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EDITORIAL

As We See It

It is now quite evident that enough steam has gone out of the boom to cause credit and monetary authorities to give serious consideration to supplying more funds to the economy and to doing whatever else they can to induce greater ease in the money market. In point of fact, steps have already been taken in Washington in behalf of the mortgage markets, and there have been several official hints that a change in Federal Reserve policy would be forthcoming in the near future should further important evidence of a prospective business decline eventuate. This developing business situation does not appear to have yet altered fiscal plans or to have reached a stage sufficiently pronounced to cause a sharp about face in Congressional thinking about such matters, although few would doubt that that, too, is a distinct possibility in the months to come.

A good deal of boasting has been heard of late about the way Federal Reserve policy and other steps in the field of credit first destroyed the bubble on top of the 1953 boom, then by steps in reverse managed to limit the ensuing recession and to bring the prosperity of 1955 into being. Credit is also usually taken for checking the upward rush in the latter months of last year. Now, so it is apparently hoped, a further reversal of policy should prevent the current slowing up going too far. All this is quite in accord with present day easy reasoning about such matters. Almost endless discussion has been going on at intervals in Washington of late years about the efficacy of monetary, credit and fiscal policy in leveling out the ups and downs of business, and, while many differences of opinion exist among

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Short-and-Medium Term Economic Outlook

By DR. SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Nationally known economist expects 1956 total production to exceed previous year, with fourth quarter best yet. Depicts 1956 expansion forces to be: (1) rising Government expenditures; (2) slowly rising construction; (3) increase in capital investment; (4) rapid personal income rise abetted by wage increases throughout the year, and (5) barring decided savings rate change, an expansion of total expenditures. Peering ten years ahead, Dr. Slichter sees continued cold war expenditures, vast highway program, doubling of consumer credit, and slow price rise with high employment.

I—The Short-Term Business Outlook

The outlook for 1956 is for little change in the level of production during the first three quarters of the year and for a rise in production in the fourth quarter. Present indications are that the fourth quarter will be the best quarter of the year. Each of the first three quarters will be better than the corresponding quarter of 1955, but the level of production will not be much higher or lower than in the last quarter of 1955.

Sumner H. Slichter

The year 1956 starts with employment down somewhat more than seasonally from the very high levels of December. The drop between December, 1955, and January, 1956, was 1,265,000, in comparison with a drop of less than half as much (538,000) between December, 1954, and January, 1955. January employment was 2,750,000 above January, 1955, but in December the year-to-year gain in employment was almost

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*An address by Dr. Slichter before the Valve Manufacturers' Association and the Pipe Fittings Manufacturers' Association, New York City, Feb. 14, 1956.

Oils Bought by Funds Midst Overall Cautious Policy

By HENRY ANSBACHER LONG

Investment companies show more enthusiasm for equities than in previous quarter, although caution is still apparent. Petroleum issues the overwhelming favorites with building and construction shares, chemicals, steels, paper and natural gas stocks also well bought. Electric equipments and electronics, metals and mining, and auto shares were sold on balance, with General Motors bearing the brunt of liquidation among individual issues. Overall liquid balances slightly reduced to pay large year-end capital gains distributions.

Petroleum issues took the spotlight during the final quarter of 1955, as investment company managers stepped up their purchases in this industry by almost 75% above those in the previous quarter. Overall fund buying picked up also with an approximate increase of 15% for the period. But this stepping up of interest in equity buying was not a concomitant of a lack of caution, for about the same number of companies sold as well as bought common stocks during the period under review. And, although liquid balances were slightly depleted to provide for unusually heavy capital gains distributions, several individual funds indicated both through opinion expressed in their annual reports and shifts from the more volatile portions of their portfolios, that it was time to gather in some sail. Issues with a more clouded outlook over the near future also experienced some pronounced liquidation. For example, an approximate total of $8 million market value of General Motors was sold by two dozen investment companies.

Henry A. Long

Some New Favorites

Three other industrial groups, upon which management opinion had been divided during the last three

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

GORDON Y. BILLARD
Partner, J. R. Williston & Co., New York City

Pure Oil Co. and Nortex Oil & Gas Co.

Petroleum is one of the great growth industries under a war or peace economy. According to a recent authoritative study, the free world demand for petroleum will approximate nearly 25 million barrels per day in ten years. This would represent an increase of nearly 75% over the average daily demand in 1955. To meet such demand, it is further estimated that capital outlays will have to increase more than 100% over the average of the past ten years. Achievement of such an objective would require maintenance of price structure to provide adequate profit margins as well as maintenance of existing tax advantages under present laws to attract investment capital.

Gordon Y. Billard

Few equities offer greater demonstrable intrinsic value than selected oil and gas issues. For the patient investor seeking income and long-term capital gain with rather limited price risk, a combination purchase of one share of Pure Oil common stock (40 NYSE) plus one share of Nortex Oil & Gas common stock (6½-7 Over-the Counter) could hardly fail to work out advantageously over a period of time.

The history of the present Pure Oil Co. dates back to around the beginning of World War I. At that time, it was a small operation which entailed some large measure of risk. Today, the company is one of the larger independent integrated companies engaged in all phases of the oil and gas business, with total assets reaching the $500 million mark.

Latest available estimates place crude oil and condensate reserves at some 500-odd million barrels and natural gas reserves in excess of 4 billion MCF. Capitalization of the company is represented by approximately 8.5 million shares of common stock preceded by some $90 million in prior obligations. Current financial position is strong, with net working capital in excess of $90 million. Earnings last year, after all charges including substantial noncash writeoffs, were probably more than $4 per share, or considerably in excess of the present $1.60 annual cash dividend. Cash-flow earnings were probably more than $7 per share.

Earnings should expand considerably in the years ahead, especially from natural gas operations. Stated book value of the common stock is about $35 per share but this is a gross understatement. On the auction block probably any one of the major companies would consider "control stock" to be a bargain at twice the present market price.

Valuing crude oil and condensate reserves at $1 per barrel and gas reserves at 5 cents per MCF, the reserve value alone would approximate $80 per share with a very large stake in natural gas. This places no valuation upon the company's extensive refining, marketing, and transportation properties. Obviously, little consideration is being given today to existing values in Pure Oil and certainly none to the hidden values which will become more fully disclosed as time marches on, particularly from its reserves located in the Gulf of Mexico from which substantial earnings should shortly begin to be realized. Over the years as Pure Oil Co. expanded its operations, the character of the equity underwent remarkable change. Originally, it was essentially speculative. Today, it qualifies for investment purposes for New York savings banks, mutual funds, trusts, and estates.

Nortex Oil & Gas would not qualify for such purposes. It is a small company engaged in the production and sale of oil and gas with an outstanding record of achievement. The objective of the management is to find and produce oil and gas in profitable quantities through a well-rounded technical field and office organization of key personnel with a minimum of operating overhead. Its program involves (a) purchase of producing properties; (b) drilling of inside and offset locations with some primary exploration, and (c) management of properties. The company does not spend its capital funds except to a limited extent in drilling ventures. Its working capital is used for field and research work in selecting most profitable drilling opportunities available for which it usually receives a free interest in any production obtained. Capitalization of the company is small and consists of only 366,000 shares of common stock with no bonds or preferred. Approximately one-third of the outstanding common stock is held by officers and directors and employees.

At the inception of the company in 1954, the company had one producing well with estimated reserves of less than a few hundred thousand barrels and no immediate income. At present, it has an equity in more than 60 oil and gas wells, with proven oil and gas reserves, as estimated by DeGolyer and MacNaughton and other valuation engineering firms of national character and standing, in excess of 2 million barrels and oil and gas revenues currently running at an annual rate of approximately $500,000, and mounting. Moreover, the company is one of the most active of the smaller independents in drilling operations in the North Texas area, particularly Grayson County—a hot bed of activity. Some of the majors most active in the area are Shell and Standard Oil of Texas.

It is unusual in small companies in a vigorous early growth stage to find reserves and earnings capitalized on a modest basis. A recent study of comparable equities reveals many are capitalizing even questionable estimates of reserves as much as $4 per barrel and more, while the average runs somewhere around $2.50 per barrel. Furthermore, most comparable equities show little, if any, earnings and hence price-earnings ratios seem fantastically high. On the other hand, Nortex Oil & Gas is selling for not much more than 5 or 6 times cash-flow earnings for last year and if management's estimates for this year are achieved perhaps for not much more than 3 times 1956 earnings. No dividends are being paid, although it is the intention of the management to give consideration this year to placing the stock on a regular annual dividend basis probably in the form of a stock dividend.

Some of the essential requirements to look for in seeking opportunities for large percentage long-term capital gain are:

(1) A small company with minimum overhead in its early stages of development and engaged primarily in finding, developing and operating oil and natural gas or other natural resource properties.

(2) A relatively young, aggressive, and experienced management with a sound program.

(3) A small common stock capitalization so that important expansion in property values and earnings will be magnified on a per share basis.

(4) A low price offering reasonable value in relation to current earnings and assets.

All of the foregoing basic requirements may be found in Nortex Oil & Gas. While the common stock naturally entails a degree of speculative risk inherent in all small enterprises, the nature and scope of its operations makes risks rather limited in relation to ultimate appreciations potentials. As a matter of fact, looking ahead several years, a dollar investment in Nortex on a percentage basis may well provide a vastly greater percentage return than a dollar investment in Pure Oil. However, the average investor would do well to further minimize risk through a combination investment which would provide reasonably satisfactory current income while awaiting longer-term capital appreciation.

ELDON A. GRIMM
Vice-President, Walston & Co., Inc., New York City

United Air Lines, Inc.

Let's make a date to meet in November 1959, just a little over 3½ years from today. We'll fly non-stop on United Air Lines from San Francisco to New York on United's new Douglas DC-8 jet airliner. The coast-to-coast trip on the 4-engine jet will take 4½ hours as against 7½ hours today on the luxury DC-7. Our jet transport will streak through the skies at 575 miles per hour, or some 50% faster than today's giant DC-7 with its 4 conventional engines and propellers. United's pure jet will accommodate 112 first-class passengers, a big 93% more than the present DC-7, or it will haul 150 coach passengers.

Eldon A. Grimm

This serves to illustrate the tremendous future growth still ahead for United Air Lines, which sells on New York Stock Exchange around $36 a share. Last year's high was 49½. It seems to me that the price could eventually exceed the 1945 peak of 62½ sometime over the next several years.

Second Largest Domestic Airline: United Air Lines, as you know, is the nation's second largest airline in the domestic passenger field. It is outranked, by a narrow margin, by American Air-

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Oil Industry Investment Prospects Here and Abroad

By FREDERICK W. ATHERTON*
Manager, Oil Department,
Loomis, Sayles & Company, Inc.

Oil investment expert finds support for firm, solid oil industry picture in: (1) 7.5% oil consumption gain over last year; (2) 5% increase in average production; (3) absence of inventory downward pressure in prices with no anticipated serious storage surpluses in the next year, and (4) this year's expected $5 billion capital expenditure. Optimistic long-run view, particularly for firms with foreign operations, envisions price rise permitting enlarged capital expenditures and possible doubling of per day barrel rate in next 20 years. Notes American international oil firms find average consumption gain abroad twice as fast as here with encouraging supply prospects. Claims foreign superior earnings promptly paid in dollars. Warns of possible foreign political risks and recurrence of past periods of maladjustments. Concludes with suggested portfolio investments in different types of oil companies.

As I see it, from the practical day-to-day investment point of view, there are four main investment aspects to the oil industry.

(1) The current situation in the industry—its present position and near-term outlook.

(2) The longer term outlook for the industry.

(3) The investment characteristics of the various oil companies.

Fred. W. Atherton

(4) The specific application of these first three points to the actual management of the oil industry section of investment portfolios.

I am going to run through these first two points very quickly. Most of my time will be allotted to the great variety of investment characteristics of the different oil companies, and how they can be made use of, individually, to match the great variety of investment requirements with which we, as investment managers, have to contend.

Current Oil Industry Trends and Outlook

In our oil department in Boston, we keep very careful week-to-week track of the current statistical trends and conditions in the oil industry, and we run a set of look-ahead estimates on the industry figures quarter by quarter for a year ahead. I could give you all the detailed reasoning behind our current appraisal of the near-term outlook, but it should be sufficient to give you just the conclusions:

(1) The trend in the industry is favorable for refinery and marketing volume, with oil consumption in this country having increased 8% in 1955; currently showing about a 7.5% increase over the year ago figures; and with an estimate of about a 4% increase for 1956 as a whole. Incidentally, demand in December, which is a seasonally high month, ran over 10 million barrels per day for the first time.

(2) We expect that, despite rising imports, it will be possible for domestic crude oil production to average about 7,100,000 barrels per day this year—a gain of nearly 5%—so the volume outlook for the producing branch is favorable too.

(3) Above-ground oil inventories are in good shape — definitely not excessive—so there is no downward pressure on the price structure from this source. We don't expect any serious storage surpluses to develop as far ahead as we can see into this year.

(4) The whole present situation adds up to a very firm solid picture, and a favorable set of conditions for the period immediately ahead.

The Longer Term Outlook

This is a subject that fascinates me—I could talk for an hour on it. However, it has been covered recently in far more competent fashion by a number of oil industry spokesmen. I am sure that most of you have seen the many comments that have been made by the oil industry leaders over the past two or three months on the subject of the very promising long-term growth prospects for petroleum consumption here in the United States and on a world-wide basis.

One of the most interesting and dramatic statements was that made in December by M. J. Rathbone, President of Standard Oil (New Jersey). Mr. Rathbone pointed out that oil demand in the free world has increased from 4.3 million barrels per day 20 years ago to 14.2 million barrels per day at present, and he said he expects it to double—to about 28 million barrels per day—in the next 20 years.

There have been many other similar forecasts, all of which make allowance for development of atomic energy. I think these estimates are very conservative.

To provide the facilities and the supplies to meet this enormous

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*An address by Mr. Atherton before the 37th Mid-Winter Trust Conference sponsored by the trust division of the American Bankers Association, New York City, Feb. 7, 1956.

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* Column not available this week.
† See "Oils Bought by Funds Midst Overall Cautious Policy" starting on Cover Page.

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Business Outlook for 1956 And the Future Challenge

By JAMES J. NANCE*
President, Studebaker-Packard Corporation

Sanguine automobile production projection approaching last year's record is made by Mr. Nance should, as expected, personal income exceed 1955. Attributes current output excess on switchover to new models without a shutdown. Auto head is opposed to government consumer credit control, and is confident that the 1956 economy can transcend adjustments as it did in inflation-stimulus-free normal years of 1954-55. Future challenge seen in maintenance of a real rising per capita living standard and the finding of 20 million jobs in the next 20 years. Concludes by outlining the highlights of the great basic changes that have occurred, and predicts indispensable advertising volume will continue to climb faster than production.

Attempting to talk before a group of businessmen so early in the year is a very hazardous occupation. Since the debacle of 1929 when the distinction between those who were right and those who were wrong was so glaring—prognostication has enjoyed a steadily increasing number of practitioners. In fact, it is such a common pastime that the businessman who doesn't issue a New Year Statement has almost become the exception rather than the rule.


James J. Nance

As a result of this widespread practice those of us who tackle the subject of what is ahead can easily find ourselves talking to each other if we are not careful.

Of course, like all of you, I read newspapers and magazines and I subscribe to a number of economic advisory services. And I am not like the old Illinois farmer I once read about who ascribed his success in acquiring a fortune, not to his ability as a farmer but to his practice of studying several forecasting services and then doing just the opposite from their recommendations. Quite to the contrary, I have observed the calibre of general economic forecasting in recent years to be surprisingly accurate.

As you are aware, the overwhelming majority of forecasters expect 1956 to be a year of adjustment, but one which when finally totaled up will show production of goods and services—the so-called Gross National Product equaling or exceeding moderately the all-time record set in 1955. I concur with this majority expectation. My personal crystal ball may be playing tricks, but if it is I'm stuck with it.

*An address by Mr. Nance to the Newspaper Advertising Executives Association, Chicago, Ill., Jan. 23, 1956.

Auto Production

As is natural, the extent of adjustment is expected to vary from industry to industry. The two which I believe are generally expected to show the most decline while others show gains to average out the total, are home building and the automobile industry. The early statements of some of my colleagues in the auto industry were predicting a drop in the year's production of passenger cars of 12 to 15% from the all-time record of almost eight million units produced in 1955. Some non-industry sources have been looking for a decline of even greater dimensions. Because of the very close integration of the automobile industry with the over-all economic scene I have been somewhat more sanguine. If, as I expect, the year's over-all economic activity measures up to or slightly exceeds that of 1955, I will not be surprised to see automobile production coming very close to last year's production than is currently estimated. In other words, if personal income in 1956 tops 1955, as is freely predicted, I would expect the auto industry to get as large a share of the total as it had in 1955. Despite a very high present car inventory this sales figure could very well approach the eight million figure of 1955. It should be borne in mind that there were only two completely new cars this year — the Studebaker and the Lincoln. The other producers in the main switched over to the 1956 models with no shutdown. This gave us that extra production in the fall that may amount to 300,000 units that now show in inventory. The fact that it is taxing dealers a little is indicated in recent cutbacks, but I think you will see that as soon as an adjustment is made the rate of production travel will resume.

Bright Spots

To lean to the 1956 outlook I might say, too, that a 1956 averaging out as well or slightly better than 1955 for business as a whole would, in my book, be an excellent showing. The economy was very obviously bumping against its present capacity ceiling in the latter half of 1955. There were shortages of manpower and a number of basic raw materials, including steel, copper, aluminum and cement, to mention four very critical ones. With production thus ceilinged there was evidence of incipient inflation.

One of the bright spots usually cited in the 1956 outlook is an expected 12 to 13% rise in capital investment by industry over the record set in 1955. I find this a highly encouraging prospect not only because of the sustaining effect it will have on the economy this year, but because investment of this magnitude is essential if we are to have the productive capacity to keep moving ahead in the future as we have in the recent past. We cannot grow with shortages. In fact, with our meteorically rising population we cannot even maintain our present standard of living without both bigger and more efficient production facilities.

In this point, of course, is wrapped up the real challenge of our future. Can we keep on expanding capacity and at the same time expanding distribution and consumption so as to maintain an economy balanced at a progressively higher level? The real test will be to do this not only in absolute terms but in terms of a rapidly rising population so that the per capita standard of living will continue rising.

Where We Stand

Leaving further prognostication on 1956 to others, I would like to back off for a few minutes and take an objective look at just where we stand in the economic pattern being developed in the postwar period for the light it throws on this all important question.

I believe we have just passed through the second year of a two year period that I believe will be marked in the future as an important turning point in our history.

This period was about the closest thing to so-called "normal" that we have seen for a long time.

If you will go back in memory you will recall that with the settlement at Geneva, of the French war in Indo China, shooting war came to an end in 1954 for the first time in almost 20 years.

We do not often think of it because our country has not always been directly involved, but a shooting war of some dimension had been in progress somewhere in the world ever since Mussolini moved into Ethiopia in 1936.

Nineteen fifty-three also marked the second successive year in this country in which government spending decreased—and the first full year in which the economy was not artificially sustained either by accumulated postwar shortages, as had been the case, or by an avalanche of military buying and building such as followed the start of the Korean war.

Normal Years

Last year—1955—was the third successive year in which the artificial stimulant of inflation was absent from the economy. For two years the "buying power" of the dollar was held virtually steady after almost eight years of uninterrupted decline.

The Bureau of Labor Standards Consumers' price index was, as I recall, at 115% in November. For two and one-half years it has not varied more than 1½%.

All this adds up to just one thing. We have come through a two and a half year test beginning in mid-1953 of the conomy's ability to maintain a high level of activity without war and rising defense spending, or accumulated postwar shortages with success

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The State of Trade and Industry

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

Industrial production in January swelled to 143% of the 1947-49 average, according to the Federal Reserve Board. This was a two percentage point rise above December and 11 points above January of last year.

The board considered the December-to-January increase usual for this time of the year and its index, adjusted for seasonal factors in January, remained at the record rate of 144%, the same as in December.

Output of durable goods other than autos was generally maintained during January, it noted, adding that production of non-durable goods and minerals continued at peak rates.

It looks like the so-called letdown in steel demand is turning out to be the opposite of that reported in some quarters. The market is strong and incoming orders are running ahead of capacity, states "The Iron Age," national metalworking weekly.

Even the automotive industry seems to be taking a second look at inventories and reinstating tonnages previously cancelled. Detroit purchasing agents are taking no chances on being caught in the middle. The alacrity with which other consumers snapped up released tonnages has made them cautious, observes this trade magazine.

The inventory position of some steel fabricators is so shaky that emergency shipments from the mills are necessary to keep some of them going. There has been little opportunity for most users to build their inventories to a safe level.

The odds are overwhelmingly against a significant easing in the market until mid-year. Steel price increases and possible labor trouble are prodding consumers into grabbing up everything in sight. Users who had let up on the pressure are now kicking themselves, continues this trade authority.

Almost lost sight of in the scramble by domestic steel consumers is the strong demand from overseas. It is estimated that potential orders for export now add up to something like 1,000,000 tons. Even if half of this is "water," the balance is enough to help shore up any domestic weakness. Some go-betweens are paying premium prices for plates and structurals slated for export.

With demand from virtually all consuming industries showing no sign of slackening, steel production likely will hold at near-capacity levels for the first six months. That is, unless the mills run into maintenance problems that can no longer be postponed. If steel labor negotiations are settled peaceably, there will be a letdown in third quarter. At that time, too, auto producers will be setting up for production of 1957 models. When production lines begin moving again, there will be another upsurge and steel demand through fourth quarter will be good, concludes "The Iron Age."

The 1,000,000th United States-Canadian vehicle produced in 1956 rolled off an assembly line on Friday last, according to "Ward's Automotive Reports." The No. 1,000,000th unit in the United States alone was slated for Monday, Feb. 13. Last year the milestone vehicle was built in this country on Feb. 10.

Car building in United States plants held firm last week with 139,533 units on tap, a slight dip from the preceding week's 140,582 completions, "Ward's" said. Truck erecting, though down 6% under the prior week's 26,693-unit volume, is a strong 69% better than production in the comparable 1955 work period of 14,774 units when Chevrolet and GMC building was ebbing in preparation for changeover operations. The week's sharp lead lifted 1955 truck building to 146,695 jobs, or 21% ahead of the year-ago stage of 121,108 units.

Further layoffs planned by Chrysler Corp. effective on Monday last, idled an additional 5,400 workers, the statistical agency said.

Recent layoffs, widespread four-day operations and complete absence of car output at Packard-Clipper Division since the middle of the period two weeks ago dropped daily car counts to some 28,000 or a 583,000-unit rate for February. At the beginning of the month, industry car schedules were sighting upwards of 606,100 units; hence, present building is running 3% under this mark, said "Ward's."

In Canada, Chrysler Corp. suspended car manufacture the past week due to flagging demand caused by severe weather conditions across the nation, particularly in the prairie regions. Ford Motor Co. car building in that country has been on a four-day basis for several weeks for the same reason. General Motors—activities there remain at a stand-still although there is a great deal of

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Soviet Economic Offensive And East-West Trade

By S. J. RUNDT*
Foreign Trade and Investment Consultant
Former Chief of U. S. Army Economic Intelligence for Austria and Military Member of the Vienna (Interdepartmental) East-West Trade Committee

Former Intelligence Chief proposes thorough investigation of purported East-West trade facts to help ascertain feasibleness of a detailed trade-payments agreement between the USSR and the United States. Cites: (1) government and business leaders' conflicting views as to the wisdom of trading with the communists; (2) the extent of two-way current dealings from Singapore to Latin America; (3) Soviet-Satellite formidable industrial strength; (4) Russian ability to buy surplus commodities of one-crop underdeveloped countries, and (5) USSR foreign economic development penetration. Mr. Rundt warns against taking Soviet economic offensive as empty gesture or mere propaganda effort.

The Soviet economic offensive has become a major world problem. It is closely tied in with the Middle East dilemma; the talks between President Eisenhower and Sir Anthony Eden; German reunification; Japan's future; the role of India as the key to Asia; admission of Red China into the UN; Greece's trend toward neutralism; the global surplus commodity glut, deeply affecting many underdeveloped countries; and, in fact, the over-all relationship between the Communist and the free worlds in the cold war.

S. J. Rundt

The latest developments have sharply divided American public opinion. There are those who still feel that trade with the Communists will bring about a more mellow international climate (as does Mr. Harold Stassen, Defense Secretary Charles E. Wilson, Harlow H. Curtice, President of General Motors; and Ernest Weir, Chairman of the National Steel Corporation); there are those who find trade with a potential enemy immoral (as has been stressed for several years by Professor Wilhelm Ropke, the outstanding German economist of the University of Geneva); there are those who warn that we should not live in a "fool's paradise" and "let prospects of monetary profits blur our vision" (as AF of L-CIO President George Meany); there are those who report that traders abroad have found business with the Communists unrewarding, if not impossible (as does A. Wilfred May, whose article in the "Christian Science Monitor" was reviewed in the "Reader's Digest" of January); there are those who believe that we could perhaps dispose of some of our mounting farm surpluses in the Communist countries (as do some leaders of farmers' groups, and Agriculture Secretary Ezra Taft Benson, with qualifications); there are those who say that we need not be afraid of the Russians because we are better traders than they are (like Clarence B. Randall, Chairman of Inland Steel and a top advisor of President Eisenhower); there are those who, at least not so long ago, charged that the Soviets were, in fact, unwilling to increase trade (like Assistant-Secretary of Commerce Harold C. McClellan, and U. S. delegate to the UN, Mr. Jacob Blaustein); there are those who doubt that the Communists can make good their promises (like Secretary of State John Foster Dulles); there are those (like Mr. Robert Murphy, a veteran diplomat and Deputy Assistant-Secretary in Mr. Dulles' State Department) who warn that the Red economic drive presents us with "an acute and difficult situation." And there are those like U. S. Ambassador to Germany, Dr. James B. Conant, who warned that "the un-free world might some day be victorious without even engaging its military forces. . . . The free nations must protect themselves against defeat in the economic competition. . . ."

And many business executives in this country, concerned with foreign trade, take a middle-of-the-road point of view and say: "Well, if our Government says we can go ahead, we will go ahead." (A year ago, when the Soviet economic offensive was not yet as clearly discernible as it is today, 51 to 81% of U. S. business leaders, in various branches of production, according to a poll taken at that time, were still against the furtherance of East-West trade.)

Increasing East-West Trade

In the meantime, East-West trade is rising — almost everywhere but with regard to the

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*Substance of a talk delivered by Mr. Rundt before the World Trade Council of the Pittsburgh Chamber of Commerce, Pittsburgh, Pa., Jan. 26, 1956.

Observations . . .

By A. WILFRED MAY

SHOWING UP SOVIET TRADE TRICKS

Two events of the week, Pakistan's decision to begin negotiations for a trade agreement with Moscow, and our Administration's decision to supersede our anti-Communist trade ban in extending aid to Ceylon in the face of their selling of "strategic" rubber to Red China, constitute two marked Sino-Soviet successes in their persistent trade offensive. They follow the Kremlin's recent offers to trade products including steel and machinery, of its own and the satellites for raw material and foodstuffs of the free-world countries, concentrating on under-developed nations like Egypt, India, Burma, Yemen, and Latin America.

A. Wilfred May

Fortunately, the process of dividing Western unity over the mirage of an East-West trade plum, and the luring of the Western businessman by the Soviet's foreign trade tricks, are clearly revealed in the seventh Battle Act report to Congress devoted to Soviet deterrents to increased Foreign Trade just issued under the direction of Mr. John B. Hollister, Director of the International Cooperation Administration. Contained therein is further specific demonstration of facts debunking the long-continuing and effective propaganda to the effect that the Americans are wilfully sabotaging the allegedly great trade opportunities.

The Soviets Quickly Show Their True Colors

The Report at the outset shows how the Soviet trade bosses re-demonstrated their true intentions following the Summit Conference in Geneva last July, where President Eisenhower, with the pious assent of the Soviets, pointed to the importance of voluminous world-wide trade in peaceful goods. At the subsequent meeting of the foreign ministers in October and November, the Soviet delegation refused to discuss the progressive elimination of the barriers which interfere with peaceful trade; the negotiators once more showing that they are only willing to discuss the elimination of free-world controls on the *strategic* goods which they are after.

Aptly cited as showing the continuance under post-Stalin regimes of political purposes as the basic motivation of Moscow's trade moves, is the statement of Kruschchev, the Party's General Secretary, to a group of visiting U. S. Senators last September, "We value trade least for economic reasons and most for political purposes as a means of promoting better relations between our countries."

Trade Tied to Bloc Planning and Policies

In any event, the overriding conclusion of the Report is that the principal deterrent to East-West trade is, as always, the policies of the Soviet bloc. Foreign trade of the bloc countries being entirely conducted by the State through agencies of their Ministries of Trade, and the latter being subject to the nation's planning organizations, all trade dealings are subject to the over-all economic planning directed by the top Communist Party bosses.

Since these policy-makers envisage severe curtailment of the bloc's trade with the free world, it has materially declined since its 1948 peak, with the low point subsequently being reached in early 1953. Under the situation where the trade flow is dependent on the State's *planners*, Mr. Hollister points out that if trade should increase through the planners, that will occur only when the bloc countries will have decided that such increase serves their self-interested purposes. Such planning will conform to the necessity to produce exportable products, and to arrange the consumption of imports.

The Bloc's Hindrance to Trade

Other policies and practices employed by bloc nations cited as having served to retard international trade growth are: Poor performance in meeting financial obligations. Inferior quality and uncertain deliveries of bloc exports. Lack of reciprocity between trade partners; concerning the right to make necessary business contacts, the right to obtain relevant business information, to legal rights under contracts, and to observance of patent rights. Unpredictable purchases and sales by bloc countries, and similarly price policies. Hostile, unreasonable, and rigidly bureaucratic behavior in trade negotiations.

In looking at the future practical potentialities, we must remember the fact that we are continually being obstructed by the barrier of the bloc lacking exports, and of their unwillingness to pay for imports.

All these findings have been verified, as reported, in these columns, by the writer in trips of first-hand investigation through countries trying to do business with the Soviets.

Effectiveness of the Soviets' Barriers

Striking figures are given showing the low and declining levels in actual Communist-West business. Although total free world trade increased greatly during the first half of last year (1955), "only a comparative trickle of this readily available trade in peaceful goods penetrated the barrier erected by the Soviet bloc," says the Hollister report. In contrast to the free world governments' eager encouragement to foreign trade, the Soviet bloc continued its basic policy of seeking self-sufficiency and remaining independent of free world products. It directed its efforts mainly toward building up its heavy industry.

"Sino-Soviet trade with the free world remained as in the past, comparatively small," the Report continues. "Soviet propagandists, nevertheless, continued their efforts to create a Potemkin village of vast potential markets within the bloc, for the fruits of free world labor. In fact, however, Soviet leaders bought very little of the peaceful goods readily available."

Contrasting the Sino-Soviet bloc's foreign trade with that engaged in by the free-world countries: in the first half of 1955 its volume barely equalled that of Italy's — and the Soviet Union's was less than that of little Indonesia; and as a customer for the free-world's products, it has ranked only 29th. "Much has been said by Soviet Union spokesmen about their willingness to trade with free-world countries. They have consistently pictured the Soviet Union as a cornucopia of alluring products and enticing markets. This horn of plenty, unfortunately, has been only a loud speaker," Mr. Hollister concludes.

"Strategic" Goods Complaint Only An Excuse

The Report goes far to debunk authoritatively the persistent communist contention that "strategic goods" curtailment has been the main trade deterrent. The Report shows that the bloc's trade with the West began to lag long before the security trade-controls were imposed as a defensive measure, and that the bloc would in any case buy strategic goods instead of, not in addition to, peaceful goods.

The Report in its entirety, in fact, explodes the idea that any policy adopted by the West could bring in the business. It conclusively shows that realistically the question is not "*Should* we?", but "*Can* we?," do business; and that the answer is decisively in the negative.

Dewey, King & Johnson Opens in New York

Announcement is made of the formation of the partnership of Dewey, King & Johnson with offices at 64 Wall St., New York City, to transact a general securities business.

The firm will maintain representatives in Albany, Troy, Boston, Philadelphia, Washington, Harrisburg, Allenton, Williamsport, Providence and North Adams.

United States Taxation And Foreign Investment

By ROY BLOUGH*
Professor of International Business, Graduate School of Business, Columbia University
Formerly, Member Council of Economic Advisers

Dr. Blough maintains while promotion of foreign economic policy may justify tax incentives, their results are likely to be disappointing as well as costly. Holds that although present taxation of foreign investment is unsatisfactory, some of the proposed changes would decrease its fairness in comparison with taxation of domestic business. Concludes economic effects of foreign investment on U. S. economy do not warrant special tax incentives; but if one is to be given, tax deferment is preferable to special rate reductions.

In this paper the term foreign investment, unless otherwise indicated, refers to private direct investment—as distinguished from portfolio investment—made by United States citizens and corporations in other countries, together with business operations and management related to that investment. The United States taxation dealt with includes chiefly the Federal income and profits taxes on corporations.


Roy Blough

That part of the United States business community which is engaged in foreign investment and other operations abroad has long pressed for more favorable treatment under Federal income and profits tax laws. Early in 1954, and several times since then, the Administration recommended to Congress tax changes which would satisfy some, although by no means all, of the demands of the business groups. A scrutiny of the arguments that have been presented in favor of the proposed tax changes reveals a considerable degree of confusion among them. It may not be amiss, accordingly, to try to sort out the various considerations involved in deciding this issue. The present time is an appropriate one to make such an examination, before the Congressional decision is made.

The arguments presented in support of more favorable tax treatment for income from foreign investment fall into three groups: first, arguments that the present treatment unfairly burdens foreign investment; second, arguments that foreign investment should be encouraged by means of tax incentives because of its benefits to the United States economy; and third, arguments that foreign investment should be encouraged by means of tax incentives because the enlargement of foreign investment would promote United States foreign policy.

Fair and Neutral Taxation

A principle of fairness that commands a wide measure of agreement is that taxes should be neutral among businesses, not discouraging one kind of business activity in comparison with another. The economic philosophy underlying the principle of neutrality is that the forces of the marketplace can best determine the allocation of resources, not government interference through tax differentials.

United States taxation of foreign investment and of domestic investment would be fair, according to the principle of neutrality, if such taxation did not discourage one more than the other. This brings us to the question of what tax treatment is neutral. Obviously, it is not tax treatment that would offset the disadvantages inherent in foreign investment and thus increase its relative attractiveness. Such taxation would not be neutral taxation but incentive taxation. Tax incentives to encourage foreign investment are just the opposite of neutral taxation; they are designed to load the scales in favor of foreign investment in comparison with and at the expense of domestic investment. This may be desirable, as we shall see, but it is not neutrality, and it constitutes interference by the government with the operation of the free market.

With some exceptions, the taxation of income derived from foreign investment has been based on the principle of what is neutral and fair that in general underlies the Federal income tax. According to this principle, the fraction of the total tax load levied on any taxpayer should be determined by his economic status or ability to pay and not by the form of business organization, the industry, or the geographical location of the business activity.

The most obvious problem in applying the general principle of fairness to income derived from foreign investment arises because such income usually is subject to taxation in the foreign country as well as in the United States. In this situation the principle of fairness has generally been interpreted to mean that the Federal income tax should not increase the total income tax burden on income derived from abroad above the amount the taxpayer would pay if the income came from domestic sources.

Two methods are employed by the Federal Government to give effect to its policy of protecting taxpayers against the higher tax load caused by double taxation. By far the more important of these methods is the foreign tax credit, under the provisions of which the taxpayer is permitted to offset income taxes paid to another country against the Federal income tax that otherwise would be payable on income derived from business carried on in that country. A supplemental method of protecting against double taxation is the bilateral tax treaty or convention. As of December, 1955, general income tax conventions were in effect with 17 countries.

Even with the foreign tax credit and the tax conventions some income derived from operations abroad is taxed at higher total rates than is domestic income. Various proposals have been made to liberalize the application of the foreign tax credit in order to achieve greater equality. One such proposal would permit the lumping together of income derived from and taxes paid to all foreign countries instead of applying the credit separately with respect to each country. This proposed revision would make it possible for many taxpayers to take full credit for taxes imposed at higher rates than the United States tax. Another proposal would allow the foreign tax credit to include, in addition to the income tax, certain other levies that some countries use in the general taxation of business. Still another proposal would permit the carry-back and carry-forward of unused foreign tax credit for a period of several years. Assuming that appropriate safeguards against abuse were included in the legislation, these proposed changes would seem to help carry into effect the general principle of fairness previously mentioned.

Other proposals for reducing United States taxes on incomes from operations abroad, however, would be quite inconsistent with the principle that fairness is achieved by equal taxation. It is argued, for example, that the United States Government should not impose any taxes on income earned abroad. According to this proposal the taxpayer would pay only the taxes which other countries imposed. Under some circumstances no taxes at all might be paid by some taxpayers. Taxation by the United States of income derived from foreign sources by United States citizens and corporations is justified by the importance of the United States in the earning of such income. A person who was born and reared in the United States, educated at public expense, trained in United States industry, and, when abroad, is protected by the foreign policy of the United States and ultimately by its military forces, derives his income in part from the United States regardless of the geographical area of his operations. Comparable statements apply to United States corporations carrying on business abroad.

A somewhat less extreme argument is that it is not fair for the United States to tax income derived abroad as heavily as income derived from domestic sources because many of the services that taxes support are not available to business abroad. Of course the fact is that the United States does not tax income derived abroad as heavily as income derived from domestic sources, on account of the foreign tax credit and treaty provisions. Indeed, in some cases the United States receives very little tax, although with respect to investments a number of other countries it receives the major portion of the total tax paid. With respect to such countries the argument might be more convincing if the U. S. budget military expenditures did not constitute so large a fraction of the total. At present, however, and in the foreseeable future, the great bulk of the total expenditures is devoted to military and other foreign policy purposes. These parts of the budget are as important to United States foreign investment as they are to domestic business.

Incidentally, if taxation were to be based on benefits there would be no justification for the elimination of double taxation. Income from foreign operations might in general pay higher Federal taxes if the benefit principle were applied than they do under provisions of existing law.

Proposals for reducing taxes on income from operations abroad have been supported also by the argument that it is not fair for United States businesses abroad to be taxed more than their competitors, which is a situation that exists in some countries. The differences of other tax laws from our own, it is urged, make ours unfair in practice. It is, of course, easy to understand the feelings of and sympathize with the United States businessman operating in such a situation; but sympathy does not necessarily call for changes in the laws.

There are several lines of rebuttal that may be made to the proposals. For one thing, if competitors abroad must be taxed equally to be taxed fairly, fair taxation becomes a practical impossibility. Competitors from other industrial countries, such as the United Kingdom, Germany, or Belgium, are subject to different methods and rates of taxation. If equality of taxation is a test of fairness, it is not only unfair for United States businesses abroad to be taxed more than their competitors, but also for them to be taxed less than their competitors. Since their competitors are taxed at different rates, no rate of tax can really be fair. If, on the other hand, the comparison is to be with local businesses abroad, there would be either no United States taxation on United States business abroad or a variety of tax rates, depending on the provisions of the tax laws of different countries as they apply to United States business within their borders.

A second line of rebuttal is that since the United States tax applies to net income it does not increase the cost of production and therefore does not affect adversely the ability of the United States firm to compete, although it does of course reduce the attractiveness of the operation. A point at which this rebuttal argument falters concerns the ability of a firm to meet competition through expanding by reinvesting earnings. The ability to expand investment would depend on the relative financial positions of the different firms and taxation might sometimes be a significant factor in this aspect of competition.

Another line of rebuttal is to the argument that U. S. taxpayers abroad should not pay more taxes than their competitors is that taxation is only one of many factors that determine the ease or difficulty of competition. United States businesses have many advantages growing out of their connection with this country, including the prestige of the United States, the operations of the Export-Import Bank and particularly the tremendous advantage which a large and prosperous home-base operation with its research and technical knowledge and its financial backing give to a business overseas. In many cases these benefits from the U. S. more than offset the heavier taxes imposed by the U. S.

Finally, despite the higher income taxation that may apply to United States businesses abroad than to their competitors, the experience of the United States firms in competing for business abroad seems in general to have been highly satisfactory.

Probably the most common argument made on the grounds of fairness is that some United States business operations abroad are treated more favorably for tax purposes than are others, that this discrimination is unfair, and that to remedy the unfairness the most favorably tax treatment applying to any should be extended to all. It will be agreed, I think, that the taxing arrangements applying to foreign business are cumbersome and should be rationalized wherever that is feasible. It should be recalled, however, that it has not proved possible to achieve uniform taxation of all forms of business within the United States and greater success can hardly be expected with respect to the more complicated situation of businesses operating abroad. As would be expected all of the particular examples of unfairness complained of are to be cured, in the proposals, by extending the favorable tax treatment and none of them by withdrawing exceptionably favorable tax treatment. While one result would be to help equalize treatment of business abroad, another result would be to increase the divergence between the taxation of domestic business and of business abroad. Moreover, it is the sad history of Federal taxation that reducing the taxes of particular taxpaying groups to eliminate unfairness is a never-ending process, and that every effort to meet the demands of one group of taxpayers leads to new demands by other groups and often by the same group.

Tax Incentives for Foreign Investment?

Let us turn to the question of whether private foreign investment should be encouraged by tax incentives because of its special value to the United States economy. It is often stated that taxes are an obstacle to foreign investment. Of course they are, but not only to foreign investment. Every taxpayer, whether abroad or at home, can show how taxation is restricting his economic activity. The question is whether the beneficial effects of tax concessions to foreign investment would be of more importance to the national interest than the repressive effects on other taxpayers, especially in view of the extra load they would be obliged to carry.

An enlightening analysis can be made showing the economic consequences for the United States of foreign investment at three different times: when the invest-

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*A paper presented by Dr. Blough before a meeting of the American Finance Association, New York City.

Outlook for Uranium Market And Commercial Atomic Power

By JESSE C. JOHNSON*
Director, Division of Raw Materials
U. S. Atomic Energy Commission

AEC official reports five prototype atomic power reactor generating plants are now proposed by private groups, excluding AEC participation with Duquesne Light Company. Notes growth curve of nuclear power plants may mount more rapidly than expected. Mr. Johnson cites long-range projection difficulties regarding: production possibilities, Government uranium needs, and future industrial market. Believes dominance of military uranium demand will continue for some time, with first significant industrial inroad coming after 1960. Warning that a healthy uranium mining industry depends upon an assured long-term market for uranium, point is made that nuclear power depends upon nuclear fuel availability.

I am sure that the important question for this audience is what is going to happen after March 31, 1962. Will there be an AEC uranium procurement program and, if so, what kind? I am sorry I do not have the answer.

Jesse C. Johnson

I want to assure you that the subject is one of the major problems before the AEC. The formulation of a domestic uranium buying program that would not begin for another six years is difficult. Basically, the problem is that of supply and demand. The government must establish its requirements and make contracts and commitments to meet them. This may sound simple but it isn't.

Uranium Production

Let us look at domestic uranium production, with which you are familiar. You are responsible for the phenomenal growth of this industry. The developments which have taken place during the past six years were totally unpredictable in 1950. For example, approximately 80% of our known ore reserves have been developed in the last three years. Most of them were discovered during this period. Over 70% of our known ore reserves are in three districts: the Big Indian Wash — Lisbon Valley area of Utah, the Laguna Indian Reservation, New Mexico, and the Ambrosia Lake area, New Mexico. Ore reserves in each of these districts are now measured in terms of millions of tons. The Ambrosia Lake deposits were discovered only last summer. In 1950 we had no basis for predicting the discovery of ore deposits of such magnitude. Then, the discovery of a 20,000 to 30,000-ton ore body was a major event.

*An address by Mr. Johnson before the Colorado Mining Association's 59th Annual Convention, Denver, Colo., Feb. 4, 1956.

What will be the pattern of discovery during the next six years? Will new ore reserves continue to be developed at the rate of the last three years or will we be in a period when only relatively small deposits will be found? In the history of the oil and mining industries there are a number of instances of several major discoveries within a short time followed by a considerable period with no outstanding new finds.

This is an indication of the difficulty of forecasting long-range uranium production possibilities. I am optimistic about the extent of our undiscovered uranium resources but the timing of important discoveries is unpredictable. Northern Michigan and Wisconsin, for example, may contain a Blind River field. The geology is similar to that of the Canadian Blind River district and numerous occurrences of uranium have been found, though none of commercial value. It is a difficult country to prospect with a dense cover of second growth timber and few outcrops. It may be a long time before the mineral resources of this area are fully explored.

Uranium Requirements

A long-range forecast of the government's uranium requirements is equally difficult. This forecast is largely the responsibility of the Defense Department. Practically all the uranium acquired by the AEC has been for the defense program. The quantity diverted to research and development of civilian applications of atomic energy has been relatively unimportant. Both the quantity of uranium to be acquired and the rate of acquisition have been determined by military needs. These two factors — the quantity needed and the urgency for speed—have in a large measure been responsible for the pattern of our domestic and foreign uranium programs.

Military requirements will continue to be the dominant factor in the demand for uranium for some time. No significant industrial requirements are expected before 1960 and probably no important requirements until after 1965. Consequently, the Commission's uranium procurement program will continue to be determined largely by what the military wants. These requirements have been subject to frequent changes with the development of new types of atomic weapons. The use of atomic power plants in naval vessels, airplanes and military land installations also could have an important bearing on uranium requirements.

Although estimates of long-range requirements are subject to change, it is reasonable to assume that the military demand for uranium will extend beyond 1962. There also is reason to suppose that the time may be approaching when the military demand can be met without increasing the rate of uranium production. It should be borne in mind that most of the fissionable material which has gone into atomic weapons is in the weapons stockpile—it has not been consumed.

The uranium industry should now be considering the future industrial market. However, at the present stage of development forecasting long-range requirements for industrial power is even more difficult than predicting military requirements.

At the 1954 meeting of the American Mining Congress, I attempted to indicate what industrial atomic power might mean to the uranium industry. Since then power development has moved rapidly. Of particular importance is the extensive participation by the power industry. There now is no doubt about the use of atomic energy for industrial power and the growth curve of atomic power may begin sooner and climb faster than was predicted only a short time ago. However, we are still in the development period and the first commercial power reactor in the United States has yet to be built.

Mr. W. Kenneth Davis, Director of AEC's Division of Reactor Development, gave some interesting information on this subject in a recent paper. The following information is taken from his paper.

Power Reactor Plants

The Commission has now received proposals from industrial groups for the construction of five prototype power reactor generating plants. These atomic power plants would have a total generating capacity in excess of 600,000 kw and would cost approximately $200,000,000. According to the schedule in the proposals, completion dates will fall in 1959 and 1960. In addition, the AEC, with financial participation by Duquesne Light Company, is building a 60,000 kw atomic power plant at Shippingport, Pennsylvania. This plant, estimated to cost about $48,000,000, is scheduled for completion in 1957.

None of these large prototype reactors is expected to supply power competitive with conventional power plant costs. In fact, the cost of generating power will not be known until these plants have operated for a considerable period. Yet it is necessary to build and operate such plants to develop the information with which to design an atomic power plant that will be competitive.

Mr. Davis estimates the time scale for the next family of power reactors, those that will be based upon information developed by the prototype reactors, to be from five to seven years. This time is broken down as follows:

Component developing & testing	1 to 3 yrs.
Engineering design	1 year
Construction	2 to 3 yrs.
Testing & initial operation	½ to 1 yr.
Significant operation (1st core)	1 to 3 yrs.

On the basis of this timetable, the first commercial atomic power plants in the United States are not likely to be in operation until about 1965. The growth of the atomic power industry will depend upon the cost of generating electricity. If the cost is above seven mills per kilowatt hour, growth will be slow; if the cost is five mills or less, growth should be rapid. The forecasts, depending upon the assumptions made, are that nuclear power capacity in this country by 1980 will range from 50 to more than 100 million kilowatts.

The European Experience

The European picture is quite different. In many parts of Europe electric power at one cent per kilowatt hour is attractive today. Consequently, some European countries are planning on the basis of present technology to generate industrial power with atomic energy. England, for example, has undertaken a large power reactor construction program with the goal of 1,500,000 to 2,000,000 kilowatts of capacity by 1965.

With the large reactor development programs now under way, it should be possible within a few years to have more reliable forecasts of atomic power growth and, consequently, of uranium requirements. It would be desirable for the uranium and power industries to undertake a joint study of the potential uranium supply and demand so that both industries could do sound long-range planning. For example, some reactor engineers believe that the uranium supply and cost might determine the design of early commercial reactors and the time when commercial power can be achieved.

However, before there can be public discussions of uranium production and resources, this information will have to be declassified. Uranium statistics probably are no longer as important from a security standpoint as in the past, and the time may be approaching when this information can be declassified.

Processing Uranium Ores

An important step taken last year was the declassification of information on processing uranium ores. This should be advantageous to mill operators and to those planning uranium milling operations. It also should stimulate metallurgical improvements through technical discussions and private research. I understand that the Colorado School of Mines Research Foundation now has a number of uranium projects under way. Some of the uranium processes developed under AEC programs may have applications for the recovery of other metals.

It is interesting to note that in 1948 the only mills extracting uranium from ores by chemical methods were those on the Colorado Plateau. Mechanical concentration was in use in other countries but the tailings from these operations contained as much or more uranium than average ore of today.

Process development has been an important part of our Raw Materials program. It has been successful in improving uranium recovery, reducing production costs, and in providing cheaper uranium for the Commission. Nearly every uranium mill constructed since 1950—in Australia, Belgium Congo, Canada, South Africa and the United States—uses processes developed under Commission contracts.

Although the uranium industry was established to meet the requirements of a military program, it has had an important part in speeding the development of atomic power for industrial purposes.

Governments and private industry today are spending hundreds of millions of dollars on research and development to make nuclear energy a major source of industrial power. Probably no new industrial development has been undertaken on an international scale with such vigor and at such great cost. There is an urgent necessity for a new source of energy to meet the world's rapidly growing power requirements. Many areas already are having difficulty because of the growing shortage of conventional fuels and the lack of undeveloped hydroelectric sources.

Nuclear Fuels Supply

Nuclear power can be the answer to the world's power shortage only if adequate supplies of nuclear fuels are available. The general confidence in this country and abroad that adequate supplies are available is largely the result of the production and exploration programs undertaken for the de-

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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.

Capital Market—Review of 1955 and outlook for 1956—Shields & Company, 44 Wall Street, 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.

High Yielding Preferred Stocks—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

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.

Merchandise Stocks—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

Oil Industry—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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

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

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Allis Chalmers — Data — Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

American Radiator & Standard Sanitary Corp.—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Seaboard & Western Airlines, Inc.**

American Research and Development Corporation — Card memorandum — May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Apex Uranium Mines, Inc.—Memorandum—C. E. Stoltz & Co., 25 Broad Street, New York 5, N. Y.

Joseph Bancroft & Sons Company—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

California Electric Power Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Century Engineers, Inc.—Progress report—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

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

Colorado Interstate Gas Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **United Utilities, Inc.**

Copeland Refrigeration Corporation—Analysis—Smith, Hague, Noble & Co., Penobscot Building, Detroit 26, Mich.

Crestmont Oil Company—Bulletin—Shearson, Hammill & Co., 52 South Grand Avenue, Los Angeles 17, Calif.

Cross Co.—Memorandum—Grimm & Co., 44 Wall State, New York 5, N. Y.

Fitzsimmons Stores, Ltd. — Memorandum — Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Foote-Burt—Analysis—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available are analyses of the **Gas Service Company, Northern Natural Gas Company,** and **Texas Illinois Natural Gas Pipeline Company.**

Ford Motor Company—Report—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Franco Wyoming Oil Company—Special report—Whitehall Securities Corporation, 52 Wall Street, New York 5, N. Y.

Glidden Co.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Guardian Chemical Corporation — Analysis — J. G. White & Company, Incorporated, 37 Wall Street, New York 5, N. Y.

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

Lakeside Monarch Mining Company — Card memorandum — Cromer Brokerage Company, 39 Exchange Place, Salt Lake City 1, Utah.

Lau Blower Company—Circular—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

Loew's Inc.—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Missouri Pacific—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is an analysis of **Pennroad Corp.**

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

National Bankers Life Insurance Co. — Analysis — Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y.

National Sugar Refining Company—Annual report—National Sugar Refining Company, 100 Wall Street, New York 5, N. Y.

New York Capital Fund of Canada Ltd. — Report — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Northern Natural Gas Company—Analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Pantex Manufacturing Corporation—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Penn Controls, Inc.—Memorandum—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Pepsi-Cola General Bottlers, Inc. — Analysis — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Pigeon Hole Parking of Texas, Inc.—Report—T. J. Feibleman & Company, Richards Building, New Orleans 12, La.

Resort Airlines—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Stevens & Thompson Paper Company—Bulletin—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Sun Life Assurance Company of Canada — Complete 1955 annual report including review of the year—Sun Life Assurance Company of Canada, Sun Life Building, Montreal, Que., Canada.

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

Twentieth Century-Fox Film—5-page report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Urania Inc. — Analysis — Fenner, Streitman & Co., 37 Wall Street, New York 5, N. Y.

Walt Disney Productions—Study—Hoit, Rose & Company, 74 Trinity Place, New York 6, N. Y.

Washington Natural Gas Company—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Cohen, Simonson Open Cedarhurst Branch

CEDARHURST, N. Y.—Cohen, Simonson & Co., members of the New York Stock Exchange, have opened a new branch office, 527 Chestnut Street, under the management of Zangwill Rudolph. The completely modern office is equipped with a complete library for information on all types of securities, and quotation boards and tickers from the New York Stock Exchange and American Stock Exchange. Dow Jones service is also provided. Mr. Moss North will also be associated with the office.

Mr. Rudolph has been associated with Cohen, Simonson & Co. for 15 years.

Partners in Cohen, Simonson & Co. are Abraham Simonson, Milton M. Cohen, Nathaniel Simonson, Charles Banks, Seymour C. Simonson, George J. DeMartini and John X. Frost.

The firm has eight offices in New York and one in Gloversville, N. Y.

Arthur M. Krensky Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph P. Dalton has been added to the staff of Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

Joins R. J. Buck Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Virginia Mason has joined the staff of Richard J. Buck & Co., Statler Office Building.

Inv. Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — John Sperrazza and Herbert B. Dowse, Jr. have been added to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

With Kidder Peabody

BOSTON, Mass. — Robert S. Treat has become affiliated with Kidder, Peabody & Co., 75 Federal Street.

COMING EVENTS

In Investment Field

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

Feb. 21, 1956 (Chicago, Ill.)
Bond Club of Chicago 45th Annual meeting and election at the Sheraton-Blackstone 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 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.

April 27, 1956 (New York City)
Security Traders Association of New York 20th Annual Dinner at the Waldorf Astoria.

June 1, 1956 (New York City)
Municipal Bond Club of New York outing at the Westchester Country Club.

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.

Penington, Colket To Admit Partners

Penington, Colket & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, will admit Thomas I. Parkins, Jr., John W. Roddie, Jr. and John H. Kelsay to general partnership and John C. Harrison to limited partnership on March 1. Mr. Kelsay will make his headquarters in the firm's Philadelphia office, 123 South Broad St.

N. Y. Municipal Bond Club to Hold Outing

The Municipal Bond Club of New York will hold its annual outing on June 1 at the Westchester Country Club.

Joins Lawrence Cook

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Ben M. Griggs is now with Lawrence Cook & Co., Fidelity Building, members of the Midwest Stock Exchange.

Ross, Borton Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — George R. Hodil is now affiliated with Ross, Borton & Simon, Inc., The 1010 Euclid Building.

Forms Hodgdon & Co.

WASHINGTON, D. C.—A. Dana Hodgdon, Pennsylvania Building, is now doing business as Hodgdon & Co.

Hard Times End for Soft Coal

By IRA U. COBLEIGH
Enterprise Economist

Containing an assortment of facts, figures and trends about bituminous coal mining and some of its largest producers.

For 30 years the soft coal industry has seen a lot more famine than feast. The 30's were dreary; the 1941/5 period much better due to war demands; and the immediate postwar conditions were not too unsatisfactory, till expanding oil production, and an octopus of natural gas pipe lines brought the fiercest sort of competition on grounds of price and customer convenience; and the railroads, hither big coal buyers, switched to diesels. More recently, in the 1950/54 period, soft coal declined in production and profit to a point where the outlook had the same hue as the product. And throughout, the industry labored under two major cost factors: (1) High labor costs (50% or more of the production cost of coal has been labor); and transportation costs which average approximately 40% of the delivered price of coal.

Ira U. Cobleigh

Nineteen fifty-five, however, witnessed a dramatic turnabout in the soft coal trade. Production boomed from a low in 1954 of 392 million tons to 465 million for 1955—up a fat 20%. How come this turnabout? And what happened to the competition? Well, on the domestic scene, sharp rise in steel production improved demand, while electric power plant furnaces increased their take from 115 million tons in 1954 to 137 million in 1955. Over 50% of all electricity generated in this United States is still fuel by coal—soft coal, and the 1956 demand is estimated at between 142 and 145 million tons. Another big boost for the 1954 total was oversea demand. We all know there's plenty of coal in Wales and the Saar, but so far, advanced mechanized production techniques have not been widely applied. The net result has been that European industrial production has needed more coal than the continent could supply, and thus our 1955 soft coal exports more than doubled, moving from 15 million tons (1954) to 32 million. Also, big new demands for coal for atom plants on the Savannah and Ohio Rivers emerged.

Let's look ahead. Was the 1955 level merely a short run spurt, or is long term demand now really on the upgrade? The experts think it's a rising trend. For example, the aluminum industry has always required nearby and low cost electricity; and has traditionally located near water power sites. There are few of these sites left, however, so now we see new aluminum reduction plants, projected by Olin Mathieson and St. Joseph Lead, and Pittsburgh Consolidation Coal, depending on coal burning power furnaces. Among utilities, the electric power demand is increasing annually. Coal produces a kilowatt at four mills, versus nine mills, the indicated cost of atomic reactor power generation—and that is still eight to 10 years away. Further, on the competitive front, the cost of oil has been rising and many utilities now find it more profitable to deliver natural gas at retail for household use, than to fire generating furnaces.

There's another bright bituminous factor, not to be neglected—automatic mining machinery. As you know, there's a popular song around called "Sixteen Tons." This is supposed to refer to a prodigious day's production for a single man in a coal mine—sort of a Paul Bunyan target. Well it is, by present standards. Average production per man was around five tons a day before World War II. It's approximately 10 tons a day now but with the latest machinery "Sixteen Tons" may soon become commonplace. One of the most dramatic of the new machines is a $2½ million electric shovel with a 60 yard grab that can strip and load 100 tons a minute of surface material—enough to fill two railroad hopper cars. There are "continuous miners" underground, and more efficient machines for recovering, cleaning, sorting, and drying all sizes, and minimizing losses in washing, (Joy Manufacturing Company is probably the leading mine machinery and equipment supplier). Altogether the advance of automation into the mines is calculated to bring down average labor costs from 50% (mentioned earlier) to 30% or below; and thus make soft coal more competitive, pricewise, than it has been for years.

Considerable stability on the labor front is expected to result from the new labor contract effective April 1, 1955 increasing base pay by 80c a day. This wage increase will be offset by price increases averaging around 25c a ton. This price boost is not particularly disturbing as, in West Virginia for example, it restores the price to $4.40 a ton—the same price as in 1948.

Because of better cost controls, and wider horizons of demand, Mr. J. D. A. Morrow, (President of Joy Manufacturing Company) has predicted 1960 demand at 560 million tons, and 780 million by 1970. On Dec. 26, 1955 he said "coal mining appears to have started a new and continuing cycle of growth."

If this is so, some revision in past thinking, on the part of analysts and investors, may not seem amiss. As a matter of fact, those who have been watching the progress of **Pittsburgh Consolidation Coal Co.** for the past couple of years would have gotten an early lead on this resurgence in soft coal.

Pittsburgh Consolidation Coal Company is the largest commercial producer of soft coal in the U. S., with 18 deep mines and six strip mines, capable of delivering, totally, 30 million tons a year. Present known reserves are estimated at above two billion tons. An extremely strong company financially, PBM working capital ranges between $90 and $100 million. Earning power, developed by an efficient and aggressive management, has been quite remarkable and only the labor problems of 1945 and 1949 made serious dents in net. Cash dividends have been paid since 1946, with a $3 rate established for the last six years. On Feb. 8 the stock was split 3-for-1 with the new shares going on an indicated $1.20 rate ($3.60 for the old). The new shares should earn above $2 for 1956.

Not only has PBM distinguished itself as an earner and market performer among the coals, but it has taken on many of the aspects of a growth stock because of its chemical processing division, and by virtue of plans to build an aluminum plant and power station at Josephtown, Pa., jointly with St. Joseph Lead Co. For those who have regarded coal shares as somewhat hazardous speculations, may we suggest you investigate further PBM, a quite elite ebony equity now quoted at 98 on N.Y.S.E. (old stock).

The next company we'd like to mention is **Pittston Co.**, a holding company in coal, petroleum, trucking and warehousing. Although not strictly a coal enterprise, we cite it because of its 60% ownership of **Clinchfield Coal Co.**, a Virginia and West Virginia producer with above five million tons annual capacity. Two smaller coal companies, **Lillybrook**, and **Amigo Smokeless Coal**, are owned outright. Pittston earns around $3.50 a share, pays $1.20 currently, with a 5% stock dividend payable March 26 (1956). Common sells at 37 N.Y.S.E. and there's a $5.50 preferred convertible into common at $25, quoted at 152.

To get closer to the coal here, you might prefer **Clinchfield** itself, selling around 50, attractive by virtue of its $2.50 dividend, rising earnings, and natural gas properties that, alone, might bring in $1 a share this year. Clinchfield has large reserves of especially high grade metallurgical coal and is well located for sale to both export and domestic customers.

Another favorably situated soft coal enterprise is **Island Creek Coal**. This company enlarged itself by mergers in 1955 with Pond Creek Pocahontas and Red Jacket Coal Co., and now delivers about 6% of the soft coal of the U. S. The mines of Island Creek are highly mechanized, and low cost; and a considerable portion of coal produced and in reserve is metallurgical (which commands a premium price).

Island Creek has a strong financial position. It earned $3.08 per share last year, and now pays $2. Due to improved conditions in the industry, and increased efficiency in both operation and sales resulting from the mergers, Island may earn $5 in 1956. Since the corporate practice has been to deliver roughly 70% of net to shareholders, it is possible to guesstimate a $3.50 dividend rate a year hence. And unless such thinking is illusory, or optimism here has gotten too rampant, Island Creek at 36 does not look a bit inflated pricewise.

Other softies you might wish to review would include **Truax-Traer; West Kentucky;** and **United Electric Coal.**

While it is true that coal shares have not had an enthusiastic investor following in recent years, there is now some reason to believe they (the coal stocks, not the investors) have turned a long term corner. A 5% production increase this year is reasonably predictable, and particularly in respect to the companies we briefly discussed, bigger, black figures for net seem in prospect.

Burton St. John With Lee Higginson Corp.

Burton M. St. John has become associated with Lee Higginson Corporation, 40 Wall Street, New York City, members of the New York Stock Exchange, as director of its institutional research. A native of Chicago, Mr. St. John was educated in preparatory schools in Montreal and McGill University, majoring in economics. He became associated in 1928 with Wall Street and the oil industry through Henry L. Doherty & Co., one-time fiscal agents for Cities Service Co. Later, he spent five years in the Canadian Government foreign service, then returned to finance and securities. He was a specialist in oil securities and associate editor of Standard & Poor's Corporation for many years, later becoming associated with Shearson, Hammill & Co. as research assistant to the partners.

Two With McGhee

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Leslie M. Shaw, and Genevieve D. Storey have become affiliated with McGhee & Company, Inc., 2587 East 55th Street.

This Is Not Time to Cut Taxes: Marcus Nadler

Prominent Banking Professor concurs with Eisenhower's recommendation to take advantage of our present strong economic activity by maintaining present tax rates in preference to accentuating inflationary forces by reducing taxes and increasing the deficit. Notes Administration is aware of—and will attempt to eliminate—certain weaknesses in the economy.

Reviewing the January Economic Report, Budget, and State of the Union Messages sent to Congress by the President, in the February report of The Hanover Bank, Dr. Marcus Nadler, the Bank's consulting economist, pointed out that, "it certainly is economically sounder in a period of strong economic activity, when many industries are operating at capacity, to retain the present tax rates . . . than to reduce taxes and operate with a deficit, thus further accentuating the forces of inflation."

Marcus Nadler

"It would, therefore, be regrettable if Congress, despite the President's recommendations, were to enact personal tax reductions based primarily on political expediency."

Dr. Nadler pointed out that while the official view of the economy is optimistic and this favorable outlook is fully reflected in the budget figures, certain weaknesses exist. But, he said, the Administration is fully aware of these weak elements in the economy . . . and has made definite recommendations to eliminate them.

The principal difficulty, Dr. Nadler said, is the farm situation. Adoption of the proposed two-part Soil Bank Program, however, would go a long way toward eliminating existing farm surpluses, he declared.

At the same time Dr. Nadler called attention to "the smallness of the surplus estimated for this fiscal year, in spite of the business boom." Terming this "rather discouraging," he said:

"Since Federal revenue depends to such a large extent on personal and corporate income taxes, even a moderate downturn in business activity could wipe out this surplus. It could also lead to a rise in expenditures, thus causing a deficit and an increase in the public debt."

Form Swadco Inc.

SEATTLE, Wash.—Swadco Inc. is engaging in a securities business from offices in the Dexter-Horton Building. Officers are Richard L. Stenshoel, President; Leonard J. Kaufer, Vice-President and Howard R. Watchie, Secretary-Treasurer.

Answers to Four Investment Questions

By ROGER W. BABSON

Noted Massachusetts investment advisor believes: (1) utilities offer best combination of security and yield; (2) Democratic Congress would not create additional price inflation; (3) increased foreign aid would not add to taxes if it displaces war; and (4) holding reserves today—as opposed to common stocks—entails less income sacrifice than heretofore. Recommends selling a few stocks from time to time as they advance and not entering a slump with all cash.

QUESTION NO. 1
On Stocks in General

Would this be a good time for a small investor to sell all his securities, even though the market may go a bit higher, and wait for the anticipated bargain levels?

Roger W. Babson

This question implies the natural desire in all of us to want to get out of the market at the top, before a downturn occurs. Scarcely a day goes by, when the market looks relatively high, that most of us do not feel like selling all of our securities. Then the next day we hesitate to sell any in the hope they will go a little higher. There is a distinct danger in selling out all of one's holdings and then later becoming discouraged about that decision if the stocks rise to still higher levels. If this happens, one can create the double error of selling too soon and then buying back too high.

The best way, I believe, to avoid being "whipsawed" is not to depend upon a policy of selling all of one's stocks at any particular time, but rather to sell a few stocks from time to time as they advance and as very substantial profits have been made in them. Anyone who carries into a market slump stocks amounting to only 25%-35% of his investment funds certainly has no real worries. The investor who is dependent upon income and who is not price-conscious might carry a larger amount of sound dividend-paying stock issues into a market slump. I suggest, therefore, that rather than selling out all of your stockholdings and then sitting back and waiting for bargain levels, it would be better for you to keep a few stocks, but at the same time hold a backlog of reserves that would be available for the repurchase of stocks later on.

QUESTION NO. 2
On Utility Stocks

Do you think utilities would suffer with another Democratic Congress?

Many investors associate a Democratic Congress with the unscrambling of various utility holding companies prior to World War II, which adversely affected their stocks. Also the Democrats have led the movement toward public ownership of various hydro-electric developments. Now, however, that the utility industry is organized and capitalized on a straightforward basis, and since new hydro-electirc developments may be limited in scope, I believe the Utility Stocks present perhaps the best combination of security and yield.

Because the utilities have had to raise tremendous amounts of new capital during the last 10 years, it has been necessary for the various state regulatory commissions to take a somewhat more generous attitude in the establishment of rates in order to permit a fair return on the invested capital. In view of the fact that still further expansion is anticipated in the industry, we should expect a continuation of this favorable rate policy to make it possible for the utilities to raise money through the sale of stock. This should assure a continuation of present dividends, but does not give the holder of utility stocks much opportunity for appreciation.

QUESTION NO. 3
On Inflation

Would you expect greater inflation under a Democratic Congress? Also, greater foreign aid?

I assume that the idea of inflation which prompts this question refers to a rising real estate and commodity price level and a rising cost of living. Actually, the great inflation of the last 15 years has arisen because of the monetary inflation of World War II and because of the subsequent debt expansion of all kinds and the heavier borrowings by the general public to buy on installments. After prices have become fully adjusted to the present inflated monetary base, I doubt very much that even a Democratic Congress would create sufficient additional monetary inflation beyond what would be needed to hold prices at present levels.

In the matter of foreign aid, there might be a somewhat greater tendency on the part of a strongly Democratic Congress to grant heavy expenditures for such purposes in order to keep employment high in the United States. However, it is likely that even in this matter there would not be too much difference, regardless of which major party controls Congress. I think that long-term promises of aid (more than two years at a time) will be avoided; but money aid is far cheaper than war. Furthermore, the net cost of foreign aid need not have much effect on Federal taxes.

QUESTION NO. 4
On How to be "Liquid" and Yet Get Income

What is your advice to a reader who has 30%-40% of his resources in cash and desires to obtain an income from it for the next three or four years?

Although I can make certain broad generalizations regarding the division of investment funds and the nature of securities for each division, it is, I believe, very important to relate the percentage distribution of funds to the particular reader and his personal requirements. All of us, however, recognize that the market is now pretty high, even though it may go higher before a long-term downtrend sets in. It appears obvious that readers who are not prepared to see their stocks sell much lower some day ought to hold a substantial amount of reserves now. This does not mean that the money has to stay in checking accounts. It is quite common practice in investment circles to designate as cash, money that is really invested in savings bank accounts, savings & loan deposits, high-grade readily marketable short-term bonds, and even certain preferred stocks. It is desirable to have your money earning something. Holding reserves today — as opposed to common stocks — entails less sacrifice of income than at anytime for many years.

First Southwest Co. Financial Consultant To City of Dallas

DALLAS, Texas — The City Council of Dallas Monday approved an agreement with First Southwest Company, Investment Bankers, Dallas, Texas, to serve as financial consultant to the City in connection with any water financing. The agreement is for a period of five years and covers any water revenue financing of the city. The agreement includes the contract between the City of Dallas and the Sabine River Authority for the construction of a reservoir at the Iron Bridge Site in Rains and Van Zandt counties. Dallas will pay the authority the $20,000,000 estimated cost and receive 80% of the water or a supply of 160,000,000 gallons per day.

With First Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Theodore V. Denuszek has been added to the staff of First Securities of Denver, 910 16th Street. He was formerly with American Securities Company.

Robert D. Bowers With Buerger, Ladet Radinsky

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert D. Bowers has become associated with Buerger, Ladet & Radinsky, First National Bank Building. Mr. Bowers formerly conducted his own investment business in Denver.

Business Man's Bookshelf

Labor Market Areas for Manufacturing Plants in West Virginia—James H. Thompson—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. (paper).

Latin American Markets — Data on 30 markets in Latin America —J. Walter Thompson Company, Dept. T-1, 420 Lexington Avenue, New York 17, N. Y.—$18.

Pittston Company — Address before the Newcomen Society in North America by Joseph P. Routh (paper), The Pittston Company 250 Park Avenue, New York 17, N. Y.

Service to Stockowners of the Corporation — American Institute of Management Incorporated, 125 East 38th Street, New York 16, N. Y.—Fourth volume in a series of 10—$12 per copy.

Soviet Deterrents to Increased Foreign Trade—Seventh Report of operations under Mutual Defense Assistance Control Act of 1951 — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper) 35 cents.

Study of Saving in the United States, Vol. III — Raymond W. Goldsmith, Dorothy S. Brady and Horst Mendershausen — Princeton University Press, Princeton, N. J. (cloth), $8.50.

Connecticut Brevities

Directors of **Yale & Towne Manufacturing Company** have recommended that the present $25 par common stock be split on a two and one-half for one basis into $10 par stock. The stockholders will vote on the proposed capitalization changes at the annual meeting on April 12.

* * *

Fuller Brush Company, which is presently celebrating its 50th year, has released its 1955 annual report in which sales are shown to have increased by about 7% over the 1954 level to close to $63 million in 1955. Net earnings as reported were $2,221,000 after setting up a reserve of $770,000 for a newly adopted retirement trust plan for dealers—to provide added security, to attract better qualified individuals and to increase the number of long-service dealers. The company's line of cosmetics continued its sales growth trend, reaching $11,614,000 in 1955 and during the year added a new line consisting of eight aerosol dispenser products.

* * *

Safety Car Heating & Lighting Company has purchased the assets and business of Home Scale Company of Rutland, Vermont. Howe which is a leader in its field and has been in operation for 99 years, will continue its manufacturing operations in Rutland as a subsidiary of Safety Car.

* * *

Poly Choke Company, producer of an adjustable choke for shotguns, has announced plans to move to a new plant presently under construction in East Hartford. The new 15,000 square foot plant will be used to replace the present plant in Tariffville which suffered considerable damage in 1955 during the August flood.

* * *

Another plant, that of **M. B. Manufacturing Company** in the Westville section of New Haven, which was damaged in the August, 1955, flood will be enlarged and improved by the addition of a 66,000 square foot office and manufacturing building. The new plant will increase the total foot square plant area of M. B. to 136,-000, all located in the New Haven area. The company produces vibration control equipment.

* * *

Pitney-Bowes, Inc. with plants in the Stamford area proposes to add new buildings with a total floor space of about 200,000 in the area of its Pacific Street plant. The new plants will provide for expansion and replace the former Schick, Inc. plant that Pitney-Bowes acquired but will now sell.

* * *

Two former parts of **Cheney Bros.**, now a subsidiary of J. P. Stevens & Co., Inc., have recently been sold. **Arawana Mills** of Danbury, a real estate holding firm, has purchased a 123,000 square foot building in Manchester for lease in part or as a whole to other industrial concerns. The **Ribbonzene Manufacturing Company**, formerly operated as a division of Cheney, has been sold to new owners who are preparing to move its manufacturing operations to a former textile mill in Willington.

* * *

American Radiator & Standard Sanitary Company, which had previously been studying plans for a new plant in the Windsor area, has announced that it will build an $8 million plant in Plainfield. The company has purchased an 80-acre tract with a railroad siding. It is estimated that the new plant will be in operation by February, 1957, and will employ approximately 400 persons.

* * *

Hartford Electric Light Company announces that its directors have approved plans for addition of a 100,000 kilowatt unit to its Middletown generating station, built in 1954 and having a present capacity of 72,000 kilowatts. Construction is scheduled to begin in the spring of 1957 with operation scheduled by the end of 1958. The proposed generator would be part of the bulk power system under an agreement with **Connecticut Light & Power Company, Connecticut Power Co.** and **United Illuminating Company.**

Elliot B. Lemon With Fulton, Reid & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Elliot B. Lemon has become associated with Fulton, Reid & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Lemon was formerly manager of the Mutual Fund department of Olderman, Asbeck & Co. Prior thereto he was associated with the Cleveland office of the Securities & Exchange Commission.

Elliot B. Lemon

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward Dowling is with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Joins Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James P. Hart has become associated with Ross, Borton & Simon, Inc., 1010 Euclid Building. Mr. Hart has been in the investment business in Cleveland for many years.

Form Assoc. Investors

Associated Investors has been formed with offices at 550 Fifth Avenue, New York City to engage in a securities business. Murray Polonsky is a principal of the firm.

More Inspections and Controls For Broker-Dealers and Advisers

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

SEC head describes Commission's functions designed to maintain confidence of 8 million investors holding securities valued at $380 billion. Discusses recently amended over-the-counter regulation tightening "aggregate indebtedness" ratio, and reveals intention of continuing to obtain greater statutory jurisdiction over investment advisers. Announces a new stepped-up broker-dealer inspection program. Commission ignores economics of investment except as it may reflect free judgment of buyers and sellers trading under fair disclosure and honest, orderly markets.

The year 1955 which has just ended brought with it great prosperity which has been reflected in the expansion and activity of the securities markets. The national income, number of issues and the aggregate value of corporate securities offered, the aggregate market value of securities traded on exchanges and the number of registered brokers and dealers, all reached a new high during the year. To the Securities and Exchange Commission, which is charged with responsibilities for the regulation of these securities markets in the public interest, this expansion brought both a sense of satisfaction from the public confidence in the markets which has been displayed and a sense of the responsibility which this volume of activity places upon it.


J. Sinclair Armstrong

Legislative History

The Securities and Exchange Commission is an independent bipartisan agency of the Federal Government established by the Congress in 1934 in order to require, in interstate and foreign commerce in securities, certain standards of conduct by corporations selling their securities to the public, by securities exchanges and by brokers, dealers and others trading in securities which would, speaking broadly, provide the investing public with needed information about the business and finances of corporations issuing new securities to the public or listing their securities on national securities exchanges and also protect the public against abuses and fraud. It may be said that the Commission is, in effect, the "policeman on the beat" of the securitis markets. It administers a number of important statutes, including particularly the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Advisers Act of 1940. Again, speaking broadly, the Securities Act of 1933 deals primarily with the initial public offering and sale of new issues of Securities and the Securities Exchange Act of 1934 deals primarily with the trading markets in outstanding securities. It is the Commission's functions under the Securities Exchange Act which I will discuss primarily.

First, however, and by way of background, a word about the markets as they exist today.

Two Principal Markets

As you all know, the securities markets can be divided into two general categories. One is the exchange market, an auction market with publicity given to transactions and prices through the ticker tape. The other is the over-the-counter market in which thousands of brokers and dealers deal in securities, generally acting as principals and upon a negotiated basis.

There are 15 national securities exchanges registered with the Commission and in addition, four small local exchanges are exempt from registration. More than 4,000 stock and bond issues representing a large portion of the country's more important enterprises are traded on one or more of these exchanges. At the end of 1955 these issues had an estimated aggregate market value of approximately $340 billion and are owned by almost eight million individuals directly and by many more millions indirectly through the holdings of insurance companies, pension funds, investment companies and other institutions. The aggregate volume of trading in stocks alone on registered exchanges increased to approximately $40 billion in 1955 as compared with $29 billion in 1954.

Traded in the Over-the-Counter Market there are some 3,500 stock issues of corporations having in each case a sizable number of stockholders. These have an estimated aggregate market value of nearly $40 billion. At the end of 1955, approximately 4,440 brokers and dealers were registered with the Commission.

Public Confidence

This presents a startling contrast to the situation in the 1930's when the Commission was established. At that time both activity and public confidence in the securities markets were at a low level. For example, in all of 1935 only about $2.8 billion of new corporate securities were marketed to the public. Today, new corporate issues are being offered and purchased at an annual rate in excess of $10 billion. The contrast may be illustrated by the successful marketing of the Ford Motor Company stock. In this sale of some two-thirds of a billion dollars of stock, the greatest amount of equity financing at one time in our history, a greater amount of securities were placed in the hands of the public in one day than were invested in by individuals in new securities over a period of months during the early 1930's.

The work of the Commission over the years has contributed significantly to this restoration of public confidence in the securities markets. This in turn has been a vital factor in providing from the savings of the people the new capital which has been needed for the vast expansion in our economy. The willingness of people to invest their savings in industry depends to an important degree upon the orderly and proper functioning of the securities markets and upon the principle of fair disclosure which is a keystone of the Federal securities laws.

Regulation of the securities markets under the Securities Exchange Act reflects the distinction between the exchange market and the Over-the-Counter Market. In the exchange market, an essential feature of the statutory plan of regulation is the registration of the securities exchanges and of the securities listed on such exchanges. As I mentioned a moment ago, there are 15 principal exchanges which are registered with the Commission and four small exchanges which are exempted from registration but which are subject to many of the obligations placed upon registered exchanges.

To become registered an exchange must meet two broad conditions. First, it must be organized so as to be able to comply with, and enforce as to its members, the provisions of the Securities Exchange Act and the Commission's rules. Secondly, its own rules must contain provisions to insure fair dealing and to protect investors, and they must also provide for disciplining and expelling members for conduct inconsistent with just and equitable principles of trade. The Commission has authority to alter the rules of a registered exchange in many areas if the exchange does not make the revision itself after being requested to do so. In addition, the Commission can suspend or withdraw the registration of an exchange under certain specified conditions.

Specific Prohibitions

While under the Securities Exchange Act the Commission necessarily relies to a considerable degree upon the cooperation and self-regulation of the exchanges, the statute directly prohibits many manipulative and deceptive devices. It is unlawful for any person to create actual or apparent active trading in a security or to raise or depress the price for the purpose of inducing the purchase or sale of the security by others. Wash sales and matched orders for the purpose of creating a false or misleading appearance of active trading in any security are unlawful, as are other deceptive devices, such as the dissemination of information by persons buying or selling securities to the effect that the price of any security is likely to fall or rise because of market operations conducted for the purpose of raising or depressing the price.

Rule-Making Power

In addition to the specific prohibitions of the statute, the Commission is granted rule-making power in many important areas. For example, the Commission has in effect a rule covering the prices at which short sales may be effected on an exchange which generally prevents short sales on a declining market. This serves to discourage "bear raiding." Our rules also prevent persons engaged in the distribution of a security from paying other persons to solicit purchases of securities of the same issuer on an exchange except under specified conditions. The Commission recently adopted rules dealing with the stabilization of securities to facilitate a distribution. These requirements, like the general antimanipulative standards of the statute, operate to prevent persons engaged in distributing a security from creating active trading or raising the price in order to facilitate a distribution except subject to requirements of disclosure and other controls which operate to prevent deceptive or unfair advantage being taken of the buying public.

Manipulative Activities

The Commission carefully watches activities on the exchanges for the purpose of detecting and preventing manipulative activities. The registered exchanges are required to furnish a large amount of information to the Commission, including volume and prices of transactions, the activities of various classes of persons such as floor traders, and information with respect to margin trading, short selling, odd-lot purchases and sales, and other matters.

In addition, we maintain a "market surveillance unit" in our New York Regional Office which watches the recorded transactions on the New York exchanges as they come over the ticker, and the quotations in the Over-the-Counter Market as they are published in the National Quotation Sheets, for the purpose of detecting activity in any security which does not appear to be based on economic factors and may indicate the presence of manipulation. When such a question arises, this "market surveillance unit" conducts a "flying quiz" with respect to the transactions in the particular security. In the "flying quiz" the identities and activities of purchasers and sellers are ascertained and reviewed. The "market surveillance unit" also investigates complaints coming to us from all sources concerning possible manipulative activity. Ordinarily none is found, but the very existence and activity of this surveillance group has a powerful deterrent effect on possible market manipulation. And on those rare occasions when a manipulation can be proved, the civil and criminal sanctions of the Exchange Act can be brought to bear. The statute provides a maximum penalty, on conviction of market manipulation, of $10,000 fine and imprisonment for two years in a Federal penitentiary.

Disclosure on Listed Issues

In addition to the registration of the exchanges, issuers of securities listed on exchanges are also required to register the securities under the Securities Exchange Act. They thus become obliged to disclose material information with respect to their business and financial condition and to supplement this information by periodic financial and other reports which are filed with the Commission and the Exchanges and become a matter of public record. The Exchange Act requires that all persons soliciting proxies with respect to listed securities must conform to the proxy regulations of the Commission. These regulations, which have been revised, effective Jan. 30, 1956, more specifically to spell out our requirements in cases of proxy contests for control of corporate managements, contain comprehensive requirements designed to make possible for securities holders a prior and informed exercise of their voting rights. "Insiders," that is, officers, directors and 10% stockholders of listed corporations, are required to report currently to the exchanges and to the Commission changes in their ownership of the companies' securities. These changes are published in the Commission's monthly bulletin on ownership reports. These insiders may also be required by Section 16(b) of the Exchange Act to pay over to the company profits realized by them in short-swing trading in the company's stock.

Disqualification

To turn to the Over-the-Counter Market, there were no such organized entities as the exchanges to furnish a focal point for regulatory activities. Brokers and dealers doing business in that market and using facilities of the mails or interstate commerce are required to register with the Commission unless their business is exclusively intrastate, or is confined to government securities or specified types of commercial paper. The Commission may deny registration to, or revoke the registration of, any broker or dealer if he is subject to one of the disqualifications specified in the statute and if the Commission finds that it is in the public interest to do so. The disqualifications include convictions for certain types of crimes, wilful violation of the Securities Act or the Securities Exchange Act, the fact that the person is enjoined by a court from engaging in any practice in connection with the purchase or sale of securities, and false statements in documents filed with the Commission. The existence of any such disqualifications on the part of individual partners or other persons controlled by or controlling a registered broker-dealer firm or applicant is a ground for proceedings against such firm or applicant. The statute thus gives to the Commission a degree of control over the activities not only of the firm but of individuals affiliated with them. Brokers and dealers in the Over-the-Counter Market are subject to prohibitions on the use of manipulative or deceptive devices similar to those applicable to exchange members and are also subject to many Commission rules which are designed to protect

Continued on page 30

*An address by Mr. Armstrong before the Investment Analysts Society of Chicago, Chicago, Ill., Jan. 26, 1956.

Is the Boom Wearing Thin?

By PAUL W. McCRACKEN*
Professor of Business Conditions, University of Michigan

Dr. McCracken reviews sources of strengths and weaknesses in business outlook, and finds economic basis for eased Federal Reserve credit and monetary policy and tax reduction for both corporations and individuals. Expects government expenditures, capital outlays and consumer spending to rise or remain at current high level. Offsetting weaknesses seen in reduced farm income and decline in residential construction and new orders for durable goods. Says collision between recent inventory increase and tightened money-credit conditions would entail "fairly explosive cut-back in production."

New records are becoming an old story as we move into the new business year. This first quarter will probably be the first time in the nation's history when Gross National Product will touch a $400 billion rate, a jump of over $40 billion from the low quarter of 1954. Not since the 1950 spurt of business activity following the invasion of South Korea have we seen such a vigorous upsurge in the volume of output. And this time it has been all the more remarkable because it has occurred in the face of stable to declining rates of expenditures for national security.


Paul W. McCracken

The very high level of production schedules in manufacturing have been at the focus of this general business expansion. Output in the hard goods lines by the final quarter of 1955 was running about one-third above the low levels of mid-1954, in most cases pressing hard against the upper limits of capacity.

All of this has been fully reflected in employment and payrolls. One million more people are employed in factories than a year ago, and total employment is up somewhat more than three million for the nation as a whole. The result has been a reduction of unemployment to negligible levels, and a considerable amount of overtime for many lines of industry.

Clearly the American economy has met well its responsibility for providing full employment and output, and a high and rising standard of living generally.

Optimism About 1956

Moreover, it is not difficult to be optimistic about prospects for 1956. There are three pretty solid areas of strength, providing persuasive evidence that 1956 ought to be another good year.

(1) **Government expenditures will provide a larger market for output in 1956 than in 1955.** Last year government spending constituted a market for about $76 billion of our total output or Gross National Product of $390 billion. For three reasons this figure ought to be higher next year. The international situation clearly suggests the wisdom of some expansion of defense expenditures, and preliminary discussions about budget prospects suggest some increase in non-defense Federal outlays for such items as highway construction, school aid, and the farm program. It would be very surprising, therefore, if Federal expenditures were not up by two billion or so at the end of this year.

Moreover, it is quite clear that expenditures by state and local governments will continue their gradual increase of recent years. Outlays for education, highway and street construction, urban facilities in recently developed areas—virtually all of the items which make up the budgets of these local government units must continue to enlarge. It is a safe bet that state and local government expenditures will push beyond $32 billion this year, compared with $30 billion in 1955.

Federal, state, and local government expenditures combined, which provide a market for about one-fifth of our total output, will pretty clearly be a larger market by perhaps $4 billion this year relative to 1955.

(2) **The outlook has seldom looked so bullish for the capital goods industries — machinery, equipment, and non-residential construction.** By now the periodic McGraw-Hill surveys of prospective capital outlays enjoy a degree of familiarity in the business community formerly reserved almost exclusively for the Dow-Jones averages. We all know that the most recent survey for 1956, the results of which were released eight weeks ago, presented a picture of almost 100 proof optimism. Businesses generally were planning to spend 13% more for new plants and equipment than in 1955. For manufacturing the figure was 30%, and for the transportation industry 1956 capital budgets were about 25% above last year. Of the major industrial lines only electric and gas utilities planned a smaller volume of capital outlays than for 1955.

This picture of buoyant confidence was given further support with the release last month of the joint SEC-Department of Commerce survey of prospective plant and equipment expenditures for the first quarter of 1956. Businesses generally expected that their rate of their expenditures in the current quarter would be 12% above the 1955 average, with the figure for the railroads being an impressive 55%.

And new orders for machine tools in November underwent another stratospheric ascent, reaching a volume triple year-earlier levels.

Moreover, we are entitled to assume that these surveys reflect the results of more than just idle guesses on the part of the responding businesses. One of the major developments in business management during the last decade has been the great growth in systematic capital budgeting—the careful planning and scheduling of expenditures for new plants and equipment.

This has been all to the good not only for the whole economy but for the individual business. There are numerous illustrations in the past of sharp changes in these expenditures by businesses which turned out to be unwise for the businesses themselves as well as exerting an adverse impact on the general economic situation. Until the last decade, in short, otherwise 20th century management procedures were not far beyond the stone age when it came to capital budgeting.

The significance of these comments for 1956 is that these surveys probably represent plans and commitments which were already pretty well jelled. They clearly suggest, therefore, that the rug will not be jerked out from under the business situation this year by any independent collapse of these capital outlays.

(3) **The strength of consumer demand this year seems destined to be subject to more cross-currents than was true in 1955.** While there has been a tendency by some to exaggerate the dangers of the substantial rise in consumer credit last year, it is also quite improbable that consumers will supplement their incomes by extending their debts as much as last year. Moreover, the necessity to liquidate the very large volume of debts incurred last year will place an independent restraint on spending even out of current income.

Not so many years ago a speaker on the business outlook would exonerate himself from responsibility for any bad forecasts by reminding the audience that his careful analysis could be upset by changes in public psychology. The implication that the state of consumer attitudes and psychology importantly influenced business conditions was sound. But in recent years a great deal has been learned about measuring these attitudes and calibrating changes in them. A great deal of this pioneering work, if I may be permitted a modest institutional commercial, has been done by the Survey Research Center of the University of Michigan.

Their latest survey, the results of which were released about six weeks ago, has been interpreted as confirming both the optimists and the pessimists. There was generally very little further improvement, relative to mid-summer, in peoples' evaluation of their present and prospective financial situation. Indeed a slightly smaller percentage of people expected to be better off a year hence than was true in June, and fewer expected a further improvement in general business conditions during the forthcoming year than was true in June.

On the other hand, the fact that there has been little further movement toward bullish consumer attitudes since mid-1955 simply reflects the fact that consumer confidence and optimism had by then reached a very high level. Whether an already impressively optimistic reading is to be interpreted as a harbinger of evil days to come if it does not further improve is debatable. It would be just as reasonable to interpret the continuing high level of consumer confidence as a reassuring omen for 1956.

One conclusion from all of this seems obvious. If government expenditures, capital outlays, and consumer spending all rise or remain at current high levels, a continuation of the current boom through 1956 is certain—this for the obvious reason that these three items account for virtually the whole of the economic picture.

Is the Boom Wearing Thin?

In spite of the current record levels of business activity, and the persuasive arguments that the boom will continue, there is some evidence that the current prosperity is beginning to wear thin around the edges. And no good purpose would be served by trying to pretend that these ragged edges do not exist. Indeed one of the dangers we face is a tendency to make decisions now about 1956 on the basis of conditions as they existed in late 1955.

(1) **One of the most long-continued weaknesses in the economic scene is the decline of farm income which has been in process since 1948.** Net farm income last year was about $11 billion, down 27% from the peak year of 1948. There are many reassuring aspects about this situation. Farm income is now only about 4% of national income, and it is quite unlikely that even a major economic strain in agriculture would produce a general recession. The number of farmers has also been declining so that net income per farm is down only 30%, and is still triple the 1939 figure. And the low general level of farm debts creates a somewhat less brittle agricultural financial situation than in the decade following World War I. Nevertheless, this shrinkage of farm income has not been a reassuring development, and industries for which farmers represent an important market have felt the backlash from this decline in farm income.

(2) **Another red flag of fairly long standing is the year-long weakening of residential construction.** The number of new units being started has been pursuing an irregularly downward course since December 1954. And actual outlays on new housing construction are now running about 9% below the peak reached last summer after allowing for the normal seasonal decline in the winter months. Housing construction is still at a high level, but unless the downward trend is reversed this industry cannot be counted on to provide a further increase in business activity for 1956.

This decline presumably reflects a complex combination of forces. The tightening money and capital markets have made financing more difficult, and the small proportion of prospective buyers with funds for an ample down payment makes this industry very sensitive to credit terms. Many areas are also reporting an increasing scarcity of lots available for future development. And the gradually rising costs of construction have at least not worked in the direction of sustaining the market.

Some of these forces cannot be reversed (e. g., the rising cost level), and some time would be required before the effect of changes in other areas would be reflected in a rising level of construction, such as an easing of the mortgage market. Any immediate about-face for residential construction activity is, therefore, quite improbable.

(3) **New orders for durable goods, long considered a sensitive indicator, have been declining since August.** It must be said, however, that the increase in the November volume of new orders provides some reason for hoping that the decline during September and October was not the beginning of a sharp drop. Nevertheless the fact that the volume of incoming business continues below late summer levels must be regarded as another red flag deserving close and continuing attention.

(4) **One of the reassuring features of the current boom has been the continuing low level of inventories relative to sales.** This correspondingly has reduced the probability of a shift to inventory liquidation, which usually produces a sharp but short general recession. Inventories are still low relative to sales. In November manufacturing inventories were only 5% above year-earlier levels while sales were up 14%. There is, in short, little in the current inventory-sales situation to cause much concern.

There is, however, one possible source of weakness. Inventories recently have been growing at a somewhat faster rate than can be sustained on a long-run basis, indicating a tendency for production to outrun current rates of sales. Even a moderate weakening of demand, with currently high production schedules, could cause an inventory congestion problem to build up quickly. If this were to collide with the currently tight monetary and credit conditions we could then have a fairly explosive cut-back in production schedules. One of the clear lessons of history is that such an inventory congestion cannot be handled in an orderly manner without a very prompt and substantial easing of credit, and preferably one which at the time may seem to occur "too soon."

(5) The rise in the demand for consumer hard goods alone accounted for one-quarter of the **increase** in Gross National Product following the 1954 low, though such expenditures account for less than 10% of total Gross National Product. Recent announcements of cutbacks in automobile production schedules merely highlight what has seemed evident for some time—consumers will do well to maintain current levels of hard goods purchases, and we cannot count on this as an element of further strength in 1956.

Conclusion

An analysis stressing the factors "on the one hand" and those "on the other" is supposed to be just what a business audience does not want. What businessmen want, we are told, is a crisp, decisive conclusion. I make no apologies for violating this excellent precept here. It seems to me the essential problem here is to get clear perspective on the various forces acting on the business situation. And it would be very strange if these forces were all pushing in one direction.

The conclusion to which this analysis leads us, it seems to me, is that we are in a year when the forces acting on business conditions are coming into close balance. If that is true, whether the current level of prosperity can be continued through 1956 depends to a greater than usual extent on decisions in the area of public policy. There are two matters here worth some comment.

First, we ought to have a tax reduction in the first half of this year unless Federal expenditures are enlarged more rapidly than now seems probable. We must applaud the political courage of those in Congress who have been speaking out against any tax reduction — 1956 being an election year. But the fact is that for economic reasons taxes may need to be reduced even in an election year, and it will become increasingly clear, I think, that 1956 is one of those years (as was 1948). This is not the place to discuss the nature of desirable tax changes, though one or two comments may be in order. The first reduction should be rolling the corporate income tax back to 50%. The remainder should be reserved for a reduction in personal income taxes, and the ends of good economic policy would be well-served if a part of this is tax relief at the middle and high income levels.

Second, we shall soon need an easing of Federal Reserve policy. This will be needed and appropriate for several reasons. There is even now surprisingly little evidence of any general price inflation. The major price increases have been in the area of industrial raw materials, and the rising level of world industrial production suggests that we must probably expect these prices to rise relative to the price level generally. Moreover, the 3.2% increase in bank deposits and the money supply during the last year is barely equal to the long-run growth requirements of the economy. The Federal Reserve, in short, has been completely successful in avoiding any inflationary growth in the money supply.

As the forces acting on the boom come into balance, monetary policy should correspondingly move in the direction of ease. In addition to providing general support for the business situation, this would be particularly helpful in halting the decline in residential construction by easing the mortgage market. And it would

*An address by Professor McCracken before the "1956 National Transportation Outlook Conference", the Chamber of Commerce of the United States, Washington, D. C., Jan. 12, 1956.

go a long way toward avoiding the possibility of a disorderly downturn caused by an inventory congestion running up against a tight money and credit policy. It is to be hoped that the recent rise in net free reserves (excess reserves less discounts) of member banks represents a beginning of a modest shift in the direction of easing the pressure on the money market.

A good deal of attention in recent years has been given to the role of monetary, credit, and fiscal policies in stabilizing business conditions. The year ahead will be one in which continued prosperity can be had—if these policies are operated with more than ordinary precision.

Wm. D. Kerr Named By Chicago Bond Club

CHICAGO — The Bond Club of Chicago has named William D. Kerr, President for 1956-57.

William D. Kerr

Mr. Kerr, a veteran of 32 years on LaSalle Street, is a Partner of Bacon, Whipple & Co. He is also a Governor of the Investment Bankers Association of America.

Other officers are Richard B. Walbert, Blyth & Co., Inc., Secretary, and Edwin A. Stephenson, The Chase Manhattan Bank, Treasurer.

In addition to the above named officers, directors of the club for the coming year are: Henry W. Meers, White, Weld & Co.; Ralph W. Longstaff, Rogers & Tracy, Inc.; Edde K. Hays, Central Republic Company; Robert E. Simond, Halsey, Stuart & Co. Inc.; Howard E. Buhse, Hornblower & Weeks; and Donald B. Stephens, Cruttenden & Co.

The annual meeting will be held at the Sheraton-Blackstone Hotel on Tuesday, Feb. 21, 1956.

Members of the Nominating Committee were Paul L. Mullaney, Mullaney, Wells & Co., Chairman; Milton S. Emrich, Julien Collins & Co.; and Edward C. George, Harriman Ripley & Co., Inc.

Three With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Melvin R. Hanson, Charles W. Marion, Jr. and Gerald M. Yaw have become affiliated with Columbia Securities Company, Incorporated, Equitable Building. Mr. Marion was formerly with Honnold & Co. and Shelley, Roberts & Co.

F I F Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas S. Edge and Glenn L. Scott have been added to the staff of FIF Management Corporation, 444 Sherman Street.

Two With Wayne Jewell

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald R. Carpenter and Victor H. Gerali have been added to the staff of Wayne Jewell Company, 818 17th Street.

With Gottron, Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Clair L. Strawcutter is now with Gottron, Russell & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Joins Hamilton Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Walter I. Holmes, Jr. has joined the staff of Hamilton Management Corporation, 445 Grant Street.

Shelley Roberts Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Stanley H. Hindlemann has become affiliated with Shelley, Roberts & Co., First National Bank Building.

Joins Milwaukee Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Einar Olson has joined the staff of the Milwaukee Company, 207 East Michigan Street.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard B. Mapes is now with Paine, Webber, Jackson & Curtis, Union Commerce Building.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was largely a case of nervous waiting this week, with a little flurry of strength developing when the President was given a "final" medical clearance should he decide to stand for reelection. As a result the list was mostly haphazard at any one time on the lightest volume posted for half a year; with the oils alternating good strength with pronounced weakness as traders weighed the chances of the natural gas bill getting approval or rejection.

* * *

Phillips Petroleum, which was the focal point in the court actions that established government control over the price of natural gas, obviously was swayed over wider ranges than the other issues, and had a couple of sharp tumbles when it was indicated that the bill to free them of such controls might face a Presidential veto after all.

Speculative Newcomer

A newcomer to the limelight was Long Bell Lumber which put a couple of determined surges together to soar a dozen points on all manner of rumors, which finally boiled down officially to discussions still in the "preliminary" stage with International Paper aimed at some sort of a merger. Apparently the various Long Bell entities would all be bundled together for such a plan.

* * *

Steels were still affected slightly by new announcements of layoffs and cutbacks in the auto industry, but there were indications that such news was losing its ability to sway the ferrous issues, particularly since operations still continue at full tilt even in the face of the auto situation so far. With prices firming up there was some selective dabbling among the steels, including Jones & Laughlin which has been selling at a better - than - average 5½% yield basis. The company, fourth largest in the country, only last year began a new, quarter-billion expansion program that won't be finished for a couple more years. Apart from its auto business, the firm is active in structural steel, bridge, barrel and even oil and gas well equipment lines which hold the automotive business down to about a fourth of its shipments. The dividend was boosted moderately each year since 1952.

* * *

On a yield basis American Radiator which ranks as a colossus in the housing field could qualify as a somewhat neglected issue with its better-than-6% yield. The merger with Mullins Mfg., adding the famous Youngstown kitchen line to its diversification, failed to spark any overly exuberant market action in the issue. In this case, the decline in the housing field, similar to the auto cutbacks, has kept the investor attitude restrained although the company's lines now have spread out to automation controls with a new atomic energy division already in operation. The plumbing fixture segment of its business is now down below the 50% line and its foreign operations are both sizable and profitable to make it less dependent on domestic building.

An Interesting Defense-Missile Issue

Where the vicissitudes of the domestic civilian market are still a drawback, there are issues such as Emerson Electric which has shown a good new control over costs with a new management. It is actively boosting its share of the defense business, particularly in the field of missiles which, to some students of defense work, are to be the favored line from here on out. Emerson's particular item in this field is the Honest John rocket along with rocket launchers, gunfire controls and general electronic items.

* * *

Even in the automotive area Rockwell Spring & Axle is not solely tied into the fate of auto and truck production and is heavily engaged in defense work, including armor plate and shells. Digesting the merger of Standard Steel Spring with Timken-Detroit Axle apparently is nearly completed, reflected in higher sales and improving profits, and its yield has run around 7% for one of the better figures in this column.

* * *

A Coming Hot Weather Issue

With winter waning, more than usual attention was being paid to Pepsi-Cola, particularly since some of its affiliated bottlers have been showing consistent sales gains for several years in a row. It has been reflected in the parent company's rather handsome record of a sales gain each month for a handful of years. Issues of this type normally reach their peaks as soon as the hot weather turns attention to them and some recent moves counter to the trend in soft markets have already started showing in Pepsi.

* * *

Rails have had few followers, despite generous and, in many cases, well sheltered dividends. There has been little speculation marketwise over the possible effects of getting their freight rate increase and, despite many favorable opinions on the quality issues of the Illinois Central, Union Pacific type, the rail equipments have been a bit more in demand.

* * *

Some of the more popular issues in the rail equipment group have been such as Alco Products, Westinghouse Air Brake, New York Air Brake and ACF Industries. Alco, for a random illustration, is far from being at any historic price level, having sold higher than the recent price in 1951 and 1952, without considering the peak of 1946 which was more than double the going rate the market has ascribed to it recently. Yet last year's car orders were a peak for a third of a century and some estimates are that this year's output will double.

* * *

Interest in a Special Situation

Loew's continues as something of an enigma but in good demand occasionally, the rumor mills buzzing with all kinds of talk centering on adding some new ideas to the management, with a good measure of interest centering on what has been rather absent lately, namely, talk of companies "worth more dead than alive." For Loew's, as with most film companies, the biggest hidden asset is the film library which is sure to attract any of the television factions. The breakup of the producing and theatre properties is also pending, with a full year's interval before this will become legally mandatory. Expectations, since given some official assurance, that the splitup will be speeded up, have helped heighten the interest.

* * *

Westinghouse, long held back by its longest strike in history, was being eyed quietly in many quarters. An occasional boosted commitment or new holding in this issue crops up in the reports of the funds. The strike has undoubtedly been a costly operation but there is no disposition to write the company off as having been ruined permanently by it. Once it is settled and the wheels start turning again, the company can be expected to put up the same stiff competition that had been its forte over the years.

[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.]

Lee Sterling Opens

Lee Sterling has opened offices at 1775 Brdadway, New York City to engage in a securities business.

Continued from first page

Short-and-Medium Term Economic Outlook

3.5 million. A small drop in production below the levels of the first quarter may occur in the second or third quarters of the year, but such a drop is far from certain. At any rate, the present indications are that production will reach new highs in the closing months of the year.

The reason that the general level of production will change little during the first three quarters of 1956 is that the economy is being held fairly steady by two offsetting groups of influences — some making for contraction and some making for expansion. The principal contracting influences are the drop in residential building and the rise in the rate of saving. Expenditures on nonfarm residential construction, after reaching a peak of $17.2 billion a year (seasonally adjusted) in the third quarter of 1955, dropped to an annual rate of $16.5 billion in the fourth quarter. The advance indicators of residential construction (applications to the Federal Housing Administration for insurance commitments and to the Veterans Administration for appraisals) have been dropping rapidly. Applications for FHA insurance commitments in November were nearly 40% below a year earlier and in December nearly 45% below, and applications for appraisals by the Veterans Administration were 36% fewer in November than a year earlier and 44% fewer in December.

Savings-Spending Rate

The last quarter of 1955 saw an important change in the behavior of consumers — a sudden rise in the disposition to save. For about a year and three-quarters the proportion of incomes after taxes that was saved had been falling steadily. In the last quarter of last year, however, there was a sudden increase in savings with the result that a considerable rise in personal incomes produced only a small gain in consumption expenditures.[1] The slight rise in retail sales during the closing months of 1955 reflects the weakened disposition of individuals to spend. The seasonally adjusted volume of sales increased from $15.7 billion in August to $15.8 billion in September. It did not increase at all in either October or November, and rose only to $15.9 billion in December.

The small rise in consumption expenditures in the last quarter of 1955 was largely a result of a more rapid paying of short-term indebtedness by consumers. It was probably influenced also to some extent by larger repayments on mortgages. It is interesting to notice that there was little difference in the seasonally adjusted figures for the new extensions of instalment credit between the third quarter and the fourth quarter of 1955. New extensions only dropped from $9,601 million in the third quarter to $9,439 million in the fourth quarter. Repayments, however, jumped by almost $500 million—from $8,007 million in the third quarter to $8,503 million in the fourth quarter. The rise in repayments of instalment indebtedness between the third and fourth quarters accounts for most of the sudden jump in the rate of personal saving between these two quarters.

Automobile Trend

A brief word should be said about automobile sales. They held up quite well in December. In that month the sales of automotive stores were 14.3% above December, 1954. New car sales in the first nine selling days of December were 3.8% above a year ago, and in the eight selling days ending December 20 were 7% above the corresponding period of 1954. But production of cars was running far ahead of sales and inventories were piling up. Consequently, there have been cuts in working time, and layoffs have been occurring in the automobile industry. It is probable that the sales of automobiles, which are more stable than production, will drift downward on a seasonally adjusted basis during the first nine months of 1956. Surveys of buying intentions indicate that about 10% fewer persons expect to buy cars in the immediate future, and many persons will undoubtedly prefer to wait a few months for 1957 models.

Expansion Factors

Powerful expansive influences are offsetting the influences making for contraction. Government purchases of goods and services are slowly rising. Business plans for outlays on plant and equipment are rising — they are 13% more in 1956 than in 1955. The year 1956 started with considerably more uncompleted construction than was in existence at the beginning of 1955. New construction contract awards, on a seasonally adjusted basis, jumped from $67.2 billion in the third quarter of 1955 to $71.2 billion in the fourth quarter. These contract award figures include residential building, where contract awards were going down. Unfortunately, there are no accurate figures on the volume of work remaining to be done on projects under construction. Between the third quarter and the fourth quarter of 1955, when contract awards rose 5.9% construction actually put in place dropped (in the seasonally adjusted figures) by 1.7%. Since construction put in place was dropping while contract awards were rising, it is a reasonable assumption that the amount of unfinished construction was growing. Total construction contract awards other than residential building in December, 1955, were 13.3% above December, 1954. Construction contract award figures for January, 1956, are quite encouraging—25.1% above January, 1955. Even residential building contracts showed a year-to-year rise.

The unfilled orders of manufacturers are growing. At the end of December they were $55.5 billion, or about $4.6 billion higher than at the end of July and about $9.0 billion higher than at the end of December, 1954. Two-thirds or more of the increase since December, 1954, was due to increases in the physical volume of unfilled orders, and about one-third or less was due to price increases.

New orders of manufacturers are growing, and in December the seasonally adjusted figure reached $29.3 billion, the highest since the series was started in 1948. In January, 1956, the output of steel reached an all-time high, but it fell short of new orders with the result that there was a rise in the backlog of unfinished orders for steel. Unfilled orders for machinery are rapidly growing. During November (the latest month for

1 Allowance must, of course, be made for inaccuracies in the estimates of incomes and personal consumption expenditures. Fairly small errors in the right direction might account for the behavior of consumption relative to incomes. Nevertheless, as I have pointed out above, there is considerable independent evidence in the behavior of retail sales and in the behavior of installment credit to support the conclusion that the last quarter saw a sudden rise in the disposition to save.

which we have figures), unfilled orders for machinery increased by $257 million to $15,671 million, or $1,056 million above August, 1955. The gain in this period of three months was almost as large as the rise of $1,084 million in the previous nine months. The machine tool industry reports a rising surge of new orders—$102.6 million in October, $128.1 in November, and $156.9 million in December, the highest monthly figures since June, 1951, and two and a half times greater than December, 1954.

Of considerable importance for the short-term business outlook is the continued rapid rise in personal income. In December, 1955, it was running at the annual rate of $315.0 billion, or $3.0 billion above November and $8.9 billion above the monthly average for the third quarter.

Better Second Half

But what about the fears, voiced by many forecasters, that the second half of 1956 will be a period of contraction? I do not find evidence to support this view. In fact, as I have said, the present outlook is that the fourth quarter will be the best quarter of the year. Let us, however, examine briefly some of the reasons that have been given for expecting contraction in the second half of 1956. Three principal reasons are given:

(1) That there will be a substantial accumulation of inventories in the first half of 1956, with the result that there will be a sharp drop in the rate of accumulation in the second half of the year or even some actual decumulation.

(2) That there will be a continued contraction of residential construction and the buying of automobiles in the second half of 1956 which will not be offset by the expansion of business expenditures on equipment and on construction and by other increases in expenditures.

(3) That repayments on consumer credit in the second half of the year may exceed new extensions, thus producing a deflationary effect.

None of these reasons for expecting contraction in the second half of the year impresses me as persuasive. Inventories have been growing at a moderate rate but, in view of the limited capacity of the steel industry and the large backlog of unfilled orders in most durable goods industries, large accumulation of inventories in the first half of the year is not likely.

The low points in housing construction and in automobile output will probably come well before the end of the year, so that both of these industries will be expanding in the closing months of 1956. Housing starts have already been dropping for 13 months. There is a good chance that recent steps to stimulate housing will halt the drop some time in the second quarter. Recovery in housing, however, may well be slow — limited by the absorption of men and materials in commercial and industrial building and by rising labor costs. Automobile output will undoubtedly reach a low in the third quarter—shortly before the 1957 models are introduced. The new models will be introduced several weeks earlier in the fall season than has been usual, and, unless the new models fail to meet the public taste, fourth quarter automobile sales (after adjustment for seasonal) will be the largest of the year.

Consumer Credit

Extensions of consumer credit (after adjustment for seasonal) will probably exceed repayments throughout 1956 except possibly in the third quarter. The margin between extensions and repayments has been rather large. By the third quarter repayments will perhaps be running at the rate of slightly more than $9 billion per quarter. If extensions of credit for the purchase of automobiles are 15% below the third quarter of 1955 (as they probably will be), and **if there is no growth in extensions of consumer credit for other purposes**, extensions will be running slightly below $9 billion per quarter in the third quarter—in other words, slightly below repayments. But **some** growth in the other forms of consumer credit is likely. Hence, the most realistic conclusion seems to be that in the third quarter of 1956 extensions of consumer credit and repayments will be roughly in balance. There may be a slight inflationary effect or a slight deflationary effect, but in either event the effect will not be large.

Fourth Quarter

Why do I expect production to be expanding in the closing months of 1956? Government outlays are quite certain to be larger in the second half of 1956 than in the first half. Expenditures on housing will be slowly rising. Wage increases will be rather extensive throughout the year 1956, and many of them will be fairly substantial. Several million workers will be getting increases which were negotiated last year—the second and third instalments of last year's advances. The petroleum companies have already given a moderately large increase of about 6%. Raises will soon be negotiated in the airplane industry, the meat packing industry, woolen and worsted industry, the men's clothing industry, the steel industry, the building trades, and in thousands of small- and medium-sized plants. In addition, the advance of the national minimum wage to one dollar an hour on March 1 will give about 1.3 million workers an average raise of about 13 cents an hour and will indirectly increase the wages of many other workers.

Most of these wage advances (but not all of them) will be stimulating. Under conditions existing in 1956 most wage increases will raise the payrolls of the employer making them. Furthermore, under conditions existing in 1956 employers will maintain their non-payroll expenditures by borrowing from banks, by drawing on idle funds, or by raising their prices. Hence, wage increases will raise the total expenditures of the community.

With government spending rising, with residential construction slowly rising, at least after the middle of the year, with the outlays of business on plant and equipment rising slowly or at least not dropping, and with wage increases raising payrolls, an expansion of total expenditures in the closing months of the year seems inevitable. Only an extraordinary change, such as a large and sudden jump in the rate of saving, could prevent consumer expenditures from rising to reinforce the increase in other forms of outlays. Hence, I conclude that present indications are that the fourth quarter of 1956 will see the highest rate of production of the year.

II

The Medium-Term Outlook

What can be said about the prospects for the economy during the medium term—say, during the next 10 years? The last 10 years have been a period of extraordinarily rapid change. Ten years ago the atomic bomb was less than a year old, and the hydrogen bomb had not been developed. There were no electronic computers, no transistors, and no radio-active isotopes were available for experimental work. In the last 10 years the number of cars and trucks on the roads has roughly doubled, and the number of revenue passenger miles flown by commercial airlines has roughly trebled. Even since 1948 the production of anti-biotics has increased about nine-fold, of air-conditioning units about seventeen-fold, frozen foods by nearly three-fold, and television sets by over six-fold. Expenditures on scientific and technological research, expressed in terms of dollars of constant purchasing power, have more than doubled in the last 10 years.

The coming decade will be a period of equally rapid change. We can be sure, for example, that rapid progress will be made in weapons of destruction, especially guided missiles, and at the end of another ten years the human race will be better able than ever before to destroy itself. But let us see a few of the principal trends that may be expected. I have selected four, which, of course, are only a few out of many.

Cold War to Continue

(1) *The cold war will continue.* This is an underlying conclusion of considerable economic significance. It means that defense expenditures will remain high and will tend to increase. It also means that technological research will continue to be supported on an enormous scale by the government, and that technological change in industry will be accelerated by technological discoveries and developments produced by the defense program.

I shall not discuss at length my reasons for believing that no end of the cold war is in sight. Unsettled conditions in many parts of the world invite a struggle between Russia and the free nations of the West. For example, the withdrawal of the British, Dutch, and French from India, Egypt, and other places in the Far East creates a sort of vacuum in those regions, and the gain in the strength of Russia and China means that these countries will attempt to move in where Britain, the Netherlands, and France have moved out. Were one side or the other rapidly winning the cold war, one might be justified in predicting an early end. Thus far, however, the cold war has resulted more or less in a draw, and it would be unrealistic for the United States to expect much better results in the immediate future. Russia and her associates have an enormous advantage—in large parts of the world their objectives are satisfactorily achieved by fostering discontent, misunderstanding, and prejudice between countries and within countries and by encouraging disorder and disturbance — in short, by subversion. In the same countries the objectives of the free countries of the West can be achieved only by encouraging understanding, stability, and economic development. It is much easier to foster discontent and disorder than it is to promote economic development.

Favorable World Appeal

The tactics of the United States in the cold war, both under the Truman Administration and the Eisenhower Administration, leave much to be desired. We have allowed ourselves to be presented to the rest of the world primarily as the home of big business and the exponent of industrial efficiency. We have reason to be proud of our big business and of our efficiency, but these achievements lack human appeal and the peoples of other countries do not yearn for them. But the United States has developed far more successfully than any other country two institutions than do possess strong human appeal. These institutions are the family-owned and operated farm and the free trade union—open to workers of all parties and creeds, free of domination by the government and able to concentrate its efforts on representing the day-to-day interests of the workers.

The family-owned and operated farm has been made so efficient in the United States that its very efficiency has created a problem of too much production—a problem that many other countries would be only too glad to have. The family-owned and operated farm may not be the best way to produce all kinds of farm products under all kinds of conditions, but it is the best way to produce a wide variety of crops and it can provide hope for a good living to hundreds of millions of people all over the world. The free trade union, through not without shortcomings, is the best device that men have thus far developed for handling the day-to-day problems of the workers on the job, for seeing that workers get fair treatment from their bosses, and a good share in the gains from growing productivity. The foreign teams of trade unionists who visited the United States were invariably impressed by the completeness and vigor with which the trade unions of this country represent the interests of workers — particularly at the local level. If the United States were thought of around the world as a champion of the family-owned and operated farm

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Short-and-Medium Term Economic Outlook

and of the free trade union, rather than mainly as an exponent of big business and efficiency, our influence with the underprivileged peoples of the world would be substantially enhanced.

Technological Change

(2) *Technological change will grow at an accelerated pace.* To begin with, we are limited in putting to use the knowledge that we already possess by an insufficiency of engineers and other technicians. Some progress in overcoming this shortage is being made. Thus, engineering school enrollments have increased from 165,637 in the year 1951-52 to 243,198 in the year 1955-56—a gain of almost 50%.[2]

The rapidity of technological change will be increased by the fact that the decade starts with considerably more partly finished research on the way to becoming commercially applicable than was on hand immediately after the war. The best way to make a rough comparison of the volume of unfinished research at the beginning of the two periods is to compare the number of man-years devoted to research just prior to the beginning of each period. In the ten years 1946 to 1955, about 1,600,000 man-years were devoted by scientists and engineers to scientific and technological research and development; in the previous ten years from 1936 to 1945, about 837,000 man-years were devoted by scientists and engineers to research and development. In other words, nearly twice as many man-years have been devoted to research and development since the end of the war than during the previous ten-year period.

New Knowledge

Finally, technological change will be accelerated by rapid growth in our new industry of discovery. I have pointed out elsewhere that it is convenient to regard research as a separate industry—an industry engaged in the production of knowledge. Although much of the research is done in laboratories which work for particular enterprises (and are, therefore, in the nature of captive plants), most of the knowledge soon becomes generally available and thus broadly contributes to growth in the productivity of industry and the improvement of products.

The demand for new knowledge greatly exceeds our capacity to meet the demand. The principal factor limiting the growth of discovery is the number of trained and qualified scientific and engineering personnel. The number of such persons has been growing rapidly, but it is uncertain how rapidly we shall be able to increase the number of engineers and scientists in the immediate future. During the five years, 1948 to 1953, the increase in the number of engineers and scientists engaged in research was about 59,000.[3] In the previous five years, from 1943 to 1948, the increase was 36,000, and in the next earlier quinquennial it was slightly less than 36,000.

Will it be possible to continue to increase the number of engineers and scientists engaged in research at the rate of about 12,000 a year? The answer to this question is probably, "Yes," but it will not be easy to make the needed additions to the engineers and scientists. An important handicap is that the high schools as a whole are not well equipped to prepare students for science and engineering courses in the universities. An encouraging development is the growth in the number of Ph.D's granted in mathematics, physics, and chemistry. In the period 1935 to 1939, Ph.D's granted in these three subjects averaged 703 a year. By 1950 the number had more than doubled (it was 1,471), and it has slowly increased until in 1954 it was 1,725—an alltime high.[4]

The long-run growth of knowledge is limited by the slow rate at which the universities are able to offer additional permanent positions to teachers and research workers. The slow growth in the number of permanent university jobs extends to all fields—physical science, biological science, and social science. There is far more money available to finance research than there are persons to do the research. The very limited ability of the universities to increase the number of their permanent teaching and research staffs is of concern to the entire country because universities are the places best adapted for carrying on the sort of research that has no immediate applications but which provides the foundation for new developments in technology There is no doubt that, if the universities had more permanent research positions to offer, they would be able quickly to fill these places.

Highway Construction

(3) *The country will construct a great system of interstate highways.* During the next ten years the United States will need to provide roads and parking space for about 30 million more cars and trucks. It is proposed to spend during the next ten years about $27 billion on 40,000 miles of interstate highways. The cost will probably exceed the estimates. The new highway system will have profound effects upon the locations of plants and warehouses and the operations of industry. And the execution of this enormous construction project will have powerful repercussions on the economy. It will create strong demand for many kinds of machinery, materials, and labor and hence will have a strong tendency to raise prices and wages.

Consumer Credit to Expand

(4) *The use of consumer credit will continue to expand rapidly.* During the last ten years the volume of consumer credit outstanding has increased by around $30 billion. It is safe to predict that the next decade will see a continuance of the rapid growth in consumer credit There is no way of telling how rapid the ncrease will be, but another rise of around $30 billion would not be surprising. You may question this statement, pointing out that consumer credit started the last decade at a very low figure, mainly as a result of the shortage of durable consumer goods during the war. In January, 1946, total consumer credit outstanding was only $5.6 billion—less than the increase in the one year 1955. Since the growth of consumer credit in the last decade started from an abnormally low level, can a second equally large increase be expected?

I think that it should be expected. One reason for expecting a continuation of the rapid growth of consumer credit is that there are still a large number of persons who would make excellent credit risks but who today are not borrowing. The people who are most inclined to borrow are those in the income class of $5,000 to $7,500. These people have large enough incomes so that they make good credit risks, but they have small enough incomes so that they find it convenient to borrow. Nevertheless, about one out of three of the families with incomes of $5,000 to $7,500 has no short-term consumer indebtedness and another third of the families in this income bracket have short-term debts of less than $500. Obviously, there is an excellent opportunity for the banks, finance companies, retailers, and others to persuade the people with incomes of $5,000 to $7,500 to go into debt more deeply. The families with incomes of $3,000 to $5,000 make rather good credit risks, and yet about 36% of these families had no short-term indebtedness and another 36% owed less than $500. In these income brackets also there is opportunity for a large increase in short-term indebtedness. Even the families with incomes of $7,500 or more can probably be persuaded to go into debt more heavily rather than to pay cash. At the present time almost half of the families with incomes of $7,500 or more have no short-term debts. The banks and the finance companies will obviously do their best to persuade these good credit risks to become borrowers.

A second reason for believing that a continued rapid rise of consumer credit is ahead is that social attitudes toward short-term personal indebtedness are undergoing a revolutionary change. It is true that people have long had charge accounts at stores and have bought a few things (furniture, for example) on the instalment plan. But the conventional point of view has been that, except for a few traditional kinds of debts, short-term personal borrowing is to be avoided. There is no doubt that ideas about the wisdom and propriety of personal indebtedness are changing. The automobile has done more than anything else to make personal indebtedness respectable and to cause it to be regarded with complacency. Among the older persons ideas have changed much less than among younger — among families headed by persons of 45 and over about two out of three had no instalment debts in 1954, but among families headed by persons under 45 less than two out of five had no instalment debts.[5] Finance companies, banks, stores, air lines, steamship lines, are doing their best to encourage people to go into debt. Steamship lines and air lines advertise, "Go now and pay later." Some department stores have established lines of credit for customers which permit the customer, by making a regular monthly payment, to remain in debt up to a given amount. The Merchants National Bank of Boston offers a "borrow by mail" service. The applicant fills out a form and, if his credit is sound, gets a check by return mail.

I am not discussing what amount of consumer credit is sound or what rate of increase is too great. Whether a rise of $30 billion in the next ten years is too great, provided it comes gradually at the rate of about $3 billion a year, will depend upon the size of demands for credit from residential building, business, and government. But there is no doubt that an increase of $30 billion in consumer credit in the next ten years will be powerful stimulant to the economy.

III

With the cold war forcing large expenditures on weapons and research, with technological change and discovery going on faster than ever and producing new goods and new processes and equipment for which there is a large demand, with the country embarking on a much-needed road program that dwarfs all previous public works programs, and with consumer credit almost doubling, the next ten years promise to be a period of exceptionally strong demand for goods. It is quite likely that we shall attempt to do too much by rapidly raising our consumption while maintaining a high rate of defense spending and a high rate of investment. Hence, it looks very much as if it would be easier in this period for prices to rise than to fall. The danger of a rise will be accentuated by the strong popular desire for cuts in taxes and by the exceptionally advantageous bargaining position that will be occupied by the trade unions. A high level of employment can be counted on for most of the next decade, but if some one has a feasible way of preventing a creeping rise in prices from accompanying the strong demand for goods that is in prospect, let him bring it forth! In my judgment, we must reconcile ourselves to the prospect of a slow rise in most prices.

2 U. S. Office of Education, "Engineering Enrollments and Degrees, 1954," *Circular No. 421*, p. 1, and correspondence.

3 Office of the Secretary of Defense, "The Growth of Scientific Research and Development, July 27, 1953, p. 12; and the *Economic Report of the President*, January, 1954, p. 163.

4 National Science Foundation, *Scientific Personnel Resources*, pp. 28, 30 and 33.

5 "Survey of Consumer Finances, Supplementary Table 16", *Federal Reserve Bulletin*, June, 1955, p. 620.

NSTA Notes

BOND CLUB OF SYRACUSE

John P. Miles, Manager of the Syracuse Office of L. D. Sherman & Co,, has been elected President of the Bond Club of Syracuse.

Other officers elected were Harry C. Copeland, Reynolds & Co., Vice-President; Francis Q. Coulter, Marine Midland Company of Central New York, Treasurer; Albert C. Bickelhaup, Jr., Secretary. Members of the Board of Governors are Pearne W. Billings, Cohu & Co., James C. Tormey, Jr., Hemphill, Noyes & Co., and Donald L. Tiffany, Donald L. Tiffany, Inc.


John P. Miles


Francis Q. Coulter


A. C. Bickelhaup, Jr.


Harry C. Copeland

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The 32nd Annual Mid-winter Dinner of the Investment Traders Association of Philadelphia will be held on Friday, March 2, 1956 in the Grand Ballroom of the Bellevue-Stratford Hotel.

Willard F. Rice of Eastman, Dillon & Co. is Chairman of the Dinner Committee, with J. Edward Knob of Drexel & Co. as Co-Chairman. Randolph Sander of Butcher & Sherrerd is in charge of Guest Tickets; Henry M. O'Shea of Drexel & Co., Hotel Reservations; and Clifford G. Remington of Woodcock, Hess & Co., Member Tickets.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The 20th Annual Dinner of the Security Traders Association of New York will be held at the Waldorf-Astoria Hotel, April 27. Tariff $15 per person, dress informal.

Reservations should be made by letter with Elbridge H. Smith, Stryker & Brown, New York City and it is requested that checks be enclosed at the same time.

Hotel Reservations may be made with Frank J. Ronan, New York Hanseatic Corp.

Michael J. Heaney, Michael J. Heaney & Co. is Chairman of the arrangements committee.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Feb. 9, 1956 is as follows:

Team	Points
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	15
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	15
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	13
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	11
Growney (Capt.), Define, Alexander, Montanye, Weseman	11
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	10
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	10
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	9
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	8
Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	8
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson-Smith	7
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	3

200 Point Club		5 Point Club
Tom Greenberg	214	Bob Topol
Carl Swenson	207	Joe Donadio
Stan Shaw	201	Walt Bradley

LETTER TO THE EDITOR:

Remedies to Relieve Automobile Parking and Highway Congestion

With traffic conditions in New York City and in other large cities in mind, Alexander Wilson suggests remedial measures to relieve present parking difficulties and dangerous highway congestion by limiting the size of passenger cars and particularly commercial trucks. To discourage the use and future manufacture of oversize passenger automobiles and trucks, the author would levy a heavy "excess size" tax on new cars and trucks by Congressional enactment. Proposes building underground parking spaces whenever possible, also parking facilities in basements and lower floors of new buildings and constructing a pay thruway tunnel in New York from the Battery to the city's northern boundary.

Editor, Commercial and Financial Chronicle:

If there is one problem calling for immediate attention and solution in this country today that affects the entire population, more or less, it is the parking problem and traffic congestion of automobiles in cities and suburbia.

Alexander Wilson

The traffic problem is so evident that it does not require any elucidation, for the New York City streets are parked with cars both in day and night hours and the highways are jammed with endless lines of automobiles which become a headache to pedestrians and drivers alike whether pleasure or business bent.

The authorities in our municipal precincts talk and talk about what should be done to remedy the situation but never do anything effective about it.

Traffic Conditions in the Suburbs

The same story is true of suburban life—where it almost seems that every house owner owns and operates at least one or two cars which might lead one to think that the multiplicity of shiny cars on the streets every day and everywhere were originally given away as prize packages with the purchase of a cake of soap or some other daily commodity.

Now the $64,000 question is what can be done about it and how? The question resolves itself into: Is there any practical plan that will serve to cause more parking space to be available and provide more room on our overcrowded and dangerous highways?

Elevated Automobile Highways Built Over Railroad Tracks

Heretofore the writer advanced several reasons* why it would be expeditious to build elevated automobile highways over railroad tracks (particularly for the first 200 to 250 miles leading out of crowded industrial centers) and asked why in New York City, for instance, the old elevated structures that once stood in our city streets, could not be converted, without much expense, into city automobile highways for light passenger cars (not heavy loaded auto trucks) by utilizing the old 9th, 6th and 3rd Avenue structure routes throughout the length of our great metropolitan city.

Referring to this matter, Bernard M. Baruch, the wise and eminent American elder statesman, wrote the writer Sept. 12, 1951, after his article* appeared "I often wondered why instead of pulling down the elevated tracks, they did not make them into Thruways."

*"Motor Thruways Built Over Railway Tracks" in the Chronicle of Sept. 6, 1951.

But no action was taken by the City Fathers and demolition contracts were awarded and executed.

Our city streets uptown and all over New York City are solidly parked nightly with thousands of passenger cars (a serious fire risk) and the situation continues to grow worse rather than better weekly.

There are over 66,000,000 registered cars of all kinds on the road at the present time while the 1955 output of new cars totaled nearly 8,000,000 more automobiles and the output for 1956 and succeeding years may equal the 1955 record. These cars will have to find garage, parking and highway space somewhere in this blessed land of ours.

No one will deny that we are face to face with a traffic problem of vast proportions. **Therefore the writer believes that all passenger automobiles and commercial trucks which exceed a normal wheelbase length will have to be heavily taxed for excess space, which of course would include all new cars that are manufactured after such a law becomes effective.**

These size limitations should tend to lower the price of new cars to the public and car weight should reduce the amount of usable gas besides effecting a saving in repairs and maintenance. Many makes of cars like the big Cadillac models, Chrysler Imperial, Mercury, Packard and other makes are unnecessarily large and could be fashioned for size after many of the foreign models like the English Jaguar and the German Volkswagen for example. The sales appeal and trend in the United States has been to build bigger and bigger cars.

There is no alternative except to limit the size of future models within reasonable limits and by so doing, the writer believes that we will increase parking space and maneuverability and easier driving qualities of all cars.

Limit the Size of Passenger and Commercial Trucks by Congressional Enactment

If the excess size tax doesn't relieve the situation, then there is only one course left in the opinion of the writer and that is for the Congress of the United States to restrict legally the size of all passenger cars and commercial trucks. Americans characteristically go to extremes in many things, especially the mechanical manifestations of things, and seem to be obsessed with a mania for bigness in everything. The tremendous horsepower manufacturers are building into some new models may be all right for auto racetracks and advertising purposes but not necessary for general use.

Some Measures Being Tried in New York City to Increase Mobility

The writer is aware that several plans have been advanced by various municipalities without making any appreciable difference either to parking, traffic blocks and congestion in rush hours.

Here in New York City, an optional plan that was considered, aimed to get car owners to park their cars at the city's northern line and continue their trip downtown by subway or bus.

On some of our throughway avenues in New York (like 10th, 9th, 8th, 7th, 2nd and 1st Avenues) are now being operated as one way North or one way South automobile throughfares, as well as several crosstown streets.

Another optional plan endeavored to get auto truck deliveries of merchandise at night in order to leave the crosstown streets in New York City clear in daytime hours. The auto congestion problem especially in crosstown streets is largely the result of the heavy volume of trucks picking up or delivering merchandise of all types. The writer ventures to predict that one day it will be mandatory for most of that sort of business to be done at night. This will mean, of course, a considerable amount of hardship, and perhaps additional costs, for some of our businessmen. It will also entail getting the cooperation of the truckdrivers themselves which may not come too readily.

Practical Solutions Which Would Help

Another solution suggests itself: To construct buildings in the future with parking space on the roofs or devote one or two of the lower floors or the basement to tenants' parking space. Also to build underground parking spaces where above-ground spaces are not available.

The day is not far distant when a pay North and South automobile tunnel will have to be built from the Battery to the city's northern line at 218th Street to accommodate future traffic.

Now some critic may ask whether the writer is an exponent of smaller size passenger automobiles just because he himself has a smaller car, but here, the writer frankly admits that he owns one of those exaggerated size cars (an inheritance) which he and other car owners cannot get into the home garage because of its outlandish length.

Houses on Wheels—Monster Commercial Trucks Are Highway Menaces

Now we come face to face with the worst problem of all and that is the **monster size commercial trucks and trailers that are in many, many cases as big as houses on wheels** and it is no exaggeration to say that some of these vehicles are almost as big and long as railroad freight cars and that their number is increasing at an appalling rate and nothing apparently has been done restricting their immense length and size. The same regulation suggested above for passenger cars should rule, i. e. to heavily tax all new commercial trucks, trailers and other freighted vehicles for excess size when these commercial types exceed the norm.

The writer has been asked what we should do about the length and size of passenger cars and commercial trucks that are on the road now. The answer to that one is that all passenger cars and auto trucks in operation today should also be subject to an excess size tax, perhaps half or 50% of what new cars would be obliged to pay.

In summation, the long-term object of restrictive limitations discussed in this article is to discourage the manufacture and sale and ownership of abnormally size cars and trucks and their use by transportation concerns and the public.

Traffic Conditions Abroad

A recent world-wide survey by the Associated Press shows that traffic congestion is not exclusively an American problem.

The survey reveals that parking and congestion is not confined to our shores but is acute in character and extent in London, Paris, Brussels, Rome, Stockholm, Copenhagen and other European centers not to forget traffic jams in Tokyo, Japan and Rio de Janeiro, Brazil.

Another situation in New York that will require serious attention, are the disagreeable gas fumes from automobile exhausts when traffic is heavy on the public streets such as a pedestrian encounters on Fifth, Madison, Park and other busy avenues when the humidity is high in the spring and summer months.

ALEXANDER WILSON
25 Parkview Drive,
Millburn, N. J.,
Feb. 14, 1956

Franklin Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Harry M. Breed and Julien M. Hodgskin have been added to the staff of Franklin Securities Co., 57 Forsyth Street, N. W.

Three With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Mrs. Margaret M. Eaton, Harold E. Holmes and Thomas R. Jervis are now with Merrill Lynch, Pierce, Fenner & Beane, American Building.

With T. Nelson O'Rourke

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla. — Louise M. Schunck has been added to the staff of T. Nelson O'Rourke, Inc., 533 Seabreeze Boulevard, members of the Midwest Stock Exchange.

Salomon Bros. & Hutzler

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Thomas W. Gleason is now connected with Salomon Bros. & Hutzler, 307 North Dixie.

L. H. Borin V.-P. of Nat'l Secs. & Research

The election of Leighton H. Borin as a Vice-President of National Securities & Research Corporation, 120 Broadway, New York City, has been announced by H. J. Simonson, Jr., President.

Mr. Borin, who joined the corporation in 1952 as a wholesale representative for the National Securities Series of mutual funds, will serve as Resident Vice-President of the North Central Territory with headquarters in Minneapolis. The territory comprises the states of Iowa, Minnesota, Nebraska, North Dakota and South Dakota.

Previously, Mr. Borin was associated with Link, Gorman, Peck & Company, Chicago. He is a former faculty member of Northwestern University and has served as an educational consultant to Sunbeam Corporation, Clayton Mark Corporation, and A. C. Nielson Company. He is a graduate of Northwestern University with M.A. and Ph.D. degrees.

His memberships include Speech Association of America, Pi Kappa Delta, Twin City Bond Club, and Twin City Security Traders Association.

Two With F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

FORT LAUDERDALE, Fla. — Loren L. Cluster and Nick P. Christos have joined the staff of Francis I. du Pont & Co., 455 East Las Olas Boulevard. Mr. Christos was previously with Makris Investment Bankers.

Joins Roman & Johnson

(Special to THE FINANCIAL CHRONICLE)

FORT LAUDERDALE, Fla. — Chester A. Long has been added to the staff of Roman and Johnson, 312 East Las Olas Boulevard. Mr. Long was previously with Salomon Bros. & Hutzler.

Unrealized Usefulness Of Instalment Credit

By A. W. ZELOMEK*
President, International Statistical Bureau, Inc.

Professor Zelomek warns retailers they are on the firing line to offset relative government and business expenditure decline by increasing consumer purchases via instalment sales to maintain an expanding economy. Finds: (1) consumers to be the most important element in consumption; (2) consumer debt lower than it should be; (3) instalment credit generates increased consumer earnings; and (4) that expanded consumer credit sales can achieve for apparel and other soft lines what it has done for the auto industry.

I suppose the first thing we should do is to recognize the fact that the public attitude toward instalment selling has undergone some pretty drastic changes during the past 30 to 50 years.


A. W. Zelomek

Most of you, I suspect, can remember the day when the whole idea of instalment credit was regarded with what amounted to great moral indignation. There was something almost sinful about "mortgaging" one's future. Of course, few people at the time I am thinking of, before the First World War, owned, or wanted to own, a "horseless carriage." But the psychology of that day and age can be judged from the common terms of home ownership. Such ownership was reserved for the thrifty few, who by working long and saving hard had been able to accumulate a substantial down-payment. For such people, who had visibly established their strength of character, assumption of a 10 or 15 year mortgage was regarded as morally correct. But even that mortgage did not involve instalment payments. Interest had to be paid regularly, but there was no regular instalment payment schedule for mortgage debt reduction.

The automobile brought a change in thinking. Unlike a house, the automobile was a mass produced product. It could be turned out in large numbers in factories. However, these factories cost a lot of money to build. And these factories could not have been kept running if it was as hard for a consumer to buy an automobile as it was for him to buy a home. Once the automobile was invented, and proved desirable to the consumer, large-scale instalment selling had to be invented too. Automobile and instalment buying go together like beer and pretzels.

The success and growth of the automobile industry naturally drew the attention of other businessmen to the importance of instalment credit as a selling force. Just as naturally, this led to many abuses. Fly-by-night operators peddled all sorts of shoddy merchandise for "a dollar down and a dollar a week." Most consumers were unable to calculate the carefully concealed charges they were paying in connection with their instalment purchases, and in some cases these ran as high as 200 or 300% annually. The unscrupulous operator was out to take the public, and did. The attitude toward the morality of instalment merchandising came a full circle. Where the consumer who bought on the instalment plan had once been regarded with doubt, the businessman who sold on the instalment plan was now regarded with suspicion. And having come a full circle, a new viewpoint had to be developed.

Where are we now, in terms of what might be called the economic philosophy of instalment merchandising?

Certainly we have made progress, a lot of progress, in eliminating the abuses that from time to time have been connected with instalment selling, and in evaluating both the advantages and the dangers of this type of consumer credit.

But I do not believe that we have yet recognized the basic role that instalment merchandising, in my opinion, will yet be called upon to play, **if we are to have what we all want—continued expansion in our economy for an indefinite period into the future.**

Role of Credit

I feel justified in taking a few minutes at this point to talk about the problems of long-term economic expansion. The subject has vital importance to you as businessmen. You and the stores you represent will have a considerable part in the future development of instalment merchandising. Your policies along these lines may have a much broader and more profound importance than you now think. Finally, and most important of all, to you, if you recognize the fundamental importance of consumer instalment credit to continued economic expansion, your own policies and planning are more likely to be profitable to your own merchandising effort, as well as to the public welfare.

The problem of continuing economic expansion can be stated as follows:

(1) Continued economic expansion requires that the economy as a whole increase steadily its ability to consume.

(2) The three basic elements by which total consumption is accounted for are business, government and the consumer.

(3) Of these, the consumer is most important: **First,** because of the magnitude of the consumption accounted for by the consumer. **Second,** because, barring war, the consumption accounted for by government will in coming years show a relative decline. **Third,** because business cannot expand its consumption (not only of the commodities used in production but also of new tools, equipment and buildings) unless the consumer can expand his consumption of finished products.

Now, we economists know that, if we reach a time in the future when business greatly reduces its expenditures for new plant and equipment, this will pose a real threat to economic stability, and to the progress of economic expansion. We know that economic expansion has always walked on two legs, so to speak—that an increase in the ability to produce must be closely associated with an increase in the ability to consume. We know that any serious lag in either the power to produce or the power to consume is going to cause trouble. And we feel very strongly that any serious lag in the future is more likely to originate in the power to consume than in the power to produce.

As storekeepers, I believe you will agree with me that distribution is a tougher job than production, that it is usually a lot easier to buy than it is to sell, **and that our future economic expansion won't get very far unless you people can steadily increase the volume of goods that you, as merchants, take from our factories and pass on to our consumers.**

You retailers, in short, are on the firing line in the coming fight to keep consuming power up to snuff in relation to producing power. And instalment merchandising, in my opinion, **can give you invaluable help in winning that fight.** I have two reasons for saying this:

(1) Instalment merchandising can create a market today, which otherwise would not exist until tomorrow. It therefore provides a means of restoring balance, if producing power threatens to get ahead of consuming power.

(2) Furthermore, tomorrow's market, by virtue of instalment sales made today, will be **bigger** than if today's sales were on a cash basis.

I know there will be no disagreement with the first point—that instalment merchandising creates a market **today,** which otherwise wouldn't be there until tomorrow (and a long tomorrow, at that) if all purchases had to be made on a cash basis.

When we talk in terms of instalment merchandising, we are talking in terms of consumer integrity and in terms of consumer earning power. We are talking about a domestic market in which 32% of the consumers had incomes of $5,000 a year or more in 1955, against only 4% in 1941.

But when we talk in terms of cash merchandising, we are talking about a very limited market **for any item marked with a sizable sales tag.** Even $5,000 a year will not allow much big-check spending by the average family out of current income. And if expensive items are to be paid for out of the family's liquid assets, then such items have a limited market indeed. For 29% of our families in 1955 had **no liquid assets at all,** and only 10% of them had liquid assets of $5,000 or more.

No, there can't be much doubt that instalment merchandising creates an **immediate** market, which otherwise would not exist. But what happens next? Maybe, by granting instalment credit, we have mortgaged tomorrow's market, just as the consumers who have received this credit are said to have mortgaged a part of their future purchasing power. This possibly is what makes us uneasy about instalment merchandising. Are we selling our inheritance for a mess of pottage? What will happen when tomorrow comes?

Credit Creates Earnings

Such questions are only natural. Instalment merchandising, in the historical sense, is still a very new tool; only recently did it come within the realm of general acceptance and respectability. We still debate hotly about the items to which it should apply, about the terms on which it should be extended and so on. Perhaps the only thing we can agree on is that it has a powerful appeal to consumers — to the man in the street.

The man in the street, of course, is very important to you. Moreover, he is one of your allies in your fight to keep consuming power moving vigorously ahead. What does instalment buying do to him? Does it help him, or does it hurt him? Is it a snare and a delusion, leading him into an unbearable burden of debt? Or is it an aid and a stimulant to him, in achieving a higher standard of living, and in raising his individual consuming power?

These questions about what instalment selling does to the consumer are very important ones. I wish I had statistical information at my finger-tips, which would allow me to read off all the answers. Unfortunately, I don't have, and no one else has either. We have quite a bit of indirect information about the consumer—how much he earns; how much he spends; how well he pays his debts. And this type of information indicates that the consumer is a pretty solid citizen, and a good credit risk. But it doesn't tell us much about what instalment buying does to him as an individual. Does it merely get him ahead of himself by a year or two? Or does it, like natural ambition, or a college education, or a nagging wife, spur him on to bigger and better things, which he wouldn't achieve otherwise?

If instalment buying does no more for the individual consumer than to place a mortgage on his future earnings, then I say we could get along without it. But is there any doubt in your minds that it does more than that? Is there any doubt in your minds that instalment credit has a positive value, not only to you who use it in selling, but also to the consumers who use it in buying? There isn't in mine.

To explain this conviction of mine, and it involves a most important question, let us look at instalment merchandising from the viewpoint of the consumer.

At any given moment in his life, the consumer's knowledge of the future is very limited. He knows what his present status is but he doesn't know what it will be next year, or the year after that. He doesn't even know how long he will live. He knows what he is earning today, and what he can afford to spend. But he doesn't know what he will be able to earn next year. He may have an idea that he will be better off in the future, but he can't be sure of it.

Now, I submit that the extent to which a consumer, any consumer, **is able** to increase his future earning power and his consuming power, depends to some extent on how much he **wants** to increase them. Not entirely, I will grant you; but I think we must admit that **desire** is a tremendously important ingredient of accomplishment. And it is obvious that the **sooner** such desires are felt, in terms of the consumer's unknown but limited earning's span, the better the chances are that they will lead to an increased total of earnings and consumption for that individual consumer and his family, **over his entire earning's span.** The sooner we, as individuals, feel a strong desire to increase our earnings, the better the chance we have to bring this about.

Now, we agreed that instalment merchandising makes it possible for you to sell a refrigerator, or a television receiver, or a bed-room set, to an individual customer **sooner than you would be able to if he had to save up and pay cash.** You may be inclined to say: "So what. He would buy it sooner or later anyway. It all evens out in the long run." But there I would have to disagree with you. Being able to own a house, and a car, and a television set, and essential appliances, and nice furniture, has a tremendous impact on that customer's psychology, on how he thinks about the future, on what he wants out of the future in terms of increased earnings and still higher consuming power. As individuals, we don't like to lose what we have. We don't like to stand pat with what we have. We will work hard to keep what we have, and to get more. In a very real sense, **the size of our ambition is related to the importance and the value of our possessions.**

That is why instalment selling adds an important and permanent increment to our consuming power. The instalment sales you make today actually increase the magnitude of tomorrow's consuming power. For by making instalment sales today, you put in these customers' possession items they would not otherwise have been able to own. And to the extent to which their ambition is geared to the relative importance and value of their possessions, their earning power will be higher, and tomorrow's market will be just that much bigger.

Dynamics of Debt

I have spent quite a bit of time on this point both because it is important and because it is one that I believe most of us miss. This conception of instalment merchandising as making a permanent and appreciable contribution to the size of our consuming power is not very frequently discussed. Very few stores, very few credit people, very few economists, in fact, have begun to think in these terms. However, the role played by distribution and production are being surveyed again in relation to tax policy. Moreover, various forms of debt, consumer, Government, and business, not only have a dynamics of their own, but have shifted greatly in relative importance since the prewar period. I feel confident, therefore, that, although the views I have expressed here may seem a little strange and new to you at the moment, you will hear a great deal about them in the next few years.

For many years I have urged my own retail clients to explore the possibilities of instalment merchandising. You will agree, I think, that the mail order houses and many of the large stores have introduced new techniques of instalment selling, which have increased their sales and improved their competitive position without exposing them to undue risks. In terms of the economic philosophy of instalment merchandising I have just expounded to you, this seems to me to have been a far-sighted policy. I urge you all to give these questions your most serious consideration.

Summary Views

Now I would like to state briefly my own views on some of the other subjects that are discussed in connection with instalment merchandising.

(1) In my opinion present consumer debt, and instalment outstandings, are not excessively or dangerously high.

It is obvious that we cannot judge these debts as absolute magnitudes, in relation to their magnitude in earlier years. They have gone up, and so has everything else. We could compare them with disposable income in different years. However, the ability of the public to carry debt has increased substantially more rapidly than disposable income. A better yardstick with which to judge the relative size of debts is what the economists call discretionary spending power. This is derived from disposable income by deducting the basic living costs required to take care of the essentials of food, rent, clothing, etc.

In 1940, for example, disposable income was about $76 billion and discretionary spending power about $27 billion, or a little more than one-third as big. In 1955, disposable income had increased to $269 billion, and discretionary spending power to $153 billion, and was considerably more than one-half as big as disposable income. The gain in debt carrying capacity was substantially greater than the gain in disposable income.

Now with regard to consumer debt, particularly instalment debt,

*An address by Prof. Zelomek before the National Credit Management Division of the National Retail Dry Goods Association, New York City, Jan. 10, 1956.

I believe there is room for a further substantial expansion. Total debt in 1940, for example, represented 120% of discretionary spending power and 47% of consumer savings. In 1955, total consumer debt, and this includes debt of all sorts including home mortgages, had dropped to 84% of discretionary spending power, and to 43% of savings.

Now consider instalment outstandings. The bulk of this debt consists of automobile paper, which in 1940 represented 8% of discretionary spending power. This type of instalment debt has increased relatively, representing in 1955 about 9% of discretionary spending power.

This in my opinion is not a dangerously high level, for the following reasons:

(a) Automobile sales in 1955 were unusually high and a decline in 1956 must be expected. This type of instalment outstanding, therefore, is more likely to decline than advance during 1956.

(b) Other instalment outstandings, originating in other types of consumers' goods, have declined from 7% of discretionary spending power in 1940 to 4% in 1955.

(c) Finally, I think we must judge the automobile, and automobile instalment debt, a little differently than we would have in 1940. There has been a vast migration of population during the last 15 years, as well as a decentralization of industry. The automobile is an essential to the earning power of many more people, both absolutely and relatively, than was the case 15 years ago.

I would say that instalment outstandings on non-automobile items are too low, that retailers generally have missed an opportunity, by rather reluctant instalment merchandising, to expand the distribution of these items as much as they could have. I would say further, that the increasingly essential nature of the automobile to many wage earners, in connection with their work, indicates a still further increase in automobile outstandings, both absolutely and relatively, although I do not expect this to take place in 1956.

My second point is that many, if not most, retailers, are justified in programming much more aggressively for instalment merchandising than they have done so far. There are a number of things that should be considered when making these plans.

First, I believe it is a legitimate function of the store, not to discourage instalment buying and to bargain with regard to credit terms, but to encourage the customer to budget extensively and far-sightedly on the instalment basis.

The credit department should naturally discourage the consumer from over-extending himself; this is necessary for the protection of the store, and is a service to the consumer. But I believe the credit department should have a second function — to help the customer, who is not over-extended to budget for increased purchases of items that will add to his earning power, or to the health and enjoyment of his family.

Home ownership has increased steadily. I believe personally that this is good for the people who own homes, for the stores that serve them, and for the economy as a whole. The credit department in any store should share the responsibility of seeing to it that these homes are as comfortable, attractive, and well furnished as possible, **as soon as possible.** Accomplishing this is a contribution that instalment merchandising can make and the credit departments should help make it.

Secondly, I believe most stores can do a lot more than they have in establishing revolving budget plans for the purchase of apparel and other soft lines.

The average family of four should budget **regular expenditures** for clothing, not only for the sake of appearance, comfort, and health, but because it is more economical in the long-run to have too many clothes rather than too few. You people make an important part of your profit from apparel and other soft lines. And you have sat there, distressed, watching the relative sale of textile-apparel items decline steadily, while income, and home-ownership, and automobile registrations, and durable goods sales in general, were going up, and up, and up. You can stop that, if you will recognize one simple fact — that the average family buys hard lines **FIRST, partly because they are easy to buy, and partly because they can be budgeted, in terms of instalment selling, in terms of monthly income.**

Families want to be well dressed, too. But clothing has no real place in the family budget. It is an orphan. It gets what is left over **after** payments are made from the monthly paycheck for rent, groceries, gas, light, telephone **and** instalment payments due.

Why don't you help your customers to work out a basic annual clothing budget, and make it possible, easy, and attractive for them to meet it, and actually to make the expeditures it calls for. For example:

Five pairs of shoes, or five suits, worn alternately, will last more than five times as long as one pair of shoes or one suit worn continuously. How much longer? Frankly, I don't know. But if I ran a store selling clothing, I would find out. I would see to it that my customers knew about it. And I would present them with a plan under which, **by paying so many dollars regularly each month,** they and their families could be not only better dressed than in the past, but more economically dressed.

Thirdly, I think we should be a little less bound by tradition in establishing credit terms. For example, the quality of the risk is not determined by the size of the down-payment; there may be many cases in which no-down-payment sale will be completely sound. When you make a personal loan at the bank, for example, you make no down-payment at all.

As a second example, your terms should recognize the fact that your actual costs, per dollar of sale, are less for big sales than they are for small sales. Big-check items call for more liberal terms.

I also believe that your best policy is to make the terms depend more on the items, and less on the credit position of the buyer. You will have to determine the maximum credit risk you are willing to accept; then the terms should be the same to everyone who qualifies. Putting two different customers in the position of paying under different terms is just as inconsistent and indefensible as quoting two different cash prices for the same item.

Conclusion

Now let me sum up briefly. Instalment merchandising has a positive value in a continued expansion of this country's ability to consume which is hardly recognized as yet. I have tried to call this to your attention.

In this context of an expanding economy, instalment outstandings, and total consumer debt, are lower than they should be, rather than higher. Even in the context of an economy that will remain stable at current levels, they are not excessive.

I believe that it is vitally important for you, as merchants, to give the opinions I have expressed here, your serious consideration. I am not suggesting that you take undue risks, or that your credit department forget what it has learned from its experiences of the past. I am simply saying it is as bad a mistake to sell **too little** on instalment terms as it is to sell **too much.** Your chief question in 1956 should be: How much **more** can I sell through instalment merchandising, not by assuming poor risks, but by increasing instalment sales to customers who are under-bought.

A further expansion of instalment merchandising is an essential to continued expansion in the economy as a whole. You people are on the firing line, in a position to contribute to the general welfare as well as to your own profit.

Richard Langton Now With Camp & Co.

Richard Langton

(Special to The Financial Chronicle)

PORTLAND, Oregon — Richard Langton has become associated with Camp & Co., U. S. National Bank Building. Mr. Langton was previously with Zilka, Smither & Co., Inc. Prior thereto he was manager of the trading department for the Seattle office of J. R. Williston, Bruce & Co.

Stephenson Wells to Be McCormick Partner

CHICAGO, Ill. — Stephenson Wells on March 1 will become a partner in McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Wells is Chicago manager for Baxter, Williams & Co. Prior thereto he was President of Wells Elliott & Co., Inc. of Minneapolis, and in the past was an officer of Mullaney, Wells & Co. of Chicago.

H. R. Bracken II With Fahnestock & Co.

(Special to The Financial Chronicle)

FORT LAUDERDALE, Fla. — Henry R. Bracken II has joined the staff of Fahnestock & Co., 1750 East Sunrise Boulevard. Mr. Bracken has recently been with H. Hentz & Co.

Two With Makris Firm

(Special to The Financial Chronicle)

MIAMI, Fla. — Allan B. Bjork and Herman Gross have become affiliated with Makris Investment Bankers, Ainsley Building.

Merrill Lynch Adds

(Special to The Financial Chronicle)

MIAMI BEACH, Fla. — Robert A. Barsily has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Lincoln Bldg.

With Savard & Hart

(Special to The Financial Chronicle)

MIAMI BEACH, Fla. — Romeo R. Moreau has become associated with Savard & Hart.

Two With Nolting, Nichol

(Special to The Financial Chronicle)

PENSACOLA, Fla. — John D. Middleton and B. Taylor Smith, Jr., have been added to the staff of Nolting, Nichol & Company.

Money Market Effects Should "Ike" Run Again

Robert E. Albertson, President of Savings & Loan Association of New York State, sees Eisenhower's decision to run spurring a boom requiring continued credit control. Avers need to study built-in economic security upon saving's habit, and warns care should be taken not to interpret slight easing of money as a policy change.

During the course of his address at the Annual Meeting of the Shareholders of the Savings and Loan Association of the State of New York on Jan. 27, Robert E. Albertson, President of the Bank, discussed such matters as the money market outlook, nature of savings habits and the close unity of both political parties.

Robert E. Albertson

His remarks on these topics follow:

"There is much speculation at present in banking circles regarding the future course of the money market. No one can accurately prophesy, and I would make no attempt. The Federal officials themselves would make no prediction. They are watching various indices closely, particularly the rate of increase in consumer debt. Care should be taken not to utilize some slight easing of money in some aspect of our economy or a few days of easing in Federal Funds, or a lower rate bill to the conclusion that a change to lower money rates is pending, or that the Federal authorities have embarked upon a new policy which might lower interest rates.

"At present, there is one political decision which might have an effect on money rates. Should the President decide to seek a second term, there might be generated another upsurge of business confidence that would make continued credit restrictions probable and possibly more necessary, and contribute to the continuance of the Federal Reserve Board's present money policies. This is not to be construed as a political statement."

* * *

"It has long been my practice to avoid any advice as to how you should operate your institutions. Your splendid record clearly indicates your ability to operate institutions. However, I should like to raise a question or two that perhaps might be worthy of some consideration. First, have the savings habits of our people undergone a change? Are our accounts as stable and permanent as we once hoped they were, or are our accounts becoming short-term investments ready to be shifted to another form of investment as the opportunity arises? Second, do people feel the need for the so-called "rainy day" account as they once did since both employers and government afford so many economic safeguards? If such is the case, and I believe it is so, then the basic character of our savings institutions is undergoing a change that should not go unnoticed."

* * *

"We face a challenging year in our over-all economy. Politics will occupy a large place in our business. However, I feel our two great political parties are not as far apart as once was the case. A reading of the President's State of the Union address before Congress would indicate how closely the aims of our political parties have become. If such is the case, perhaps we can allay some of our fears over political uncertainties.

"Our industry has become a vital part of the economic fabric of our economy, and as such we should rededicate ourselves to those who have put their trust in us."

With First Florida Inv.

(Special to The Financial Chronicle)

ORLANDO, Fla.—Bun Haynes is now with First Florida Investors, Inc. 21 South Court St.

Continued from page 3

Oil Industry Investment Prospects Here and Abroad

future growth in oil demand, the industry will have to make huge capital expenditures. The "Oil and Gas Journal" estimates that expenditures in the United States alone this year will reach $5 billion. The Chase Manhattan Bank estimates that on a worldwide basis the industry will have to spend $115 billion in the next 10 years. That's a stupendous sum of money. Just to take one small segment in one company, the Standard Oil Company (New Jersey) has a program of building 53 supertankers at a cost of $312 million—and that's just to carry part of that one company's oil in international trade.

The conclusions which I think it is reasonable to draw on this long-term outlook are:

(1) This whole picture adds up to very favorable growth prospects—a favorable outlook for volume of business for the long-term, and a particularly favorable one for the companies with large foreign operations.

(2) The huge size of the capital expenditure program means that this industry simply has to remain profitable—probably more profitable than it is now. This, to me, is a strong indication that the oil industry's price structure will have to move up gradually—and this, in turn, almost unquestionably means an increase in the price of crude oil in the United States sooner or later. A higher level of petroleum prices will be needed to provide the capital for expansion because this industry probably must follow its historical pattern of generating all but a small fraction of its capital expenditure requirements internally, through its earnings.

Other Important Investment Qualities of the Oil Industry

I have outlined the favorable near-term outlook and the very attractive longer range growth and earnings prospects. Some of the other investment qualities of the oil industry are very important. For example:

(1) **The solid asset values**—particularly the values represented by oil and gas reserves in the ground. The real values inherent in proven oil and gas reserves today are far in excess of the money that has been invested in finding and developing those properties.

(2) **The good storage-of-value characteristics** which this kind of oil assets can provide during periods of economic recession. Also, the good resistance which the oil industry's sales volume has always demonstrated during these periods.

(3) **The good inflation-protection aspects** of the industry.

(4) **The worldwide geographical diversification** that you can get in oil industry investments. Or, if you prefer, you can also obtain geographical concentration.

(5) Finally, and probably most important of all, we have in the oil business some of the most **highly skilled managements** that can be found in industry today—managements of outstanding competence and judgment—managements that are really working for stockholders.

All of these investment aspects represent qualities which make the oil industry a particularly useful, attractive, and rewarding industry for investors.

But investors can't buy the oil industry as a whole; they can't buy the growth trend or the favorable price outlook or the diversification. We have to do our investing in individual, particular oil stocks; and this brings us to what is to me the most interesting, the most intriguing aspect of the oil industry from the practical point of view of the investment manager or the trust officer in his day-to-day work.

The Wide Range of Investment Characteristics of Individual Oil Companies

In this industry, there is available to the investor probably the largest number of big investment-type companies, and certainly the widest range of investment characteristics—the greatest variety of types of companies—of any industry that I can think of. The very wide range and variety of investment objectives—investment purposes—that can be accomplished through the securities of the many different oil companies is something that I think should be of real interest to you who are responsible for the trust departments of our great banking institutions.

The Large Number of Investment-type Oil Companies

One of the interesting things that immediately confronts the investment manager or trust officer when he starts to look at the oil industry is the very large number of companies whose securities are available to investors. I haven't counted them all, but I suppose that I have in my files separate folders on over 200 companies that I have analyzed and studied and done some work on at one time or another, and that's just companies in this country; it doesn't include a whole brood of new Canadian companies and a good number of other foreign companies. Of course, many of these are not the trust-type of investment; but the point is the investor — the trust officer — has plenty of choice as to what companies or what types of companies he is going to put his oil money into.

We need concern ourselves here only with the biggest companies that have wide and active markets and that qualify as good, solid, and alive trust investments. Even when we narrow down the field this drastically, we still end up with an unusually large number of investment possibilities—a large number of companies that are big enough and strong enough and good enough to be acceptable as trust-type or investment counsel-type investments.

I sat down the other day and made some quick calculations on the size of the various oil companies as measured by the total market value of their securities, their capitalizations. This is what I found, and it did not surprise me.

(1) There are 10 oil companies with market valuations of over $1 billion each—actually 13 if you include the three biggest subsidiaries of Standard Oil (New Jersey) which have publicly held minority stock outstanding — that is, Humble, Creole, and Imperial. (Incidentally, each of these three main Jersey subsidiaries is individually the biggest oil company in its area of operations—Humble in the United States. Creole in South America, and Imperial in Canada.)

I am leaving out the foreign companies like Royal Dutch and British Petroleum, although they certainly have investment merit.

(2) Then, below $1 billion, but counting only the companies with over $200 million of market value, there are 27 more good companies that are big enough to have real investment stature.

So, in total, the investment manager or trust officer has an unusually broad list of companies from which to make investment selections. There are at least 40 good, sound, well managed oil situations of acceptable size and quality for trust investment, including 13 real industrial giants in the $1 billion to $10 billion class.

Differences in Character and "Personality"

You know, studying and following and watching the progress of these 40 companies as I do is a lot like raising 40 children all at once. They're all the same species of animal; they all look a good deal alike on the outside; and they're all subject to more or less the same rate of physical growth. But 40 children sure do differ in their characters and personalities, in their rates of development, and in their capabilities. One will move ahead fast; another will be slow. One will show brilliance; another will appear to be dull. One will be daring; another doesn't like to take chances. One will like to explore faraway places; another wants to stick close to home. One likes to make things; one likes to sell things; another prefers to dig in the earth. One can do one job well, and another can do a different job better.

And so it is with these 40 oil companies.

All of these 40 oil companies have a good "home environment" —they are all favored by the same broad industry trends — excellent long-term growth prospects — a firm-to-rising price structure—good current earnings. However, like 40 different children, each of these companies has its own individual characteristics; and each differs in some degree from the others in the job that it can perform for the investor. This is important to remember—a major point that I want to get across.

Specific Differences Among Oil Companies

Just consider a few of the principal differences which exist among these 40 important oil companies — differences which are quite significant from the standpoint of how these companies perform and how they compare as investments.

There are differences in **geographical area of operations.** Some are international companies like Standard Oil (New Jersey), Gulf, Texas, Socony, and Standard of California — companies which range over nearly all the parts of the world that are outside of the Iron Curtain. These companies are affected by all kinds of international crosscurrents in trade, and currencies, and politics. Others confine their operations pretty closely to the United States and Canada — companies like Standard of Indiana, Shell, Cities Service, and Sun.

There are differences — wide differences — **in types of operations.** Some companies are integrated, that is, engaged in producing, refining, transportation, and marketing. All of the major domestic companies are in this category. Others are just exploration and producing companies, such as Amerada, Seaboard Oil, Honolulu Oil, and Superior Oil. These producing companies are an especially interesting group because of the tax advantages which apply to their operations, because of the extent to which they plow back earnings into exploration and development of new fields, because this type of company can show very spectacular growth, and also provide a direct participation in the favorable outlook for crude oil prices.

The domestic integrated companies, among themselves, differ quite widely as to **degree of integration;** and this can effect their profit margins and their earnings. A few of them, such as Continental, Humble, Skelly, and Ohio Oil are large producers and sell all the crude oil production which is over and above what they need for their own refinery requirements.

All the rest of the domestic integrated companies are buyers of crude oil in some degree. The extent of integration varies all the way from Sunray Mid-Continent, which has enough crude production to cover about 85% of its refinery volume, down to Standard Oil of Ohio, which produces only about 26% of its refinery requirements. In these companies, an increase in volume or an increase in prices of refined products is favorable; but an increase in the price of crude oil means an increase in costs, which, in the face of competitive pressures, is sometimes difficult to pass on to consumers in the form of higher prices for gasoline and fuel oils.

Then there are differences among these companies with respect to the amount they pay out in **dividends.** Standard Oil (New Jersey) has been an excellent dividend payer; and its big subsidiary, Creole, is outstanding in this respect, paying $3.75 out of about $5 per share cash earnings. On the other hand, most of the straight crude producing companies pay small dividends. The classic example of this is Superior Oil, which had over $100 per share of cash earnings in its last fiscal year—it sells for $1,200 per share—but it paid out only $3 in dividends last year. If you want income, obviously you don't buy Superior Oil. This stock has an entirely different investment function in our portfolios, a function which it has already performed for us very well indeed.

There are important differences in **management** too. Each investment man has his own ideas on management ratings, but I can certainly cite Standard Oil (New Jersey), Texas Company, and Continental Oil — as companies on which we will all agree—as being rather outstanding examples of major companies whose results have indicated that they have really top managements that are working all the time for the stockholders. Among companies of a different type, several of the exploration and crude producing companies have had discovery records and growth records which provide proof of outstanding management and oil-finding skill.

One aspect where the differences between oil stocks shows up most prominently is in their investment rating—in the **market's appraisal** of them. This is perhaps best reflected by the very wide variation in price-earnings ratios. In this group of 40 leading companies, there are variations all the way from 3.8 times to 23.8 times earnings. I am speaking here of cash earnings—before depreciation and depletion and other write-offs—since I am sure that most of you recognize that reported net income in the oil industry has little or no value as a measurement of real earnings or as a base for comparing price-earnings ratios.

So, we find that some oil stocks appear to be cheap—for example, Atlantic Refining, Standard Oil of Ohio, and Union Oil are at the lower end of the market scale in relation to earnings, selling around 4 times cash earnings or less—whereas other stocks, like Louisiana Land, Humble, Creole, Texas Gulf Producing, and Superior Oil, all are high priced, selling at over 10 times their 1955 cash earnings. That doesn't mean that the cheap stocks are investment bargains, nor does it mean that the high-priced stocks are unattractive. You can contrive some very interesting combinations of characteristics for your portfolios by having representation from these extremes to supplement and round out a core of more normally priced stocks.

Then there is a new phase of the oil industry—petrochemicals—which is tied in closely with refinery operations. A few companies, such as Standard Oil (New Jersey), Shell Oil, Standard of California, and Phillips Petroleum, are particularly strong in petrochemicals. Personally, I think that so far as its influence on the market is concerned, this petrochemical development in some of the oil companies has been somewhat overglamorized from time to time; but there is no question that petrochemicals have improved the profit position of the refining division and that they do represent scope for a great deal of growth in the future.

Natural gas also is an important element in the assets and operations of a number of oil companies, and here again the natural gas element varies quite widely among companies. To cite a few examples, Humble Oil, Phillips Petroleum, Cities Service, Standard of Indiana, and Superior Oil, all are very strong in natural gas reserves.

International Oil Companies

Now I'd like to come back to the particularly interesting prospects of the international oil companies. I am speaking now mainly of the five principal U. S. oil companies that have large international operations — Standard Oil (New Jersey), Socony, Texas Company, Standard of California, and Gulf.

Oil consumption in the United States has been showing a good rate of growth in the past several years—an average annual increase of about 5¼% over the past five years. This is good; but when the investor looks at the rate of gain in consumption abroad, which has been more than twice as fast as in this country, he sees something that looks considerably more attractive. In the past five years, the average annual growth in foreign consumption — in the free world outside of the United States —has been 11%. This, of course, has been due to the surging economic recovery and progress that have been taking place in Western Europe and in South America, and even in parts of the Far East.

Moreover, looking at the supply side, while our own country has seen some very prolific oil fields brought in during our lifetime, it has never seen anything like the fabulous oil reserves that have been under active development in the Persian Gulf area since the end of World War II. Some of these oil fields in the Middle East have individual wells producing as much as 10,000 barrels per day. At the same time, but on a lesser scale, Canada and Venezuela have been developing large new oil reserves.

The oil company experts who study market demand trends and the petroleum engineers who estimate reserves tell us that these rapid growth trends in the free world outside of the United States are going to continue over the next five, ten, twenty years, given a reasonably favorable business and political climate.

Based on our own work, we in our organization agree with these expert appraisals and conclude that investors ought to have a good-sized participation in a future that looks as attractive as the one charted for the foreign oil business.

The five international companies all have been very excellent investment performers over the past five years. Over this period—since the end of 1950—these five international oil company stocks have gone up by an average 165% in market price, while a group of eight strictly domestic integrated oil company stocks have gone up by an average of 68% or considerably less than half as much.

Of course there has been a very good reason for this excellent market performance of the international oil stocks. From 1950 to

1954, with their foreign earnings more than doubling, these five international companies showed a 46% increase in total net earnings. I want to emphasize here that these foreign oil earnings are real in-the-pocket cash money brought back to this country in U. S. dollars. Over the same period of time, eight representative domestic integrated companies showed an increase of less than 8% in earnings.

With that kind of recent performance, and with the bright future that is indicated for foreign oil operations over the next decade or so, these international oil companies certainly have a great deal of investment appeal and romance.

As I see it, the investment function which these particular companies perform in a portfolio of oil securities is a very desirable combination of high quality, geographical diversification, financial strength, management competence, investor acceptance, and assured long term growth. Certainly these companies provide the best means of participating in the dynamic growth prospects for foreign oil consumption and in the continued development of the huge and fabulously valuable oil reserves of the Middle East area. It would be possible to be very enthusiastic over these particular oil stock investments, subject only to price considerations and to whatever reservations you may have about the foreign political risks.

Now I mentioned foreign political risks. This is a real consideration in these companies. Operations in the Eastern Hemisphere, which are based on the production of crude oil from a small group of kingdoms and sheikdoms in the Middle East, certainly do involve a substantial amount of political risk which has been accentuated recently by Russian intrusion into the local squabbles of the Middle East area; and there is always the overhanging threat of war that must be taken into account.

The very fact that Eastern Hemisphere earnings have grown so rapidly in the past few years means that they are now a much larger part of total earnings. For example, here are a few approximate percentage figures that indicate roughly the amount of total net earnings which came from Eastern Hemisphere operations in 1954:

Standard Oil (N. J.)	23%
Socony Mobil Oil	32
Texas Company	44
Gulf Oil	45
Standard Oil of Calif.	47

Certainly, in spite of the record, we must exercise a little investment caution—some real element of prudence—before we rush out to put all our oil money into these excellent companies. Nevertheless, after giving full weight to the risk factor in these international oil companies, it is my conclusion that this type of company—this type of participation in the future growth of the world oil industry—should comprise an important segment of any oil industry portfolio.

Wide Scope for Investment Selection

Now that I have stressed the large number of investment possibilities in the oil industry, the wide range of investment characteristics in the oil companies, and the many points of real difference among them, I think that one conclusion you will draw from these remarks is clearly indicated. The oil industry provides a remarkably broad, diversified selection of individual securities which you and I can use to match up with almost any investment requirement — to build strong oil portfolios that will make a vital contribution to the basic investment objectives of our clients.

Portfolio Suggestions

Let me now try to give you a few general comments as to how we go about adapting the various characteristics of these many potential oil investments to the specific requirements of our individual clients—how we set up an oil portfolio—the types of stocks we use — to accomplish specific investment objectives. These are comments which you may want to take home with you and think about in relation to your own specific requirements of our individual clients—how we set up an oil for your own investment accounts.

First, let us take a portfolio which is perhaps typical of the average businessman investor:

(1) For a businessman — conservative but still aggressive, interested in reasonable appreciation. This man has a good income from his business—likes to have some investment income but doesn't need much currently. His principal investment objective is to build for his future retirement needs, aggressively but still conservatively — not taking undue risks. His account is big enough so that he can hold five oil stocks in normal-sized units. For this investor we would like to include these securities:

(a) Two international oil companies which could be selected from the five companies that I named in this group.

(b) One of the good domestic fully integrated companies with a large crude oil element — a producer on balance—with the emphasis on asset values, reserve values, and growth prospects.

(c) One good top-grade domestic company, strong in refining and marketing—producing only a part of its crude oil requirements but with an improving crude oil position. In selecting this stock, I would not put considerable emphasis on an improving crude oil position and on low price in relation to earnings so as to get the advantage of possible upgrading in market value during a period of favorable industry conditions and improving position of the company.

(d) Finally, a straight producing company of good quality. This would be carefully selected according to market price, basic reserve values, management results, and growth prospects.

I regard this as a rather basic set-up for an oil portfolio which can be modified to fit other types of investors and objectives. For example:

(2) For a very conservative investor or trust account. This client is conservative and quite properly so. Although he is not entirely dependent upon this fund, his income as a professor at a small college is not sufficient for the needs of his growing family. He would like to see the fund grow, to be sure. He is particularly anxious to have it keep pace with the increasing cost of living. He needs some protection against inflation. However, primarily, he must be conservative and protect his income.

This account probably will be able to hold no more than four oil stocks. Using the first set-up as a base, we can make a few adjustments to take care of these different requirements. I would eliminate the straight crude producing company and place more emphasis on quality and income return in the selection of the other items. All of the selections for this portfolio should be the highest quality situations in their respective groups.

(3) For a very aggressive businessman investor — high tax bracket—interested in appreciation — concerned about inflation. For one of our very aggressive businessman clients in a very high tax bracket with no need at all for income from his portfolio—a client who is really concerned about inflation and is interested largely in future appreciation potential, but is still a conservative investor—here again we can make some adjustments. This client could have a larger investment in oil stocks. Again referring to the first basic portfolio, I would eliminate the domestic refining and marketing company and concentrate more of the funds in crude oil producing companies — those affording real possibilities for maximum growth and appreciation. This client probably would have five or six oil stocks and probably at least two crude oil producing companies.

In short, perhaps the most important investment aspect for the oil industry that I really want to get across is the fact that among oil securities there is a sufficiently wide range of investment items —and a sufficiently wide range of characteristics within these items — so that it is possible for you and your trust committees or me and our counselors to build an oil portfolio which will meet almost any investment objectives— from those of your most conservative trust account to those of our most active and aggressive businessmen clients.

Possible Future Changes in Oil Industry Outlook

In talking to you here, I have given you a very favorable picture of the near-term oil industry outlook. But, regardless of my enthusiasm or your enthusiasm, it is still necessary to remember that industry conditions and investment influences in this industry, as in every other industry, will change.

In the past, this industry often has been subject to marked and rapid short term reversals. Even in recent years of generally booming business conditions, it has gone through several periods of statistical maladjustment—periods of great uncertainty. Many times I have seen such periods last for a year or even longer.

I am sure that there will again be times over the next several years when the oil situation will have a different appearance than it has today — times when every one of us in this room will be worried about the oil situation and concerned about our investments. These will be the times when it will be necessary to have firm confidence in the strong longer term investment aspects of the industry which I have stressed, and faith in the fundamental ability of the oil company managements.

Conclusion

The basic conclusion I would like to leave with you is not so much that the near-term outlook —favorable as it may be today— is the predominant investment aspect of the oil industry. Rather, the basic conclusion is that the oil industry really embodies and provides most of the things that investors are looking for. It provides most of the investment characteristics that we need in our investment portfolios — financial strength, good management, high asset value, good earnings, assured dividend return, inflation protection, and appreciation possibilities.

There will be times—perhaps even today—when you and I will think oil stocks are high, but I am convinced from the work we have done in our Oil Department that in the years ahead—in good times and particularly in bad times— the oil industry will present us with a great range of investment opportunities. A recognition of this on my part and on your part —a constant search for those opportunities—an intelligent use of them in our portfolios — can be very rewarding to the clients of my firm and to your trust beneficiaries.

Porges to Admit

Arthur Rittmaster, Jr. will become a limited partner in Porges & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on March 1.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Among the leading New York City banks the transition in the makeup of their sources of gross income is strikingly brought out in the accompanying tabulations:

Proportion of Gross Income Derived From Loan Interest

	1948	1949	1950	1951	1952	1953	1954	1955
Bankers Trust	40%	38%	42%	52%	56%	58%	57%	62%
Bank of New York	*	*	*	39	46	50	49	52
Chase Manhattan	47	47	47	55	60	64	60	62
Chemical Corn Exch.	47	47	47	58	61	61	53	60
Empire Trust	24	25	24	36	36	36	35	41
†First National City	31	33	36	43	48	50	47	49
Guaranty Trust	38	43	44	52	57	60	54	55
Hanover Bank	35	39	41	50	50	55	52	55
Irving Trust	47	48	52	62	63	63	56	61
Manufacturers Trust	36	39	44	51	53	55	51	51
J. P. Morgan & Co.	30	36	39	53	53	56	49	54
New York Trust	49	50	47	53	58	61	55	58
United States Trust	14	17	15	19	19	22	20	23

*Data not issued by bank in these years.
†Includes City Bank Farmers Trust Co.

The first observation to be made is that the 1955 figures for Bankers, Chase Manhattan and Chemical Corn Exchange, reflecting the merger in each case, probably are not strictly comparable with the earlier years, although the departure from comparability cannot be considered as important in degree. Another noticeable point is that in almost all cases, the dip in the 1954 figures from 1953 and the rise into 1955, reflects the 1954 recession in general business. Those of us who watched the weekly Federal Reserve commercial loan figures can readily accept this pattern.

But the noteworthy factor in this tabulation is the proportionate increase in the loan interest figures for these banks in the period covered:

Bankers	55%	Hanover Bank	57%
Bank of New York*	33	Irving Trust	36
Chase Manhattan	32	Manufacturers Trust	42
Chemical Corn Exch.	28	J. P. Morgan & Co.	80
Empire Trust	71	New York Trust	18
First National City	58	United States Trust	64
Guaranty Trust	45		

*Five years only.

And it is small wonder that the bank managements utilized this shift from investments, mainly to loans for their major source of gross, because on average the rate of return from loans runs up to about 70% more than the rate of return on investments.

Now what was happening to interest and dividends from securities as a source of gross in the same period:

Proportion of Gross Income Derived From Interest and Dividends on Securities

	1948	1949	1950	1951	1952	1953	1954	1955
Bankers Trust	27%	27%	26%	18%	16%	14%	16%	14%
Bank of New York	*	*	*	27	23	19	19	18
Chase Manhattan	36	36	36	27	23	22	25	23
Chemical Corn Exch.	35	36	34	25	25	22	28	24
Empire Trust	43	42	39	35	33	34	34	27
†First National City	39	38	37	32	30	28	31	29
Guaranty Trust	35	31	30	25	23	21	21	23
Hanover Bank	41	37	36	28	29	24	27	24
Irving Trust	33	32	29	20	20	21	27	22
Manufacturers Trust	46	43	38	31	30	28	32	31
J. P. Morgan & Co.	45	42	32	23	25	22	23	20
New York Trust	30	28	31	25	22	20	25	22
United States Trust	20	19	21	23	24	22	21	21

*Data not issued by bank in these years.
†Includes City Bank Farmers Trust Co.

Here, of course, the trend is in the opposite direction, and the declines for the period average out approximately 34%. In total amounts the declines in income from securities investments have largely balanced out the increases in loan interest, as the changes in the proportion of gross derived from fees, commissions and miscellaneous (substantially, trust fees) were relatively small, and, indeed, on the down side. The one bank in which trust fees and commissions have relatively large importance is United States Trust, with about 56% of gross coming from trust sources in 1955.

If along toward the second half of 1956 loan volume recedes moderately more than seasonal, a build-up in security investments will take place at the expense of loans. Many bankers expect this, but most do not look for an important shift to investments.

Continued from page 5

Soviet Economic Offensive And East-West Trade

U. S., and the Senate Permanent Investigating Subcommittee under Senator John L. McClellan (Dem., Ark.) is studying undue relaxations of free world security controls over strategic shipments to the Communist sphere. In reaction, the London Foreign Office has announced that it was not aware of any facts substantiating allegations that Britain was making a major contribution to Red China's war economy.

One thing is sure: all past predictions that over-all East-West trade is destined to diminish have been wrong. And it seems also to be certain that it could become dangerous to say that we need not take the Communist economic assault too seriously.

As the factories of Europe and Japan are running at high gear, the search for bigger export markets is exerting increasing pressure to open up Eastern, specifically China trade. Many nations must trade or perish. And U. S. industries, quite logically, feel that the sauce for the goose is good for the gander, and that they, too, should be entitled to do here, what is being done by their competitors abroad.

West Germany is now being lured by *Moscow*, which promises sales to *Peiping*, casually mentioning that the Kremlin may soon give another $200 million loan to Mao-Tse-tung. And Bonn has increased its new trade pact with Prague to $74 million for 1956.

Italy's special Red China deal, originally set for Sfrs 40 million, has been raised to Sfrs 62 million and, later, to Sfrs 100 million, of which two-thirds have been consummated. Talks are said to be scheduled to increase Rome's trade accord exchanges with the Soviets above the current annual level, equivalent to $70 million.

A French and a Danish trade mission are now in Peiping. (Parenthetically, it is noteworthy that East Germany has become Denmark's main market for live animals, cereals, fruit, vegetables and textile fibers, and that Copenhagen has come to depend upon 500,000 annual tons of Polish coal, prescribed by its trade accord with Warsaw. And French exports to the Soviet bloc in the first nine months of 1955 reached a record value of $100 million, having nearly doubled within a year.)

Rangoon is now admitting Red China goods under Open General Licenses.

Conversely, investment capital from Red China is now systematically infiltrating Singapore's industry, commerce and banking life, and Peiping is now underselling Japan (!) in consumer goods (!), which are increasingly showing up on Asian markets. Their quality is higher than had been expected. Their propaganda impact is considerable. The variety includes radios, bicycles, fountain-pens and sewing machines.

What Is Strategic?

As in the past, the question must be posed: What is strategic? Should one, for instance, consider penicillin in this category? Discussing the query in a detached manner, pleasantly gathered after a good meal in a New York City restaurant, we might offhand say that penicillin is not war-vital. If, on the other hand, we sat in a foxhole in Korea, we would, in all probability, not only deem penicillin strategic, but, indeed, define it as tactical.

Underdeveloped Areas

At the moment, the Soviets are still maintaining their offer to Egypt of $200 million for 50 years at only 2.5% interest toward the completion of Sadd el 'Ali, the High Dam of Aswan. The U. S. and Britain have tentatively offered $70 million over five years, to start with. Mr. Eugene R. Black, President of the World Bank, is now in Cairo, as this is being written. At the same time, Hungary has received a contract for a large power station, worth LE 2 million, to supply the Helouan steel plant project, and has also bid to build a Nile bridge. The Hungarians are now delivering 65 diesel engines.

An East German delegation has arrived in Cairo and is negotiating for contracts to construct shipyards and a drydock, and to expand Alexandria port facilities. In the Sudan, East Germany has opened a Representation. And Czechoslovakia has concluded a trade agreement with Egypt, in addition to those signed within the last 12 months with Iran, Syria, Afghanistan, Ethiopia, India, Indonesia and Argentina, and Prague has established a state trading center in Cairo and Addis Ababa, in addition to those already opened in New Delhi and Jakarta.

Elsewhere in the Middle East, Czechoslovakia has offered aid to Syria to complete an oil refinery, and the USSR and Red China have signed commercial pacts with Damascus—believe it or not—offering manufactured (!) goods and willing to absorb cotton and grain. In Lebanon, port improvements may soon be undertaken by Czechoslovak engineers, and Beirut has signed trade agreements with East Germany, Poland, Rumania, Red China and the USSR.

Red Poland has definitely won the contract from Saudi Arabia to rebuild the 500-mile stretch of the strategic Hejaz Railway between Damascus and Medina, reportedly having outbid 15 competitors. Moscow is now sending economic experts to Yemen.

Poland, by the way, in 1955 signed its first trade agreements with Burma, Ceylon, the Sudan, Syria and Paraguay; and Polish trade delegations for the first time visited Ethiopia, Jordan, Kuwait, Lebanon and Saudi Arabia. In addition, incomplete plans call for the exhibition of Polish goods in 1956 at the international fairs of Casablanca, Izmir, Zagreb, Damascus, Leipzig, London, Paris, Stockholm, Vienna, Surabaya and Sao Paulo.

East Germany has offered Turkey long-term construction credits and is bidding for hard-to-sell goods. Similar overtures have been made to Greece, which is now veering toward neutralism, and where the Feb. 19 elections may unseat the pro-Western Karamanlis Government.

In Afghanistan, the Czechs are setting up cement and shoe plants and the Russians have granted a long-term $100-million loan, the multiple of U. S. aid to that border Kingdom. Soviet technicians are already on the job. And it should be noted that Mohammedan, feudal Afghanistan has an anti-Russian tradition extending over centuries. (Perhaps indicative of how the Communists are tackling the Moslem question are reports from Tangier to the effect that Red agents are spreading the rumor that Coca Cola contains pigs' blood.)

In India, Moscow has been awarded the contract to build a steel plant and has promised technical assistance. The steel mill, when completed, is to be worth Rs 1 billion and Moscow has granted credit for 25 years at merely 2.5%. India has also accepted the Soviet offer to establish a Technological Institute in Bombay. Nikita Krushchev has called India "our special love."

In the meantime, to still India's thirst for one million tons of steel, the USSR has booked and begun to ship a 50,000-ton order, and has just now offered another 100,000 tons for early delivery. And, strange as it may seem, Red China has also offered 60,000 tons of steel. At the same time, Poland has sold 2,600 freight cars to India (in all likelihood financed in a manner reflecting U. S. aid), having underbid all other quotations, some of them by up to 50%.

In Indonesia, the Soviets are offering drilling equipment and the East Germans have sold 90 diesel locomotives, at lowest bids and on longest offered credits.

While the Kremlin leaders have buttered up India, at the expense of pro-Western Pakistan, Czechoslovakia is now offering trade, aid and technical assistance to the Pakistanis. Plans for a Czech assembly plant for radio equipment and electronic measuring instruments, to be set up near Lahore, have been submitted to Karachi; a Pakestani representative has visited the Skoda works and negotiated in Prague; and the Czechs have also offered to build a motorcycle plant.

Japanese firms and the Tokyo Trade Ministry are planning to import 100,000 tons of Soviet crude oil this year, compared with a 30,000-ton importation in a special deal during 1955. And the Bank of Tokyo has entered into a corresponding arrangement with the official East German Notenbank, "because of stepped-up trade."

Below the Rio Grande

As to Latin America, Anastas Mikoyan, First Soviet Deputy Premier and an economic specialist will soon stump the countries to our south in the fashion in which his colleagues have visited India, Burma and Afghanistan.

Some people have said that our position below the Rio Grande is so preponderant that it is practically unassailable and that it is ridiculous to think that Moscow could compete. It has been cited that our annual trade with our Latin Sister Republics is worth around $6 billion; that our direct private investments there amount to about $7 billion; that the American taxpayer, in terms of U. S. governmental aid, grants, credits, development loans and technical assistance, has contributed around $3 billion to Latin America; and that Export-Import Bank loans and World Bank development credits to Latin America have been in excess of $1 billion, not counting almost half a billion dollars to cover such exchange deficits as those of Brazil.

All this is, of course, true. It is also true that all current Communist trade agreements with Latin American countries are valued at only $500 million, and that, in fact, the fulfillment of these pacts in 1955 may have come to only $200 to $300 million, with the Reds being the debtors to a considerable degree.

But it is equally true that Poland today is the foremost shipper of coal to the Argentine, or that, at least, Poland has held that place for a time in the past, and that the Soviet Union is or recently has been among the foremost, if not indeed *the* leading supplier of oil to the Plata Republic.

Naturally, Russia will become a major threat to Latin America only on the day on which her 200 million people become regular coffee drinkers. This is not likely to happen. In the meantime, however, Russia has begun to buy small quantities of coffee and the satellites (with a coffee house tradition going back to the days of the Turkish wars, in Prague, Budapest and Bucharest) have followed suit. And the Communists, having now 19 trade agreements with Latin American nations, although Moscow maintains diplomatic relations with only the Argentine, Mexico and Uruguay, are buying cotton, sugar and wheat, and other Latin American surpluses which we cannot buy because we, ourselves, are suffering from overabundance. Moreover, the Soviets are also buying cocoa — perhaps not so much to promote genteel afternoon socials in Siberia, as for the emergency rations of the Red Army.

Thus, the Communist countries are working for a toe-hold. It is not inconceivable that they will succeed. And a toe-hold can, in due time, become a foot-hold. A Czechoslovak delegation has recently appeared in economically weak Bolivia, and East German typewriters are popping up in Colombia and Peru, having already flooded Brazil.

German and Japanese trade with Latin America is far, far behind ours, both in dollars and cents and in percentual share. Yet, are there many men in this country, practically engaged in Latin American trade, who would deny that they are increasingly "feeling" the German and Japanese competition? And who, in, say, 1950, would have believed that within a matter of a few years, war-torn Germany and A-bombed Japan would become sharp rivals for our trade in "our own backyard?"

Empty Gesture?

Soviet economic strength will have to be taken more seriously than in the past, when Stalingrad lay in rubbles and the Dnepropetrovsk Dam was in ruins. Moscow now controls a major industrial establishment, augmented by the old industries of Czechoslovakia and Poland and the new ones of East Germany and Hungary, which can export, even if domestic plans have to be curtailed, and which is capable of increased raw material absorption.

To take the Soviet economic offensive as an empty gesture or a mere propaganda effort would be tantamount to underestimating the potential enemy. And to say that the Communists lack the resources to make good some, if not all, of their commercial promises, is tantamount to a denial of the fact that the Communists, by virtue of their ideology and totalitarianism, adhere to a basic policy of longer range, than can the free world. Moreover, the Soviets are sustaining the initiative.

It is perhaps noteworthy that the conservative "Handelsblatt" of Dusseldorf, Germany's excellent "Journal of Commerce," relates that, more recently, the Russians are buying ships, machines, diesel motors, lathes, etc., paying so promptly, that the phrase, "They pay like the Russians" has "by now become proverbial in (German) banking circles" in description of "absolutely prompt settlement, without friction."

Soviet Industrial Might

Are the Soviet aid offers real or are they bluff, asked The New York "Times"? The leading American publication then pointed out that the Soviet economy is today industrially the second largest in the world, after that of the U. S., and "by its very nature is far more capable of producing resources for foreign economic development than would be a Western economy of comparable size"; that "Soviet industry is primarily devoted to building of machinery and equipment of many types, the precise materials needed for new production installations . . ."; that "the Soviet Union has the distinct advantage over Western countries" because "Soviet training of engineers and other technicians is at a far higher level than that of the United States, so that the diversion of a few hundred or even a few thousand such technical personnel could be made up relatively quick"; that the Soviet Government "has far more freedom of action . . . than Western governments," because "within wide limits, a Soviet 'surplus' is what the government decides it is. . . . Having full control over all resources and being unhampered by a democratic Parliament, the Soviet Government can export machinery, raw materials and food, whenever it deems such action advantageous, almost regardless of the domestic situation." The "Times" then went on to stress that whatever is being argued "some Soviet economic aid for non-Communist countries is already in process of being delivered, particularly in India"; and that "the Soviet leaders are making offers in the determined manner of men confident that they can make good on those offers."

Also of interest seems to be that some British and Continental industries are already beginning to consider the Communists a real competitive threat. Sir Robert Shone, member of the British Iron & Steel Board, for instance, expressed the opinion that a liberalization of East-West trade is causing grave apprehension, because, on the basis of Soviet wages, Russian steel can easily undersell the Western product.

The Reds are now cutting red tape and are making a maximum effort to show their friendliest face, when negotiating trade and aid. At that, they are not giving very much away. Most of their transactions call for balanced exchanges or ultimate payment, with only some technical advisors (useful to Moscow because of infiltration, subversion and espionage possibilities) promised for free.

Economics With Politics

Finally, the Reds are carefully adjusting their schemes to the thinking and economic planning of the nations which they hope to penetrate. When, in Kabul, the Afghans wanted their principal thoroughfares paved, our experts, quite logically, decided that what Afghanistan needed first was some hydro-electric power, and that the boulevard for the donkeys and camels could come later. The Soviets, however, working on purely political lines, thought nothing of paving the main street first—no matter how unimportant for Kabul's development.

It is, of course, true that the Soviet investment promises can be kept in the talking stage for a long time. (This is not quite so in the case of commitments involving commercial exchanges!) But the fact that the Soviets are copying the highly successful Export-Import Bank and World Bank methods appears to be an indication that the Communists mean business — to be sure, for political ends. At least to a degree, they may be expected to deliver the goods.

To finance its exports to the non-Communist world, and those of the satellites, especially over long-range terms, Moscow is now planning to establish a central east bloc trade support bank. . . .

The Communist efforts at international trade fairs are no laughing matter. Where we are inclined to exhibit the most attractive TV shows, the latest in American home comfort, highly intricate models of our uniquely developed industries, the Soviets show simple agricultural implements and basic capital equipment; the Poles exhibit shoes; the Red Chinese, bicycles, and the Czechs, textiles, most of which are not nearly as impressive as our exhibits, but are probably closer to the needs of the average Indian, Burmese or Indonesian. Reviewing the New Delhi Industrial Exhibit, the most influential "Times" of India contended that "the Communist side has won the first round. All its pavilions were ready in time; exhibits were good and advantageously displayed; England and the U. S. were limping behind." This neutralist paper's account may have been incorrect and a mere expression of India's schizophrenic attitude toward Communism. But it seems to represent an important segment of Indian reaction.

Single Surplus Crops

Above all, the Communists are buying the surplus commodities which underdeveloped, one-crop countries find hard to exchange for what they need, and which we cannot buy because they hang heavily over our own market. Reference is made to Egyptian cotton, Burmese rice, Icelandic fish and to wheat.

Take, for instance, the long-term eastward orientation of Cairo. In the first eight months of 1955, 7% of total Egyptian imports came from the Communist bloc and 25% of over-all exports went behind the Curtain. In the cotton-year ended Sept. 1, almost 30% of total Nile cotton output was shipped to the Reds. During last year, Hungary doubled its cotton orders from Cairo; China's orders went up by 200%, and Poland's by 250%. Egypt's dependence on East-West trade is by now considerable.

Communist rice purchases from Burma are notably gaining. Even such countries as Poland, not especially known for its inclination toward rice consumption, are in the act. Naturally, Warsaw may later on dump the Burmese rice elsewhere, to Burma's direct detriment. (90% of Burma's exchange earnings are stemming from rice!) The U. S. rice surplus situation being what it is, Washington had to refuse the rice offered by Rangoon in payment for dollar goods and technical aid. Thus, Burma trade agreements today include those with the USSR, Red China, Hungary, Czechoslovakia, Rumania, Poland and East Germany, all of them bilaterals of the sort we do not enter. Several Red trade exhibits have been held at Rangoon. Official Communist delegations come and go, together with Red economists and technicians, soccer teams, dancers and cultural lecturers, the impact of which is not to be underestimated, and Peiping has presented the devoutly Buddhist nation with a sacred tooth of Buddha, "a grand symbolic gesture."

The Reds are particularly heavy in the rubber market, not only in Malaya, Singapore and Ceylon, but also in London and Amsterdam. Fifty-five per cent of Ceylon's total rubber output is now being bought by Red China alone, partly above Straits prices.

In this Hemisphere, the USSR, since early 1955, has bought and paid for and firmly ordered 700,000 tons of sugar, of which the still undelivered 200,000 tons will be shipped by mid-1956 — admittedly far below world market prices.

Not only have the Soviets become important wool buyers in Australia, so have the Poles, who, additionally, have bought 50,000 tons of Australian wheat, alas, on the installment plan.

When Mexican sulphur productivity skyrocketed to the detriment of the antiquated and partly exhausted mines in Sicily, the Soviet Union bought 50,000 tons of Sicilian sulphur.

Austria, which it was hoped in Washington, after her final liberation, would emerge from the twilight zone and gravitate to the Western side, has received a Soviet loan offer of several hundred million schillings and Moscow suggested that the credit be used in part to set up a $30-million hydro-electric Danube River works, conveniently located on the Austro-Hungarian-Czechoslovak border, near Hainburg—presumably to counteract the huge Alpine dams in far Western Austria, largely financed by U. S. funds. Conservative Chancellor Julius Raab now seems to have thrown off all disguise and has come out openly in favor of accepting Soviet aid and increasing East-West trade. (Austria, in the past ten years, has received about $1.6 billion in U. S. aid of all types!)

Much closer to home seven million pounds of surplus butter have been sold by Canada to a Dutch firm for resale to East Germany (with which neither Ottawa nor Washington maintain diplomatic relations), at about 39% below the actual cost to the Dominion Government. The deal followed a similar one, involving 315,000 pounds to Czechoslovakia. And Poland is now negotiating for 7.5 million bushels of low-grade Canadian surplus wheat.

Ruble diplomacy is particularly clear in the case of Turkey. In Izmir, East German agents have bought up quantities of fine tobacco, paying as much as LT 4.50 per kilo, for which U. S. traders pay only LT 3.75 to 4.000 liras. But the East Germans paid in machinery, trucks, tires and cosmetics, all of them considerably over-invoiced above world market value, so that, in effect, they paid less for the tobacco than would have U. S. buyers. Moreover, the East Germans did not buy quality tobacco for their own population, but for re-sales — to the U. S., at cut-rate prices. In this way, they undermined Turkey's chances to gain sorely needed dollars.

In addition, some three years ago, "Life" magazine, after having been granted access to some of the material in the files of the U. S. High Commission in Germany, printed an estimate—presumably by a qualified, official American observer—that surreptitious and round-about German exports to the East were worth $225 million in 1951. As security curbs on some strategic goods have been relaxed, circuitous shipments behind the Curtain of many items are likely to have diminished. On the other hand, as the Communists are mounting a greatly intensified trade drive, goods still embargoed or quantitatively restricted are now likely to reach their Eastern destinations in growing quantities via shady middlemen, in transit through free ports and against payment in multi-angular clearings.

Unreliability

And the unreliability of East-West trade remains. It is, for instance, highlighted by the fact that Commerce Minister Clarence D. Howe of Canada is still waiting for a reply from Moscow to his draft trade agreement—sent to the Kremlin last fall. And, what would happen to Egypt if the Reds suddenly stopped buying Nile cotton, can only be guessed.

Our very generosity and Christian compassion have made us rather few friends and many enemies in the world, although much of U. S. aid has been truly effective, some squandering being fully realized. We are operating in a sort of strait-jacket of our own fortunate economic position, our moral obligations and inherent American decency. But we cannot shake off the burden history has placed upon us.

We will have to stem Communist economic penetration. To this end, it is suggested that a factual, unimpassioned, and, above all, painstakingly detailed investigation be undertaken by the Congress, in cooperation with the Executive Branch and enterprise, with the aid of the Pentagon, our Intelligence services, economists and our overseas observers, to determine the true facts about East-West trade, its possible dangers, its potentialities, and the means to deal with them in a practical manner. And a program could be devised, which would become an integral part of our over-all foreign and domestic economic policy. And such a program would also have validity for business. Until now, primarily heat and little light has been generated. It seems to be time to face up to the facts and to take stock.

It appears to be significant that such a far-sighted medium as Britain's "Manchester Guardian" in a recent exposé of the Soviet foreign economic drive, emphasizes the perils of Communist infiltration in the one field where the U. S. surely can and should excel, namely in the sphere of production and salesmanship.

As have others, this writer, while an Intelligence officer, as long ago as in 1951 pointed with apprehension to the danger of, e.g., Communist cotton purchases in Egypt and the possibility that Austria, a 95% non-Communist nation, may be economically sucked into the Moscow orbit. Unfortunately, such unpleasant reports, although based on hard facts, while in government channels have a tendency to be stamped "Confidential." Constituting overtly obtainable information, however, they should be "Most Public," rather than "Top Secret."

Unbiased Study

In past years, in such publications as The New York "Times," "The Wall Street Journal," The New York "Herald Tribune," the "Journal of Commerce" and "Export Trade & Shipper," it has been pointed out that all of us, especially U. S. foreign traders, should take a good and unbiased look at the Soviet *economic* potential. As one intimately identified with U. S. foreign trade, it is permissible to ask "Why can we not get away from petty bipartisan squabbling and from white-washing for selfish ends? Why, for the sake of our nation and that of the free world (as well as those in free enterprise, concerned with international commerce) can we not arrive at a clear assessment of the East-West economic problem?"

The people of the United States, I believe, are entitled to learn what is to be done about the "competitive co-existence." Foreign traders in particular would like to get a definitive decision—one based upon most careful analysis of all facts bearing upon the issue — to know where they stand.

In previous reviews of the East-West economic problem, which appeared in "Export Trade & Shipper" on Dec. 14, *1953* and on Dec. 26, 1955, I have tried to outline two approaches to possible solutions: (1) improved controls by an official free nations agency; and (2) efforts toward equitability in trans-Curtain trade by an international clearing house to be operated by free enterprise. Now (as when these suggestions were made), it must be admitted that such plans may be Utopian, destined to shatter on the cliffs of international disagreement. In the following conclusion, I beg to submit another suggestion:

Trade Agreement

Perhaps it would be possible that the United States enter into a *bilateral trade and payments agreement* with the U.S.S.R., delineating in detail what goods, at what prices, and in which quantities are to be exchanged each year between us and the Reds on a *quid pro quo* basis. Trading items on both sides would be given parallel classifications as to their respective essentiality to both seller and buyer, their "hardness" in world trade, and their relative strategic value. If the Soviets buy our perambulators or desk lamps, we will buy their furs and caviar. If they want nickel, let them ship us tungsten. Quotas to be available on each side within each category would be determined by offers and bids, in a manner assuring balance at all times. This would serve as a framework; would have a self-regulatory effect; show our good will, test Soviet sincerity; could result in at least limited, legitimate and ethical profits to American industries; and might represent a first step in the direction of easing the East-West economic (and general) tension—if that can be done at all. It seems to be worth trying, because it might bring about equitability, without which the Communist economic drive remains a dilemma, in which we here so far seem to hold the short end of the bat.

Securities Salesman's Corner

By JOHN DUTTON

The Salesman's First Obligation!

One of the advantages of operating a business in a free world and in a free economy is that you are allowed the luxury of making your own mistakes — and also paying for them. In an economic system which allows you to be your own judge and jury over your commitments, it is inevitable that you will from time to time be unable to make the proper decisions due to FACTORS BEYOND YOUR CONTROL, and extraneous circumstances that could not be foretold in advance. But there are certain methods of procedure which you can follow that will help you make satisfactory investment decisions, and there are some things which you should avoid doing if your batting average is going to be a good one when it comes to selecting investments for yourself, and if you are a securities salesman FOR YOUR CUSTOMERS.

Some Rules for a Salesman to Follow

(1) Don't be led around by those who are overoptimistic:

During every prolonged period of confidence on the part of the business community, and the investing public, you will notice that there is a continuously accelerating curve of optimism. People who will not buy a stock because it was too hazardous an investment during the first part of such a period, will buy in the second half of the boom. In the third and accelerating period of public enthusiasm they will pay 18 and 20 times earnings when they would have only paid 10 or 12 times before.

This is the time, this last period of confidence, when the public is in a buying mood, that in a free economy the operators of established business firms sell stock to the public. Underwriters of securities are busiest then, and the insiders sell out at the highest prices. Rights are avidly taken up and the security salesman has customers who are NOT TOO HARD TO CONVINCE. This is the time when many securities salesmen have the following occupational diseases:

Overoptimism.
Carelessness.
Complacency.

(2) If your firm has made too many commitments and is being swept along by the enthusiastic way that new issues are being taken by the public, don't neglect your customer's welfare by selling securities you think are overpriced or unsuitable just to be a hero with your sales manager or your boss.

You will not do your firm any favor by saying yes to everything that comes along even if you think you may get away with it and everything will work out all right. If you are not sold on an issue don't sell it. You are the best judge of what your customers need and can use. You WON'T BE DOING YOUR FIRM ANY FAVORS EITHER BY SELLING SECURITIES THAT MAY BOOMERANG ON YOU AND ON THEIR SOMEDAY.

I don't recommend that you try and run the buying department of your firm if you are a salesman. But you are your customer's advisor, you are their main source upon which they rely for guidance and I'd like to know how any conscientious salesman can sell anything unless HE'S SOLD ON IT FIRST.

(3) Don't overload your accounts with too many closely held issues where there is limited marketability.

During periods when underwritings move out the window very quickly it is also a fact that many small stock issues of companies with only a limited number of stockholders are offered to the public. Some of these stocks can be profitable and can grow into sizable ventures but they should noly be held by people who can hold them through a cycle. Sell these issues to the people who can afford to buy them. Dont be embarrassed someday by customers who want out and can't get out just because they hold too many securities with a limited market.

(4) Use common sense.

Don't try to get rich in a year or two. Your high income tax will see to that anyway. Remember—keep your customer's interest in mind first, last and always. You will then be able to do business in the lean years when some of the 90-day wonders who are big heroes at the top of the boom may be looking for a job.

Leedy, Wheeler Adds

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Robert L. Wagner has joined the staff of Leedy, Wheeler & Alleman, Inc., Florida National Bank Building.

E. C. Darbois Joins Curtis Merkel Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Edmund C. Darbois has become associated with Curtis Merkel Company, Inc., 601 First Avenue, North. Mr. Darbois was formerly manager of the research and advisory department of McCleary & Co., Inc. Henry B. Santos has also joined the firm's staff.

Dempsey-Tegeler Branch

LONG BEACH, Calif.—Dempsey-Tegeler & Co. has opened a branch in the Farmers & Merchants Bank Building, under the management of Ansley L. Oltman.

Sailing P. Baruch

Sailing P. Baruch passed away Feb. 9 after a two weeks' illness. Mr. Baruch was President of Baruch Brothers & Co., Inc. and was also active as a floor broker on the New York Stock Exchange.

Continued from page 6

United States Taxation And Foreign Investment

ment is made, when the resulting economic development takes place, and when the income is received or the investment is repatriated by the United States investor. But the limits of time and space require a short answer. Most of us believe that except in unusual circumstances market forces do a better job of allocating resources within the United States than government would do. There is nothing in principle to suggest that market forces will not similarly result in enough foreign investment being made to meet the needs of the United States economy.

It may well be, as is sometimes urged, that United States investors are not aware of the opportunities of foreign investment and operation. It is undoubtedly true also that there is nothing like the prospect of a tax saving to make a businessmen sit up and take notice. But the communications techniques used in this country have proved very powerful; surely they can make United States business aware of foreign investment opportunities in ways that are less expensive than tax incentives and that would not cause unfairness to domestic business.

In weighing the considerations which have thus far been described reasonable men can arrive at different conclusions. My own conclusion is that if tax incentives are to be justified it must be on the grounds of their support of foreign policy objectives, not on grounds of fairness or the needs of the United States economy.

Foreign Policy and Tax Incentives

The major foreign policy objective relevant to this matter appears to be the promotion of the economic development of the less industrial countries. The thesis that United States private foreign investment can and will, if encouraged, accelerate such development seems to be in large part responsible for the Administration's recommendation of tax concessions for the income from such investment. The major objective is to increase the military security of the United States while saving the taxpayers money. The underlying belief is that it will be difficult, perhaps impossible, to achieve and maintain political stability and world peace in the absence of rising per capita levels of production and consumption in the less developed countries.

Moreover, the competition of the free world with the Soviet Union for the minds and hearts of men seems destined to be carried on at least in part in the field of economic development. Even aside from this the United States stands to derive substantial long-run advantages from being a major source of foreign capital in the development of the underdeveloped countries — advantages in the form of both commercial and cultural ties. A United States businessman who has both a firm grip on democratic principles and a sympathetic understanding of the aspirations of underdeveloped countries can be an ambassador of good will and an instrument for promoting abroad our principles of economy and government.

Reading the official statements in which tax incentives are recommended gives the distinct impression that the policy is strongly motivated by an intention to substitute the expansion of private foreign investment for government grants and loans. Enlarging private enterprise abroad and saving the taxpayers money are objectives that all or at least most of us will warmly support, but I believe there is involved here a major misreading of the relationship of public and private investment in promoting economic development. An important obstacle to private investment in many countries is the lack of a basic economic structure including a healthy, educated, and decently housed labor force, adequate transportation facilities, and ample electric power to meet present and prospective requirements. Taxes or no taxes, private investment is not going into basic or scientific education, or into roads, health programs, water supply, sewage systems, or housing, and for various reasons it is not likely to go into railroads or into electric power plants.

If the United States wants to stimulate private investment in underdeveloped countries, the most effective method would seem to be to help in the development of the basic economy. It is putting the cart before the horse to think that through tax incentives private investment can do the job of public investment or can be greatly increased until an adequate economic base has been established.

There is an element of danger in the Administration emphasis on tax concessions, namely, that we may persuade ourselves that granting tax concessions will fulfill the responsibility of the United States for the economic development of the rest of the free world. When the results of tax concessions were found to be too little, it might then be too late to do the other things that need to be done.

If that danger is avoided and private investment is seen in its proper perspective in a foreign economic policy that comprises many necessary elements, there is much to be said in favor of encouraging private investment abroad. Such investment usually involves much more than cash or machinery and equipment. Some competent observers have suggested, perhaps extravagantly, that the major benefit of direct United States investment in an underdeveloped economy is that business management goes into the country, which it is not likely to do except as an accompaniment of the investment. Moreover, United States businesses abroad have to an increasing extent found it desirable and feasible to train local personnel and gradually withdraw United States personnel from the operation.

Accepting the desirability of encouraging private investment abroad, it does not necessarily follow that tax concessions should be offered for this purpose. It is still necessary to weigh the prospective benefits against the prospective costs. On the benefit side tax incentives would undoubtedly have some stimulating effect on investment abroad, since there must be some cases in which the amount of tax concession would be the deciding factor in favor of making the investment. The amount by which private investment abroad would be increased by tax concessions is another matter; the studies that have been made of the problem indicate that it would be limited. The rates of profit that are being made by businesses in many countries are so high that taxation cannot be the obstacle that is preventing investment from the United States. There are many other obstacles to investment — among them the necessity of learning a new language and of working with people having different habits and attitudes; political instability and the possibility of expropriation or other adverse political action; the uncertainties of money convertibility — often the major obstacle; and the lack of the vital basic economic structure previously referred to. Except as these obstacles are largely overcome tax concessions may be expected to be relatively ineffective as a stimulant to private investment.

Against the limited results to be expected from tax concessions must be weighed their costs in revenue and otherwise. The revenue loss would involve more than the taxes waived on new investment resulting from the concessions. There would also be revenue loss from investment that would be made in the future without any tax concession, as well as revenue loss from the large accumulated total of foreign investment already made — much of it not in underdeveloped countries—since it would not be practicable to distinguish new from old investment.

There is another aspect that requires attention. The granting of tax concessions would undoubtedly be very favorably received by the governments of many of the underdeveloped countries. Some of these governments have strongly urged that the United States should not impose any tax on income from business carried on in their countries. They point out also that the United States system of taxation makes it difficult for them to give incentives to stimulate investment by United States business. How much encouragement the United States should give other countries to use tax concessions to attract investment by United States business is an open question. The experience of our states and cities in competitively granting tax exemptions to attract investment has not been a very encouraging one. The widely publicized example of Puerto Rico is completely misleading, as far as other countries are concerned, since Puerto Rico has free access to the whole United market without tariffs or quotas. Nevertheless, while other countries might be disappointed in the results from tax concessions, their desire that such concessions be granted is a consideration that must be given some weight in determining United States policy. This, however, is a matter for bilateral treaties rather than general legislation.

Another point that belongs in the foreign policy category is that present United States foreign tax credit encourages other countries to increase their income taxes so that those countries instead of the United States receive the taxes. It is urged that United States taxes on income from foreign investment be reduced to remove this tendency. There can be no doubt that the tendency exists. I see no way of removing it except by giving up, in effect if not in appearance, the taxation of income from foreign investment, or by repealing the tax credit. There seem unnecessarily drastic alternatives. Countries are not likely to impose higher taxes on their own businesses merely to take advantage of the foreign tax credit on incomes of United States businesses. In view of the strong position from which the United States can negotiate with the countries likely t be involved, it should not be difficult to prevent discriminatorily high taxes against U. S. businesses, especially if the United States is prepared to negotiate — as it now is doing — tax treaties in which tax incentives by the other country would be allowed in computing the foreign tax credit.

If a general tax incentive is to be granted by statute, it should be carefully drafted to insure to the greatest extent possible that the tax relief applies only to income from investment and operations which contribute to the economic development of foreign countries, and which can actually be stimulated by tax relief. This would mean excluding from tax relief the income which is derived from the exportation of goods from the United States as distinguished from income derived from operations abroad that add to the usefulness of the goods. Exporters, of course, perform an important function, but since the total volume of exports from the United States is dependent on our policy toward imports, on the amount of foreign innvestment being made, and on our governmental grants and loans, it would be futile as well as expensive to give tax relief in an effort to stimulate total exports. The stimulation of the exports of some commodities would be at the cost of exports of others. The Administration proposals would not apply the proposed tax relief to profits from exports, but the distinction is an administratively difficult one to draw.

Tax Deferment

If tax benefits are to be granted, I would urge that this be done not by reducing rates but by deferring the payment of the tax as long as the income is reinvested abroad. Tax deferment would be a privilege of very substantial value to taxpayers. During the period over which the income was reinvested abroad, the company would be permitted to treat the deferred tax as an addition to its capital for the purpose of earning a return. If income was lift abroad for several years or more, earnings on the deferred taxes would be the equivalent of a substantial reduction in the rate of tax.

Tax deferment is already enjoyed by foreign subsidiaries; extending it under appropriate safeguards would be a move toward uniformity. Tax deferment focuses the incentive on the reinvestment of earnings abroad. The stimulus is thus on investment, since the deferment ends when the income is brought home. Tax deferment recognizes the foreign exchange difficulties which taxpayers often face. Generally speaking, under tax deferment the accuracy of the line distinguishing income from exports and income from foreign investments would not be a very important matter, since exporters ordinarily would wish to have their income for use in the United States. Finally, if the deferment were found to be working badly it could be brought to an end and the taxes collected over a reasonable transition period.

The objections to using rate reductions as a tax incentive device with respect to income from investment abroad seem to me persuasive. Rate reductions do not place the incentive at the right point, namely, on increasing the investment abroad. They would make very important the accurate distinction between income from exports and income from investment and other operations. Once the principle of rate reduction was accepted, political pressures almost certainly would be applied over the years to extend the scope of the income entitled to benefits and to decrease the tax rates applying to income qualifying for benefits. This would not be conducive to a favorable climate in which to maintain the strength and integrity of the Federal tax system.

Robert E. Nowell Now With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Robert E. Nowell has become associated with Goodbody & Co., 205 North Main Street. Mr. Nowell was formerly local manager for A. M. Kidder & Co. and prior thereto was with Thomson & McKinnon.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Chemical Corn Exchange Bank of New York has elected Adolph Zukor Chairman of the Advisory Board of its Times Square Office at Broadway and 44th Street, it was announced on Feb. 15 by Harold H. Helm, Chairman of the bank. Mr. Zukor is Chairman of the Board of Paramount Pictures Corp. which he founded under the original name of Famous Players-Lasky.

Adolph Zukor

* * *

Robert H. Craft, Executive Vice-President of the American Securities Corporation, has been elected President and a director of **The Chase Bank**, a wholly-owned subsidiary of **The Chase Manhattan Bank, of New York**, it was announced on Feb. 15, by John J. McCloy, Chairman. Mr. Craft, whose appointment will become effective March 1, succeeds Edward L. Love, who has resigned as President but will continue as a director of The Chase Bank. Mr. Craft is a Vice-President of the Investment Bankers Association of America and Chairman of its Foreign Investment Committee. The Chase Bank was chartered in 1930 under the Edge Act which makes provision for a broad range of financial activities in the foreign field.

* * *

Chemical Corn Exchange Bank of New York announces that its offering of 590,425 additional shares of capital stock has been fully subscribed for. Through the exercise of rights, which expired on Feb. 8, 579,995 shares, or 98.23% of the total, were taken. The balance of 10,430 shares was purchased, under an agreement with the underwriters, by officers and employees of the bank. The offering was underwritten by a group headed by Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co.; and W. C. Langley & Co. The offering was referred to in our issues of Jan. 26, page 478, and Jan. 19, page 280, in which it was indicated that the offering would increase the bank's outstanding capital stock from 4,723,400 to 5,313,825 shares.

* * *

The appointment of Franklin P. Johnson as a Vice-President and member of the Officers Personal Trust Committee of **Manufacturers Trust Company of New York** is announced by Horace C. Flanigan, President. Mr. Johnson will continue to direct his efforts to special institutional services. He will also undertake certain research assignments in the Pension Trust investment field. Mr. Johnson joined Manufacturers Trust in 1934. He had been appointed an Assistant Secretary in 1942 before leaving for service with the United States Army. After the war, Mr. Johnson in 1949 was appointed an Assistant Vice-President.

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Directors of two Long Island, N. Y. banks, viz. the **Hempstead Bank of Hempstead, N. Y.** and the **Wheatley Hills National Bank of Westbury, N. Y.** have entered into a merger agreement, according to a joint announcement made on Feb. 13 by Bruce Wood Hall, Chairman of the Board of **Hempstead Bank,** and John J. Kuethen, President of **Wheatley Hills National Bank.** The agreement requires ratification by the stockholders of the two banks and the approval of the N. Y. State Superintendent of Banks to become effective. It is hoped that the merger may be accomplished by the beginning of April. Hempstead Bank was chartered in 1887 and has paid uninterrupted dividends during the past 66 years. Mr. Hall became Chairman of the Board in 1953. His father, the late Martin V. W. Hall, had been President for many years. Walter G. Barker is now the President of the bank. Wheatley Hills National Bank, organized in 1920, has paid dividends since 1945. Mr. Kuethen has been President since 1936. S. A. Warner Baltazzi and the late Francis P. Garvan were his predecessors in the office. Neither of the banks ever issued preferred stock or debentures. The assets of the merged banks would be $47,000,000 and capital, surplus, undivided profits and reserves would amount to $3,500,000. The merger would result in the eighth office of the Hempstead Bank in Nassau County. All the active officers and other employees of the Wheatley Hills National Bank will be added to the staff of the consolidated bank.

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A stock dividend of $133,185 has resulted in increasing the capital of the **Meadow Brook National Bank of Freeport, N. Y.** (effective Jan. 25) from $6,659,255 to $6,792,440.

* * *

The capital of the **First National Bank in Yonkers, N. Y.** was increased as of Jan. 24 from $1,000,000 to $1,100,000, a stock dividend of $100,000 having been the means of enlarging the capital.

* * *

Effective Jan. 27 the consolidation was effective under the charter and title of the **County National Bank of Middleton, N. Y.** of the **Cornwall National Bank of Cornwall, N. Y.** with the first named bank. The County National had a capital of $310,000, while that of the Cornwall National was $50,000. The County National as enlarged, has a capital of $360,000, in 36,000 shares of common stock par $10 each, surplus of $680,000 and undivided profits of not less than $306,989. Last November, the **County National Bank of Middletown** (the name of which had previously been the **National Bank of Middletown)** took over the **National Bank of Pine Bush,** at **Pine Bush, N. Y.,** reference to which appeared in our issue of Dec. 1, page 2326.

* * *

The New York State Banking Department as of Feb. 1 approved the plans of the **Security Trust Company of Rochester, N. Y.** to increase its capital stock from $5,033,600, consisting of 201,344 shares of the par value of $25 each, to $5,196,100, consisting of 207,844 shares of the same par value.

* * *

According to the terms of a merger agreement unanimously approved by the Boards of Directors at special meetings and subject to stockholders' approval the **Citizens Trust Company of Paterson, N. J.** will merge with the **County Bank and Trust Company of Paterson, N. J.** on or about March 12. The plan of merger will be submitted to stockholders at special stockholders' meetings of each bank to be held on March 8. Announcement of the action taken by their respective Boards of Directors was made jointly by C. Kenneth Fuller, Chairman of the Board of **County Bank** and Joseph F. Hammond, President of the **Citizens Trust Company** on Feb. 15. The proposal would unite two of Paterson's leading banks; the County Bank with resources of over $111,000,000 and seven offices in Paterson, Passaic and Little Falls and the Citizens Trust with resources of approximately $20,000,000 and two offices including the new drive-in Park Office in Paterson. The combined bank will have resources it is stated in excess of $130,000,000 and capital funds of over $10,000,000. The merger will be effected through an exchange of stock on the basis of 1½ shares of County Bank stock for each share of Citizens Trust stock. The combined bank will operate under the name of the **County Bank and Trust Company.** Joseph F. Hammond, President of Citizens Trust Company, will become a director and Vice-Chairman of the Board.

* * *

The First National Bank & Trust Co. of Paterson, N. J. reports an increase in its capital from $3,750,000 to $4,000,000 as of Jan. 27, the addition having been effected by a $250,000 stock dividend.

* * *

J. Malcolm Johnston, Senior Vice-President, of the **Girard Trust Corn Exchange Bank of Philadelphia,** has been elected to the Board of Directors of the bank, it has been announced by Goeffrey S. Smith, President. Mr. Johnston is a veteran of 40 years' service with the bank having started as a clerk in 1916. He was first elected an officer in 1924, was made Vice-President in 1940 and later became head of the Trust Department. Later he was placed in charge of the Banking Department and made Senior Vice-President of the bank in 1948. Since the Girard Trust-Corn Exchange merger in 1951, Mr. Johnston has been in charge of all of the bank's operations. During that period the bank's ratio of operating cost to operating income has improved from 64% in 1951 to 56.7% in 1955. On the bank's board, Mr. Johnston will fill the seat left vacant by the death on Jan. 2 of Charles J. Rhoads, Senior member of the group.

J. Malcolm Johnston

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William R. K. Mitchell, Chairman, and Benjamin F. Sawin, President of the **Provident Trust Company of Philadelphia,** have announced that the merger of **Ambler Trust Company** with **Provident Trust** became effective Feb. 14. On that date, Ambler Trust Company, which has served communities in Montgomery County, Pa. since 1917, became an office of Provident Trust. The plan of merger was approved by stockholders of both banks on Jan. 17, last, as noted in these columns Jan. 5. George Scherff, President of Ambler Trust, is in charge of the Ambler office as Vice-President of Provident Trust. All other active officers and employees of Ambler Trust have become members of the Provident organization.

* * *

On Feb. 14, the merger of **Interboro Bank and Trust Company of Prospect Park, Pa.,** with **Broad Street Trust Company of Philadelphia** became effective increasing the number of Broad Street's offices to 12 and its assets to more than $120,000,000. J. Raymond Miller, former President of Interboro Bank and Trust Company and now a director and Vice-President of Broad Street Trust Company will remain in charge of this newest office. An item bearing on the merger appeared in our January 5 issue, page 75.

* * *

The promotion of two officials and the appointment of two new officers of **Central National Bank of Cleveland, Ohio** were announced on Feb. 9, by Loring L. Gelbach, President, following a meeting of the board of directors. William G. Stoll, formerly a Trust Officer, was elected a Vice-President. Ben F. Hopkins, Jr., was announced from Assistant Cashier to Assistant Vice-President. Newly elected officers are J. Howard Fangboner, Trust Officer and Donald J. Weitzel, Assistant Cashier.

* * *

As a result of a stock dividend of $1,250,000 the **Central National Bank & Trust Co. of Des Moines, Iowa,** increased its capital as of Jan. 19 from $1,250,000 to $2,500,000.

* * *

On Feb. 7, the directors of the **Commerce Trust Company of Kansas City, Mo.** transferred $2,000,000 from the undivided profits account to the surplus account. After this transfer the capital structure stands as follows: Capital $9,000,000; surplus $20,000,000; and undivided profits $4,356,475, all of which it is stated was earned with the exception of $5,000,000 paid in capital.

* * *

The Florida National Bank at Orlando, Fla., announces a capital of $1,000,000 as of Jan. 20, the amount having been increased from $400,000, as a result of a $600,000 stock dividend.

* * *

The declaration of a stock dividend of $500,000 by the **Birmingham Trust National Bank of Birmingham, Ala.,** has served to increase its capital from $2,000,000 to $2,500,000 as of Jan. 20.

* * *

As a result of a stock dividend of $500,000, the **Hibernia National Bank in New Orleans, La.** increased its capital as of Jan. 20 from $2,500,000 to $3,000,000.

* * *

The **Crocker-Anglo National Bank of San Francisco,** representing the consolidation of the **Crocker First National Bank** and **Anglo California National Bank,** both of **San Francisco, Calif.** opened for business on Feb. 13 with assets of approximately one and a half billion dollars. In a joint announcement of the official opening, W. W. Crocker, Chairman of the Board, and Paul E. Hoover, President and Chief Executive Officer, stated that at its outset the Crocker-Anglo Bank will operate a total of 51 offices in northern and central California. The plans for the consolidation were announced on Nov. 2, and were approved by the shareholders of the two banks on Feb. 6. Tentative approval of the consolidation by the Comptroller of the Currency, received in January, was followed by formal approval early in February. Principal officers of the bank in addition to Mr. Crocker and Mr. Hoover, are J. F. Sullivan, Jr., Chairman of the Executive Committee; Paul B. Kelly, First Vice-President, and William Pflueger, Executive Vice-President. An item bearing on the merger was given in our Jan. 26 issue, page 539.

* * *

California Bank and **Hollywood State Bank,** both of **Los Angeles, Calif,** have reached an agreement whereby the Hollywood State Bank, 6801 Santa Monica Boulevard, will be merged into and operated as an office of California Bank. Frank L. King, President of California Bank, and Wade E. Bennett, President of Hollywood State Bank, in a joint statement on Feb. 9, stated that arrangements for the proposed merger have been approved by the directors of both banks. California Bank presently has 49 branch offices and total resources of more than $800,000,000. Total resources of the Hollywood State Bank are approximately $43,000,000. It is expected, subject to the approval of the shareholders of the two banks, that actual transfer of business will take place about April 15 or as soon thereafter as the necessary formalities have been concluded.

* * *

Shareholders of **California Bank** were offered on February 9, rights to subscribe to additional shares of $12.50 par value capital stock. The shareholders, of record on Feb. 8, are receiving transferable rights to additional 169,200 shares of capital stock of the bank at a subscription price of $42.50 per share at the rate of one new share for each seven held. The right to subscribe expires on March 9. Blyth & Co., Inc. heads a group that will purchase any unsubscribed shares. The entire amount of $7,191,000 to be realized through the sale of the new capital stock—$2,115,000 will be added to the capital stock account and $5,076,000 to surplus. Following the financing, capital funds accounts will be: capital stock, $16,920,050; surplus $24,276,000, and undivided profits, $9,690,011. Total capital funds will be $50,886,061. Gross earnings from operations of the bank for the year ended Dec. 31, 1955 were $26,604,030 and net operating earnings were $4,923,502 equal to $4.16 per share on 1,184,404 shares presently outstanding. An item bearing on the new capital stock appeared in the "Chronicle" of Feb. 9, page 740.

* * *

The Midland Bank of London announces that, after 40 years of service, W. G. Edington, Chief General Manager since November, 1946, will retire from the post on March 31. He has been elected to a seat on the Board of the Bank and of the Midland Bank Executor & Trustee Company Ltd.

Charles M. Harris With A. C. Allyn & Co.

Charles M. Harris

KANSAS CITY, Mo. — Charles M. Harris has become associated with A. C. Allyn and Company Incorporated, 1016 Baltimore Ave. Mr. Harris was formerly a trader for Harris, Upham & Co. in Kansas City with which firm he had been associated for many years.

Form United Securities

TULSA, Okla.—United Securities Company has been formed with offices at 1414 North Elwood to engage in a securities business. William E. Davis is a principal of the firm.

Marlen Secs. Opens

NEWARK, N. J.—Pasquale Malanga is engaging in a securities business from offices at 675 Mount Prospect Avenue under the name of Marlen Securities Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to move within the recently established trading areas, with the backing and filling process dependent in some measure upon what appears to be the opinions of the future course of business and the President's intentions with respect to running for another term. Demand is still very sizeable for the near-term Government issues, even though higher yields were obtained in the recent offering of Treasury bills. There is evidence of a growing interest in certain issues of the intermediate-term obligations. This is reported to be buying by investors who want something more now than a very short-term roll-over proposition.

The coming maturities of the Treasury are attracting more attention and opinions are now along the lines that a choice of maturities will be offered with the one year maturity to take care of the large holdings of Federal and some corporations. A three-to-five-year maturity is also being talked about. A long-term bond does not appear to be getting much consideration in the money market at this time.

Short-Term Issues in Demand

The money market is still being kept on the tight side by the powers that be, but in spite of this, considerable funds are finding an outlet in Government securities. The amount of money which is being put into the Government market is really quite large so far as the short-term Government obligations are concerned. There still appears to be a fair degree of competition for these securities, especially Treasury bills, with corporations the principal buyers, now being pushed somewhat by other interests, such as pension funds, foundations and public authorities. To be sure, most of this money is mainly interested in only a temporary haven, but it is tending to keep rates for near-term Treasury obligations from moving out of the range of yields which has been carved out of what is termed a tight money market.

Other Issues Favorably Affected

The demand for near-term Governments has not been exactly adverse as far as the effect upon the more distant Treasury issues is concerned. It is reported that the buying which has been going on in the intermediate and longer-term Government securities is of an improving quality, with the result that more of these obligations are being put away in what is called permanent homes. There appears to be somewhat larger sized orders in the market now than was the case not so long ago for the more distant Government securities, because it is evident that money which had been going into other investment channels is now being invested in these bonds. While it is still early to accurately forecast the future trend of the economic cycle, it is reported that the inflow of funds into the higher yielding Treasury issues is increasing, and this might be the forerunner of what will develop in the business picture, since uncertainty in the economic field usually brings with it lower interest rates.

Forthcoming Refunding Seen Attractive

The impending maturities of the Treasury are beginning to get more than a passing amount of attention now. The refunding of the March 15 and April 1 notes is what the money market is getting around to now because the way in which these maturities are handled could have an important influence upon the future course of events, both from the standpoint of the Government market as well as the way in which future monetary policy may be expected to be carried out.

The unsatisfactory refunding of last December will no doubt be avoided this time. With what happened in the operation near the end of last year still not too far out of memory, it is believed that the refunding issue or issues will be more attractive to owners of the maturing obligations, so that the Federal Reserve Banks will not have to be in there again buying the new securities in order to make the Treasury refunding look not too bad. Tight money conditions in a refunding or a new money raising venture can play funny things on the money market or the Government market, and it is believed the monetary authorities are well aware of that, this time. Accordingly, the belief now among many money market specialists is that the refunding securities will be tailored to meet the needs of the owners in a tight money market. The Federal Reserve Banks own more than half of the $9,479,000,000 1⅝s and the 1½s that come due on March 1 and April 1. The $1,007 millions of the 1½s of April 1 are practically all owned by the Central Banks. This is the first of the notes that come out of the conversion of the non-marketable 2¾% bonds to mature. Commercial banks and corporations are the main holders of the balance of the 1⅝% notes which come due on March 15.

Jos. O'Day Opens

HOUSTON, Texas—Joseph A. O'Day is engaging in a securities business from offices at 2202 Mid Lane under the name of Joseph A. O'Day & Co.

Kidder, Peabody Branch

WINTER PARK, Fla.—Kidder, Peabody & Co. have opened an office at 137 East New England Avenue under the direction of Philip M. Stearns.

Hallowell, Sulzberger Open New Branch in Penna.

SCRANTON, Pa. — Hallowell, Sulzberger & Co. have opened a branch office in the Mears Building under the management of Harry H. Simms.

New Roney Branch

FLINT, Mich.—Wm. C. Roney & Company have opened a branch office at 517 Harrison Street, under the management of Raymond J. Kelly, Jr., and Louis E. Goecker.

Richard Shipman With Leslie Secs. Corp.

Richard Shipman

Richard M. Shipman is now associated with Leslie Securities Corporation, 52 Wall Street, New York City, in charge of the trading and syndicate department. Mr. Shipman was formerly Manager of the Syndicate Department of L. D. Sherman & Co.

American Exchange Announces Appointm'ts

Charles J. Bocklet, a stock specialist, was elected Vice-Chairman of the American Stock Exchange board of governors at the board's reorganization meeting, according to an announcement by Edward T. McCormick, Exchange President. William Zeckendorf, President of Webb & Knapp, Inc., one of the largest real estate firms in the United States, was appointed by Mr. McCormick and approved by the board to serve as a public governor of the market.

Mr. Bocklet, an exchange member since 1936, has been a governor since 1952. He began his Wall Street career in 1923 in the employ of White, Weld & Co. The new Vice-Chairman has served on most of the Exchange Committees.

Mr. Zeckendorf, together with reappointees George Rowland Collins, Dean of the Graduate School of Business Administration of New York University and Benjamin H. Namm, President and Board Chairman of Namm Loeser's, Inc., Brooklyn department store, will represent the public on the exchange's board. Zeckendorf assembled the United Nations site on the East River and handled what is considered to be the largest single real estate transaction in the nation's history with the sale of the Chrysler-Graybar properties in 1953. Webb & Knapp securities are listed on the American Stock Exchange.

Governors who received appointments as Committee Chairmen include: James R. Dyer, Board Chairman, who will head the Executive Committee; Mathew Dean Hall, Committee on securities; Albert G. Redpath, Committee on outside supervision; Joseph F. Reilly, Committee on floor transactions; John J. Mann, Committee on Finance; A. Philip Megna, Committee on admissions; Joseph Gimma, Committee on arbitration; Harold A. Rousselot, Committee on Public Relations; George C. Donelon, Realty Committee and I. W. Burnham, II, Committee on Business Conduct.

New Westheimer Branch

WILMINGTON, Ohio — Westheimer & Company have opened an office at 27 East Main Street, under the direction of Frank J. Casey.

Harris & Co. Opens

HOUSTON, Texas — Lewis E. Harris is engaging in a securities business from offices at 2480 Times Boulevard, under the firm name of Harris & Company.

C. R. Sherwood Opens

REDWOOD CITY, Calif.—Cliff R. Sherwood is conducting a securities business from offices at 650 El Camino Real, under the firm name of Sherwood & Company.

Credit Squeeze an Ineffective Inflation Curb

By PAUL EINZIG

Noted British banking economist dismisses inflated bank credit as responsible for price inflation, claiming it is due to spiraling wages successfully financed from non-banking resources. Dr. Einzig believes a credit squeeze would curtail investment and capital expansion, and might indirectly reduce overfull employment, but would not reduce money volume available for paying higher wages which, in turn, causes higher prices.

LONDON, Eng.—A new fashion rising from the frantic search for the causes and remedies of inflation in Britain, is the "discovery" that the large amount of Treasury Bills is the principal villain of the piece. The suggestion was first launched out by one of the leading bankers in his annual chairman's speech, and since then experts and pseudo-experts all over the country have become extremely Treasury Bill — conscious. The correspondence columns of newspapers and the mailbags of Members of Parliament contain scores of suggestions that the Government should end inflation by simply converting a certain proportion of its Treasury Bills into long-term loans, or at any rate by financing in future any deficit by means of long-term issues instead of by Treasury Bills. It is suggested that the latter are practically equivalent to paper money, and that their issue is little better than covering deficit by means of the printing press.

Paul Einzig

There is of course no question of using Treasury Bills in payment for purchases, in the same way as notes or cheques are used. But an increase in the banks' holdings of Treasury Bills enables them to expand credit. During recent years increasing importance has come to be attached to the "liquidity ratio" of banks—that is, the proportion of their easily realizable assets to their total assets. It has become a practice to regard 30% as the minimum. In the old days the banks were only concerned with their cash ratio — that is, the percentage of their cash plus their deposits with the Bank of England to their sight liabilities. The conventional minimum is 8%. Even today the cash ratio is considered more important than the liquidity ratio, but increasing importance is attached to the latter.

If the banks' holding of Treasury Bills increases they are able to expand credit, always provided that in doing so they do not reduce their cash ratio below 8%. It is now suggested that, by reducing the volume of Treasury Bills, the Government could force the banks to intensify the credit squeeze. But, then, the same result could be achieved in various other ways, too.

It seems doubtful, however, whether such a reduction in the volume of bank credit could directly affect the main cause of inflation, which is the wages spiral. By curtailing credit, the authorities could prevent an expansion of production, in so far as the additional working capital required for that purpose is financed with the aid of bank credits. They could also reduce the volume of money available for capital expenditure. But they could not prevent industrial firms from granting wages increases. It has come to be realized that such increases do not depend on the willingness of banks to increase credit facilities to the firms concerned. Most firms are in a position to finance any additional monetary requirements due to wages increases without having to borrow more from their banks.

It is easy nowadays for producers to add to the prices of their goods any additional cost of production. They can do so from the moment they conceded a new wages demand. This means that they can sell any previously produced goods they may hold at the higher prices, even though they had been produced on the basis of lower wages. As and when the new output emerges from the pipeline, it is sold on the basis of the higher wages, even though during the earlier stages part of their cost was based on the lower wages.

This means that the higher proceeds usually amply cover the additional wages. There is no need for the firms to raise additional credits. There are, of course, exceptions. Possibly some firms are engaged in selling goods ordered previously on the basis of the lower costs. But in the majority of cases British industrial producers insist on inserting in the agreement a clause under which they are entitled to add to the agreed price any increase of cost due to higher wages.

The possibility of financing wages increases without the aid of additional bank credit is illustrated by the experience of 1955. The credit squeeze resulted in a fairly appreciable reduction of bank deposits and bank advances. In spite of this there was an increase in the volume of production, in prices and in wages. There was also an increase in the note circulation, which is the result of the higher wages. Most wage-earners have no bank accounts, so that higher wages mean an increased requirement of Bank of England notes. It must also be borne in mind that non-bank resources have come to play an increasingly important part in financing business. The industrial and commercial firms themselves possess fairly substantial reserves, and they are in a position to borrow from non-banking lenders.

Having regard to all these circumstances it appears that the credit squeeze can only produce a limited effect on the progress of inflation. In so far as it succeeds in curtailing production it tends to reduce the extent of overfull-employment, and to that extent it tends to weaken the bargaining position of the Trade Unions. But the idea that, in addition to this, the credit squeeze can check inflation by reducing the volume of money available for paying higher wages is entirely mistaken. The granting of higher wages increases the volume of purchasing power of consumers, so that they are able to buy up the unchanged output at higher prices. It is only indirectly, by weakening the bargaining power of the Trade Unions, that the credit squeeze can affect wages demands and inflation.

D. W. Falls Opens

ALBUQUERQUE, New Mex.—D. W. Falls is conducting a securities business from offices at 2600 Broadway, S. E.

Railroad Securities

By GERALD D. McKEEVER

The Missouri Pacific Reorganization (Part II)

The background of the Missouri Pacific reorganization was presented in last week's column. This installment will be devoted to a brief description of the Missouri Pacific system and of the securities to be issued under the "agreed system plan" of reorganization under which the Missouri Pacific and its subsidiary, the New Orleans, Texas & Mexico and the subsidiaries of the latter are to be consolidated into one unified company embracing the total of some 9,500 miles of road, ranking it seventh in the United States by this measure, or just behind the Union Pacific. The $812 million proposed capitalization of this system will thus amount to over $85,000 per mile, however, as against only $55,000 for the Union Pacific, $44,000 for the Atchison and $39,500 for the Rock Island. Among the more lightly capitalized roads of the West (on a per mile basis) only the Southern Pacific tops the Missouri Pacific rate at $88,000 per mile and the only other which approaches it is the Northern Pacific at over $80,000 per mile. The latter, however, has support from a large proportion of non-operating income.

The Missouri Pacific system extends in one direction directly west from St. Louis to Pueblo, Colo. where it connects with the "Denver," and southwest in another direction to Laredo and El Paso, Texas on the Rio Grande via Little Rock and San Antonio, and with connecting lines to Houston and Galveston and to Corpus Christi, all of which are linked by the line from Brownsville to Lake Charles and New Orleans. There are also spurs from the east-west line connecting with Omaha to the north and with Wichita to the south, while a branch of the southwestern trunk goes to Dallas and Fort Worth connecting at Fort Worth with the controlled Texas & Pacific which extends across central Texas to El Paso.

With so much of its mileage in the vigorously growing Southwest, the Missouri Pacific has benefited accordingly. This has been the basis for successive demands for increased capitalization which have culminated in the $812 million total of the pending "agreed system plan." Nevertheless, the growth record of the system has been barely average rather than outstanding, with only the Missouri Pacific proper in the forefront in recent years. Based on the 1947-49 average as 100, the "MOP" itself had a revenue index of 108 in the generally unsatisfactory 1954 year as against 105 for the Southwest District and 104 for Class I. The corresponding indices for the Gulf Coast Lines (New Orleans, Texas & Mexico and subsidiaries except the International-Great Northern) were 97 and 101 respectively.

Another factor that has had to be recognized is the gain in operating efficiency that has been achieved. Dieselization was completed early last year, but it averaged in 1954 98% for both freight and passenger services and 93% for yard switching. The system transportation cost ratio, at the entirely satisfactory level of 36% under less favorable revenue conditions and less than complete dieselization in 1954, dropped to 35% for 1955. However, gains in efficiency have been far more pronounced over a longer period, the Missouri Pacific proper having achieved a 60% gain in gross ton-miles per freight train hour between 1946 and 1954, while an 80% gain is shown by the International-Great Northern. This much background should be helpful in appraising the securities to be issued and allotted under the pending plan, which without taking into account the elements of growth and improved efficiency, might be considered quite fully priced on the basis of the protective margins afforded by current earnings.

The proposed $812 million capitalization of the Missouri Pacific system is divided into five permanent classes (excluding equipment trust obligations as essentially temporary) as shown below together with the annual interest charges appurtenant thereto: (000 omitted)

	Principal Amt.	Annual Int.
Equipment Obligations	*$70,377	$2,111
First Mortgage 4¼s—		
Series A-20 year	40,616	1,726
Series B-35 year	132,451	5,629
Series C-50 year	135,264	5,749
General Mortgage Income 4¾s—		
Series A-65 year	69,864	3,318
Series B-75 year	67,543	3,208
Income Debenture 5s-90-year	100,019	5,001
Funded Debt and int. Charges	$616,134	$26,742
Class A common (no par)	†191,756	----
Class B common (no par)	†4,066	----
Totals	$811,956	$26,741

* As of Dec. 31, 1954. † Stated at $100 per share.

In addition to the annual interest charges shown above there are also the annual charges for capital fund and sinking funds. The capital fund is set at $11 million annually for the first four years and then at 2½% of revenues but it is diminished to the extent of depreciation charges on way and structures so that the net capital fund charge is now about $7½ million annually. This and the $2,312,000 sinking fund for the first mortgage 4¼s are deducted from earnings before arriving at the amount available for interest on the series A income 4¾s. Then after the "A" income interest comes the $524,000 sinking fund for this issue which is deducted before arriving at the "B" income interest. Finally there is the $506,000 sinking fund for the "B" incomes ranking after the interest on this issue. The balance then is available for the interest on the income debenture 5s which have no sinking fund.

Annual interest, sinking fund and estimated net capital fund thus total some $37.6 annually as against estimated 1955 available earnings of about $42.6 million. On a pro forma basis, fixed charges alone—primarily the interest on equipment trust obligations and the first mortgage bonds—were covered about 2.8 times, the interest on the Series A income 4¾s and prior charges about 1.5 times, and the corresponding ratios for the series B income 4¾s and the income debenture 5s were 1.33 times and 1.13 times respectively. The balance of a little over $5 million of estimated 1955 earnings would amount to about $2.75 per share on the 1,917,558 shares of Class A stock and nothing would be available for Class B since Class A has a $5 per share dividend preference. On a non-indenture basis, however, or "before funds" 1955 earnings amounted to about $8.25 per share on Class A.

The first mortgage 4¼s are secured by the first lien on all the road's fixed property except equipment, and on securities and franchises, and the interest on this issue is fixed. The general income 4¾s are secured by the second lien on the same property subject to the 4¼s and interest is payable to the extent earned and is cumulative up to 13½% if not paid. The income debenture 5s are unsecured, interest is payable only to the extent earned but is not cumulative, and this issue has no sinking fund.

Next week's installment will provide an evaluation of the new "MOP" issues together with the "work out" values of the old issues based on allocations provided under the pending plan.

Continued from page 4

Business Outlook for 1956 And the Future Challenge

exceeding expectations of the most optimistic.

Statistical Highlights

Here are a few of the statistical highlights of this period:

At the low point of the adjustment unemployment reached a peak of 3,700,000 persons, which was less than 6% of the work force.

The maximum drop in production, as measured by the Federal Reserve Board Adjusted Index, was 14 points from the 1953 record high of 137. The average setback to production was, of course, much smaller.

Within 12 months the economy was not only on its way up but heading for new highs.

While national income declined, consumer disposable income after taxes, actually averaged higher in 1954 than in 1953. Then, as is fresh in all our memories, the economy surged forward on all fronts in 1955 to new peaks in production, employment, wages — actual and real — disposable income and just about everything else.

At the year end gross national product was running at an annual rate of almost $400 billion, a figure considered purely imaginative only three or four years ago.

As we look back at this record I think we can and should find a great deal to give us confidence in the economy's capacity to meet any needed adjustments in 1956. Some further review of the recent past will also give us insight, I believe, into the shape of things to come over the longer-range future.

Future Trends

What are some of the things you and I, as business men, may count on? What trends are we likely to encounter? What problems may lie ahead for our individual businesses and for the economy as a whole?

There is certainly not time here today for me to explore more than a few of the principle parts of the answers to these questions.

I hasten to say, too, that since we are estimating the future, our views may not coincide. In fact, they may differ radically. That would be the usual order of things.

First, I firmly believe that the need for long-range thinking and planning by businessmen is greater today than ever before because of the rapidity with which changes occur in our modern-day way of life. Things move too fast today to be caught asleep or even to be complacent. New developments and new things, which in the past took a generation to come into general use, now make their impact felt almost overnight.

Television is a classic case in point. Since TV was given the commercial go-ahead by the FCC eight years ago, it has become one of the nation's biggest industries.

In that short period, more than 75% of American families have bought TV receivers for their homes. The effects have been far-reaching on the sale of a variety of products, on advertising, on marketing techniques and on the whole entertainment world.

Expected Factors

Getting onto the things we may count on and must plan for is looking ahead five, ten or 15 years. I place a permanent large military program first. I don't think many Americans placed too great store by the Russian smiles of last summer. Certainly now that they have been replaced by black scowls everything points to the maintenance of a high state of preparedness for many years to come. The billion dollar increase for defense in the fiscal 1957 budget indicates the trend, which obviously has a dual significance.

First, there will be a continuing large volume of business to be done with the Armed Forces.

Second, with other government costs, we can look forward to an annual Federal budget of 65 or more billions of dollars and correspondingly high taxes. Whether we personally believe it best or not, business it now appears is going to be among the last to get tax relief. For example, the 52% rate now seems scheduled to be extended again. Those of us in industries whose products bear heavy excise taxes have an additional consideration to take into account.

These long-range tax prospects are significant to every businessman in estimating his company's future earnings and dividend possibilities. They are even more important, perhaps, in forecasting the extent to which future growth may be financed out of retained earnings and what share of new outside financing should come from interest bearing securities and what from equities.

There is another, happier side to the tax situation that we should not overlook, however. Actually, the total tax burden for all levels of government is growing relatively lighter although in absolute terms it is tending to rise. Due to the growth in the economy, all taxes today take approximately 20% of Gross National Product compared with 25% only a few years ago. Continuance of this process, which I believe we can confidently expect so long as international conditions do not worsen, is one of our brightest hopes for the future.

Another factor that I would give high precedence in affecting our future economy would be research and the money being invested in it. Last year an estimated $4,100,000,000 was invested on research. This figure is expected to jump to $4,500,000,000 in 1956.

New products and new methods are bound to come out of such an effort putting pressure on older products and on companies which fail to keep abreast.

Another factor vitally affecting our future planning in all types of business is the trend toward greater mechanization. It is self-evident, I think, that the trend will continue. The increase in research, the ceaseless upward pressure on wages and the compulsion of competition toward more efficient production and distribution insure this trend.

The result, of course, is that every business will require a proportionately heavier investment in fixed assets. This, plus the drive for more stable employment, will mean every business will be under increasing pressure to keep its plants running continuously at or very near capacity. The implications here for people engaged in advertising and selling are transparently clear.

We have all been conscious of the explosive growth in the population rate of the country which began jumping in World War II and in recent years has been running at a rate of four million babies annually. The impact of this on various businesses will be great. The dynamic effect on the total economy has been widely reviewed and I am sure needs no discussion here except to say that it is one of the strongest elements in the growth picture for the economy and one which no businessman can overlook relating to his own company.

Another factor of great significance in the future to which less attention has been paid is the continued shift from farm to urban centers. Due to the revolution in farm mechanization and the rapid strides in insect control, fertilization and seed improvement, fewer and fewer farm families are producing more and more. This has great marketing significance for many companies and also many implications for urban areas.

A change of revolutionary proportions has also been going on in the distribution of income in this country. Even though most of us have been aware of it generally, the figures are startling. Last year, for example, the number of consuming units with incomes of $4,000 or more after taxes was 85% greater than in 1941 after allowing for the change in the buying power of the dollar between 1941 and 1955. This means that the number of consuming units in excess of $4,000 has increased at a rate approximately three and one-half times faster than the growth of population. A Federal Reserve study shows that families with incomes above the $4,000 level buy four times as many new automobiles as families with incomes below. Families in this bracket are likely to buy 60% more television sets per hundred families and so on.

This growth in the number of middle income families and the equally rapid drop in low income families is unprecedented in history. The trend is continuing and it is one of the most buoyant long-range factors in the economy.

I have been hitting only some of the highlights of the great basic changes that have been going on in the economy within the last 15 years. They make any slavish comparisons with past periods such as the 1920s and '30s highly dangerous. All of us would, I think, do better to look ahead and base our thinking on these trends rather than to look for signs of the future in the pre World War II past. Men such as yourselves, engaged in marketing and advertising, have seen at first hand some of the effects of the combination of all these factors. You have seen the need to sell because of the tremendous increase in our productive capacity. We have boosted expenditures on advertising almost vertically in the last half-dozen years until today they are doubling the early postwar years.

In the last two and one-half years, when the economy finally emerged from the war and post-war influences, you have seen the consumer again become king and competition reach an intensity never before witnessed. Instead of cutting production, industry has fought to create markets. The total effect as you know, has been an unprecedented era of prosperity and plans. Economists have calculated that we have achieved a per capita increase in living standards of 25% in the last decade. Putting it another way, the average person is now spending $5 for goods and services—after allowance for changes in the purchasing power of the dollar—compared with $4 ten years ago. You can see the effects wherever you look; in increased home ownership, in the much higher percentage of families owning automobiles, in the great growth in number and variety of home appliances, in better diet, in more leisure, in fact, in everything.

The competitive forces that bring about these great gains to consumers cause stresses, some very painful, in the marketing structure. As all of us concerned with selling, know especially within the last three years, the traditional discount structure in many lines has been shaken to its very foundations. The marketing philosophy, perhaps best symbolized by fair trade, is under terrific competitive pressure. The concept of large volume at a low per unit mark-up and profit margin, which has been a byword in American manufacturing for a half century, is spreading to distribution. For many years it was pointed out that while the cost of production was going down marketing costs showed little change. That statement certainly no longer holds true and I personally believe that it will be less true in the years immediately ahead. Whether as individual businessmen some of us like this or not, seems to me to be irrelevant. The trend is plainly evident.

There have been excesses, of course. Each of you could cite examples. The classic I recall is the one-cent sale which an automobile dealer purported to stage. While this revolution in marketing is taking place, I think it is of utmost importance that all of us who have anything to do with advertising guard its integrity with greater zeal than ever. It was only half a century ago that *caveat emptor* expressed the attitude of many businesses. Mass production and mass selling of products to national and international markets could not be based on such a philosophy. It could only grow in an atmosphere of confidence in claims and statements made by every one handling products from the manufacturer through to the retailer and including advertising. The great preponderence of publishers and of manufacturers all accept this fact as cardinal policy and it is perhaps the first responsibility of people such as yourselves who are on the actual firing line in advertising to see that that policy is observed both in letter and spirit.

I think I have indicated plainly how important I feel advertising is in the marketing process by which we are now moving unprecedented volumes of goods and by which we must move even greater volumes in the years ahead. One of the things in the future which I believe to be most certain is that advertising volume will continue to climb faster than production. I know that you newspaper executives face an extremely difficult problem in the newsprint shortage. I do not know what the solution is but I hope you find one. There is no substitute for advertising in the daily press. To move an ever increasing supply of goods American business will need more and more advertising so the newsprint shortage is not only of moment to you but it is of vital importance to all business and the whole economy.

As a citizen of Detroit I learned first hand during our recent newspaper strike the many unspoken ways that the newspaper serves the home. Not the least of these is the advertising columns themselves. It would be a major tragedy to our economy and literally our way of life if anything should curtail the newspapers' role as a reflector of the economic flow through its advertising pages.

When Detroit was deprived of its papers during a period of unparalleled high income and spending, the city nor its civic aspects were not themselves without the daily papers.

I wanted to make that capsule report on our recent experience. There is one more economic factor I would like to mention briefly. All of you, I am sure, are aware of the sharp rise in installment credit in the last year to 15 months. From time immemorial, any marked rise in the use of such credit has been viewed with alarm and mistrust in many quarters. Yet I think we all fully understand that consumer credit is an inseparable function of mass production and mass selling. I don't need to cite to this audience the fine record the American people have had in repaying their installment contracts over a long period of years, including even the great depression. In the rapid recent rise there may have been some excesses but leaders in the industry and government credit authorities report that corrective processes already are operative. I mention this here because there is talk of some kind of government control on consumer credit. As I see it, there is nothing in the record to call for the rigidity and inflexibility which always attends government intervention. I believe you will see the volume of consumer credit level off in 1956 and that the combined good judgment of American buyers and the retailing and financing industries will correct whatever excesses may have existed for a brief time in the recent past.

In concluding, I would say that as I review the many factors in our current economic scene, realism compels me to be an optimist. The American people, with steadily rising total personal income and more and more moving into the middle income category, have demonstrated that they want a progressively higher standard of living. They want new products and they want more of improved old products. For example, a few years ago there was talk of a saturation point in the automobile industry. To the contrary, I have seen recent studies that indicate demand for automobiles in the years ahead will increase at a three times faster rate than the population. The fact is, as our experience shows, that the more people have the more they want and will work to get. In this connection, I think it is very interesting that the recovery from the 1949 and the 1953 readjustment periods was sparked by heavy consumer buying. While businessmen became cautious, reduced inventories and in some cases cut back expansion plans, the American consumer went right on buying.

The road ahead will not, of course, be one smooth steady climb. We will have plateaus such as seems probable for 1956. We will have many problems and many challenges. For example, when we talk about our speedily growing population as a force creating great and new demands, we must recognize that each year many jobs must be created. For the next 20 years, it is estimated that 20 million new jobs will be needed to employ the total work force. This is a challenge. But we have demonstrated in the last three years that American business and government are capable of maintaining a dynamic, growing and high level economy, marked by a steadily rising standard of living for a steadily increasing percentage of a growing population. To continue this in the years ahead is our great challenge and I believe we can meet it.

Continued from page 2

The Security I Like Best

lines which does only about 9% more business. United is the leading domestic carrier of air mail, but mail revenues now account for only some 4% of total receipts. Of course, United is entirely free from subsidy.

The company boasts about 19% of all passenger traffic flown by the nation's 13 domestic trunk airlines. United is a major transcontinental carrier. Its various coast-to-coast routes connect many of the big cities of the East, such as New York, Boston, Philadelphia and Washington, D. C., with the prominent cities on the Pacific Coast. In between, the line serves Middle West and Rocky Mountain points. Non-stop 'round the clock flights are provided between New York and Chicago. United also has a thick network of routes up and down the entire length of the Pacific Coast. Its famous vacation flights to Hawaii leave from San Francisco and Los Angeles. Naturally there is intense competition from other airlines, but United is well fortified with a reputation for superior service and dependability. Its silver-colored "Mainliners" with the blue and red trim are a thrilling sight at dozens of busy airports.

Huge Growth in the Past—Still Greater Expansion Ahead: United Air continues to enjoy an enormous rate of growth. Passenger revenues today are a whopping 28 times the level that prevailed just before World War II. And passenger business is 4½ times what it was only 10 years ago. In 1955, United flew four billion passenger miles, an all-time record, and a 20% gain over 1954. For 1956 there will be an additional increase of between 13% and 18%. Furthermore, we can see the time coming, probably in the early 1960's, when passenger traffic will run double even the present figure. The airlines still have a vast potential market to tap, because more than 85% of the American public has not yet ridden in an airplane. Cargo business continues to show sharp annual gains of 20% or more.

United Investing Vast Sums in New Aircraft: United, like other airlines, is purchasing large fleets of new aircraft so that it can handle the greatly increased volume of air travel that lies ahead. Today, the line operates 89 of the largest Douglas transports (DC-7s or DC-6s) plus 92 smaller aircraft. In addition, United will take delivery this year and next year of a total of 43 more DC-7s or DC-6s. Five of these will be mammoth cargo planes. Total cost of the 43 aircraft will be almost $65 million.

But the biggest "headline" news is that United has ordered 30 Douglas DC-8 jet airliners at a total cost of $175 million. Delivery of these pure jets will start in May 1959. It also seems logical that United may order some turbo-prop planes for flights which involve one or two stops. Turbo-props are jet aircraft whose engines are harnessed to propellers.

Financing of Aircraft Purchases Taken Care of: We are happy to point out that United has already arranged to finance these unprecedented purchases of new airplanes. In the first place, the company has contracted for the future private sale of $120 million of 4% debentures due 1981, and a $30 million bank credit, with permission to postpone the actual borrowing until as late as 1960.

On top of this, United's depreciation charges in the four years of 1956, 1957, 1958 and 1959 will amount respectively to about $21, $28, $32 and $32 million. This total depreciation cash-flow of $113 million will supply the remainder. United has a rapid depreciation policy, writing off its DC-7s in five years and the bulk of its fleet in seven years. Additional cash will be available from regular earnings, as well as from profits from sale of older aircraft.

Hence, this program looks to be highly favorable because it doesn't dilute the common stock, and there are no important near-term debt maturities to worry about.

Earnings for 1955 at New Peak: United's business is breaking all records and so are the line's earnings. Net profit for 1955 likely rose to around $4 a share, or at least approached that figure, vs. $3.52 for 1954. Actually, cash-flow income came to a fat $10.55 per share, or so, because of extremely high depreciation charges. (Cash-flow income is the approximate $4 after all charges, as reported to shareholders, plus another $6.55 per share of depreciation.)

There are about 3,208,000 common shares outstanding. All of the preferred stock was retired last year through call and conversion into common. Note that United has only 37% as much stock outstanding as its largest competitor, American Airlines. American will have 8,648,000 common shares when American's preferred is all converted. Also note that United Air Lines common at $36 is quoted at only nine times reported earnings, a very conservative figure for one of America's top growth stocks. And, United common sells at only about 3½ times its annual cash-flow income.

Dividend Rate Raised Last Month to Highest in History: Last month, the dividend rate on United common was boosted to 37½ cents a quarter, the highest level in history. The yield is over 4.1% on the $1.50 annual rate, and a year-end extra of some sort is also posssible. United, over the past five years, had been paying 25 cents a quarter plus a 50 cent year-end extra.

Big Maintenance Base at San Francisco Being Enlarged: I hope that you will have the opportunity to visit United's maintenance base at the San Francisco airport. This base resembles a huge aircraft factory. Planes and engines are inspected and serviced to a degree of thoroughness that is surpassed nowhere else in the world. About $6 million will be spent there between now and early 1958 to enlarge this facility into a $16 million plant that will maintain a future fleet of over 200 piston-engine aircraft and the 30 DC-8 pure jets, as well as any turbo-prop jets.

United has purchased 200 C-band airborne weather radar units from RCA to be used in equipping its entire fleet. It was the first commercial airline to install such safety equipment. The average United Air Lines captain has flown more than 2 million miles.

United's Future Seems Most Exciting: In recent weeks you may have read some stories to the effect that the airlines might be ordering too much new equipment—that airline traffic three to five years from now might not justify all the additional planes. Well, don't be afraid of that. The airline industry will continue to be one of America's greatest growth businesses. It has already surpassed the expectations of the most optimistic observers. And it will continue to do so.

Jet airliners will be expensive to place in operation as far as initial costs go, but they seem sure to boom traffic and will ultimately lead to new peaks in earnings.

Other skeptics question whether the new routes that have been awarded recently will make competition among the airlines too tough. No, this will only serve to stimulate further growth of air travel.

United will certainly participate in the dynamic expansion ahead. The company has already won its place in the list of outstanding growth stocks. It has the know-how, the strategic routes, and an excellent management. Its territory, especially out West, will grow by leaps and bounds. President Patterson of United received his early business experience in San Francisco's financial district, and he has built the company from a very small operation into a giant airline.

The "quality" rating of United's stock is on the way up. The line is breaking all previous records for operations and earnings. One might do well to "Fly United!" and "Buy United!"

Chas. W. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Charles W. Townsend is now with Chas. W. Scranton & Co., 239 John St.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, Conn. — Gilbert Fraunhar has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 80 West Park Place.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Herman A. Depperman has become associated with Goodbody & Co. Mr. Depperman was previously with A. M. Kidder & Co. and in the past was in the investment business in New York City.

With Doolittle & Co.

BUFFALO, N. Y. — James E. Vaughn has become associated with Doolittle & Co., Liberty Bank Building, members of the New York Stock Exchange, as analyst.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James K. Logsdon is now with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Joins Slayton Staff

(Special to THE FINANCIAL CHRONICLE)

ALTON, Ill.—George D. Harris is with Slayton & Co., 207 East Broadway.

With Sherman Gleason

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur J. Murphy has become connected with Sherman Gleason & Co., Inc., 7 Water Street.

Inv. Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Roger H. Hatch is now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Public Utility Securities

By OWEN ELY

Outlook Continues Favorable for Electric Utilities

Herbert R. Frankel, Associate Editor of "Electrical World," recently made an address before the New York Society of Security Analysts on the outlook for the electric power industry, from which we summarize as follows:

Construction expenditures for the entire industry last year were $3.6 billion (compared with $4.1 billion in the record year 1953) and are expected to increase to $3.9 billion this year. For the investor-owned utilities, expenditures of $2.7 billion in 1955 were off slightly because of a decline in fuel-burning plant construction, but the figure is expected to increase to $2.9 billion this year. The utility companies are expected to spend about the same amount for new generating facilities this year as last, but other kinds of expenditures—for transmission, distribution and miscellaneous—are scheduled to rise.

The upward trend in revenues should continue. Last year's gain was 9.6% and the estimate for the current year is 8.5%. The operating ratio is expected to continue its downward trend, reaching 43.7% by the end of 1956, the lowest since 1945 when it stood at 41.8%. Net income is expected to improve from $1,246 million last year to $1,333 million this year.

Industrial sales ("large light and power" plus sales to AEC) are expected to be around 273 billion kwh for 1956 compared with 248 billion last year. Combining all public and private utilities (together with manufacturers) there was an increase of nearly 17% in kwh sales last year, about two-thirds of the increase resulting from the upswing in industrial output which began in the latter part of 1954. Use of power by the Atomic Energy Commission about doubled in 1955 as compared with 1954, amounting to 47 billion kwh or about 10% of total industrywide sales. Energy was sold to the AEC for less than five mills per kwh compared with the regular industrial power rate of around 10 mills.

Residential kwh sales continued to gain rapidly last year, being up 11% over 1954. About one-fifth of the increase was due to new customers and four-fifths to increased use by existing customers. The average residential usage was 2,755 kwh per annum and it is predicted that the figure will rise to 3,000 this year. Residential usage is apt to increase along with "consumer disposable income" since this measures the ability of customers to buy appliances. It is estimated that consumers should have $13 billion more money to spend this year, or an increase of about 5%. Last year sales of appliances reached a record high of $7.9 billion retail value as compared with the old record of $7.4 billion during the Korean War.

Over 85 million appliances were sold in 1955, some of course being replacements. As yet only eight appliances are heavily used, the saturation figures for all homes being as follows:

Radios	97%
Refrigerators	94
Standard Irons	90
Clocks	88
Washers	84
Televisions	76
Toasters	74
Vacuum Cleaners	64

With the increased use of appliances given the benefits of promotional rates, it is expected that the average residential kwh rate, now around 2.64 cents per kwh, will drop to 2.60 cents by the end of 1956.

Sales to small light and power consumers (mainly commercial establishments) were nearly 81 billion kwh in 1955, and are expected to rise to 88 billion kwh this year, or a gain of over 9%.

Turning to the "revenue dollar" of the investor-owned companies, fuel took about 16 cents of the dollar, salaries and wages 18 cents, operating expenses 10 cents, depreciation 10 cents, taxes 24 cents, and capital costs (interest, dividends and surplus) 22 cents. For 1956 Mr. Frankel saw little change in the distribution of the revenue dollar.

The industry continues to make rapid progress in operating efficiency. The amount of coal required to produce one kwh dropped from 1.14 lbs. in 1953 to .96 lb. last year and is expected to drop further to .93 this year. The most efficient fuel-burning plant can produce for less than three-quarters of a pound of coal per kwh. However, with coal costs rising some 15 cents per ton, this will about offset the increased efficiency so that there will be little change in over-all cost. Labor efficiency continues to improve since the new generating units operate with reduced personnel. In 1956 kwh generated per man-hour is expected to reach a record of 9.05 kwh per man-hour.

Gains in kwh production for different areas are indicated below, and future outlook for gains is indicated in a general way by the capacity additions now scheduled for construction over the next two or three years.

% Gain in KWH Output in Decade

	After World War I	After World War II	Planned Inc. in Capacity
New England	119%	83%	26%
Middle Atlantic	125	82	28
East North Central	155	151	29
West North Central	101	131	30
South Atlantic	170	150	33
East South Central	182	305	33
West South Central	341	211	47
Mountain	74	109	58
Pacific	144	158	45
Total U. S.	**141**	**145**	**33**

The ten large electric companies with the largest proposed gains in kw capacity during 1956-1958 are as follows: Idaho Power 97%; Tampa Electric 94%; Dallas P. & L. 73%; Kansas G. & E. 71%; Southwestern G. & E. 69%; Oklahoma G. & E. 67%; Northern Indiana P. S. 60%; Texas Electric Service 57%; Delaware P. & L. 56%, and Savannah E. & P. 53%.

Dividend payments are expected to increase this year, reaching 8.58% of common stock equity and earned surplus.

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More Inspection and Controls For Broker-Dealers and Advisers

their customers and to prevent unfair and deceptive practices. Time would prevent my enumerating all of these requirements but there are some examples:

Most members of exchanges and brokers and lealers must maintain specified books and records showing the transactions which they execute, the securities which they handle for customers; their long and short securities positions and other information with respect to their financial condition and amounts due or payable to customers. These records are subject to inspection by the Commission's staff at any time.

Indebtedness Ratio

The Commission also has a rule which makes it unlawful for a broker or dealer to effect a securities transaction in the Over-the-Counter Market if his "aggregate indebtedness" exceeds 20 times his "net capital" as defined in the rule. Last summer the Commission amended these definitions to afford greater protection to the customers of brokers and dealers. Before the rule was amended it provided that, in the computation of "net capital," there should be deducted 10% of the market value of securities which form a part of the broker-dealers capital. As amended, this percentage deduction has been increased so that it is now 30% except in the case of certain preferred stocks and undefaulted debt securities. This 30% deduction was also applied to certain commodity future contracts and to positions in open contractual commitments.

The members of certain exchanges whose rules and practices were deemed to impose more comprehensive requirements are exempt from the provisions of this rule, but this exemption is being studied to determine whether these exchanges not only have net capital rules as comprehensive as those of the Commission, but also whether they have adequate inspection and other procedures to enforce those rules.

Hypothecation Rules

In order to afford further protection to securities carried for the account of customers, the Commission has adopted hypothecation rules applicable to members, brokers and dealers. They prohibit: the commingling of customers' securities without the written consent of each customer; the commingling the firm's and customers' securities in connection with a loan to the firm; and borrowing more on customers' securities than the customers owe on such securities.

The Commission has adopted many regulations to implement the anti-fraud and anti-manipulative provisions of the Act. A Commission rule makes it unlawful, in connection with the purchase or sale of a security, to make misstatements or misleading omissions of material facts; to employ any device, scheme or artifice to defraud; or to engage in any act, practice or course of business which operates as a fraud or deceit. The rules prohibit broker-dealers from trading in a security over-the-counter during the period when the Commission has suspended the security from exchange trading. They require brokers and dealers to send written confirmations of transactions to their customers disclosing the capacity in which they are acting and the compensation which they have received or are to receive in connection with the transaction.

National Securities Associations

By an amendment to the Securities Exchange Act enacted in 1938, the Congress provided a mechanism by which brokers and dealers in the Over-the-Counter Market might engage in a degree of self-regulation under the general supervision of the Commission in a manner somewhat comparable to that provided for exchanges. This was done by providing for the registration of national securities associations, which meet the requirements of the statute. While these requirements are quite comprehensive, probably the most important is the requirement that the rules of the association must be designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade. The only organization which has registered under this provision is the National Association of Securities Dealers, Inc. whose membership comprises most of the brokers and dealers active in the interstate Over-the-Counter Market.

The Commission has authority over amendments to the rules of the association and over the admission or expulsion of members. Generally speaking, any registered broker and dealer can become a member of the association unless subject to specified disqualifications provided in the statute and the rules. The statutory disqualifications relate principally to conduct which is unlawful under the Federal securities laws or in violation of rules prohibiting transactions inconsistent with just and equitable principles of trade. The association has recently amended its rules effective June 1, 1956, to require that those of its members who do not have one year's experience in a specified capacity in the securities industry will have to pass an examination demonstrating their knowledge of fundamental business practices and legal requirements.

Inspection and Enforcement

The Commission enforces the requirements of the Federal securities laws in a number of ways. It has authority to make investigations in the course of which it may subpoena witnesses and take testimony. If a violation is found to exist, it can apply to a Federal court for an injunction or it can refer the matter to the Department of Justice for criminal prosecution or, if the violator is a broker or dealer, it can commence administrative proceedings for the revocation of his registration or for his expulsion from any exchange of which he may be a member or from the National Association of Securities Dealers, Inc. Other administrative sanctions such as proceedings to deny or suspend the registration of securities under the Securities Act or under the Securities Exchange Act are also available.

Regular inspection of brokers and dealers is a vital part of the Commission's enforcement program for the protection of the public and public investors. Broker - dealer inspections are conducted to assure compliance by registered brokers and dealers with the requirements of the Securities Exchange Act and to discover and prevent violations of the Federal securities laws. The inspectors check books and records to learn whether there has been compliance with Commission regulations relating to hypothecation of customers' securities, extension of credit on securities, confirmations, maintenance of books and records, and the Commission's net-capital rule. They also check for churning, switching and other fraudulent practices. These inspections frequently discover situations which, if not corrected, might result in losses to customers.

I do not mean to suggest that there are no violations of law going on or that those that do occur are all detected by the Commission. That would be too much to expect of any law enforcement agency, but I do mean to say that with the funds and personnel available to the Commission, much has been accomplished. The Commission expects to step up its broker-dealer inspection program in the immediate future.

Investment Advisers

Before closing I would like to say a word about the regulation of investment advisers. The Investment Advisers Act of 1940 provides for the registration with the Commission of persons engaged in giving investment advice for compensation with certain specific exceptions such as banks, publishers of publications of general circulation and certain professional men such as lawyers, accountants, engineers and teachers. The jurisdiction of the Commission under this statute is, however, very limited. Any investment adviser who has not been convicted of certain types of crimes, is not subject to an order enjoining him from engaging in certain activities, and who files an accurate and complete application, is eligible to become registered as an investment adviser. While the Act prohibits fraudulent and deceptive practices it does not empower the Commission to conduct routine inspections of investment advisers or require them to maintain books and records. In fact, many of its provisions, even the anti-fraud provisions, are applicable only to investment advisers registered under the Act.

In 1945 the Commission submitted a report to Congress pointing out many deficiencies in the Federal Investment Advisers Act and recommending a number of amendments to make it more effective. Unfortunately no action has been taken on these recommendations.

On the other hand, I was pleased to learn that our Illinois legislature has recently amended the Illinois Securities Law so as to require the registration of investment advisers and also to permit more effective regulation of their activities. I am informed that under the Act the Secretary of State can adopt regulations to require investment advisers to meet certain competency standards, to comply with certain financial responsibility standards, and to maintain books and records; and that it also authorizes him to examine books, records, advertisements and sales literature of investment advisers. It is my understanding that many regulations with respect to these matters have already been adopted. It is very gratifying to us at the Securities and Exchange Commission when state administrators engaged in activities similar to our own are able to take any action which helps to maintain the confidence of investors in the securities markets.

Conclusion

In conclusion, let me stress the importance of the maintenance of the confidence of the American people in the securities markets. In our economy today, few citizens are unaffected by these markets. The 90 million Americans holding life insurance policies have an indirect interest in these markets through the great investment in stocks and bonds of corporations held by insurance companies. Beneficiaries under pension funds and holders of investment company shares have an indirect interest. And the 8 million citizens who directly own shares of corporations are vitally concerned. Our corporate wealth is very broadly held. The securities markets provide the mechanism by which business raises the capital required to serve the economic needs of the people. They provide a mechanism by which industry may be broadly shared by the people. Ownership of American industry has become, through the operation of the capital markets, freely transferable. Thus, investors are willing to place their savings at the disposal of industry and the capital so essential to the nation's economic progress is provided.

The Securities and Exchange Commission is not directly concerned with the economics of this process. It is not the Commission's business whether prices of securities on the markets go up or down. But we are vitally concerned that price movements result from the free judgment of buyers and sellers trading in fair, honest and orderly markets. The Commission does not, and under the statutes is not permitted to, pass on the quality or investment merits of securities registered with it for initial sale or listing on exchanges. That is not our province. But it is our business to require, under the Securities Act and the Exchange Act, adherence to the "fair disclosure" standards of the law, the maintenance of free, fair and orderly securities markets, and the detection, prevention and punishment of fraud in the sale of securities. This is a great responsibility and requires the cooperation of analysts, securities dealers, brokers, investment bankers, the exchanges, dealers' associations, and all those who have to do with the securities markets, working together for the best interests of the investors of America and the American people.

With Nat'l Secs. Research

(Special to The Financial Chronicle)

BOSTON, Mass. — Vincent D. Dunn has joined the staff of National Securities & Research Corporation, 79 Milk Street. He was formerly with Lee Higginson Corporation.

Joins Waddell & Reed, Inc.

(Special to The Financial Chronicle)

BOSTON, Mass.—Ralph D. Joslin is now associated with Waddell & Reed, Inc. He was formerly with Richard J. Buck & Co., and Draper, Sears & Co.

With Shearson, Hammill

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Merrill Meadows is with Shearson, Hammill & Co., 1387 Main Street.

With Federated Managem't

(Special to The Financial Chronicle)

WORCESTER, Mass. — Thomas F. Rice has joined the staff of Federated Management Corporation, 21 Elm Street.

Ashton Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Eugene W. Carman is now with Ashton & Co., 15315 West McNichols Road.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold its luncheon meeting Thursday, Feb. 9, at the Adams Room of the Midland Hotel. Carl J. Gilbert of the Gillette Company will be speaker.

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The State of Trade and Industry

optimism regarding company-union negotiations in their 145-day strike.

Steel Operations Scheduled This Week at 97.8% of Capacity

First-half profits in the metalworking industry will average higher than those for the like period last year but probably won't match profits of the half just ended, "Steel" magazine predicted on Monday of this week.

A survey taken by the national metalworking weekly indicated blue-chip companies, other than automotive, look for earnings that are 8 to 10% better than those in 1955's first half and 3 to 5% better than 1955's second six months.

"Steel" said an all-time six-month record for steel producers is in the making, with nonferrous prospects excellent, particularly in aluminum. Competition is stiffer for fabricated metal products.

Machinery makers expect about or nearly the best first-half profit on record. "Steel" noted that tool and die shops are completely sold out the first half, with customers even freely offering to pay premiums on hard jobs.

Over-all demand for steel has eased somewhat, but steel producers can sell all they make, "Steel" reported. For the last month, output of steel for ingots and castings has averaged 99% of capacity. This rate held through the week ended Feb. 12.

"Steel's" price composite on finished steel remains at $127.91 a net ton, but steelmaking scrap prices slid downward for the third consecutive week to $50.33 a gross ton, a decline of 17 cents 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 97.8% of capacity for the week beginning Feb. 13, 1956, equivalent to 2,408,000 tons of ingot and steel for castings as compared with 99.1% of capacity and 2,439,000 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 99.0% and production 2,437,000 tons. A year ago the actual weekly production was placed at 2,150,000 tons or 89.1%. 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 Dropped Below Level of the Week Previous

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 11, 1956, was estimated at 11,343,000,000 kwh., a decrease below the week ended Feb. 4, 1956, according to the Edison Electric Institute.

This week's output fell 197,000,000 kwh. below that of the previous week; it increased 1,421,000,000 kwh. or 14.3% above the comparable 1955 week and 2,659,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Feb. 4, Eased Further, Dropping 1.6% Under the Preceding Week

Loadings of revenue freight for the week ended Feb. 4, 1956, decreased 10,861 cars or 1.6% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 4, 1956, totaled 680,989 cars, an increase of 45,210 cars, or 7.1% above the corresponding 1955 week, and an increase of 56,504 cars, or 9.1% above the corresponding week in 1954.

U. S. Car Output Registered a Slight Decline in Latest Period Below That of a Week Ago

Car output for the latest week ended Feb. 10, 1956, according to "Ward's Automotive Reports," dropped slightly under the previous week.

Last week the industry assembled an estimated 139,533 cars, compared with 140,582 (revised) in the previous week. The past week's production total of cars and trucks amounted to 164,502 units, or a decrease of 2,773 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 1,049 cars, while truck output was lower by 1,724 vehicles during the week. In the corresponding week last year 168,059 cars and 14,774 trucks were assembled.

Last week the agency reported there were 24,969 trucks made in the United States. This compared with 26,693 in the previous week and 14,774 a year ago.

Canadian output last week was placed at 3,300 cars and 1,086 trucks. In the previous week Dominion plants built 6,059 cars and 1,138 trucks, and for the comparable 1955 week, 7,294 cars and 1,069 trucks.

Business Failures Hold To Downward Course

Commercial and industrial failures declined to 236 in the week ended Feb. 9 from 273 in the preceding week, Dun & Bradstreet, Inc., reports. The toll was slightly below a year ago when 238 failures occurred, and down considerably from the 277 in 1954. Continuing below the prewar level, failures were down 26% from the 1939 total of 318 for the comparable week of that year.

Failures involving liabilities of $5,000 or more dipped to 205 from 229 last week and 207 a year ago. Small failures with liabilities under $5,000, fell to 31 from 44 in the previous week, but equalled that of 1955. Thirty-six of the failing concerns had liabilities in excess of $100,000, climbing from 22 a week ago.

Wholesale Food Price Index Eases the Past Week

Reversing the upward trend of the two preceding weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned downward the past week to stand at $5.90 on Feb. 7. This compared with $5.95 a week earlier, marking a drop of 12.9% from the year-ago figure of $6.77.

Commodities quoted higher last week were wheat, milk, coffee, cottonseed oil, cocoa, eggs and potatoes. Lower in wholesale cost were flour, rye, oats, barley, hams, bellies, lard, cheese, sugar, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reflected Narrow Trend the Past Week With Grain Prices Mixed

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range during the past week. The index finished at 280.62 on Feb. 7, as compared with 280.29 a week previous and with 278.73 on the corresponding date a year ago.

Fluctuations in grain prices were mixed last week. Wheat and corn finished higher, while rye and barley trended lower and oats held mostly steady.

Buying in wheat was stimulated by a heavy movement of cash wheat out of Chicago, persumably for export purposes, and by the possibility that 90% price supports might be restored on basic crops.

Additional moisture over the winter wheat belt was reported over the weekend but had little influence on prices. Corn showed strength in early dealings, reflecting limited market receipts and reports that producers were impounding large quantities of the yellow grain under the government loan. Oats prices remained steady as country marketings continued to decrease. Trading in grain and soybean futures on the Chicago Board of Trade broadened last week with daily average purchases totalling 38,700,000 bushels, against 29,200,000 the previous week and 32,500,000 a year ago.

Business in hard wheat bakery flours continued at a low level last week. Most bakers and jobbers still held substantial supplies and preferred to draw upon balances in the hope that prices will work downward before replacements become necessary. Interest in other types of flour was confined to necessary replacements.

The uptrend in the green coffee market was sustained the past week with prices pushing into new high ground for the season.

The rise reflected the upward adjustment in roasted coffees and expectations of additional advances at the wholesale level in the near future.

Cocoa reversed its downward trend and scored a moderate rise for the week. Manufacturer demand showed improvement and grindings for the first quarter are expected to show a substantial gain over the like period a year ago. Lard prices moved lower last week as a renewed heavy run of hogs offset further advances in vegetable oils. Live hog prices were off sharply for the week, reflecting the large receipts and a declining wholesale pork market. Cattle prices turned lower at the close, the result of heavier market receipts.

Spot cotton prices developed further strength during the week and closed with a moderate net gain.

Supporting influences included a continued tightening of the "free" supply situation, increased activity in the cotton goods market and Washington advices indicating a possibility of a 90% of parity loan rate for the 1956 crop.

The mid-January parity price for upland cotton was placed by the Department of Agriculture at 34.85 cents a pound as compared with 35.09 cents a month earlier. Exports of cotton continued at a low ebb and totalled only 8,000 bales during the latest weekly period, according to the New York Cotton Exchange, as against 33,000 bales a week previous and 57,000 bales in the same week last year.

Trade Volume Rose During the Week and Was Moderately Above Like Period A Year Ago

Retail trade expanded somewhat in the period ended on Wednesday of last week and the total dollar volume was moderately higher than a year ago.

Clearance sales stimulated consumer purchasing of winter apparel and household goods. Sales of new automobiles were at the same level as in the previous week.

The total dollar volume of retail trade in the week was 3 to 7% 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 Pacific Coast +3 to +7; East +6 to +10; South 0 to +4; Middle West +2 to +6; Northwest +1 to +5 and Southwest —1 to +3%.

Apparel stores reported increases and sales promotions encouraged consumer interest in expensive dresses and sportswear. The buying of men's apparel equalled that of the previous week, except for moderate gains reported in furnishings and sportswear. There was a noticeable expansion in volume in boys' sportswear, while the call for children's shoes declined moderately.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 4, 1956, increased 5% above those of the like period of last year. In the preceding week, Jan. 28, 1956, an increase of 8% was reported. For the four weeks ended Feb. 4, 1956, an increase of 5% was recorded. For the period Jan. 1, 1956 to Feb. 4, 1956 a gain of 7% was registered above that of 1955.

Retail trade volume in New York City last week was estimated by trade observers to have shown an increase of possibly 1 or 2%, but compared with the corresponding period a year ago, little or no change was evident.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 4, 1956, increased 8% above those of the like period last year. In the preceding week, Jan. 28, 1956, an increase of 8% (revised) was recorded. For the four weeks ending Feb. 4, 1956, an increase of 7% was registered. For the period Jan. 1, 1956 to Feb. 4, 1956 the index recorded a rise of 7% above that of the corresponding period in 1955.

Continued from first page

Oils Bought by Funds Midst Overall Cautious Policy

months of 1955—building and construction, chemicals and the steels—were current ranking favorites along with the oil issues. Paper and pulp companies, natural gas producers and distributors and the drug products along with industrial machinery and insurance companies were also well-liked. Topping the auto issues among the less popular groups were the electrical equipment stocks, as during the previous period, with Westinghouse again bearing the heaviest share of the selling. Metal and mining companies, merchandisers, textiles and agricultural equipments were also sold on balance. The food stocks, however, which had been unpopular during the previous months of 1955, found favor with purchasers. Opinion was divided on the electric utilities, rails and aircraft, in contrast with a slight preponderance of buying in the air lines.

Shifting from the Volatiles

An indication of the extent to which some of the funds were continuing to cutback on the more volatile portions of their portfolios, as had been also pointed out during the survey of the previous three months, is shown by the following run-down of the portfolio composition of a dozen funds, three of which, incidentally, are under the management of E. W. Axe and Co.:

Common Stocks Plus Lower Grade Bonds and Preferreds

	—% Net Assets— Sept. 30	Dec. 31
Open-End Balanced Funds:		
Axe-Houghton Fund "A"	60.4%	53.8%
Axe-Houghton Fund "B"	74.0	70.5
Boston Fund	72.3	69.5
General Investors Trust	77.8	75.5
Shareholders' Trust of Boston	74.2	65.8
Whitehall Fund	53.7	51.6
Open-End Common Stock Funds:		
Axe-Houghton Stock Fund	78.3	72.4
Delaware Fund	95.5	92.7
Group Securities-Common Stock	98.2	93.3
New England Fund	64.2	61.1
Scudder Stevens & Clark-Com. Stk.	97.6	95.1
Closed-End Companies:		
American European Securities	89.0	83.3

Conservative Approaches

Of course, there were various approaches to this more conservative picture. Some managements merely withheld new cash received from further purchases of junior equities; others sold common stocks on balance and placed proceeds in cash and equivalents or investment grade corporate debt and preferreds. Illustrating the latter procedure was the sale of the Axe Stock Fund of rail commons and reinvestment in the carrier senior equities. Tri-Continental with its triple-decked capital structure has balanced the types of securities in its portfolio with its own capitalization, and eliminated the leverage influence.

Francis F. Randolph, Chairman of the Board and President of Tri-Continental, points out in his annual report that "there is an economic philosophy, supported by competent students, which holds that the ghost of the business cycle has been put to rest and that business will move steadily forward for the next five to ten years with only minor readjustments. . . . Against this philosophy the investor must balance the history of booms that have come and gone and the evidence that there is instability in our economic society that causes people in good times to overexpand, to overestimate the future and to create economic maladjustments and then, as the expansion runs out of steam, to grow cautious and to retrench so that the maladjustments multiply. Economic analysis unfortunately does not provide the answer. *All that can be said is that the economic measurements of the present situation provide enough similarities to booms in the past which did lead to recession, to justify caution."* (Our italics.)

Norman R. Steinmetz, President of General Public Service Corporation, refers to another method of eliminating the leverage factor during the current period in his annual statement to stockholders: "Historically, your corporation has always had in its capital structure varying amounts of debt and stocks senior to the Common Stock. Although the amount of leverage so provided has decreased in recent years through the retirement of all its outstanding Preferred Stock and a reduction in the amount of bank loans outstanding, the amount of leverage in the future may be either increased or decreased in such amounts and at such times as the Board of Directors deems advisable."

Year-end statements of the trustees of two of the funds which "cutback" during the final period of 1955, as indicated in the preceding summary table, are of interest. It is the belief of the Shareholders' Trust of Boston (John P. Chase economic adviser and trustee) that "the Federal Reserve Board will continue restrictive policies as long as the credit situation threatens to get out of hand . . . that the need for such measures indicates that the economic pace may have been too rapid and justifies the less aggressive investment policy being pursued by the Trustees, the Advisory Committee, and the Investment Adviser. The changes made in the Trust's portfolio during the year, particularly in the final quarter . . . reflect this less aggressive policy. . . . Significant steps were taken to increase the defensive proportion of the portfolio as represented by investments in cash, short-term securities, high-grade fixed income securities and the less volatile public utility stocks and conversely to decrease . . . the more volatile industrial and rail equities."

Retrenchment Policy

And from the New England Fund (Henry E. Kingman, Chairman of the Trustees) we learn that their "experience since the early '20s has convinced (them) that the soundest and most consistent capital growth opportunities are to be found in the early stages of a market rise, and that, as the rise carries market prices into historically high ground, stock holdings should be gradually reduced to lessen the risks. This plan of retrenchment provides a greater degree of protection to capital at high market levels, and it also provides funds which are readily available for reinvestment at an advantageous time."

Contrast the attitude of Edward C. Johnson 2d, President of Fidelity Fund, in his letter to shareholders appearing in the annual report: After observing that "anyone who prophesies serious depression around the corner is probably just as wrong as the exponents of perpetual boom," Mr. Johnson at a later point continues: "Your management has always in mind the long-term increase in the average price of various groups of diversified stocks which has taken place in the past, these increases covering periods of war, peace, inflation and deflation. The record seems to indicate that if an investment company such as Fidelity Fund (which always keeps a highly diversified portfolio), has any question as to whether to maintain a substantially fully invested equity position or not, it is better to err by continuing rather than by abandoning it. Then, if the decision is wrong in retaining the equity position, the long-term trend will tend to correct the error; whereas in the opposite case the long-term trend will accentuate the error. Therefore, we feel that the burden of proof is on those who suggest building up substantial defensive holdings at any particular time. Your management's decision at the present time is to keep its 90%-plus invested position in equity-type securities."

What about relative positions of individual issues within their industry groups? Some shifts during the period under review stand out. In the railroad division, the Dreyfus Fund sold Rock Island and bought New York Central. Of course all of such changes are of interest when viewed within the framework of the particular fund's investment policies and Dreyfus is not hesitant to make frequent shifts in its holdings. Axe Stock Fund made an interesting switch in the allied equipment field, selling Alco Products and making a purchase of A.C.F. Industries. In the merchandising sector, Kroger found a place in Delaware Fund's portfolio vacated by Safeway Stores. And, while the steels maintained their popularity and were bought on balance, there were still interesting shifts in portfolio holdings. Noteworthy was the sale by Institutional Foundation Fund of Bethlehem and National Steel and purchase of Armco and Jones and Loughlin.

Two Newcomers

Less familiar company names to answer portfolio roll calls for the first time included an industrial making a twin initial appearance. Stauffer Chemical was purchased by Commonwealth Investment Company and the Bullock Fund. Wellington purchased General American Corporation, Seattle and Ohio Casualty. Other less familiar acquisitions were Photon, Incorporated, bought by Axe-Houghton Stock Fund, Metals and Controls Corporation by Massachusetts Growth Stock Fund and

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Balance Between Cash and Investments of 65 Investment Companies

End of Quarterly Periods September and December 1955

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent —End of—		Investment Bonds and Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
Open-End Balanced Funds:	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
American Business Shares	7,192	6,674	21.8	20.4	26.5	27.4	51.7	52.2
Axe-Houghton Fund "A"	4,572	4,435	10.0	9.5	29.6	36.7	60.4	53.8
Axe-Houghton Fund "B"	2,035	3,937	4.1	7.2	21.9	22.3	74.0	70.5
Boston Fund	4,132	7,588	3.0	5.3	24.7	25.2	72.3	69.5
Commonwealth Investment	11,333	10,412	10.1	9.7	15.8	17.4	74.1	72.9
Diversified Investment Fund, Inc.	1,150	949	2.0	1.6	26.2	25.4	71.8	73.0
Dodge and Cox Fund	348	367	8.2	8.0	22.9	22.0	68.9	70.0
†Dreyfus Fund	46	272	1.0	4.8	3.6	3.3	95.4	91.9
Eaton & Howard Balanced	9,056	10,608	5.7	6.4	25.5	24.4	68.8	69.2
Fully Administered Fund—Group Securities	1,453	1,459	18.1	17.8	6.7	6.6	75.2	75.6
General Investors Trust	321	340	10.1	10.1	12.1	14.4	77.8	75.5
Investors Mutual	27,660	27,074	3.3	3.0	27.2	36.7	69.5	70.3
Johnston Mutual Fund	360	300	8.3	6.5	20.8	21.7	70.9	71.8
National Securities—Income	1,245	994	2.4	1.9	12.6	12.3	85.0	85.8
Nation-Wide Securities	3,850	3,913	15.1	14.7	30.5	28.6	54.4	56.7
George Putnam Fund	2,142	3,092	1.8	2.5	26.7	26.4	71.5	71.1
Scudder, Stevens & Clark	3,703	3,668	7.0	6.7	32.3	32.2	60.7	61.1
Shareholders Trust of Boston	1,117	2,099	6.3	11.5	19.5	22.7	74.2	65.8
Stein Roe and Farnham Fund	2,854	2,211	21.1	15.8	27.1	30.4	51.8	53.8
Value Line Fund	3,404	3,143	32.8	29.6	22.6	23.0	44.6	47.4
Wellington Fund	48,593	49,360	10.5	10.0	22.9	22.4	66.6	67.6
Whitehall Fund	219	141	3.3	2.0	43.0	46.4	53.7	51.6
Wisconsin Fund, Inc.	1,028	376	10.2	3.6	None	None	89.8	96.4
Open-End Stock Funds:								
Affiliated Fund	36,621	37,141	10.9	10.6	None	None	89.1	89.4
Axe-Houghton Stock Fund	337	232	4.7	3.2	17.0	24.4	78.3	72.4
Bowling Green Fund	18	24	2.7	3.6	17.2	17.8	80.1	78.6
Blue Ridge Mutual Fund	1,414	1,875	5.6	7.2	None	None	94.4	92.8
Broad Street Investing	1,867	1,401	2.4	1.7	11.7	12.9	85.9	85.4
Bullock Fund	3,317	3,669	12.5	13.1	0.6	0.6	86.9	86.3
Delaware Fund	649	1,952	1.9	5.2	2.6	2.1	95.5	92.7
de Vegh Mutual Fund	2,518	2,348	23.9	20.8	None	None	76.1	79.2
Dividend Shares	33,443	32,229	17.1	16.0	0.3	None	82.6	84.0
Eaton & Howard Stock	7,258	7,740	13.9	13.8	0.5	1.1	85.6	85.1
Fidelity Fund	6,648	8,659	3.3	4.0	3.2	3.6	93.5	92.4
Fundamental Investors	6,126	7,301	2.0	2.2	None	None	98.0	97.8
General Capital Corp.	3,402	2,544	17.2	12.2	0.4	5.6	82.4	82.2
Group Securities—Common Stock Fund	313	1,270	1.8	6.7	None	None	98.2	93.3
Incorporated Investors	7,649	11,584	3.4	4.9	None	None	96.6	95.1
‡Institutional Foundation Fund	412	263	6.5	3.8	10.2	11.0	83.3	85.2
Investment Co. of America	5,544	5,500	8.0	7.2	None	None	92.0	92.8
Knickerbocker Fund	1,859	555	13.4	3.9	15.1	14.3	71.5	81.8
Loomis-Sayles Mutual Fund	9,462	11,542	19.9	23.4	26.3	22.3	53.8	54.3
Massachusetts Investors Trust	15,868	¶	1.7	¶	None	¶	98.3	¶
Massachusetts Investors Growth Stock	3,717	2,777	4.8	3.3	None	None	95.2	96.7
Mutual Investment Fund	1,148	839	15.8	10.1	11.7	12.4	72.5	77.5
National Investors	1,040	618	2.0	1.1	None	None	98.0	98.9
National Securities—Stock	1,539	2,728	1.3	2.1	None	None	98.7	97.9
‡‡New England Fund	824	1,041	6.6	8.0	29.2	30.9	64.2	61.1
Pine Street Fund	538	470	4.9	3.9	13.0	11.5	82.1	84.6
T. Rowe Price Growth Stock	928	955	16.5	15.4	2.2	2.1	81.3	82.5
Scudder, Stevens & Clark—Common Stock Fund	247	546	2.4	4.9	None	None	97.6	95.1
Selected American Shares	4,958	3,278	10.5	6.3	0.1	None	89.4	93.7
‡Sovereign Investors	29	17	2.0	1.0	3.0	1.7	95.0	97.3
State Street Investment Corp.	28,000	21,213	17.5	13.0	0.8	0.1	81.7	86.9
Wall Street Investing Corp.	1,401	1,307	21.8	19.4	None	None	78.2	80.6
Closed-End Companies:								
Adams Express	2,817	2,790	3.7	3.5	1.6	0.3	94.7	96.2
American European Securities	1,181	1,627	8.2	9.8	2.8	6.9	89.0	83.3
American International	1,050	798	3.1	2.3	2.4	0.4	94.5	97.3
General American Investors	6,396	6,109	10.6	9.9	None	None	89.4	90.1
General Public Service	1,442	385	7.3	2.0	None	None	92.7	98.0
Lehman Corporation	18,218	13,696	8.3	5.9	0.1	1.8	91.6	92.3
National Shares Corp.	4,479	2,538	19.1	11.1	1.0	1.3	79.9	87.6
‡Overseas Securities	806	404	21.2	11.9	None	None	78.8	88.1
Tri-Continental Corp.	1,248	998	0.5	0.4	18.7	19.7	80.8	79.9
§U. S. & Foreign Securities	9,476	7,576	7.1	5.9	None	None	92.9	94.1

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Formerly Nesbett Fund; flexible fund with current stock policy. ‡September 1955 figures corrected. ‡‡Flexible fund with current balanced policy. §U. S. and International Securities merged into U. S. & Foreign Securities. ¶Capital gain distribution payable February 18 offsets cash, short terms and governments. However, if same percentage of holders elect to take shares in preference to cash as in 1955, net liquid balance on December 31st, would exceed that at end of September quarter totaling $15,868,000.

SUMMARY

Changes in Cash Position of 65 Investment Companies

Open-End Companies:	Plus	Minus	Unchanged	Total
Balanced Funds	6	5	12	23
Stock Funds	12	13	7	32
Closed-End Companies	1	7	2	10
Totals	19	25	21	65

Now L. L. Fane Co.

PLAINFIELD, N. J.—The firm name of Investment Planning Company, 7-9 Watchung Avenue, has been changed to L. L. Fane & Co.

L. H. Duke Opens

COLLEGE PARK, Ga. — Lloyd H. Duke is engaging in a securities business from offices at 912 Harris Drive.

Changes in Common Stock Holdings of 49 Investment Management Groups

(September 30 — December 31, 1955)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
4(1)	23,100	Deere and Co.	12,500	2(2)
None	*None*	*J. I. Case*	*300*	*2(1)*
1(1)	*5,000*	*International Harvester*	*3,500*	*3(1)*
		Auto and Auto Parts		
2(1)	9,000	Mack Trucks [1]	None	None
2(old)	*900*	*General Motors [2]*	*3,150(old)*	*4*
			149,106(new)	*20*
None	*None*	*Rockwell Spring and Axle*	*4,000*	*2(1)*
		Aviation		
6(1)	19,300	Boeing Airplane	1,700	2(1)
4(1)	13,300	Douglas Aircraft	3,200	1
5(1)	19,000	North American Aviation	3,300	2
3(3)	7,200	United Air Lines	2,000	1
2(1)	*4,000*	*Bendix Aviation [3]*	*6,350*	*4(2)*
None	*None*	*General Dynamics*	*800*	*2*
1	*150*	*United Aircraft*	*2,150*	*3*
		Beverages		
4(1)	8,900	Coca Cola	None	None
		Building Construction and Equipment		
7(2)	20,100	Carrier Corporation	10,000	3(3)
3(1)	13,000	Lone Star Cement	None	None
3(2)	17,900	Masonite	3,712	1(1)
2(2)	13,600	National Homes "B"	None	None
3(1)	11,400	National Lead	1,000	1
2	268½	H. H. Robertson Co. [3]	None	None
2	*15,500*	*American Radiator*	*16,400*	*6(2)*
None	*None*	*Penn-Dixie Cement [3]*	*2,450*	*3*
None	*None*	*Simmons Co.*	*900*	*2*
None	*None*	*York Corp.*	*13,000*	*2(2)*
		Chemicals		
7(2)	33,300	American Cyanamid [4]	None	None
6(1)	12,725	Monsanto Chemical [5]	2,000	1
2	240	Rohm and Haas [6]	None	None
2(2)	6,875	Stauffer Chemical	None	None
2	1,000	Tennessee Corp. [7]	None	None
5	17,500	Union Carbide	None	None
2(1)	*800*	*duPont*	*7,920*	*6*
1	*800*	*Olin Mathieson*	*11,925*	*3(1)*
		Containers and Glass		
2(1)	1,400	Owens-Corning Fiberglas	None	None
2(old)	1,600	Owens Illinois Glass [8]	None	None
1(new)	3,300			
None	*None*	*Corning Glass Works*	*5,900*	*2*
		Drug Products		
7(1)	10,200	Colgate-Palmolive	4,000	2(2)
5(2)	29,400	Merck and Co.	5,000	1(1)
6(1)	36,100	Pfizer	19,400	3(1½)
2	200	Unilever [8a]	None	None
2	2,060	Warner-Lambert Pharmaceutical [5]	None	None
		Electrical Equipment		
4(1)	2,300	Minneapolis-Honeywell	10,000	2
2	1,200	Motorola	None	None
2(1)	15,400	Square "D"	None	None
3	8,200	Sylvania Electric	2,000	1(1)
1	*1,000*	*General Electric*	*21,400*	*4*
1(1)	*4,000*	*International Tel. and Tel.*	*9,000*	*3(1)*
None	*None*	*Raytheon*	*550*	*2*
3	*11,062*	*Sperry-Rand*	*27,755*	*6(1)*
4(1)	*20,800*	*Westinghouse Electric*	*53,200*	*11(7)*
		Financial, Banking and Insurance		
2(1)	1,900	Aetna Life Insurance Co.	None	None
2	5,250	Beneficial Finance Co.	None	None
3(1)	2,852	Boston Insurance Co.	None	None
2	7,500	Chase Manhattan Bank	None	None
2	6,500	Guaranty Trust Company	None	None
6(2)	81,960	Household Finance [9]	12,000	1(1)
2	3,750	Republic Natl. Bank of Dallas	None	None
3(3)	8,500	Travelers Insurance	675	1(1)
2(1)	658	U. S. Fidelity & Guaranty	None	None
None	*None*	*Commercial Credit*	*2,700*	*2(1)*
None	*None*	*Maryland Casualty*	*9,000*	*2*
None	*None*	*Standard Accident Insurance*	*4,000*	*2(2)*
		Food Products		
3(2)	4,600	Corn Products Refining	2,700	1
2(1)	8,000	Foremost Dairies	None	None
3(1)	7,000	National Dairy Products	200	1
3	2,200	Penick and Ford	None	None
1	*2,000*	*National Biscuit*	*9,500*	*3*
None	*None*	*Standard Brands*	*11,000*	*3*
None	*None*	*Wilson and Co.*	*15,300*	*2(2)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Machinery and Industrial Equipment		
3	2,600	Bucyrus Erie	1,700	1(½)
4(1)	12,300	Caterpillar Tractor	1,000	1
2(1)	2,300	Ex-Cell-O	None	None
2(2)	3,000	United Shoe Machinery	None	None
2	*3,500*	*Allis Chalmers*	*22,000*	*6(2½)*
1	*750*	*Halliburton Oil Well Cementing*	*7,600*	*4(2)*
		Metals and Mining		
2(1)	8,925	Hudson Bay Mining & Smelting	None	None
3	3,800	Kaiser Aluminum and Chemical	None	None
3(1)	1,900	Kennecott Copper	22,500	1(1)
3(1)	*2,700*	*Aluminium, Ltd.*	*13,700*	*7(1)*
None	*None*	*American Zinc, Lead & Smelting*	*10,750*	*2(1)*
None	*None*	*Reynolds Metals*	*31,125*	*4*
None	*None*	*St. Joseph Lead*	*8,300*	*4(1)*
None	*None*	*Vanadium Corp.*	*5,100*	*2(1)*
		Office Equipment		
5(2)	45,500	Burroughs Corp.	2,500	1(1)
8(2)	2,337½	Internat'l Business Machines [10]	62½	2
		Paper, Pulp and Printing		
2	2,750	Crown Zellerbach	None	None
4(1)	20,625	Dixie Cup	None	None
2	7,600	Robert Gair	None	None
1(old)	260	International Paper [3]	500(old)	1
8(new)	12,307		550(new)	2
3	24,000	Marathon Corp.	None	None
7(2)	10,225	Mead Corp. [11]	None	None
None	*None*	*Union Bag and Paper*	*4,200*	*2*
		Petroleum		
3(1)	4,000	Atlantic Refining	None	None
2(1)	10,800	Calgary & Edmonton Corp. Ltd.	None	None
7(1)	5,834	Gulf Oil [6]	3,435	4(2)
2(1)	6,700	Mission Development [12]	None	None
6(3)	24,800	Phillips Petroleum	3,731	3(2)
4(2)	17,100	Pure Oil	12,000	1(1)
3	5,900	Richfield Oil	500	1
3(1)	2,700	Royal Dutch Petroleum	None	None
4	4,500	Shell Oil	280	1
5	21,300	Sinclair Oil	1,300	2(2)
5	7,400	Socony Mobil Oil	None	None
3(old)	3,900	Standard Oil of California [3]	880	4
12(1)(new)	8,231			
4(1)	13,000	Standard Oil (Ind.)	None	None
12	5,423	Standard Oil of New Jersey [13]	11,220	4
3(1)	2,200	Superior Oil (Calif.)	110	1
4	11,200	Texas Company	4,000	1
2(old)	5,000	Texas Pacific Coal & Oil [8]	None	None
1(new)	4,000			
2	2,900	Union Oil & Gas "A" and "B"	None	None
None	*None*	*Houston Oil (Texas)*	*44,700*	*2*
None	*None*	*Lion Oil [14]*	*24,000*	*2(2)*
1	*2,900*	*Ohio Oil*	*20,500*	*3(3)*
None	*None*	*Warren Petroleum*	*8,000*	*3*
		Natural Gas		
6(2½)	39,600	Colorado Interstate Gas	None	None
3(1)	3,712	El Paso Natural Gas [15]	1,600	1
2	2,800	International Utilities	None	None
3	13,400	Lone Star Gas	None	None
2(1)	12,200	Southern Production	None	None
3(1)	*42,600*	*Northern Natural Gas*	*63,700*	*5(3)*
		Public Utilities		
3	14,800	Columbus & Southern Ohio Elec.	1,000	1(1)
6	9,494	Commonwealth Edison [16]	None	None
2	8,000	Iowa-Illinois Gas & Electric	None	None
2(1)	5,100	Middle South Utilities	None	None
4	20,370	N. Y. State Electric & Gas [17]	None	None
2(1)	14,000	Northern Indiana Public Service	None	None
4(½)	11,100	Public Service of Indiana	3,500	1
6(2)	45,759	Rochester Gas & Electric [18]	5,300	3(1)
2	5,200	South Carolina Electric & Gas	None	None
7	117,358	Southern Company [19]	3,000	1
None	*None*	*Arizona Public Service*	*7,000*	*2(1)*
1	*500*	*Kansas Power & Light*	*6,800*	*3*
1	*6,100*	*Niagara Mohawk Power*	*30,300*	*3(2)*
None	*None*	*Pacific Gas & Electric*	*31,800*	*3*
None	*None*	*Virgina Electric & Power*	*6,300*	*3(1)*
		Radio and Amusement		
2	3,000	Amer. Broad.-Param't Theatre	None	None
None	*None*	*Technicolor*	*6,500*	*2*
		Railroads		
7(3)	23,200	Chesapeake and Ohio	5,300	1
2	2,300	Kansas City Southern	None	None
3	7,900	Louisville and Nashville	None	None
3(1)	1,950	Union Pacific	700	1
None	*None*	*Atlantic Coast Line*	*3,000*	*2(2)*
1(1)	*900*	*Chicago, Rock Island & Pacific*	*22,500*	*8(4)*
2(1)	*8,000*	*Seaboard Air Line*	*13,700*	*5(1)*
2	*1,000*	*Southern Pacific*	*24,600*	*4(1)*
None	*None*	*Western Pacific*	*8,500*	*4(2)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Railroad Equipment		
2	16,450	A. C. F. Industries	None	None
4(1)	4,100	General Amer. Transportation	30,000	1(1)
2	3,900	Pullman	None	None
2	10,000	Union Tank Car	None	None
		Retail Trade		
3(1)	3,300	Associated Dry Goods	10,000	1
2	11,900	Marshall Field	None	None
None	*None*	*Allied Stores*	*8,500*	*2*
1	*2,000*	*Federated Department Stores*	*3,900*	*3*
None	*None*	*Safeway Stores*	*11,000*	*2(2)*
2(new)	*340*	*Sears Roebuck* [20]	*14,000*(old)	*1*
			40,170(new)	*3*
		Rubber and Tires		
2	4,500	Firestone	None	None
4(1)	12,000	Goodyear	None	None
		Steels		
7(3)	35,000	Armco Steel	8,000	3
6	9,400	Bethlehem Steel	1,700	3(1)
2	4,100	McLouth Steel	None	None
8(1)	30,800	United States Steel	5,500	2(1)
None	*None*	*Crucible Steel*	*6,310*	*2*
None	*None*	*Harbison-Walker Refractories*	*5,630*	*2(1)*
None	*None*	*National Steel*	*18,500*	*4(1)*
		Textiles		
1	*1,000*	*Cluett Peabody*	*6,900*	*4(1)*
None	*None*	*M. Lowenstein and Sons*	*4,600*	*2*
None	*None*	*Pepperell Manufacturing*	*1,100*	*2*
None	*None*	*J. P. Stevens*	*29,500*	*2*
		Tobacco		
2(2)	7,300	American Tobacco	None	None
		Miscellaneous		
2	1,300	General Shoe Corp.	None	None
1(old)	500	Gillette [8]	None	None
1(1)(new)	300			
None	*None*	*Diamond Match*	*5,800*	*2(1)*

FOOTNOTES

1 Excluding additions received as 10% stock distribution.
2 Excluding additional shares resulting from 3 for 1 split-up.
3 Excluding additions received as 5% stock distribution.
4 1,500 shares received in conversion from preferred issue.
5 Excluding additions received as 2% stock distribution.
6 Excluding additions received as 4% stock distribution.
7 Excluding additions received as 3% stock distribution.
8 Excluding additional shares resulting from 2 for 1 split-up.
8a In part represent 25% stock dividend.
9 Purchased in part through rights. Basis: 1 for 20.
10 Excluding additional shares received as 2½% stock distribution.
11 In part represents 2½% shares distribution and conversion from preferred issue.
12 18,000 shares represent a distribution from Mission Corp.
13 2,906 shares distributed by Standard Oil (Indiana). Basis: 1 for 150.
14 Exchanged for Monsanto Chemical in merger. Basis: 1½ Monsanto for each Lion.
15 500 shares converted from preferred issue.
16 8,667 shares acquired through rights, Basis: 1 for 15.
17 8,170 shares acquired through rights. Basis: 1 for 10.
18 20,945 shares acquired through rights. Basis: 1 for 7.
19 Part acquired through rights. Basis 1 for 12.
20 Excluding additional shares received as 1% stock distribution plus a 3 for 1 split-up.

NOTE—This survey covers 65 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three funds sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes in the Loomis-Sayles Fund are not surveyed.

SUMMARY

Excess of Net Common Stock Portfolio Purchases or Sales of 65 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Total
Balanced Funds	6	9	8	23
Stock Funds	17	8	7	32
Closed-End Companies	1	5	4	10
Totals	24	22	19	65

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Oils Bought by Funds Midst Overall Cautious Policy

Cosden Petroleum by Incorporated Investors.

Popular Oils

The most popular issue, however, in the very well-regarded oil group was Phillips petroleum, six managements purchasing a total of 24,800 shares, half of whom made initial commitments. Phillips had shared first place in popularity during the previous three months along with Royal Dutch Petroleum, Socony Mobil Oil and Sinclair. The last named oil issue currently ranked number two, with five trusts acquiring a total of 21,300 shares. Two blocks of Sinclair equaling 1,300 were eliminated from portfolios. Four managements each purchased Socony Mobil Oil, Standard Oil (Indiana), Shell, Texas and Pure Oil, the latter having been the least popular issue during the final 1955 quarter. Acquisitions of Socony equaled 7,300 shares, of Indiana Standard 13,000 shares, of Shell 4,500, Texas 11,200 and Pure Oil 17,100 shares. Atlantic Refining, Richfield, Royal Dutch and Superior Oil of California were each liked by three trusts, purchases totaling 4,000, 5,900, 2,700 and 2,200 shares, respectively. Although 15 trusts acquired a total of 12,131 shares of Standard Oil of California, much of this additional stock was purchased to round out amounts received as a 5% share distribution. The same circumstances accompanied the acquisition by a dozen managements of 5,423 shares of Jersey Standard as well as seven purchases of Gulf totaling 5,834 shares. The original Jersey distribution was made by Standard of Indiana and the Gulf dividend equaled 4%.

Selling in the petroleum division was relatively light, transactions approximating half of the purchases. Three eliminations of Ohio Oil totaled 20,500 shares, and a like number of reductions in portfolio holdings of Warren Petroleum equaled 8,000 shares. Two funds lightened commitments in Houston Oil amounting to 44,700 shares. U. S. and Foreign Securities was one of the heaviest sellers of the petroleum shares during the period under review while prominent among purchasers were Delaware Fund, Fidelity Fund, Mutual Investment Fund, National Investors and the T. Rowe Price Growth Stock Fund.

In spite of the somewhat less enthusiastic immediate outlook for the residential building industry, shares related to that business ranked second in favor with investment company management during the final 1955 quarter. As Professor John V. Lintner of the Harvard Business School, Economic Consultant to the Wall Street Investing Corporation, observes in his economic report accompanying that fund's Annual statement, "Most of the decline in residential construction foreseeable within the next six to twelve months has already occurred." Wellington was an outstanding purchaser of these shares during the period making new commitments in Johns-Manville and National Lead while adding to holdings of American Radiator, Armstrong Cork, and Otis Elevator.

Carrier was the best liked issue in the group, seven managements acquiring a total of 20,100 shares, two making initial purchases. Three portfolio eliminations equaled 10,000 shares. Lone Star Cement, Masonite and National Lead vied for second place in management estimation, each being purchased by three trusts. The Lone Star share total was 13,000, the Masonite 17,900 and National Lead 11,400. Both Lehman Corporation and General American Investors made original purchases of National Homes, as Value Line Fund continued its profit taking. H. H. Robertson also found a couple of purchasers and made a 5% capital distribution. American Radiator was the least popular stock in the building group as it had been during the previous period. Six trusts disposed of a total of 16,400 shares, two eliminating the issue from their holdings. Penn-Dixie Cement was lightened in three portfolios and Simmons in two. A couple of funds cleaned out 13,000 shares of York Corporation from security holdings.

Like the oils and building shares, the currently popular chemical group had experienced a mixed reception during the previous September quarter of 1955. But during the period under review purchases increased 20% while selling declined 25%. American Cyanamid was the popular issue as it had been during the preceding three months, seven managements adding 33,300 shares. One acquisition of 1,500 shares represented stock received in conversion from the 3¾% preferred issue. Union Carbide returned to fund favor with five managements purchasing a total of 17,500 shares. Monsanto was added to existing holdings in five portfolios and initially included in a sixth. Part of the additions represented very small blocks acquired to round out shares received in the 2% capital distribution and stock received in the Lion oil merger. Stauffer, as previously mentioned, was a newcomer to two lists and Tennessee Corpora-

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Oils Bought by Funds Midst Overall Cautious Policy

tion was also added to a couple of portfolios. DuPont again was the least liked issue in the chemical division, six portfolio decreases totaling 7,920 shares. Olin Mathieson also was lightened in two lists and eliminated from a third.

Steels Picked Up

Selected American Shares and Delaware Fund were especially partial to the steel shares during the period under review but Axe "A" and Stock Funds and the Common Stock Fund of Group Securities were sellers on balance. Volume of purchases picked up about 20% over that of the third quarter of 1955, but still was well below that witnessed during the early part of that year. United States Steel was the popular issue with eight acquisitions equaling 30,800 shares; a couple of partially offsetting sales totaled 5,500 shares. Armco was second in demand, three new commitments and four portfolio increases amounting to 35,000 shares. Bethlehem was also liked as 9,400 shares were added to the existing holdings of six trusts. Current transactions in both Bethlehem and United States Steel contrast with those of the previous quarter when the two top industry giants both experienced considerable profit-taking. Another, but smaller company, McLouth Steel, was also liked by a couple of trusts during the period under review. National Steel was the least popular issue during the current quarter, three portfolio decreases and one elimination totaling 18,500 shares. Other steel issues to be sold on balance, each by a couple of funds, were Crucible and Harbison-Walker Refractories.

Activity in Paper and Pulp Sector

Purchases in the paper and pulp group were more than 50% greater than those of the previous three months. Dixie Cup was the favorite issue in the group, four funds acquiring a total of 20,625 shares, one making an initial commitment. Three managements purchased 24,000 shares of Marathon, the only industry representative to be bought on balance during the previous three-month period. Crown Zellerbach and Robert Gair were each liked by two trusts. With the exception of one 10,000 share purchase made by Massachusetts Investors Trust, additions of International Paper were mostly in relatively small amounts to round out odd lots received in the 2½% share distribution. Similarly, three additions to holdings of Mead Corporation were made primarily to fill out on shares received as a result of its 2½% capital dividend. But both the Lehman Corporation and Eaton and Howard Stock Fund acquired fairly respectable amounts of this latter stock and Nation-Wide converted its preferred. Selling in the group was extremely light and Union Bag and Paper was the only issue to be disposed of on balance, two funds lightening a total of 4,200 shares.

Bullish on Natural Gas Producers

Investors Mutual was an outstanding bull on natural gas stocks during the quarter, possibly in anticipation of affirmative action on the Harris-Fulbright Bill. The favorite issue was easily Colorado Interstate Gas, six purchases totaling 39,600 shares, three of which represented initial commitments; there was a complete absence of selling. Three managements added a total of 13,400 shares of Lone Star and a like number bought 3,200 shares of El Paso Natural Gas, one also converting a 500 block share of the $4.40 preferred. Two purchases each were made in shares of International Utilities and Southern Production. Northern Natural Gas was the only representative in this group to experience concentrated selling, two portfolio decreases and three eliminations equaling 63,700 shares. It should be observed, however that these transactions were in part offset by three purchases amounting to 42,600 shares.

Drugs Liked

The T. Rowe Price Growth Stock Fund liked the drug group, making additions to its holdings of Warner-Lambert, Pfizer and Merck. In fact, it is of interest during the quarter that Merck and Pfizer ran a neck and neck race for popularity honors. Pfizer finished with a slight lead, five portfolio additions and one new commitment equaling 36,100 shares while three increases and two new purchases of Merck totaled 29,400 shares. Colgate-Palmolive was also well thought of, during the quarter, seven purchases totaling 10,200 shares, Another management as well as Rowe Price also liked Warner-Lambert and acquisitions were made in Unilever in addition to the stock dividend. There was an absence of concentrated selling in the drug group.

Machinery and Equipment Transactions

Caterpillar was the favorite in the machinery and industrial equipment classification, one new purchase and three additions to existing holdings equaling 12,300 shares. Three managements increased their interest in Bucyrus Erie and two liked Ex-Cell-O. Two new commitments indicated an awakening interest in United Shoe Machinery. Allis Chalmers was decidedly unpopular, three portfolio decreases and three more eliminations amounting to 22,000 shares. Halliburton Oil Well Cementing also received the bearish treatment during the period, four sales totaling 7,600 shares, half representing complete eliminations.

Life Insurance Stocks Still Popular

Purchases of insurance shares were, as usual, widely scattered throughout a fairly broad list. Boston Insurance and Travelers, however, were each liked by three managements. Aetna also found two purchasers as during the previous three months. Both Maryland Casualty and Standard Accident were each sold by a couple of trusts, the latter issue being eliminated from portfolio holdings. In the commercial bank group, Chase Manhattan, Guaranty of New York and Republic National of Dallas were all liked by two funds all of which merely increased current holdings; there were no new commitments. Household Finance and Beneficial Finance were the small loan favorites, the former offering rights to new shares. The large finance companies experienced no marked enthusiasm on balance for their shares during the period, although two new purchases were made in C.I.T. Financial; but there were offsetting sales. Commercial Credit, in contrast, was sold by two trusts, one eliminating the stock from its portfolio, there was an absence of buying interest.

Corn Products, Penick and Ford and National Dairy were the favorite food product companies during the quarter under review, each purchased by three funds. Two of the acquisitions of Corn Products represented new commitments in that issue. Foremost Dairies was also liked, one initial purchase and two portfolio additions totaling 8,000 shares. National Biscuit and Standard Brands were sold on balance, each by three investment companies.

Burroughs was one of the two office equipment favorites but this probably was in large measure due to its increasing interest in the electronics field. Three increases in existing holdings and two initial commitments totaled 45,500 shares; a 2,500 share block was eliminated from a sixth portfolio. International Business Machines was also well liked, although some of the increases represented the usual rounding out of a stock dividend. Nevertheless five additional purchases, were made, two by Axe-Houghton Funds representing new commitments and the others by deVegh Mutual, Wellington and Fundamental Investors.

General American Transportation was the best liked issue in another and heavier equipment field, four purchases totaling 4,100 shares. A.C.F. Industries, Pullman and Union Tank Car were also each bought by a couple of trusts. Opinion shifted from the previous quarter's bearish attitude on the tire and rubber stocks, four investment companies currently acquiring a total of 12,000 shares of Goodyear, one making a first-time purchase. Firestone was also liked by a couple of managements. In the container and glass division, both Owens Illinois Glass and Owens-Corning Fiberglass were bought on light balance. Opinion was evenly divided on Continental Can while three new commitments and one portfolio increase in American totaling 29,000 shares overshadowed three sales equaling 2,500 shares.

Activity in the tobacco shares was extremely light with American Tobacco repeating the previous period's performance as the sole issue in the group to be purchased on balance. Two new commitments in American equaled 7,300 shares. A similar role was re-enacted by Coca-Cola in the beverage division, as four trusts purchased a total of 12,800 shares. However, 11,000 shares were eliminated from two other portfolios.

Some Airlines Bought

Managements favored airlines by a small margin. Three funds made initial purchases in United Airlines equaling 7,200 shares. Investors Mutual and deVegh Fund showed marked partiality towards this group. Activity in the aircraft division doubled that in the airlines, but management was evenly divided on either side of the market as it was in the next few industrial groups to be discussed. (The preceding industries had all been given an edge by those making purchases.) Boeing was easily the aircraft favorite, five increased holdings and another initial commitment equaling 19,300 shares. Four trusts liked Douglas to the tune of 13,300 shares and North American, the previous quarter's pet issue, was also increased in the holdings of four funds and initially purchased by a fifth. United Aircraft was lightened by three managements.

Utilities Mixed

Electric Utilities, the most popular group during the preceding three months, currently experienced a fairly even division between buyers and sellers. Notably on the selling side were Wellington and Fidelity as well as Affiliated Fund, the last named of which had been a seller of the power and light shares for some time. Current liquidation in general was fairly well scattered. Three managements lightened holdings in each of four trusts—Kansas Power and Light, Niagara Mohawk Power, Pacific Gas and Electric, and Virginia Electric and Power. One portfolio decrease and another elimination were made in the shares of Arizona Public Service. Buyers unassisted by any rights offering liked Public Service of Indiana, four managements acquiring 11,100 shares. Columbus and Southern Ohio Electric was added to three portfolios and two purchases each were made of Iowa-Illinois Gas and Electric, Middle South Utilities, Northern Indiana Public Service and South Carolina Electric and Gas. Shareholders were offered rights to stimulate interest in four other electric utilities. The favorite in this special category was Southern Company, seven acquisitions totaling 117,358 shares. Commonwealth Edison and Rochester Gas and Electric were each bought by six trusts and New York State Electric and Gas by four.

Split Rail Opinion

Current opinion was also well split over the rails, which had been sold on balance during the previous quarterly period. Rock Island was still the least popular carrier, four portfolio decreases and a like number of eliminations totaling 22,500 shares. Seaboard and Southern Pacific likewise maintained their unpopularity of the previous three months in the order named, five trusts selling the former and four the latter. Two funds decreased holdings and two eliminated stock of Western Pacific and a like number cleaned out their representation in Atlantic Coast Line. Buyers in the carrier group liked Chesapeake and Ohio far ahead of the other issues, four portfolio additions and three initial commitments totaling 23,200 shares. Louisville and Nashville and Union Pacific were each added to the assets of three trusts and Kansas City Southern two. Buyers also matched sellers in the amusement stocks with three purchasers on balance favoring American Broadcasting-Paramount Theatres and two sellers lightening commitments in Technicolor.

Sellers predominated in the electric equipment and electronics division as they had in the previous three months. As mentioned, Westinghouse maintained a dubious distinction as the least popular issue in the group, seven complete portfolio eliminations plus four other decreases totaling up to 53,200 shares. Partially offsetting were four purchases of 20,800 shares. Sperry-Rand was also none too popular with six sales tallying up to 27,775 shares. General Electric, the industry's giant, experienced some liquidation, four decreases in portfolios equaling 21,400 shares. Tri-Continental had been a persistent seller each quarter during the 1955 year, currently disposing of 11,800 shares. On the year-end its investment was still valued at $5½ million, after having been cut in half during the preceding 12 months. Three managements also sold International Telephone, although a fourth made a new commitment of 4,000 shares and smaller blocks of Raytheon were lightened in two portfolios. Minneapolis-Honeywell was the group favorite, four trusts making purchases equaling 2,300 shares and Sylvania with a currently excellent earnings statement was added to three existing holdings. Motorola and Square "D" were each liked by three trusts.

Volume was relatively light, as it had been during the major portion of 1955 in the currently unpopular mining and metal equities. Seven sales of Aluminium equaling 13,700 shares and four each of Reynolds Metals and St. Joseph Lead were notable on the more dour side. American Zinc, Lead and Smelting was also unpopular with two managements. Kaiser Aluminum and Kennecott split the honors as slight favorites, three purchases being made of each, and Hudson Bay Mining and Smelting was also liked by a couple of funds. An interesting observation is made in the annual report of Fundamental Investors on its purchase in this group earlier in the year: "At the moment the growth of our own economy is being strengthened by an even faster rate of growth in the rest of the free world. Consideration of this factor has influenced an increase in the Fund's metal holdings during the past year and increased emphasis within the petroleum list on the shares of companies having important production or marketing facilities outside of the United States."

Some Selling in the Merchandising

In the merchandising division, three managements sold Federated Department Stores and two lightened commitments in Allied. Safeway was also decreased in two portfolios while one 14,000 share block of the pre-split Sears stock and three of the new were sold by the trust management. Associated Dry Goods was currently a better-liked issue in the merchandising division, three purchases totaling 3,300 shares. Marshall Field also found favor with a couple of funds.

Cluett Peabody was the unpopular stock in a not-too-popular textile division, four sales equaling 6,900 shares. M. Lowenstein, Pepperell and Stevens were also each sold on balance by two investment companies. Activity in the agricultural equipments was light with Harvester and Case sold on balance, the side to which the funds currently leaned. However, interest in Deere was *contra* the overall trend with four purchases of 23,100 shares.

Interest in the Motors

Interest in the auto and auto parts switched over from the overall bullish attitude of the previous three months, although General Motors had also been sold on balance during that period. But currently, as has been pointed out, General Motors was sold in fairly substantial volume and opinion was divided on Chrysler (which has been well bought in the September quarter). No concentrated buying on balance was in evidence during the period under survey except for two purchases of Mack Trucks, one representing a new commitment. It will be interesting to have an exact detailed run-down on the purchases of Ford stock among the investment companies. However, it is already known that many representative funds such as Massachusetts Investors Trust and Fundamental Investors did not participate in the initial offering.

Phila.-Balt. Exchange Gets Nominations

PHILADELPHIA, Pa. — The Committee on Elections of the Philadelphia-Baltimore Stock Exchange has presented the following slate: President: Frank L. Newburger, Jr., Newburger & Co.; Board of Governors: Edward J. Armstrong, Stein Bros. & Boyce, Baltimore; J. Dorsey Brown, J. Dorsey Brown & Co., Baltimore; Harry C. Dackerman, Harry C. Dackerman & Co. S. Grey Dayton, Jr., Stokes & Co.; Henry R. Hallowell, Hallowell, Sulzberger & Co.; Walter A. Schmidt, Schmidt, Poole, Roberts & Parke; Edward J. Tague, Jr., E. J. Tague & Co.; and John S. Wynn, J. W. Sparks & Co.

Forms F. A. Peters Co.

PATERSON, N. J.—Mrs. F. A. Peters is engaging in a securities business from offices at 407 East 42nd Street under the firm name of F. A. Peters & Co.

Norman W. Jones Opens

WASHINGTON, D. C.—Norman W. Jones is conducting an investment business from offices at 3445 38th Street, N. W.

Watson Ramsey With Lucas, Eisen Waeckerle

KANSAS CITY, Mo.—J. Watson Ramsey, Jr. has opened his office to conduct an investment and real estate business at 510 Victor Building, 6 West Tenth Street, Kansas City, Missouri. He will be special sales representative for Lucas, Eisen & Waeckerle of Kansas City.

J. W. Ramsey, Jr.

Until recently Mr. Ramsey was Trust Officer of the Union National Bank here in Kansas City from which position he retired in November, 1955. He has had 42 years' experience in the investment and mortgage field in this area.

Mr. Ramsey is a native of Independence, Missouri, and was educated in the public schools and at Culver Military Academy. In 1932 he received a Bachelor of Law degree from the Kansas City School of Law and was admitted to the practice of law in Missouri. Mr. Ramsey lives at 9722 Lee in the Leawood Addition.

FHLB Redeeming Notes

The Federal Home Loan Banks retired on maturity yesterday (Feb. 15) $80,000,000 2.25% series A-1956 consolidated notes. Everett Smith is fiscal agent of the banks.

Mr. Smith said that the retirement of the notes without refunding results from a seasonal cash inflow into the 11 regional Home Loan reserve banks due to repayment of loans made by the banks.

Upon retirement of today's maturity the banks will have outstanding $895,000,000 consolidated notes.

David Gordon Co. Formed

David Gordon & Co. has been formed with offices at 25 Broad Street, New York City to engage in a securities business. Partners are David Gordon and Emil Dul. Mr. Gordon was previously with Gordon Ross & Co.

Form Daly Enterprises

Harold Daly Enterprises, Inc. has been formed with offices at 80 Wall Street, New York City, to engage in a securities business. Officers are Harold Daly, President; Thomas Green, Vice-President; Lilien I. Daly, Secretary and Treasurer.

Guacharo Southwest, Inc. Formed in Cleveland

CLEVELAND, Ohio—Guacharo Southwest, Inc. has been formed with offices in the Republic Building to engage in a securities business. Officers are Upshur Evans, President; Richard H. Robinson, Vice-President and Secretary; Howard C. Sykes, Jr., Vice-President, Treasurer and Assistant Secretary.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● 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. Statement to be withdrawn.

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.

★ Aluminum Co. of America (2/27)
Feb. 9 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Arthur V. Davis, Board Chairman. **Underwriter**—The First Boston Corp., New York.

★ American Insurers' Development Co., Birmingham, Ala.
Feb. 10 filed 400,000 shares of common stock (par $1). **Price** — $2.50 per share. **Proceeds** — To expand service business. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala.

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.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Atlas Investment Co., Las Vegas, Nev.
Jan. 9 filed 20,800 shares of class B common voting stock, of which 12,000 shares are to be offered for public sale at $50 per share and 8,800 shares are to be offered in exchange for preferred stock. **Proceeds**—For payment of bank loans, and for capital and surplus. **Underwriters**—Rex Laub and Max Laub, of Tremonton, Utah, and M. D. Close Mortgage & Loan Co. and Jack Hemingway Investment Co., of Las Vegas, Nev.

Atlas Plywood Corp., Boston, Mass.
Nov. 14 filed 97,144 shares of common stock (par $1) being offered in exchange for the outstanding 291,431 shares of common stock of Plywood, Inc. on the basis of one Atlas share for each three Plywood shares held. Atlas then owned 496,680 shares of Plywood, Inc. stock and desired to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%. At Jan. 19, Atlas owned more than 85% of Plywood stock and extended exchange offer to expire on Feb. 20.

● Augusta Newspapers, Inc., Augusta, Ga.
Jan. 13 filed 10,000 shares of 6% cumulative preferred stock (par $10) and 93,926 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.

★ Bell Telephone Co. of Pennsylvania (3/6)
Feb. 9 filed $35,000,000 of 40-year debentures due March 1, 1996. **Proceeds**—To repay outstanding advances from American Telephone & Telegraph Co., parent, and to reimburse the treasury for expenditures made for property additions and improvements. **Underwriter** — To be determined by competitive building. 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.

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.

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. (2/17)
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. (2/21)
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; rights to expire on March 23. 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. **Bids**—To be received up to 11 a.m. (EST) on Feb. 21.

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.

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 Gas Producing Co. (2/21)
Feb. 10 filed by amendment (formerly filed under Coastal States Oil & Gas Co.) 100,000 shares of common stock (par $1) and $2,500,000 of 5% convertible subordinated debentures due Feb. 1, 1971. **Price**—To be supplied by amendment. **Proceeds** — To pay off loans incurred for land purchases; for construction of gas pipelines; and for further drilling costs, etc. **Business**—To develop oil lands. **Office**—Corpus Christi, Tex. **Underwriter**—Blair & Co. Incorporated, New York.

★ Co-Em Co. Mining & Explorations Co., Inc.
Feb. 9 (letter of notification) 50,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Salt Lake City, Utah. **Underwriter**—None.

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 (2/29)
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. (2/17)
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.

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.

● 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) (2/20-24)
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. (2/20)
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.

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.

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.

★ Duro-Test Corp., North Bergen, N. J. (2/28)
Feb. 8 filed 42,758 shares of cumulative preferred stock, series of 1956 ($25 par-convertible on or prior to March 15, 1966) to be offered for subscription by common stockholders of record Feb. 27, 1956, at the rate of one preferred share for each six common shares held; rights to expire on March 14. **Price** — To be supplied by amendment. **Proceeds** — For expansion of plant and equipment and of distributing and research facilities; and for working capital. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.

● 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** — $3.60 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) being offered for subscription by stockholders of record Feb. 6 on a 1-for-10 basis; rights to expire on

Feb. 29. **Price**—$12.25 per share. **Proceeds** — To repay bank loans; for new construction; and for other corporate purposes. **Business**—Furnishes oil and gas industry with an electrical well logging service. **Underwriter**—None.

Empire Petroleum Co., Denver, Colo.
Jan. 18 filed $2,000,000 of series "C" 6% convertible debentures due 1970 and 1,000,000 shares of common stock (par $1), of which $1,500,000 principal amount of debentures are to be offered publicly; the remaining $500,000 of debentures and the stock to be reserved for sale by the company to associates of the officers of the company and to the company's present security holders. 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.

★ **Fluorspar Corp. of America, Portland, Ore.**
Jan. 25 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—For mining expenses. **Office**—820 Failing Bldg., Portland, Ore. **Underwriter**—None.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Frontier Assurance Co., Phoenix, Ariz.
Dec. 2 (letter of notification) 2,000 shares of class B voting common stock (par $25), being offered for subscription by holders of class A common stock on a 2-for-1 basis from Jan. 15 to April 1, 1956. **Price**—$36.50 per share. **Proceeds**—For capital and surplus. **Office**—4143 N. 19th Ave., Phoenix, Ariz. **Underwriter**—None.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

● **General Steel Castings Corp. (2/29)**
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 8½ 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. (2/23)**
Jan. 18 filed 350,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from private sale of $3,000,000 notes to insurance company, to repay advances to company, to pay for cost of new drilling platform and for cost of other captal expenditures and for working capital. **Office**—Corpus Christi, Tex. **Underwriters**—First California Co., San Francisco, Calif.; William R. Staats & Co., Los Angeles, Calif.; and Eastman, Dillon & Co., New York.

Golden Dawn Uranium Corp., Buena Vista, Colo.
Dec. 27 (letter of notification) 3,000,000 shares of capital stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Underwriter** — Bel-Air Securities Co., Provo, Utah.

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NEW ISSUE CALENDAR

February 17 (Friday)

Burroughs (J. P.) & Sons, Inc.____Common
(Eisele & King, Libaire, Stout & Co.) $25,000

Cooper-Jarrett Inc.____Common
(Allen & Co.) 125,000 shares

Poloron Products, Inc.____Class A
(Hayden, Stone & Co.) 200,000 shares

February 20 (Monday)

Cuba (Republic of)____Bonds
(Allen & Co.) $2,000,000

Cumberland Corp.____Debentures & Common
(William Staats & Co.; Carl M. Loeb, Rhoades & Co.; and The Bankers Bond Co.) $990,000

Long Island Arena, Inc.____Common
(Dunne & Co.) $787,500

Puerto Rico (Commonwealth of)____Bonds
(Bids noon EST) $9,500,000

Raytone Screen Corp.____Common
(A. J. Grayson & Co., Inc.) $300,000

February 21 (Tuesday)

Carolina Telephone & Telegraph Co.____Common
(Bids 11 a.m. EST) 36,162 rights

Coastal States Producing Co.
____Debentures & Common
(Blair & Co. Incorporated) $2,500,000 debentures and 100,000 shares of stock

Koppers Company, Inc.____Common
(The First Boston Corp.) 300,000 shares

Louisville & Nashville RR.____Equip. Trust Ctfs.
(Bids noon EST) $3,645,000

Miehle Printing Press & Mfg. Co.____Cl. A Common
(Smith, Barney & Co.) 261,816 shares

St. Louis Steel Casting, Inc.____Common
(A. G. Edwards & Sons) 280,000 shares

Slick Airways, Inc.____Common
(Offering to stockholders—to be underwritten by Auchincloss, Parker & Redpath) 422,992 shares

Southern Oxygen Co.____Debentures
(Johnston, Lemon & Co. and Union Securities Corp.) $2,650,000

Tennessee Gas Transmission Co.____Preferred
(Stone & Webster Securities Corp and White, Weld & Co.) $10,000,000

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.) $5,870,000

Glasscock (C. G.) Tidelands Oil Co.____Common
(First California Co.; William R. Staats & Co.; and Eastman Dillon & Co.) 350,000 shares

Illinois Central RR.____Equip. Trust Ctfs.
(Bids noon CST) $3,900,000

Southern Indiana Gas & Electric Co.____Common
(Offering to stockholders—underwritten by Smith, Barney & Co.) 83,030 shares

February 27 (Monday)

Aluminum Co. of America____Common
(The First Boston Corp.) 150,000 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.____Debentures
(Emanuel, Deetjen & Co.)

Ritter Finance Co., Inc.____Debens. & Class B Com.
(Stroud & Co., Inc.) $1,000,000 debentures and 125,000 shares of stock

Western Greyhound Racing, Inc.____Common
(M. J. Reiter Co.) $2,250,000

February 28 (Tuesday)

Duro-Test Corp.____Preferred
(Offered to common stockholders—underwritten by Auchincloss, Parker & Redpath) $1,063,950

Ryder System, Inc.____Common
(Blyth & Co., Inc.) 151,050 shares

Spokane Natural Gas Co.____Notes & Common
(White, Weld & Co.) $3,505,000 of notes and 70,100 shares of stock

Texas Electric Service Co.____Bonds
(Bids 11:30 a.m. EST) $10,000,000

Trane Co.____Common
(Smith, Barney & Co.) 120,000 shares

February 29 (Wednesday)

Consolidated Cigar Corp.____Common
(Eastman, Dillon & Co.) 90,000 shares

General Steel Castings Corp.____Common
(Hornblower & Weeks) 165,000 shares

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

Seaboard Air Line RR.____Equip. Trust Ctfs.
(Bids noon EST) $6,555,000

Southwestern Public Service Co.____Bonds
(Dillon, Read & Co., Inc.) $10,000,000

March 1 (Thursday)

Chicago & North Western Ry.____Equip. Trust Ctfs.
(Bids noon CST) $3,900,000

Colohoma Uranium, Inc.____Common
(General Investing Corp.) $1,000,000

L-O-F Glass Fibers Co.____Common
(Offering to stockholders—no underwriting) 251,405 shares

Mississippi Power Co.____Bonds
(Bids 11 a.m. EST) $4,000,000

Mississippi Power Co.____Preferred
(Bids 11 a.m. EST) $4,000,000

Riegel Paper Corp.____Debentures
(Morgan Stanley & Co.) $6,000,000

Riegel Paper Corp.____Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 194,155 shares

Rokeach (I.) & Sons, Inc.____Common
(Jay W. Kaufmann & Co.) 400,000 shares

Van Waters & Rogers, Inc.____Common
(Blyth & Co., Inc.) 63,560 shares

March 5 (Monday)

Westcoast Transmission Co., Ltd.____Debs. & Com.
(Eastman, Dillon & Co.) $20,500,000 debetnures and 615,000 shares of stock

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) $30,000,000

Pacific Coast Aggregates, Inc.____Common
(Blyth & Co., Inc. and Schwabacher & Co.) 450,000 shares

March 8 (Thursday)

Oklahoma Gas & Electric Co.____Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane) 298,479 shares

March 13 (Tuesday)

Bank of America, N. T. & S. A.____Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc. and Dillon, Read & Co. Inc.) 1,600,000 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) $5,000,000

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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Good Luck Glove Co., Carbondale, Ill.
Jan. 30 filed $550,000 of 6% 10-year convertible subordinated debentures due April 1, 1966. **Price**—100% of principal amount. **Proceeds**—To repurchase stock of company held by C. T. Houghten. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Grammes (L. F.) & Sons, Inc., Allentown, Pa.
Jan. 27 (letter of notification) 1,279 shares of common stock (no par) to be offered to present stockholders and employees. **Price**—$22 per share. **Proceeds**—To increase working capital. **Office** — Jordan & Union Sts., Allentown, Pa. **Underwriter**—None.

★ Gray Manufacturing Co., Hartford, Conn.
Feb. 7 (letter of notification) 2,875 shares of common stock to be issued to key employees upon exercise of stock options. **Price**—At market. **Proceeds**—For working capital. **Office**—16 Arbor St., Hartford, Conn. **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.

★ Houston Lighting & Power Co. (3/7)
Feb. 9 filed $30,000,000 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.; 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.

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.

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 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.

"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.

★ Koal-Krudes, Inc., Spokane, Wash.
Feb. 6 (letter of notification) 1,138,100 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For expenses in the manufacture of coal char and the extracting of oil from coal. **Office**—711 Hutton Bldg., Spokane 4, Wash. **Underwriter**—None.

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.

★ L & N Mining Co., Battle Mountain, Nev.
Feb. 2 (letter of notification) 1,500,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—H. O. Motel Building, Front & Humbolt Sts., Battle Mountain, Nev. **Underwriter**—None.

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.

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). **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**—405 South Main St., Salt Lake City, Utah. **Underwriter**—None, but Wasatch Corp., a subsidiary of Atlas Corp., will purchase any unsubscribed shares.

★ L-O-F Glass Fibers Co., Toledo, O. (3/1)
Feb. 10 filed 251,405 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 29, 1956, at the rate of one new share for each 10 shares held. **Price**—$12 per share; rights to expire on or about March 26, 1956. **Proceeds**—For capital improvements; additional equipment, and working capital. **Underwriter**—None.

• Long Island Arena, Inc. (2/20-24)
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.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

★ Louisiana Power & Light Co. (3/20)
Feb. 9 filed 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—For property additions and improvements. **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.

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.

★ McCormick & Co., Inc., Baltimore, Md.
Feb. 6 (letter of notification) 1,666 shares of common stock (no par). **Price**—At market as established (not to exceed $30 per share). **Proceeds**—For working capital. **Office** — 414 Light St., Baltimore 2, Md. **Underwriter**—None.

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.

★ Micro-Mechanisms, Livingston, N. J.
Feb. 10 (letter of notification) 2,500 shares of 6% cumulative preferred stock (par $10) and 5,000 shares of common stock (par $1). Common stock may only be subscribed for in combination of two shares of common stock with each share of preferred stock subscribed for. **Price**—For preferred, at par and dividends, and for common, $2 per share. **Proceeds**—For working capital. **Office**—2 East Northfield Road, Livingston, N. J. **Underwriter**—None.

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. (2/21)
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 C, 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.

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.

★ Mormon Trail Mining Corp., Salt Lake City, Utah
Feb. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Frontier Investment, Inc., Las Vegas, Nev.

Mt. Vernon Mining & Development Co.
Nov. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—422 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Ackerson-Hackett Investment Co., 701 Continental Bank Bldg., same city.

National Lithium Corp., Denver, Colo.
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

National 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.

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 Britain Gas Light Co., New Britain, Conn.**
Feb. 10 (letter of notification) 8,326 shares of common stock (par $25) to be offered for subscription by common stockholders on a 1-for-9 basis. **Price** — $29 per share. **Proceeds**—For financing future plant additions. **Office**—35 Court St., New Britain, Conn. **Underwriter**—None.

New South Textile Mills, Jackson, Miss.
Jan. 13 filed 2,298,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For acquisition of properties and general corporate purposes. **Underwriter**—To be named by amendment.

Nicholson (W. H.) & Co., Wilkes-Barre, Pa.
Jan. 16 filed 20,000 shares of common stock (par $5). **Price**—$25 per share. **Proceeds** — For working capital. **Underwriter**—None. A. E. Nicholson Jr. of Kingston, Pa. is President.

North American Contracting Corp.
Jan. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incidental in general contracting and construction business. **Office**—9480 New Fort Road, Fort Washington, Md. **Underwriter** — The Matthew Corp., Washington, D. C.

★ **North American Finance Co., Phoenix, Ariz.**
Jan. 26 (letter of notification) 150,000 shares of class B common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital and office expansion. **Office**—345 W. LeMar Road, Phoenix, Ariz. **Underwriter**—None.

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.

★ **Pacific Coast Aggregates, Inc. (3/7)**
Feb. 10 filed 450,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — Together with other funds, to purchase assets of Santa Cruz Portland Cement Co.; for capital improvements, and working capital. **Underwriters** — Blyth & Co., Inc., and Schwabacher & Co., both of San Francisco, Calif.

★ **Pacific Hotels, Inc., Seattle, Wash.**
Feb. 8 (letter of notification) 30,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For purchase of hotel properties or interest therein, and for working capital. **Office**—12th floor, Olympic Hotel Bldg., Seattle, Wash. **Underwriter**—None.

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.

★ **Perma Glass Fibre Fabrics Inc.**
Feb. 10 (letter of notification) 200,000 shares of common stock (par 1 cent). **Price**—$1.50 per share. **Proceeds**—For purchase of building and machinery and for working capital. **Office**—1150 Broadway, Hewlett, L. I., N. Y. **Underwriter**—Golden-Dersch & Co., New York.

Piasecki Aircraft Corp. (2/27-3/2)
Jan. 17 filed 200,000 shares of common stock (par $1) (statement to be amended—company to issue convertible debentures instead of stock). **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding notes and for working capital. **Office**—Philadelphia, Pa. **Underwriter**—Emanuel Deetjen & Co., New York

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.

★ **Plastics (J. E.) Manufacturing Corp.**
Feb. 10 (letter of notification) $294,000 of 10-year 6% convertible debentures, due April 1, 1966, and 30,000 shares of common stock (par 10 cents) to be offered in units of a $100 debenture and 10 shares of stock. **Price**—$102 per unit. **Proceeds**—For machinery and equipment. **Office**—555 West 23rd St., New York 11, N. Y. **Underwriter**—John R. Boland & Co., Inc., New York.

● **Poloron Products, Inc. (2/17)**
Jan. 27 filed 200,000 shares of class A stock (par $1), of which 100,000 shares are to be sold for account of the company and 100,000 for selling stockholders. **Price**—$6 per share. **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.
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. (2/20)**
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.

Redlands Oil Co., Ltd.
Jan. 23 filed $1,000,000 of partnership interests to be offered in minimum amounts of $25,000. **Proceeds**—To acquire leases for drilling for oil and gas and for development costs. **Underwriter** — Name to be supplied by amendment.

Reno Hacienda, Inc., Inglewood, Calif.
Dec. 19 filed 4,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase real property, for construction of buildings and other facilities and for general corporate purposes. **Underwriter**—Wilson & Bayley Investment Co.

Republic Benefit Insurance Co., Tucson, Ariz.
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

Reynolds Minerals Corp., Denver, Colo.
Jan. 30 (letter of notification) 40,000 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — For mining expenses. **Office**—822 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

Reynolds Mining & Development Corp.
Nov. 22 filed 1,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Office** — Moab, Utah. **Underwriter** — The Matthew Corp., Washington, D. C.

Riddle Airlines, Inc., Miami, Fla.
Dec. 20 filed 967,500 shares of common stock (par 10 cents) to be offered for subscription by stockholders at the rate of one new share for each four shares held (with an oversubscription privilege). [The company has obtained from certain stockholders waivers of subscription rights applicable to not less than 100,000 shares and such shares are to be offered to the general public free of the stockholders' prior rights.] **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Riegel Paper Corp., New York (3/1)**
Feb. 9 filed $6,000,000 of sinking fund debentures due 1981. **Price**—To be supplied by amendment. **Proceeds**—For expansion and equipment. **Underwriter** — Morgan Stanley & Co., New York.

★ **Riegel Paper Corp., New York (3/1)**
Feb. 9 filed 194,155 shares of common stock (par $10) to be offered for subscription by common stockholders of record Feb. 29, 1956, at the rate of one new share for each five shares held; rights to expire on March 14. **Price** — To be supplied by amendment. **Proceeds** — For expansion and equipment. **Underwriter**—Morgan Stanley & Co., New York.

Ritter Finance Co., Inc. (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 amendment. **Proceeds** — For making of loans and to reduce bank debt. **Office**—Wyncote, Pa. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

● **Rokeach (I.) & Sons, Inc., Flushing, N. Y. (3/1)**
Jan. 27 filed 400,000 shares of common stock (par $1). **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.

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.

● **Ryder System, Inc., Miami, Fla. (2/28)**
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 (2/21)**
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.
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.

★ **Sears, Roebuck & Co.**
Feb. 10 filed 766,359 shares of common stock (par $3) to be offered to selected employees of the company and its subsidiaries pursuant to its "Employees Stock Plan" adopted by stockholders in 1951.

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.

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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.

★ **South States Oil & Gas Co.**
Feb. 8 filed 245,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay for note issued in part payment for acquisition of property; for acquisition of further oil and gas leasehold interests; for development and drillings costs; and working capital. **Office** — San Antonio, Tex. **Underwriters** — Dittmar & Co.; Russ & Co.; and Dewar, Robertson & Pancoast, all of San Antonio, Tex.

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 Oxygen Co., Bladensburg, Md. (2/21)**
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.

★ **Spencer Kellogg & Sons, Inc.**
Feb. 7 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (estimated at about $19.75 per share). **Proceeds** — To selling stockholder. **Underwriter**—Dominick & Dominick, 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.

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.

★ **Suburban Land Developers, Inc., Spokane, Wash.**
Feb. 2 (letter of notification) 920 shares of 6% cumulative non-voting preferred stock ($100 per share) and 2,160 shares of common stock (par $10). **Price**—Of preferred, $100 per share; and of common, $15 per share. **Proceeds**—For improvements and working capital. **Office**—909 West Sprague Ave., Spokane, Wash. **Underwriter**—W. T. Anderson & Co., Inc., Spokane, Wash.

Sulphur Exploration Co., Houston, Texas
Nov. 21 filed 600,000 shares of 6% convertible non-cumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds** —For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

Sweetwater Uranium Co.
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Taylor Petroleum 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.

★ **Tomrock Copper Mines Ltd., Toronto, Canada**
Feb. 9 filed 200,000 shares of common stock (par $1) to be offered publicly to residents of the United States. **Price** — 50 cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Harold W. Lara, 241 Sanford St., Rochester, N. Y.

● **Trane Co., LaCrosse, Wis. (2/28)**
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.

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.

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.

★ **Van Waters & Rogers, Inc., Seattle, Wash. (3/1)**
Feb. 14 filed 63,560 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank borrowings and for working capital. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.

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. (3/5-9)**
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.**
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 noudriformer 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. **Offering**—Expected today (Feb. 16).

★ **Wolverine Plastics, Inc., Milan, Mich.**
Feb. 6 (letter of notification) 6,887 shares of common stock (par $10). **Price**—$18 per share. **Office**—495 Redman Road, Milan, Mich. **Underwriter**—None.

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.

• Yellowknife Uranium Corp.
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City. Statement subsequently withdrawn.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares of class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

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 of record Feb. 10 on a 1-for-3 basis; rights to expire on March 13. **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. (3/13)
Jan. 17 it was announced the company plans to offer 1,600,000 additional shares of capital stock to stockholders of record March 12 in the ratio of one new share for each 15 shares held, subject to approval of stockholders on March 6; rights to expire on April 2. **Price**—To be determined later. **Proceeds**—For expansion, etc. **Underwriters**—Blyth & Co., Inc. and Dillon, Read & Co. Inc.

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.

★ Chicago & North Western Ry. (3/1)
Bids will be received up to noon (CST) on March 1, at Room 1400, 400 West Madison St., Chicago 6, Ill., for the purchase from the company of $3,900,000 equipment trust certificates to be dated Nov. 1, 1955, and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Citizens & Southern National Bank, Atlanta, Ga.
Feb. 4 it was announced Bank has offered 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.
Feb. 10 it was announced stockholders will vote March 12 on approving a new issue of 20,000 shares of preferred stock (par $100). **Proceeds**—About $2,000,000, together with $2,000,000 from private sale of notes, to repay bank loans. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co., New York.

Flo-Mix Fertilizers Corp., Houma, La.
Dec. 12 it was reported early registration is expected of 159,000 shares of common stock. **Price** — Probably $5 per share. **Underwriters**—Fairman, Harris & Co., Inc., and Straus, Blosser & McDowell, both of Chicago, Ill.

• Florida Power Corp.
Feb. 13 it was announced company plans to issue and sell probably in April $15,000,000 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.

General Tire & Rubber Co.
Jan. 20 it was announced stockholders will vote Feb. 24 on approving a proposal to increase the authorized common stock to 2,500,000 from 1,750,000 shares and the authorized preference stock to 1,000,000 from 350,000 shares; also on a proposal that any issue of debentures may include a privilege to convert into common stock and permit the company to issue warrants to purchase common stock, provided the total that may be issued does not exceed 400,000 shares. **Underwriter**—Kidder, Peabody & Co., New York.

Georgia Power Co. (3/29)
Jan. 23 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on March 29. **Registration**—Planned for March 2.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

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.

Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

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.

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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.

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.

★ Louisville & Nashville RR. (2/21)
Bids will be received by the company up to noon (EST) on Feb. 21, at Room 901, 71 Broadway, New York 6, N. Y., for the purchase from it of $3,645,000 equipment trust certificates, series O, to be dated March 15, 1956, and to mature in 15 annual instalments from 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Kidder, Peabody & Co.; Blair & Co Incorporated.

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 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. (3/8)
Feb. 6, Donald S. Kennedy, Chairman, said the company plans to offer to its common stockholders 298,479 additional shares of common stock at the rate of one new share for each 10 shares held as of record March 8; rights to expire about March 27. **Price**—To be set by directors. **Proceeds** — For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Registration**—Statement filed Feb. 14.

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.

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.

★ Puerto Rico (Commonwealth of) (2/20)
Bids will be received by the Government Development Bank for Puerto Rico, 37 Wall St., New York, N. Y., up to noon (EST) on Feb. 20 for the purchase from it of $9,500,000 public improvement bonds, series B, of the Commonwealth of Puerto Rico, dated Jan. 1, 1956, and maturing annually, July 1, 1957 to 1976, inclusive.

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.

★ Seaboard Air Line RR. (2/29)
Bids will be received up to noon (EST) on Feb. 29 at the office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad St., New York 5, N. Y., for the purchase from the railroad company of $6,555,000 equipment trust certificates, series P, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. **Bonds** may be placed privately.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

Stubnitz Greene Corp., Adrian, Mich.
Feb. 1 it was announced corporation plans to offer rights to its common stockholders to purchase $1,000,000 of 5½% sinking fund subordinated debentures, 100,000 shares of 60-cent cumulative preferred stock, and warrants to purchase 60,000 shares of common stock at $8 per share in units of $250 of debentures, 25 shares of preferred stock and detachable warrants (good until March 31, 1961) to purchase 15 shares of common stock. The offering is to be made on the basis of one unit for each 100 shares held as of a date not yet determined. **Price**—To be approximately $418.75 per unit. **Proceeds**—For expansion and working capital. **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.

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.

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.

Our Reporter's Report

Sentiment in the investment market is building up on the cheerful side in spite of the continued lethargy in the corporate new issue area.

The wish may yet be proven father to the thought but the better feeling is being generated by the growing belief that the outlook favors a bit of easing in the basic money market in the months ahead.

This being a presidential election year it is natural that political thinking, along with economic reasoning, could play a part in shaping the course of the money market. But that is something which remains to be seen as the year unfolds.

Meantime the behavior of the Treasury market is providing food for thought. Demand has been better all along the line doubtless reflecting in some degree the backing up of funds which had been set aside for employment in mortgage financing prior to the slow-down in the new building pace.

The fact remains, however, that both long-term and intermediate governments have been doing better and now have recovered from the early year's lows in rather convincing fashion.

Since the Treasury market is the keystone of the investment structure generally this improvement has been reflected in the top layer of the corporate list where prices have been hardening and yields tapering a bit.

Central Power & Light

Central Power & Light Co.'s $10 million of first mortgage, 30-year bonds, brought out for bids on Tuesday, seemingly attracted too much company in the way of bidders. At least their ideas on pricing were not too much along the same lines.

The successful group paid the company 100.242 for a 3¼% coupon rate and proceeded with reoffering to the public at 100.959 for an indicated yield of 3.20%. Dealers reported the issue a trifle sticky, at least at the outset. But continued improvement in the secondary market could help along.

The majority of bidders sought the bonds with a 3⅜% coupon, with tenders running all the way from 102.03 out to 101.79 for that interest rate.

Big Secondary Set

Investors will get another chance to pick up shares in Aluminum Co. of America early next month when another big block of "insider" stock comes to market through the medium of a secondary offering.

The company has registered 150,000 shares of the common stock for public offering but it will not receive any part of the proceeds since the operation does not represent new financing. The block has a market value of around $12.3 million.

Rather the shares are being sold for the account of Arthur V. Davis, board chairman who, when the sale is completed, still will retain 1,336,824 shares or about 6.5% of the total outstanding.

Quiet Week Ahead

Next week promises to be a period of continued quiet in the new issue market. The major undertaking in sight at the moment is Tennessee Gas Transmission Corp.'s 400,000 shares of $100 par value second preferred stock.

Marketing of this issue, to be handled by the negotiated route, will provide the company with funds for payment of outstanding short-term notes and for general corporate purposes.

Bankers also will be bidding, in that period, for $9.9 million of Illinois Central RR.'s equipment trust certificates and for $7 million of Kansas Gas & Electric Co.'s 30-year first mortgage bonds.

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As We See It

qualified observers, it is rather generally conceded now (as it has always been) that it is a much simpler matter for the money managers and the Treasury to curb a boom than it is for them to reinstate Humpty-Dumpty to his position on the wall after he has taken a substantial fall therefrom. Whether the experience of 1953, 1954 and 1955 has really thrown any additional light on this controversial subject we are far from certain in our own minds. We, like most other people, shall await with interest the opportunity to observe whether such changes in financial policies as have taken place or do take place in the near future have the effect which is apparently expected of them.

Another Aspect

But there is an aspect of all this which, so far as we can learn, is all but completely ignored and which in our humble view is the most important of all. The question that we beg leave to raise at this time is this: Ought Humpty-Dumpty to be put back on the wall in any such way as this, even assuming that it can in fact be done? Would the people of the United States really be well served by restoring the manufacture and sale of automobiles to the levels obtaining a few months ago if in order to do so the rate of increase in the volume of consumer credit would have to be restored and the terms of such loans again seriously impaired—assuming that this situation has really been in part at least cleaned up?

Would we not all be better off if the rate of new home construction were left to reflect the virility of natural or normal demand under credit conditions which could hardly be termed anything but very, very liberal rather than to return to the practices which gave us all so much concern last year and which apparently the authorities in Washington would like to see largely reinstated? It seems to us that if the rate of home building of last year was largely the result of the sort of lending that preceded it and accompanied it then it was a condition which could hardly fail to bring distress in the long run. If, as some have insisted and still insist, the bulge in this type of construction came as a response to basic demand and would have occurred in substantial measure without the credit excesses actually indulged in, then it is not easy to see why there is need for reinstatement of those excesses.

Again, would it be wise to stimulate activity by artificially easy credit conditions or in similar ways in other areas to offset declines which may come, if they have not already come, in the automobile industry and in home construction? Should we stand to gain, for example, by the development, say, in the business construction field of a condition similar to that until recently existing in the motor industry or the housing industry? The question is the more pertinent in light of the hesitation now observable in these two industries. Would it profit us to make use of such credit practices to launch a giant road building program? What permanent gain could there be in an agriculture revived by unsound credit and monetary policies?

What the Question Is

Let it be clearly understood that no question is being raised here about the reality of the need for road building, for large investment in capital equipment, or for the other things that many appear to expect during the current year. We are not undertaking to pass judgment upon the basic demand for automobiles or housing. We do not make light of the advantage of a development of a soundly based agriculture. What is wise in all such cases can and should be left to the judgment of the business community itself, which can appraise the needs of the situation far better than any or all of the politicians or bureaucrats in the nation. What we are saying is that if any of these industries can sustain themselves or will sustain themselves at current or recent rates of activity only by the administration of large doses of artificially supplied credit, then the fact itself is a very good indication that the business community is far from certain in its own mind that it would be a good thing to proceed in such a fashion—and we should be the last to dispute the matter.

As we have had occasion to say before, this failure or reluctance on the part of the credit managers, the politicians, the bureaucrats and even—with deep regret be it said—many of the economists of the country to face up to this basic question of where indefinite stimulation of industry to action, which of itself it would not take, will in the end leave us is one of the more disheartening aspects of the current situation, and has been for a number of years past. This attitude found and finds its most marked exemplification in the New Deal and its associates, but it did not originate there and is certainly not confined to these elements in the population at the present time. The fact is that it is rare to hear a voice raised in behalf of this more careful type of appraisal of public policy.

This attitude of the public is, curiously enough, rather similar to the approach of the stock market speculator of the roaring 'Twenties. The query of all those who were "in the market" in those now discredited days was not the nature of the underlying strength of securities, but merely what prices would be next week, next month, or possibly next year. So the burden of all discussions today is not the underlying foundations of business, but merely what its course will be during 1956 and possibly the earlier part of 1957.

$50,000,000 New York State Thruway Bonds Marketed by Chase Manhattan Bank Syndicate

A group of underwriters headed by The Chase Manhattan Bank was the successful bidder on Feb. 14 for $50,000,000 New York State Thruway Authority State Guaranteed Thruway Bonds dated Jan. 1, 1956 and due 1985-1995, inclusive. The group specified interest rates of 2¼%, 2½%, 2⅜% and 2.40%. The bonds were reoffered to the public at prices to yield from 2.25% to 2.40%.

Proceeds of all outstanding bonds of the Authority, together with this issue, have been or will be applied toward the construction of the Thruway project, including related purposes and repayment of temporary loans, or set aside for such construction.

The bonds offered constitute direct and general obligations of the Thruway Authority and are unconditionally guaranteed as to the payment of both principal and interest by the State of New York.

The offering is the fifth issue of a total of $500,000,000 principal amount of Thruway Authority bonds which may be guaranteed by the State of New York. Upon completion of today's financing there will be outstanding bonds aggregating $400,000,000 which are guaranteed by the State of New York.

So. California Edison Pfd. Stock Offered

Public offering of 1,200,000 shares of 4.24% cumulative preferred stock, $25 par value, of Southern California Edison Co. was made yesterday (Feb. 15) by an underwriting group headed jointly by The First Boston Corp. and Dean Witter & Co. The stock was priced at $25.55 per share.

Proceeds from the financing will be used to retire short term bank loans estimated at $18,000,000 previously incurred for construction, and to finance the company's continuing construction program. Gross plant additions for the years 1956-1957 will total approximately $251,000,000 of which $88,000,000 is allocated for steam electric generating facilities, $40,000,000 for hydroelectric generating facilities, $33,000,000 for transmission lines, $79,000,000 for distribution lines and $10,000,000 for other additions.

The 4.24% preferred stock is redeemable at prices ranging from $26.60 per share if called on or before May 31, 1961, to $25.80 per share after May 31, 1971.

The company supplies electric service in portions of central and southern California, an area with an estimated population of 3,800,000. It owns and operates 24 hydroelectric generating plants and seven steam electric generating plants and operates under lease one diesel electric generating plant with a total effective capacity of 1,969,420 kilowatts. By the end of 1957 an additional 670,000 kw will be available from current construction. Total operating revenues for the 12 months ended Dec. 31, 1955, amounted to $176,580,000 and net income was $29,629,000.

Now H. W. Haas Co.

HAMMOND, Ind. — The firm name of Jay Stanley & Co., 5305 Hohman Avenue, has been changed to H. W. Haas & Co.

Schwinn Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John J. Gaydosh has been added to the staff of L. B. Schwinn & Co., Union Commerce Building, members of the Midwest Stock Exchange.

R. R. Rivenburg Opens

HOP BOTTOM, Pa.—Russell R. Rivenburg is engaging in a securities business from offices here.

With Skyline Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Sumner D. Dodge is now with Skyline Securities, Inc., 1719 Welton Street.

French & Crawford Add

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Albert C. Kline, Jr. and Roland A. Radford are with French & Crawford, Inc., 68 Spring Street, N. W.

With Alm, Kane Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Carl S. Geis is now affiliated with Alm, Kane, Rogers & Co., 39 South La Salle Street.

With First Secs. of Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Roy J. Flynn is now with First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Arnold Siegle has been added to the staff of Hamilton Management Corporation, 127 Fremont Street.

Joins Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John G. Gager is now with Hayden, Stone & Co., 10 Post Office Square.

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. 19	§97.8	*99.1	99.0	89.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 19	§2,408,000	*2,439,000	2,437,000	2,150,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 3	7,081,200	6,904,300	7,026,450	6,721,250
Crude runs to stills—daily average (bbls.)	Feb. 3	¶8,068,000	8,057,000	8,020,000	7,418,000
Gasoline output (bbls.)	Feb. 3	26,139,000	26,452,000	27,179,000	24,208,000
Kerosene output (bbls.)	Feb. 3	2,814,000	2,707,000	2,444,000	2,707,000
Distillate fuel oil output (bbls.)	Feb. 3	13,535,000	13,310,000	13,501,000	12,539,000
Residual fuel oil output (bbls.)	Feb. 3	9,341,000	8,836,000	8,895,000	8,452,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 3	182,656,000	178,947,000	169,012,000	171,331,000
Kerosene (bbls.) at	Feb. 3	20,357,000	21,5[illegible]2,000	26,345,000	23,200,000
Distillate fuel oil (bbls.) at	Feb. 3	84,230,000	89,161,000	107,269,000	81,815,000
Residual fuel oil (bbls.) at	Feb. 3	38,570,000	38,351,000	39,719,000	47,530,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 4	680,989	691,850	611,299	635,779
Revenue freight received from connections (no. of cars)	Feb. 4	671,244	677,295	595,870	624,621
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 9	$53[illegible],907,000	$532,973,000	$461,828,000	$298,933,000
Private construction	Feb. 9	399,292,000	401,599,000	222,265,000	152,424,000
Public construction	Feb. 9	140,615,000	131,374,000	239,563,000	146,509,000
State and municipal	Feb. 9	107,774,000	105,048,000	167,708,000	119,801,000
Federal	Feb. 9	32,841,000	26,326,000	71,855,000	26,708,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 4	9,830,000	*10,420,000	9,270,000	8,700,000
Pennsylvania anthracite (tons)	Feb. 4	623,000	580,000	459,000	609,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 4	90	94	94	86
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 11	11,343,000	11,540,000	11,594,000	9,922,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 9	236	273	245	238
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 7	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Feb. 7	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Feb. 7	$49.50	$50.83	$53.67	$35.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 8	44.575c	43.325c	43.750c	32.700c
Export refinery at	Feb. 8	43.775c	45.050c	45.775c	36.750c
Straits tin (New York) at	Feb. 8	99.625c	101.000c	106.750c	91.250c
Lead (New York) at	Feb. 8	16.000c	16.000c	16.500c	15.000c
Lead (St. Louis) at	Feb. 8	15.800c	15.800c	16.300c	14.800c
Zinc (East St. Louis) at	Feb. 8	13.500c	13.500c	13.500c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 14	96.20	96.16	95.10	97.16
Average corporate	Feb. 14	107.98	107.98	107.44	109.79
Aaa	Feb. 14	111.62	111.62	110.70	113.50
Aa	Feb. 14	110.15	109.97	109.42	111.25
A	Feb. 14	107.80	107.98	107.44	109.97
Baa	Feb. 14	102.80	102.80	102.30	104.66
Railroad Group	Feb. 14	106.39	106.39	105.69	107.98
Public Utilities Group	Feb. 14	108.34	108.34	107.80	110.34
Industrials Group	Feb. 14	109.42	109.42	108.70	111.07
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 14	2.78	2.79	2.87	2.71
Average corporate	Feb. 14	3.28	3.28	3.31	3.18
Aaa	Feb. 14	3.08	3.08	3.13	2.98
Aa	Feb. 14	3.16	3.17	3.20	3.10
A	Feb. 14	3.29	3.28	3.31	3.17
Baa	Feb. 14	3.58	3.58	3.61	3.47
Railroad Group	Feb. 14	3.37	3.37	3.41	3.28
Public Utilities Group	Feb. 14	3.26	3.26	3.29	3.15
Industrials Group	Feb. 14	3.20	3.20	3.24	3.11
MOODY'S COMMODITY INDEX	Feb. 14	406.8	406.8	405.1	408.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 4	405,935	258,781	264,364	350,995
Production (tons)	Feb. 4	291,570	296,802	182,195	259,402
Percentage of activity	Feb. 4	101	102	92	94
Unfilled orders (tons) at end of period	Feb. 4	651,772	539,461	658,142	450,660
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 10	107.08	107.09	107.54	106.54
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. 21	1,450,274	1,417,254	1,090,709	1,393,114
Dollar value	Jan. 21	$75,474,442	$72,738,699	$58,484,761	$71,651,552
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 21	1,049,864	1,091,669	1,050,447	1,281,172
Customers' short sales	Jan. 21	4,229	5,401	6,552	8,923
Customers' other sales	Jan. 21	1,045,635	1,086,268	1,043,895	1,272,249
Dollar value	Jan. 21	$53,324,873	$54,883,089	$52,104,771	$60,721,770
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 21	266,490	264,090	306,670	353,220
Short sales	Jan. 21	------	------	------	------
Other sales	Jan. 21	266,490	264,090	306,670	353,220
Round-lot purchases by dealers—					
Number of shares	Jan. 21	604,600	586,540	386,900	485,050
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Jan. 21	373,180	467,390	489,140	495,640
Other sales	Jan. 21	11,529,320	12,333,000	12,042,720	14,173,920
Total sales	Jan. 21	11,902,500	12,800,390	12,531,860	14,669,560
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 21	1,418,910	1,579,880	1,556,570	1,930,550
Short sales	Jan. 21	212,650	224,210	230,980	245,280
Other sales	Jan. 21	1,419,160	1,480,150	1,212,090	1,572,450
Total sales	Jan. 21	1,631,810	1,704,360	1,443,070	1,817,730
Other transactions initiated on the floor—					
Total purchases	Jan. 21	267,550	322,470	340,120	463,410
Short sales	Jan. 21	23,740	20,730	18,760	29,900
Other sales	Jan. 21	340,510	340,550	288,390	436,020
Total sales	Jan. 21	364,250	361,280	307,150	465,920
Other transactions initiated off the floor—					
Total purchases	Jan. 21	565,580	530,391	690,190	557,455
Short sales	Jan. 21	55,920	95,940	126,780	61,370
Other sales	Jan. 21	599,217	603,224	599,331	702,799
Total sales	Jan. 21	655,137	699,164	726,111	764,169
Total round-lot transactions for account of members—					
Total purchases	Jan. 21	2,252,040	2,432,741	2,586,880	2,951,415
Short sales	Jan. 21	292,310	340,880	376,520	336,550
Other sales	Jan. 21	2,358,887	2,423,924	2,099,811	2,711,269
Total sales	Jan. 21	2,651,197	2,764,804	2,476,331	3,047,819
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 7	111.7	112.0	111.7	110.3
Farm products	Feb. 7	85.0	86.7	84.6	93.4
Processed foods	Feb. 7	98.5	99.5	98.5	103.2
Meats	Feb. 7	72.2	75.7	71.6	84.9
All commodities other than farm and foods	Feb. 7	119.9	119.8	119.9	115.5

*Revised figure. ¶Includes 897,000 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 PETROLEUM INSTITUTE—Month of November:			
Total domestic production (barrels of 42 gallons each)	234,038,000	234,969,000	212,101,000
Domestic crude oil output (barrels)	210,406,000	211,770,000	190,367,000
Natural gasoline output (barrels)	23,608,000	23,172,000	21,686,000
Benzol output (barrels)	24,000	27,000	48,000
Crude oil imports (barrels)	24,685,000	25,439,000	19,032,000
Refined products imports (barrels)	14,964,000	11,957,000	14,000,000
Indicated consumption domestic and export (barrels)	284,867,000	258,242,000	258,641,000
Increase all stocks (barrels)	‡11,180,000	14,123,000	‡13,458,000
ASSOCIATION OF AMERICAN RAILROADS—Month of December:			
Locomotive units installed in service	157	131	90
CONSUMER PRICE INDEX — 1947-49=100—Month of December:			
All items	114.7	115.0	114.3
Food	109.5	109.8	110.4
Food at home	107.9	108.2	109.2
Cereals and bakery products	123.9	123.9	123.3
Meats, poultry and fish	94.6	97.1	102.2
Dairy products	107.7	107.8	106.8
Fruits and vegetables	110.7	103.0	108.1
Other foods at home	113.7	113.1	112.0
Housing	120.8	120.9	119.7
Rent	131.1	130.9	129.4
Gas and electricity	111.5	111.5	109.1
Solid fuels and fuel oil	128.0	126.7	125.5
Housefurnishings	103.4	104.5	105.4
Household operation	120.7	120.5	117.7
Apparel	104.7	104.7	104.3
Men's and boys'	106.1	106.0	106.5
Women's and girls'	99.1	99.3	99.0
Footwear	119.8	119.2	116.9
Other apparel	91.1	91.0	91.1
Transportation	127.3	128.5	127.3
Medical care	130.2	129.8	126.3
Personal care	117.9	117.5	113.6
Reading and recreation	106.8	106.8	106.6
Other goods and services	120.6	120.6	119.9
COPPER INSTITUTE—For month of November:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	101,582	*109,793	97,619
Refined (tons of 2,000 pounds)	133,711	127,765	115,917
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	141,807	*133,834	118,707
Refined copper stocks at end of period (tons of 2,000 pounds)	48,736	49,738	37,094
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of January:			
Adjusted for seasonal variations	125	*122	119
Without seasonal adjustment	95	*212	91
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of December:			
Gas, water heater shipments (units)	187,500	192,500	166,800
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of November (1947-49=100)	85.4	86.0	82.2
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December (in billions):			
Total personal income	$315.0	*$312.0	$293.4
Wage and salary, receipts, total	215.7	*215.3	198.8
Commodity producing industries	94.1	*94.0	84.3
Distributing industries	57.0	*56.8	53.1
Service industries	28.6	*28.5	26.6
Government	36.0	*36.0	34.3
Less employees contribution for special insurance	5.4	5.3	4.6
Other labor income	7.2	7.1	6.7
Proprietors and rental income	50.2	*50.2	48.9
Personal interest income and dividends	29.9	27.6	26.5
Total transfer payments	17.4	17.1	17.1
Total nonagricultural income	299.8	*296.6	278.1
PORTLAND CEMENT (BUREAU OF MINES)—Month of October:			
Production (barrels)	27,924,000	*26,958,000	25,887,000
Shipments from mills (barrels)	28,641,000	*29,543,000	27,134,000
Stocks (at end of month—barrels)	8,753,000	*9,779,000	9,667,000
Capacity used (per cent)	110	109	104
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of November:			
Net railway operating income	$103,087,972	$110,929,588	$94,166,239
Other income	17,632,346	19,294,122	21,560,403
Total income	120,720,318	130,223,710	115,726,642
Miscellaneous deduction from income	6,037,452	5,275,792	4,328,842
Income available for fixed charges	114,682,866	124,947,918	111,397,800
Income after fixed charges	83,255,204	93,611,307	79,559,010
Other deductions	3,395,499	3,627,158	2,718,692
Net income	79,859,705	89,984,149	76,840,318
Depreciation (way & structure & equipment)	44,925,773	44,953,924	44,196,199
Federal income taxes	38,362,896	45,899,057	23,235,495
Dividend appropriations:			
On common stock	52,992,180	36,671,622	60,102,939
On preferred stock	4,141,494	1,599,624	9,088,271
Ratio of income to fixed charges	3.65	3.99	3.50
U. S. GOV'T. STATUTORY DEBT LIMITATION—As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	280,048,744	280,768,553	278,439,067
Guaranteed obligations not owned by the Treasury	53,006	53,060	23,806
Total gross public debt and guaranteed obligations	$280,101,750	$280,821,613	$278,462,873
Deduct—other outstanding public debt obligations not subject to debt limitation	472,021	474,030	514,078
Grand total outstanding	$279,629,728	$280,347,582	$277,948,794
Balance face amount of obligations, issuable under above authority	1,370,231	652,417	3,051,205
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$280,101,750	$280,821,613	$278,462,873
General fund balances	3,251,655	4,544,518	4,728,388
Net debt	$276,850,095	$276,277,095	$273,734,485
Computed annual rate	2.495%	2.490%	2.298%
ZINC OXIDE (BUREAU OF MINES)—Month of November:			
Production (short tons)	15,402	15,642	11,819
Shipments (short tons)	14,549	14,531	11,953
Stocks at end of month (short tons)	14,181	13,328	14,909

*Revised figure. ‡Decrease all stocks (barrels).

Good Business Year Despite Weak Spots: Bell

President of American Security & Trust Co., Washington, D. C., says, despite weak spots in the economy, an excellent business year is assured. Contends balanced budget goal precludes tax cuts during current Congressional session and expects Federal Reserve to ease credit in event of serious downturn in business.

In addressing the Business Outlook Conference of the Washington Board of Trade at Washington, D. C., on Jan. 30, Daniel W. Bell, President of the American Security & Trust Co., Washington, D. C., declared that, despite some weak spots in our economy, 1956 will be an excellent year by any standards even though it may not be the best ever recorded. Mr. Bell told his audience, as follows:

Daniel W. Bell

"Many observers think that 1956 will be a shade better than 1955 while others think that 1956 will not be as good as 1955. Indeed there are now some signs of readjustment in certain lines. Residential construction has been slowing up for the last few months and the pace of automobile production seems to be abating. Both General Motors and Ford, although confident as to the longer run, are apparently operating on the assumption that sales in 1956 will be somewhat below last year's volume. Recent estimates would indicate that production of automobiles for 1956 will fall a little below seven million passenger cars as compared with about eight million last year. Since our prosperity has been resting in part on consumer credit, it may be significant that there has been in recent months a decline in the ratio of credit sales to consumer credit retired, which may mean that a pause in this segment of our boom is under way. It is just possible that before the year ends we may see the volume of repayments crossing the volume of new loans. Furthermore—and this is nothing new—the farm segment of the economy continues in the aggregate to be a problem, and one on which the Congress will no doubt act this session.

"In other directions there are some bright spots. Regardless of the auto industry, steel will continue to operate at a high level for at least several months. Even auto makers are buying steel for inventory 'in case of a steel strike.' The outlook is very good for electronics, machinery and machine tools, shoes, paper and some textiles.

"While 1956 is likely to turn out to be a year of adjustments in the economic realm—and I may say incidentally that I don't think the fact that it is an election year will of itself be particularly disturbing to business — there are certain factors of strength that should be noted. Even though home building has been slowing up, it is still running at a rather high level. No further tightening of credit by FHA or VA seems likely; there was even an easing this month in the shape of lengthening of terms. Present estimates indicate that business spending for plant and equipment and for construction, other than residential building, will more than offset the decline in construction in other industries. If the people decide to spend less on new cars, they may spend more for other purposes, for there are no signs that consumer income is going to be noticeably less this year.

"While reduced auto production will tend to adversely affect the take-home pay of auto workers and others in dependent industries, the reduction in production is much more likely to result in less overtime work than in laying off of factory workers. An offset factor is that about mid-year numerous workers, including auto workers, will commence to receive pay increases as a result of last year's wage agreements.

"Also, while home building is catching its breath, this is the year for home improvement, for which a campaign is under way: '1956, the year to fix.' This, too, should be a sustaining influence.

"Chairman Martin of the Federal Reserve Board recently said: 'There are disquieting signs that people believe we are a lot smarter than we were in the 1920's'!

"The real challenge, he said, is whether the community can develop the leaders and statesmen who are needed to keep the nation from being carried down the road of a new era. Therefore a more cautious and conservative approach to our problems of today are needed far more than too much optimism. So, when I venture to predict about business I do so with great reluctance.

"Anyway I predict that the next few months will see a continued demand for loans and business will stay at a high level. By mid-year I expect some leveling off and possibly a slight decline. If a downturn appears at all serious, I do not believe the Federal Reserve System would hesitate for a moment to ease credit in an effort to reverse the trend.

"Congress this year will certainly 'do something' for the farmers, and in this case the fact that it is an election year counts. Congress cannot do much this year on public works, other than to enact legislation, which might help psychologically. There may be some tax cuts for individuals later in the session, but I don't expect any big economic consequences from that source. The Administration seems very determined to nail down a balanced budget and there are not a few in the Congress, such as Senator Byrd, who agree with the President that we ought to pay down something on our huge national debt when times are good. I'll buy that myself even though it is several years late.

"Even though there are some weak spots in our economy it now looks as though 1956 will be an excellent year by any standards even though it may not be the best."

Chicago Analysts to Hear on Chemical Ind.

CHICAGO, Ill. — On Feb. 23 Allan A. Smith, Arthur D. Little, Inc. and P. D. Neidig, White, Weld & Co., will address the Investment Analysts Society of Chicago on "Developments and Prospects in the Chemical Industry." The meeting will be held in the Adams Room of the Midland Hotel.

Mr. Smith will discuss trends within the chemical industry, with particular emphasis on the growth areas and the status of products claiming investment attention, such as ammonia. Mr. Neidig will than take up the discussion, commenting on individual companies as they may be affected by developments in the chemical industry.

Continued from page 7

The Uranium Market And Nuclear Energy

fense of the Free World. During the past eight years our effort to develop new sources of uranium production has extended to many parts of the world. In addition to increasing uranium production far beyond original expectations, there has been developed extensive information on world resources and potential resources, and on methods of utilizing these resources.

In spite of its mushroom growth under pressure of a critical military program, the uranium industry has developed along reasonably sound lines. There have been some speculative excesses but for the most part, these have been small promotional schemes for exploration and development. Wide publicity about rich strikes and sudden fortunes, together with the glamour of an atomic age, served to foster uranium booms. Some have made fortunes. Without the chance of a fortune there would not have been the thousands of prospectors. Without these prospectors the important uranium deposits of the United States and Canada might not have been found—at least in so short a time.

Although we no longer are faced with a problem in finding enough uranium for the current defense program, it is important to develop reserves to assure a long-range continuing supply for the coming atomic power industry and for possible future military needs. This means that the uranium mining industry should be maintained in a healthy condition. It is particularly important that domestic prospecting and exploration continue. These objectives can be accomplished only if there is a long-term market for uranium.

I have indicated some of the problems to be considered in arriving at a decision on what to do after March 31, 1962. The Commission recognizes that the uranium mining industry wants an answer soon.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., February 14, 1956

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable April 2, 1956, to holders of record at the close of business March 12, 1956. No dividend action was taken on the Common Stock.

WM. B. PETERS, Secretary-Treasurer.

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on February 15, 1956, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company payable April 1, 1956, to stockholders of record at the close of business on March 20, 1956.

EDWARD FRAHER, Secretary.

CANCO AMERICAN CAN COMPANY
PREFERRED STOCK

On February 7, 1956 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 2, 1956 to Stockholders of record at the close of business March 15, 1956. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

AMPHENOL

At a meeting of the Board of Directors of American Phenolic Corporation held today, a dividend of twenty-five cents per share was declared, payable April 27, 1956 to the shareholders of record at the close of business April 13, 1956. The transfer books will not be closed.

Dated at Chicago, February 8, 1956.

FRED G. PACE
Secretary

DREWRYS

A quarterly dividend of forty (40) cents per share for the first quarter of 1956 has been declared on the common stock, payable March 12, 1956 to stockholders of record at the close of business on February 27, 1956.

Drewrys Limited U. S. A., Inc.
South Bend, Indiana

T. E. JEANNERET,
Secretary and Treasurer

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable March 15, 1956, to stockholders of record at the close of business February 24, 1956.

E. F. VANDERSTUCKEN, JR.,
Secretary.

LOEW'S INCORPORATED

February 15, 1956

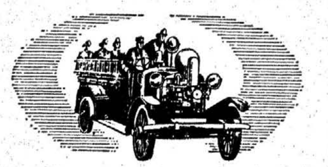
The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on March 31, 1956, to stockholders of record at the close of business on March 9, 1956. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a dividend of $1.00 per share on the Common Stock payable March 9, 1956, to holders of record February 27, 1956.

ROGER HACKNEY, *Treasurer*



NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

137th DIVIDEND DECLARATION

The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid March 21, 1956 to stockholders of record at the close of business March 1, 1956.

William MacLean
Treasurer

February 7, 1956

DIVIDEND NOTICES

NORFOLK SOUTHERN RAILWAY COMPANY

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a dividend of thirty cents (30¢) per share on the common stock of said Company, payable on March 15, 1956, to stockholders of record at the close of business March 1, 1956.

J. RAYMOND PRITCHARD, *President*

PHELPS DODGE CORPORATION

The Board of Directors has declared a first-quarter dividend of Seventy-five Cents (75¢) per share on the capital stock of this Corporation, payable March 8, 1956 to stockholders of record February 24, 1956.

M. W. URQUHART,
Treasurer.

February 8, 1956

SAFEWAY STORES INCORPORATED

Common and Preferred Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on Feb. 7, 1956, declared the following quarterly dividends:

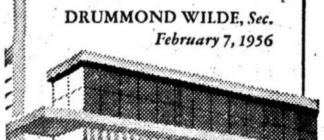
60¢ per share on the $5.00 par value Common Stock.

$1.00 per share on the 4% Preferred Stock.

$1.07½ per share on the 4.30% Convertible Preferred Stock.

The Common Stock dividend and dividends on the 4% Preferred Stock and 4.30% Convertible Preferred Stock are payable Apr. 1, 1956 to Stockholders of record at the close of business Mar. 2, 1956.

DRUMMOND WILDE, *Sec.*
February 7, 1956



Penn-Texas CORPORATION

DIVIDEND NOTICE

Common Stock
Preferred Stock

The Board of Directors has declared the regular quarterly dividend of thirty-five cents ($.35) per share on the Common Stock and the regular quarterly dividend of forty cents ($.40) per share on the $1.60 Cumulative Convertible Preferred Stock of the company.

Both dividends are payable March 31, 1956 to stockholders of record March 22, 1956.

January 11, 1956 **L. D. SILBERSTEIN, President**

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—While an enlarged highway construction bill is expected to pass Congress before adjournment, its transit will not be nearly so easy as ice cream down the gullets of little boys at a picnic.

Already the tax problem is a sore spot. The prospective higher fuel and excise taxes will compensate only partly for the inflated expenditures of the magnitude now planned. Despite the fact that a super-duper highway spending program is supposed to be popular, taxes come paying time, are not always popular, especially in an election year. President Eisenhower did not add to the serenity of the Democrats when he announced that he had "reluctantly" agreed to go along with "their" tax program and dump his own sleight-of-hand financing scheme.

There are a couple of nice jokers in the Fallon road bill. One would use some of this cornucopia of highway money to reimburse states for their comparatively recent expenditures on big expensive freeways. This, of course would get no new roads built of itself, but would make less populous states most unhappy, for that would cut down the total kitty.

Another is to extend the Bacon-Davis Act to all funds spent. Under the Bacon-Davis Act the Department of Labor sets wages for labor working under Federal contracts. In theory the Federal and State Governments are almost equal partners under the present Federal aid road program. The new one provides for Uncle Sammy paying 90% of the tab, and the states, 10%. However, the states would have to bow to Federal wage fixing on highway work, something that the states would not enjoy.

Another controversial feature of the Fallon bill is that it proposes to freeze permissable maximum weights and measures for trucks using the highways, at their present levels. This would, of course, take away in practical effect, the power of the states to regulate this aspect of truck traffic, another bitter pill for the states to swallow as the price of getting a new interstate road system almost "for free."

Circumstances Change Opinions

Just a short time before President Eisenhower adopted the scheme to let farmers get a refund of their tax on gasoline used off the highway, the Treasury was telling the House Ways and Means Committee that such a scheme was an "administrative impossibility."

In principle, the refund to farmers of taxes on gas not used on highways establishes a precedent which the airlines, contractors, lumbermen, and scores of others who use gas off the highways, might use as a lever to get themselves a similar exemption. In practice, other industries lack the present potent political appeal of the farmers and will get nowhere with drawbacks for themselves under foreseeable political circumstances.

Commodity Price Involvement

Last week the Department of Agriculture announced a program whereby the Commodity Credit Corp., may extend credit for the export sales of its storehouse of $8 billion or so of farm commodities picked up as a consequence of price support operations.

What this brings to mind is one thing generally overlooked, which is the enormous variety and means by which the government can and does affect the supply, demand, and prices not merely of farm commodities but of scores of metals and minerals chiefly through two activities, the so-called stockpile program, and the Commodity Credit Corp.

As to CCC, the new credit program is just another of a myriad of powers enabling the CCC to "sell" for foreign currency, to give away at home or abroad, to barter for strategic materials, or otherwise to dispose of its storehouse of commodities.

There is probably only a relative handful of people in the United States who begin to comprehend the chief powers CCC has for distributing surplus farm commodities.

Stockpile Is Broad

So it is also with the "stockpile." In addition to the "strategic stockpile" of raw materials adjudged sufficient to carry the nation along in war and essential civilian production in case of all-out war, the President early in his career established a second or "long-range" stockpile. This consists of an even larger hoard of metals and minerals than the strategic stockpile.

Finally, there is a third stockpile which serves the purpose of providing a place for keeping or an excuse for accumulating, foreign and domestic metals and minerals picked up by Commodity Credit or by other means.

Everything relating to stockpiling, whether of stockpiles Nos. 1, 2, or 3, is inherently secret, except when and to the extent that the government decides in its own interest to make information public. All the transitory directions to the stockpilers, involving military and foreign policy, are secret except when officials choose to make them public.

This whole web of farm commodity and industrial raw materials powers is esoteric beyond the comprehension of most men, even those parts which are not secret. An attempt to compile, catalog, and relate such of the powers of the government in these commodity fields as is available to the public offers itself as a subject which might rate the the attention of a high-brow economic research bureau.

Such a compilation showing the magnitude and variation of government powers and practices in intervening in commodity markets would be an eye-opener to many who believe that the philosophy of the present Administration is one which favors the least possible interference with the free market system.

Housing Is Itself An End

That the speculative builders, no less than the farmers, believe that a large volume of construction of housing or the prosperity of builders is an end in itself, the National Association of Home Builders, in a "1956 policy statement," has formally affirmed for all to see.

"Without a healthy home building industry, the nation's economy cannot remain sound. For continued prosperity and a stable society, production of new homes must be maintained at the highest level consistent with demand and with availability of materials and labor," the NAHB statement asserted.

Theoretically this business group acknowledges that there is something called "demand" which limits the total of housing. However, by clear inference, the statement goes on to indicate that this demand should be maintained by easy credit.

"But to accomplish this, the sharp peaks and valleys in the production curve which have plagued our industry in the past—caused largely by the lack of an even supply of residential mortgage credit—must be eliminated," the statement added.

In other words, mortgage credit, the source of "demand" must by government fiat be kept large.

This is what happened to an industry which gradually got adapted to living on an artificial demand souped up by government insurance and guarantees. The home building industry is a "private industry," BUT. . . .

But mortgage credit volume must be sustained by government intervention even if the supply of savings drops, or if more profitable uses of credit divert it into other channels.

"The Get-Us-All Address"

Rep. Usher L. Burdick, a North Dakota Republican who can by oratory cause tears to be shed for the farmer, and who can also tell a neat line of jokes at a bankers' dinner, has introduced into the **Congressional Record** the copy of an address which he said was given by Art Ziegler of Pittsburgh, Pa., whom he said was a high school boy, and which was first printed in **Facts Forum**, as follows:

"One score and twenty years ago our fathers brought forth upon this Nation a new tax, conceived in desperation and dedicated to the proposition that all men are fair game. Now we are engaged in a great mass of calculations, testing whether this taxpayer or any taxpayer so confused and so impoverished can long endure.

"We are met on form 1040. We have come to dedicate a large portion of our income to a final resting place with those men who here spend their lives that they may spend our money. It is altogether anguish and torture that we should do this. But in a larger sense we cannot evade, we cannot cheat, we cannot underestimate the tax. The collectors, clever and sly, who computed here have gone far beyond our poor power to add and subtract.

"Our creditors will little note, nor long remember, what we pay here, but the Bureau of Internal Revenue can never forget what we report here.

"It is not for us, the taxpayers, to question the tax which the Government has thus far so nobly spent. It is rather for us to be here dedicated to the great task remaining before us—that from these vanishing dollars we take increased devotion to the few remaining; that we here highly resolve that next year will not find us in a higher income bracket; that this taxpayer, underpaid, shall figure out more deductions; and that this tax on the people, by the Congress, for the Government, shall not cause solvency to perish."

[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

"A Mr. Pittle is waiting to see you, Sir—says he represents the small investors!"

Benjamin Hirschberg Now With Halle & Stieglitz

NEWARK, N. J.—Halle & Stieglitz, members of the New York Stock Exchange, announce that Benjamin Hirschberg is associated with the firm as a registered representative in the firm's Newark office, 48 Commerce Street. Mr. Hirschberg was formerly with Dreyfus & Co. and prior thereto with J. B. Hanauer & Co.