.

4.08% PREFERRED DIVIDEND NO. 7

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1956 to shareholders of record at the close of business February 17, 1956.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Vice President and Secretary

February 1, 1956

DIVIDEND NOTICES

BROWN COMPANY

BERLIN, NEW HAMPSHIRE

DIVIDEND NOTICE

A regular quarterly dividend of 25¢ per share on the Common Stock of this company has been declared payable March 1, 1956 to stockholders of record at the close of business February 17, 1956.

S. W. SKOWBO
Vice President and Treasurer

Delta AIR LINES

CASH DIVIDEND No. 34

The Board of Directors of Delta Air Lines, Inc. has declared a quarterly dividend of 30c per share on the capital stock of the company, payable March 5 to stockholders of record at the close of business on February 10.

Delta Air Lines, Inc.
General Offices: Atlanta, Ga.

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty cents per share payable on March 13, 1956 to stockholders of record at the close of business on February 14, 1956.

D. H. ALEXANDER, Secretary.

February 2, 1956.

PEPPERELL MANUFACTURING COMPANY

PEPPERELL FABRICS

Boston, January 27, 1956

DIVIDEND NOTICE

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable February 15, 1956, to stockholders of record at the close of business February 8, 1956.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

FREDERICK D. STRONG, *Secretary*

pf PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value), payable March 1, 1956, to stockholders of record Feb. 15, 1956, was declared by the Board of Directors on Feb. 1, 1956.

B. C. REYNOLDS, *Secretary*

DIVIDEND NOTICES

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

134th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 55c per share on the Common Stock of the Company, payable on March 1, 1956 to stockholders of record at the close of business on February 14, 1956.

GEORGE SELLERS, Secretary

February 3, 1956

Esso

STANDARD OIL COMPANY
(INCORPORATED IN NEW JERSEY)

The Board of Directors has today declared a

Cash Dividend payable on March 10, 1956, at the rate of 50 cents per share to stockholders of record at the close of business on February 10, 1956, of the new $7 par value capital stock resulting from the three-for-one "split-up" to become effective on that date.

30 Rockefeller Plaza, New York 20, N. Y.
February 2, 1956

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND
84th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Company declared a regular quarterly dividend of 25 cents a share on Common Stock (after two-for-one split), payable April 10, 1956 to stockholders of record March 22, 1956.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of $1.18¾ on the $4.75 Sinking Fund Preferred Stock and $1.25 on the $5.00 Sinking Fund Preferred Stock, both payable April 10, 1956 to stockholders of record March 22, 1956.

A. E. WEIDMAN
Treasurer

January 26, 1956

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a quarterly dividend of sixty cents ($.60) per share on its Common stock, payable March 12, 1956, to stockholders of record at the close of business February 10, 1956.

ERLE G. CHRISTIAN, *Secretary*

RICHFIELD
dividend notice

The Board of Directors, at a meeting held January 28, 1956, declared a regular quarterly dividend of seventy-five cents per share on stock of this Corporation for the first quarter of the calendar year 1956, payable March 15, 1956, to stockholders of record at the close of business February 15, 1956.

Cleve B. Bonner, *Secretary*

RICHFIELD
Oil Corporation
Executive Offices: 555 South Flower Street, Los Angeles 17, California

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Some of the 1,000-watt luminaries of the Washington observer corps (unorganized) are spreading the word to the good folks back home that there will be a tax cut later this year and that the Eisenhower Administration will probably back it.

They are furnishing this advice notwithstanding that any offer of a tax cut was entirely missing from this year's winter-spring sales catalog of Eisenhower's political merchandise. They still stick to it even though George Humphrey, who helped to achieve the miracle of a guess-estimated "balanced budget" at $800 millions more of non-security spending than Harry Truman ever spent, in his recitation in Prof. Paul Douglas's class room last Friday said there should not be tax reduction.

Here is the cerebration pattern of these who notwithstanding are lighting the beacons of hope about tax reduction:

The Eisenhower Administration with malice aforethought underestimated prospective revenues for fiscal 1957. Actual revenues will be $2 to $3 billion above the estimates. This was done for very cute and nice purposes. It will keep the legislative nose on the tax grindstone and Congress will continue the higher rates of corporation and excise taxation which expire April 1, without jeopardizing these extensions by such extraneous matters as a cut in revenues.

Come April 30 or thereabouts, the income and corporation tax receipts will so choke up the regional Internal Revenue Service offices that Uncle George will be forced to say shame-facedly, "My Gosh, guys, we was wrong. We're going to have a big surplus after all."

Then, bingo, since there is a sweet surplus in sight, the Eisenhower Administration, always solicitous of all of the problems of the peepul, will propose the tax cut. This will give the initiative to the home Republican team. By not agitating a tax cut in connection with the extensions, the challenging Democrats will have fumbled and lost the ball. George will pick it up and with his Republicans in Congress running a beautiful interference, run all the way down the field to the goal.

And in football and politics, the fourth quarter win is always spectacular, especially in politics, for the tax cut would come near the end of the session.

May Not Be So Simple

This correspondent does not profess to have any idea whether the Eisenhower Administration is cooking up such shenanigans. It is just a report of what a lot of knowing people are saying semi-privately. It can only be observed as a matter of historical fact that since there is no striking resemblance between Eisenhower Administration budget predictions and final performance, that it is not blatant nonsense to speculate that the Eisenhower Administration may be underestimating revenues.

However, such strategy may not work out so simply. For one thing, the Democrats, well aware of these possibilities, might contrive to be so late in considering the extension of the expiring higher rates of tax, that they could vote a mere two-month extension with express notice that they are doing so to await developments and ascertain whether tax relief might not later in the session be possible.

This would restore to the challengers a considerable measure of initiative.

For another thing, however, there is considerable doubt among many members that any tax reduction other than a large serving at one sitting, pays off at the vote box. Democrats are particularly skeptical of Sam Rayburn's 1954 $20 per capita tax cut.

The simple truth is that under withholding so few people in the lower brackets pay much attention to their taxes, that a moderate tax cut currently is rated by the knowing on the Hill as something of doubtful value.

This correspondent interviewed privately three of the more pronounced "liberal" Democratic Senators, whose hearts even in their sleep beat for the common man. All three predicted no tax cut. One said flatly, "heck, no" (this being a slight liberty with the first word of the quotation).

One of them reported that although he already backed the $20 per cap in the Senate, he got scarcely a letter praising him therefore. On the other hand, he observed, people who would have been hit by the accompanying repeal of the dividend credit can read and write, and he caught all sorts of written criticism from the latter.

As a consequence, said this Senator, he hopes he doesn't have to vote for a $20 per capita tax cut again accompanied by a repeal of the dividend tax credit.

Exemptions Count

On the other hand, a lowering of the exemptions might penetrate the consciousness of the millions who scarcely pay anything more than withholding taxes. For a lowering of exemptions would remove millions from the income tax rolls entirely.

IF business should turn markedly down, most of the Washington observer corps, the 15-watt as well as the 1,000-watt boys, would bet that the Eisenhower Administration would plump for a large tax cut and let the state of Federal finances go hang.

Fight "Narrow Income Tax Base"

A tax development of potent real long-range significance is the move about which more and more will be heard, about "broadening the tax base."

First gun for "broadening the tax base" was fired by the tax subcommittee of the Congressional Joint Committee on the Economic Report. This is the report which got publicity for its recommendation against a tax cut at this time.

A section of the subcommittee report talked diffusely and in $10-words about the alleged inadequacy of the tax base to serve as an adequate instrument for controlling the booms and busts in the economy. The report was altogether lacking in anything specific. Because of its flatulent and erudite language, it all but escaped attention.

In theory the subcommittee is worried because the income tax base is not broad enough so that taxes as a whole can be adequate for purposes of the planned economy (a cardinal working hypothesis of the JEC is that the "compensatory fiscal policy," or the turning on or off of expenditures and taxes for purposes of management of the economy, is a politically practicable program).

In fact, however, the advanced liberal front has come hard against the political reality that unless a war can be kicked up here and there, **rates of tax** are now as high as they can be raised under a representative system of government. As a matter of fact, the present agitation for a tax cut illustrates graphically the impossibility of raising rates of tax higher.

On the other hand, the advanced "liberal" front is totally convinced that the United States must "invest" much more heavily and at a more rapid rate in those things "which are necessary for an expanding economy." The "liberal" front wants more schools, more roads, more hospitals, more subsidized medical care, and so on endlessly.

While the lefties and economy managers have utter contempt for a balanced budget as such, they do not, however, wish to push their adventures into new empires of governmentalism so far and so fast as to cause such a rapid price inflation as to arouse widespread hostility.

Hence, there is the need for new taxes for the new spending.

What is meant by "too narrow a tax base," in the thinking of these people, is that those few measures which have ameliorated the impact of confiscatory income taxation must be abolished. Specifically, the advanced "liberal" front is now gunning to wipe out the treatment of mineral leases as capital gains, reduce or abolish depletion all up and down the line, and figure out some way to tax the income of now tax-exempt state and municipal bonds.

These, however, are only three of a ten-page list of alleged errors which need to be corrected. Any one who feels that the lefties will not be out gunning stronger and stronger at including more and more classes of income under "progressive" rates is for the time being having a pleasant day dream.

Cabby's Wisdom

This correspondent took a cab, driven by a mature colored driver, from the Senate Office Building to the Lafayette Building. The latter houses the Small Business Administration, which is making the same kind of small business loans the Reconstruction Finance Corp. handled (in the same building) for the last several years before RFC was killed off, with great publicity, by the Eisenhower Administration.

"Where is the Lafayette Building?" asked the cabby.

"Oh, don't you remember, that's the old Democratic RFC Building."

The cabby remembered. After a few minutes, he asked, "what they got in that building now?"

Ans: "The Small Business Administration."

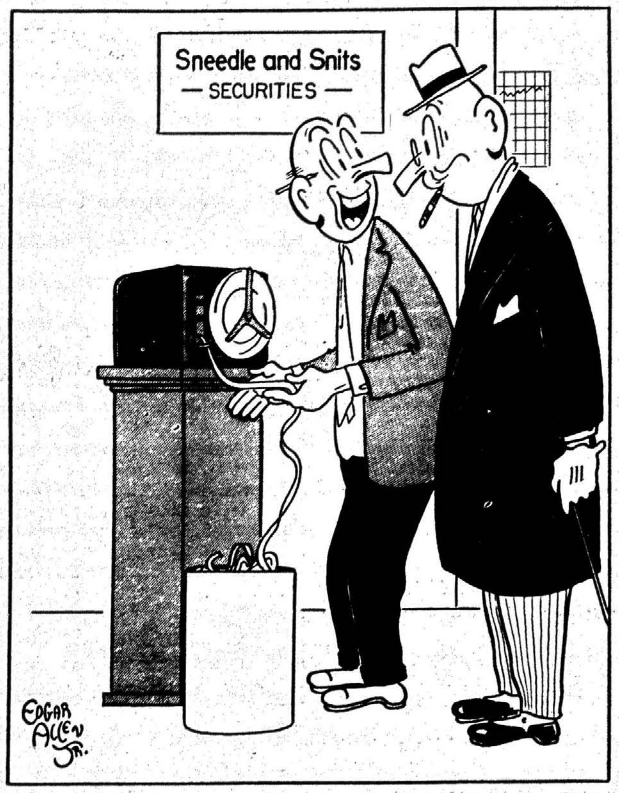
"What's dat?"

Ans: "Oh, I suppose you can put it simply by saying its the REPUBLICAN RFC."

Cabby: "Do you mean the Democrats does it in the day time and the Republicans does it at night?"

[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



"Congratulations! You have now reached the fourth plateau—care to try for $64,000?"

Inv. Women of Chicago Anniversary Dinner

CHICAGO, Ill.—Robert H. MacRae, Director of the Welfare Council of Metropolitan Chicago, will address the Investment Women of Chicago at the Fourteenth Anniversary Dinner Meeting, Wednesday, Feb. 15, 1956, at the Chicago Bar Association, 29 South La Salle Street, at 6:00 p.m. The subject of his talk will be, "Why We Have to Have Community Planning."

Mr. MacRae, a native of Pennsylvania, was formery Managing Director of the Detroit Council of Social Agencies and Council Executive Vice-President, as well as Managing Director of the Detroit Community Chest. He has also served in an executive capacity for the Children's Fund of Michigan.

In keeping with this club's desire to be of service to others, checks from the proceeds of the club's annual project will be presented to Dr. Joseph D. Boggs, Director of Laboratories, Children's Memorial Hospital, for the benefit of the Nephrosis Foundation of Chicago, and to Mrs. Blanche W. Maplesden, Christian Church Worker at Oak Forest Infirmary, for the purchase of canned goods for the Infirmary's pantry and a wheel chair. In addition to this, an order will be given Mrs. Maplesden for a 21-inch television set for use of the patients in the Arthritis and Multiple Sclerosis Ward.

Other guests for the evening will include Charles T. Germaine, President, Nephrosis Foundation of Chicago, and David H. Baldwin, III, of the Hospital Committee of the Nephrosis Foundation of Chicago.

The President of the Organization, Mrs. Kenneth A. Kitchen of the Illinois Agricultural Association, will preside at the meeting.