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EDITORIAL

As We See It

It is interesting and significant—it would also be highly amusing were the matter not so serious—to take note of the differences of opinion and the uncertainties of mind among the spokesmen for the farmers of the nation about what the government ought to be doing for their clients. Of course, the farmer does not like to be told by Uncle Sam how much he may plant to this, that or the other crop, or what other things he may do in certain particulars. He is inclined to resent such controls even when he is paid to submit to them. And, with deep satisfaction be it noted, there are some among the professional agrarians who understand that it is not wise to continue to pile up unwanted surpluses. When studied against this background, it soon becomes evident that none of the current crops of remedies, including both those now being practiced and those being urged upon Congress, offers any real solution to the problems by which the farmers of the country are faced.

The truth of the matter seems to be that slowly, painfully and expensively, the situation is tending to cure itself. It should not be so slow and certainly ought not to be so expensive to the country as a whole, but apparently the natural forces of economics are slowly having their way. They would very likely in the end have their way with less pain even to the victims were government and the *soi-disant* friends of the farmer generally to step out of the way and let nature take its course with only such ameliorating steps, if any, as humanitarianism dictated. Such a doctrine, of course, finds no favor with the politicians. It finds less favor with the great rank and file of the

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Overseas Markets in 1956

By WALTER H. DIAMOND*
Editor, McGraw-Hill American Letter
Economist, McGraw-Hill International Corporation

Trade authority analyzes 50 leading markets and anticipates: (1) record high 1956 U. S. overseas commercial trade; (2) increased U. S. imports providing larger foreign dollar earnings, keeping U. S. exporter profits on 1955 par; (3) St. Lawrence Seaway not cutting into N. Y. Harbor trade as predicted; (4) N. Y.'s loss of first place without large scale improved maritime facilities; (5) increased West German competition in Latin America; (6) of 50 countries, 33 will be better customers in 1956 than last year, compared with 47 in 1955; and (7) currency devaluation in France, Turkey, Pakistan, Philippines, Uruguay, Argentina and Brazil. Sees sales increase in raw materials, producers goods, farm and oil equipment, and decreases in autos and consumer goods.

Overseas commercial trade of American industry during the coming year will be the greatest on record. Chiefly because of an expected 3% increase in U. S. imported goods, the combined total of non-military exports and imports will approach $25.9 billion. Commercial shipments promise to maintain the extremely healthy rate reached in 1955. That means U. S. businessmen will sell nearly $14.3 billion worth of goods abroad—a 12% rise over the 1954 base. Imports, on the other hand, will continue to climb so you can count on a new peak of more than $11.6 billion.

Walter H. Diamond

Actual dollar volume of overseas sales will be only slightly higher in 1956 that last year, with the gain probably limited to around $150 million. While 1955 will be remembered by most American exporters for one of the sharpest jumps in their postwar business, so will 1956 go down in history as a

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*An address by Mr. Diamond at the Export Managers Club of New York, New York City, Feb. 7, 1956.

How Long Can We Stand Prosperity

By GEORGE W. COLEMAN*
Economist, Mercantile Trust Co., St. Louis, Mo.

Bank economist questions whether rate of growth will utilize expanding population and productivity and suggests watching indicative investment trends to help determine possible turning point in industrial activity. Mr. Coleman expects total business in 1956 will equal current level in spite of housing-auto decline, and finds the economy supported by: (1) inventory rebuilding; (2) increased plant-equipment expenditures; (3) increased Federal, state and local budgets; (4) long-range economic aid abroad; and (5) consumer spending rate at same and possibly higher end of year level. Problems resulting from full employment are described as: trying to maintain it; inflationary trend, and the inconvenient effect of monetary and fiscal credit tightening policies.

I shall begin this discussion by stating that from an economic point of view at least we know the answer to the age-old philosophic question, "How high is up?" The economy is now operating close to maximum capacity, it cannot go much higher. It is true that the theoretical capacity might be slightly higher but it would involve the use of high cost machinery, inefficient labor, and expensive processes. "Up" can almost be defined statistically. Gross National Product is now at an annual rate just below $400 billion a year. Per capita income is $1,700 per year. Total employment is more than 64 million and industrial production in the latest month is 144% of the 1947-49 average. Corporate profits are approaching all-time records and unemployment is only moderately above the all-time low. Even the stock market closed at an all-

George W. Coleman

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*An address by Mr. Coleman before the Sales Executive Association of St. Louis, St. Louis, Mo.

PICTURES IN THIS ISSUE — Candid shots taken on the occasion of the 32nd Annual Dinner of the Boston Securities Traders Association at the Parker House, Feb. 10, appear on pages 23-30 inclusive.

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.)

HUGH BRADFORD
Partner, Southwestern Securities Co., Dallas, Texas

Sabre Uranium Corporation

I am sure that recommendation of a "uranium" corporation as a growth company rather than a rank speculation will bring cries of horror from many in the investment field; however, there are quite a few factors comprising the Sabre picture that make it unique among most of the uranium issues. The company was formed in 1954, with an adequate income from over one and a half million barrels of oil reserves to assure sufficient funds for uranium exploration for many years. Its uranium property holdings were carefully selected, and were not just so much "moose pasture."


Hugh Bradford

Mid-year 1955, Sabre, and subsequently Pinon Uranium Company through a farmout, encountered a uranium ore body in the Grants area of New Mexico that is unquestionably one of the largest in the country. At the present time estimates vary from 4,000,000 tons to 6,000,000 tons.

Because of the tremendous size of the ore body, of which Pinon Uranium holds a 50% interest, an agreement between the respective Boards has been reached concerning the merger of the two companies, and stockholder approval will be sought in March. The basis of the merger will be one share of the new Sabre-Pinon Corporation for each share of Pinon, and one share of Sabre-Pinon for each two shares of Sabre. It was apparent to both companies that a uranium mill would be desirable to seek further profits from this tremendous ore body. In order to insure competent mining know-how and milling management, a tentative agreement has been reached with the American Metal Company, Ltd., wherein the American Metal Company will furnish the equity capital necessary to do the mining and build a sizable extraction mill. At the present time, the American Metal Company is working with the personnel of Sabre and Pinon on the development of the ore body, and is further compiling the necessary data to seek a milling permit from the Atomic Energy Commission.

The profit potential in combining mining and milling operations assures Sabre's growth from a speculation into a leader in the field of uranium production, and a factor in the entire nuclear energy picture.

Assuming that a permit is received, the tentative agreement between Sabre-Pinon Corporation and the American Metal Company thence becomes effective, American Metal Company will furnish the equity capital for the construction of the mill and banks and insurance companies will furnish the balance of the financing. For this, the American Metal Company shall receive 25% of the common stock of the Sabre-Pinon Corporation, agree to a Management Contract until 1962, and have representation on the Sabre-Pinon board of directors. Uranium mills have an accelerated tax write-off so the entire plant can be written off by 1962.

While it is premature to make any definite statement regarding the earnings per share, I believe it is safe to say that all the company's indebtedness will be retired by 1962 and that through the use of its substantial income it should be able to increase its asset value through further exploration, development of semi-proven reserves of known ore, and expansion into other branches of nuclear energy beyond milling, several times its current value.

To summarize—

Sabre offers its stockholders an unusual growth potential for the following reasons:

(1) Through the merger of Sabre into Sabre-Pinon Corporation, an ownership of one of the largest known ore bodies in the United States today.

(2) The outstanding capabilities and continuity of management by the American Metal Company.

(3) The aggressive and youthful thinking of the Sabre-Pinon Corporation board, as well as the conservativeness and highly talented American Metal Company board members.

(4) Impressive earnings to insure important exploitation in the form of exploration of its promising properties, and expansion into research, chemistry, and other phases in the nuclear energy field.

It is the writer's recommendation that this security is for growth purposes and it is being recommended for individuals and investment trusts of growth categories.

Sabre Uranium Corporation is unlisted. The issue is qualified in Texas, Tennessee, Utah, New Mexico, Colorado, New York, Massachusetts, Wisconsin, South Carolina, Delaware, Maryland, Nevada, New Jersey, Arizona, Virginia, and the District of Columbia.

N. LEONARD JARVIS
Partner, Hayden Stone & Co., New York City
Members: New York Stock Exchange

American Broadcasting-Paramount Theatres, Inc. (UPX)

The motion picture shares have been under considerable pressure, but it seems to be that a company such as American Broadcasting-Paramount Theatres should be an exception. In fact, it has weathered the pressure better than the rest of the group, mainly because of its potential growth in television broadcasting. A year ago UPX had 639 theatres and currently is operating 625 with its divestiture program calling for about 30 additional theatres to be sold. Earnings in the theatre division are believed to have been somewhat disappointing in September up to about the middle of December, but since then business has been doing well. The outlook in this respect for 1956 has been improved considerably with the anticipated schedules of releases by various motion picture producers.


N. Leonard Jarvis

Twentieth-Century Fox for example is scheduled to release "The Man in the Grey Flannel Suit" with Gregory Peck, "Carousel," "The King and I," "Bus Stop" with Marilyn Monroe, "Anastasia" with Ingrid Bergman, all of which look promising.

Columbia Pictures with its "Picnic," "The Harder They Fall" with Humphrey Bogart and "The Eddie Duchin Story" are expected to be hits.

MGM's "I'll Cry Tomorrow" has already done exceptionally well in various cities in which it has been released. It will follow with other promising hits such as, "The Last Hunt" with Robert Taylor and Stewart Granger, "Bhowani Junction" with Ava Gardner, "Gaby" starring Leslie Caron and John Kerr and three hits starring Grace Kelly. The first with co-stars Alec Guinness and Louis Jordan, entitled, "The Swan," which could be MGM's biggest potential box office hit since "Gone With The Wind," "Designing Woman," in which Grace Kelly joins with Jimmy Stewart and Cyd Charisse, and "High Society," which may be her last picture, with Bing Crosby and Frank Sinatra. As she is to become a Princess, much free publicity may naturally accrue to the aforementioned Grace Kelly releases.

Paramount Pictures' "Rose Tattoo" is a big hit and "War and Peace," "The Ten Commandments," "Anything Goes" and "Proud and Profane" are likely to fill the theatres.

Warner Brothers is already doing well with "Helen of Troy" and "Billy Mitchell" and is expected to follow with "The Spirit of St. Louis" with Jimmy Stewart, "The Giant," "Pajama Game," "Damn Yankee," "Moby Dick" with Gregory Peck, "Old Man of the Sea," "Bad Seed," "The Lone Ranger," "Serenade" with Mario Lanza and "Miracle in the Rain."

Universal Pictures is expected to bring out "The Benny Goodman Story" with Steve Allen, "Never Say Goodbye" starring Rock Hudson and Cornel Borchers from Germany, "Backlash" with Donna Reed and Richard Widmark, "Away All Boats," a naval war picture with Jeff Chandler (which could gross $5 million on a domestic basis), "Pillar in the Sky" with Jeff Chandler and the "Life of Bill Robinson."

Broadcasting

Of the 21 prime evening hours weekly, American Broadcasting has sold 20. During the day time there are the five weekly sponsored hours of "The Mickey Mouse Club," presented 5:00 p.m.-6:00 p.m. Monday through Friday. This top day time program is rated at least twice as high as its competitive shows.

Recently ABC started on a network basis a series of 100 feature films including "Curtain Up" and "Cruel Sea" obtained from J. Arthur Rank. Sponsorship is now being arranged. Many new shows are being planned for the coming Fall season, including John Gibbs, a top TV producer of dramatic shows, who is expected to produce 26-30 one and one-half hour shows, including six in cooperation with the Theatre Guild. The ABC TV Network is believed to have had net billings of around

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This Week's Forum Participants and Their Selections

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American Broadcasting - Paramount Theatres, Inc.—N. Leonard Jarvis, Partner, Hayden, Stone & Co., New York City. (Page 2)

The SEC and Financing Of Small Business

Latest SEC release on proposed Reg "A" and Reg "D" issues unrealistic and would injure small business. Commission seen using its rule-making power to emasculate Congressional Acts.

In its Release No. 3555 issued on July 18, 1955 the Securities and Exchange Commission gave "Notice of Proposed Revision and Consolidation of Regulation A and Regulation D."

These regulations now exempt from the registration requirements of the Securities Act of 1933 small issues of less than $300,000.

Interested persons were given until Aug. 15, 1955 to submit data, views and comments in writing on the proposed revision of the regulation. We opposed that proposed revision.

On Feb. 14, 1956 the Commission issued its Release No. 3613 on the same subject, similarly inviting written related views on or before March 9, 1956 on its modified version of the contemplated changes. This document says that the SEC has considered all of the comments and suggestions received by it to date, and this latter release is a revised draft of the former.

This last release is voluminous, being composed of some 24 pages. We will attempt to analyze the highlights in some of its additions, omissions, and changes.

The Commission has announced one of its chief aims to be the imposition of certain special requirements applicable to companies in the promotional or development stages.

For example, the intended new edict includes the requirement that financial statements included in the offering circular must be certified by independent public accountants. To this added burden, which would be saddled on small business, we see no useful purpose.

As it is, in a $300,000 offering the issuer as a rule nets only in the neighborhood of $200,000. All of these underwritings, being speculations, are contracted to be sold on a best efforts basis. The underwriter usually receives a commission of 20% to 25% plus $20,000 to $25,000 for expenses.

Frequently the underwriter receives in addition nominally-priced warrants or controlled (sometimes called investment) stock as a bonus.

These warrants or this stock, as the case may be, enables the underwriter to speculate with the public stockholders, and it is here that the profit lies when a speculative issue becomes successful.

Underwriters of small issues will tell you that there is no profit in the commissions set-up in an underwriting agreement in view of their overhead and pay to the sales force. And salesmen, it must be remembered, will not wait to be paid, they want their commission as the securities are sold by them.

With the above usual and customary cost in mind, we deem it utterly unwise and inexpedient to add the additional charge for certification by independent public accountants of financial statements included in offering circulars of speculative issues.

The honest issuer will not willfully deceive. The dishonest one will not be hindered by the proposal.

In its earlier release the SEC had the following provision:

"The securities to be offered under this regulation shall be qualified or made eligible for offering in the State or Province in which the issuer conducts or proposes to conduct its principal business operations and

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Of Banks and Yields

By IRA U. COBLEIGH

Enterprise Economist

A swift review of current yield and price position of some elite bank shares, with some notes about their present desirability.

With all the comparisons people have been making between the recent altitude of our share market, and the high Dow-Jones readings of 1929, it should be observed that bank stocks have shown not the least desire to make history repeat. Remember National City Bank selling above 500? And First National Bank moving up a couple of hundred points between sales? And selling at $7,800 a share in late August, 1929? And double liability to trap the unfortunate and unwary retainer of sheltered bank shares? Well those days are gone forever together with 10% call loans played back to back with 10% margin accounts.

Ira U. Cobleigh

Today our great banks, the fine ones that have weathered all the storms and excesses for a century or more—these banks today are truly financial citadels. They certainly haven't gone crazy market wise, and most today can be bought at lower prices, than for many months. If you were now to select a dozen major N. Y. bank stocks at random, the composite photograph would look something like this: Yield, 4%; price, at or near book value; cash dividends, at an all time high; operating costs around 38% of gross; earned on deposits about 6/10ths of 1%, and dividends around 65% of net. You can even peer about and find a yield above 5% such as Guaranty with an indicated $4 dividend selling at 77 will provide. In all truth you may say that here is a section of the equity market where the most solid sort of values still prevail; and where yields, considering the quality factor, and historic comparisons, are quite rewarding.

You'd almost think, looking over the bank list today, that market prices were discounting some significant reduction in earning power in 1956. Yet close inspection fails to turn up any important evidence to support that view. The big commercial banks seem to be doing a fine (and profitable) job at what they're supposed to do—lending money. In sharp contrast with the late 30's (when a good earning year for a bank often depended on shrewd or fortunate handling of the bond account), representative banks are gleaning from 55% to 60% of gross income from loan interest. Moreover, the loans themselves are, in many cases, of a variety quite uncommon 15 years ago—personal and installment loans, amortization mortgage loans, term loans and revolving credits. Many bank loans today replace the bond or note financing of yesteryear.

Now this loan business is not only a most appropriate bank function, but with present interest rates it's highly profitable. With current tight money, bankers acceptances commanding 4⅛%, and unabated demand for credit, banks are going to show fine earnings for 1956—certainly for the first half. Also they are now in a position to confine credit extensions to the very top grade of borrowers.

Other factors operating for sustained good earnings are increased automation in accounting, posting and statement machines, and, in many instances, the economies resulting from mergers.

There are some 14,000 commercial banks in the U. S. and we naturally can't get very far in coverage of them in this short column. So we'll just confine ourselves to topical comment about some of the bigger ones with active trading markets.

In New York our first salute goes to **Irving Trust Company,** fifteenth largest bank in the U. S. with total resources December 31, 1955 of $1,733,101,000. Since 1943, it had more than doubled its net per share. 1955 net of $2.20 was up 26% over 1954 and provides a good cushion for the present $1.50 dividend. At 32 with such a favorable trend in earnings and dividends, and current yield around 4.7%, a lot of logic can be advanced for purchase of Irving. Irving has paid dividends for 48 years in a row.

Chemical Corn Exchange may be favorably regarded for a number of reasons. The merger creating it makes it the sixth largest bank, with 98 branches in New York. These branches deserve special mention. They represent almost entirely owned land and buildings and are most conservatively stated on the balance sheet. Moreover it has been felt that Corn Exchange while serving a wide area in retail banking did not get all the banking business it had at its finger tips. Particularly were the trust and personal loan areas of banking under emphasized. Hence the merger with Chemical and resulting more aggressive business solicitation are offered as good reasons for earning improvement.

Moreover, for those who set great store on dividend dependability, you'll go far to equal Chemical Corn Exchange history. 128 years of cash dividends in a row, and no reduction in dividend rate—ever. Book value was $42.70 at the 1955 year-end versus recent market price of $44.50. The $2 dividend creates a 4½% yield—not bad for a financial institution that has weathered every war since 1812. The only "chemical" change you note here is increasing strength.

New York Trust Company at 66, paying $3, returns a favorable 5%. It is selling almost exactly at book value. With earnings which should run above $5 in 1956, and 61 years of unbroken dividends, this renowned trust company should gain investor friends.

Switching to the West Coast **Bank of America** has traditionally sold higher above book value than any of the big banks we can think of. Right now at 40 it's just about 200% of book. But this market overage has not kept this stock from being perennially well regarded; and the earnings have been there right along. They were $2.75 a share last year against a present $1.75 dividend. Current yield is around 4.4%. Bank of America is the biggest, and though appraisal of it must be made on somewhat different grounds than the New York banks, its history of progressive banking and high earning power commends it.

There are some truly wonderful Northwest banks which few Easteners have ever looked into. They should. Take **Seattle-First National.** It has $800 million in deposits, $63 million in capital funds, 68 branches in Washington; and it's the largest bank in a state that's growing fantastically. $93 here will buy you a stock earning (1955) $6.34, paying $2.80 with an unbroken dividend record for 71 years. The yield is not alluring at the moment, but the rate of growth is truly impressive. State wide branch banking, a big percentage in time deposits, and large revenues from mortgage investments provide attractive features not found in Eastern institutions.

Other fine Northwestern entries would include **First National of Portland** selling around 56 and paying $2. Dividends here go back to 1871.

And of course for those looking for maximum velocity in banking growth, the **Valley National Bank in Arizona,** and the **Franklin National Bank on Long Island** (covered here in an article some time ago) are still moving ahead at a fast rate propelled by rapid population increases in their areas, and eager and progressive managements.

Naturally, this piece is woefully incomplete, and time and space simply did not permit mention of and reference to dozens and dozens of worthy bank shares. We did, however, try to make the points that (1) good bank shares are well below 1955 highs, (2) that current yields are truly attractive, (3) that 1956 will be another top flight earning year and (4) that the trend toward higher dividends can continue. Moreover should you feel the time appropriate to move out of certain somewhat volatile industrial shares, some of these bank issues might well provide a suitable replacement haven, a fairly rugged market defense and satisfactory yields. A lot of good bank stocks have doubled in market value in the past decade propelled in part by a steady plowback of earnings.

Mobilization of the Atom For Peace and War

By JOHN JAY HOPKINS*

Chairman and President, General Dynamics Corporation

General Dynamics head urges the free world to "mobilize for peace" as it did for war in advocating the organization of the free world's atomic power superior, scientific, technological and production resources. Mr. Hopkins' concept of all-out defense includes, besides massive deterrent military strength, an active and continuing social, economic and psychological frontal campaign. Power for peace is viewed as a positive lead in both the destructive and creative aspects of the atom. The practical value of atomic energy to underdeveloped countries as a symbol of hope and peace is described as another aspect that cannot be overlooked in the cold war.

It seems proper to comment on the manner in which nuclear power is forcing revolutionary changes in all areas of human affairs.

John Jay Hopkins

Like any applicable force of nature, nuclear energy can be creative or destructive, depending on the human motivations that trigger it. But, unlike other natural forces, these new energy forms, by all standards of comparison, have incredible power and a protein diversity. As beneficient creators or malignant destroyers, they are capable of penetrating every organic and inorganic structure of the phenomenal world.

The uninhibited use, then, of military application of fission and fusion in total, all-out war, where both sides possess instant atomic capabilities — as do Russian and the United States—would result in the socio-economic destruction of both. If more than two participants should be engaged, all would be devastated.

Paradoxically, therefore, the evil or sinister side of atomic energy, if possessed equally by all sides, may, through its bi-lateral powers of utter destruction, banish forever the traditional concept of war. If, as seems possible, the lack of a military "difference" should force ambitious, ruthless nations to give up global war as an instrument of foreign policy, these terrible weapons may yet prove civilization's greatest bulwarks, it greatest guarantors of military stalemate, its most potent guardians of the peace.

If this thesis — widely held by many of the world's leading military and political strategists — is valid, we are led inexorably to a further apparent astonishing paradox: **In this phase of the thermonuclear age, atomic disarmament is not the path to peace: it is the road to war!**

Such a generalization depends, however, on two vital considerations: Are the philosophies of the free world and the Soviet Union really irreconcilable? Are the opposing groups bound by any form of moral restraint when important national ambitions are checked? There can be no question regarding the free world's approach to both of these questions. As President Eisenhower has often said, if Soviet Russia should give positive evidence of her desire for peace by withdrawing to her national borders and ceasing to foment world revolution and unrest, we would not interfere with her political or social institutions. The Russian leaders apparently cannot reconcile themselves to such a non-imperialistic point of view. As to moral restraint, the free world has already demonstrated its capabilities emphatically and categorically by not waging atomic war on the Soviet Union during those years when we had an absolute monopoly of nuclear weapons. The Russians, however, have given every indication that they would be bound by no moral restraints. Indeed, they have frequently and publicly disparaged moral restraints on violence as evidence of bourgeois weakness.

I think there is no question but that the Soviet **would** wage an atomic war if it could be reasonably certain of escaping a punishing retaliation. Soviet leaders are —on the record—ruthless in pursuit of any military, political, or economic advantage.

This second consideration, therefore, becomes essentially a problem of lead time. As terrible as nuclear weapons already are, they are now in balance. The real danger is that a new scientific or technical breakthrough may momentarily tip the balance heavily in favor of one adversary. Barring an "accident," there seems less to fear while the balance remains in favor of the West, or roughly even. But should the lead time on an ultimate weapon, even for a matter of months, favor the Soviet Union sufficiently to offer a reasonably good risk of a knockout, I am certain that the present Russian leaders would not hesitate to exercise their fleeting advantage.

We shall not, then, be saved by any "bow-and-arrow" philosophy of disarmament. We are, indeed, I am persuaded, more likely to be ruined by it. The way out of our terrible dilemma is not to flee from the awesome presence of the atom but to face up to the force that now confronts us, and to turn . . . turn . . . **turn** it to creative use.

The power to destroy **can** and **must** become the power to create!

If there were no moral grounds for turning to the economic atom as a support and supplement of the precarious balance of power established by the military atom there are the soundest strategical reasons.

It must, I am certain, be presumed that the furious, titanic and imperialistic energies of the Soviet Union will not be dammed

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*An address by Mr. Hopkins on the occasion of the 109th Anniversary of the Birth of Thomas Alva Edison, before the Edison Pioneers, New York City, Feb. 11, 1956.

The State of Trade and Industry

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

Total industrial production for the country-at-large dropped slightly in the period ended on Wednesday of last week, but output moderately exceeded the level of the comparable week a year ago. Slight decreases were noted in the production of steel, electricity, automobiles and paperboard.

The country's employment situation revealed that initial claims for unemployment insurance were at the level of the previous week, but were almost 6% below those of the same period a year ago. Illinois and Ohio reported the most considerable reductions in claims, while the level in Washington and Michigan rose noticeably. Layoffs in the construction, food processing and automotive industries were the chief sources of new unemployment.

Starting Feb. 27, Chrysler Corp. announced that Chrysler division is cutting back to one shift and laying off 1,000 employees at its Jefferson and Kercheval plants.

Steel producers and consumers are learning the hard way that a few order cancellations are not enough to kill a strong market. Both now realize they face tough sledding in coming months, "The Iron Age," national metalworking weekly, states this week.

Some mills which had overbooked in the belief that the market would ease are now regretting their haste. An about-face in consumer thinking means there will be carryovers instead of the hoped-for catch-up with delivery promises.

Many producers are coming to realize what's behind the short tempers of their customers. The shortage of some steel products—particularly structurals—is interfering with steel expansion programs. The mills and their contractors are forced to compete with their own customers for a share of these products.

Buyers for automotive companies are trying to be conservative, but even so, some of them are busy reinstating orders previously cancelled. Their problem is to balance inventory against sales of 1956 models, so they can come out fairly even before 1957 model production gets underway. Basic engineering changes in the new models will make some sizes used in the 1956 cars unusable in the 1957 variety.

"The Iron Age" has learned that Detroit and other auto centers are expected to step up their sheet and bar orders for May and June. That's why some steel people are afraid they might be oversold again for second quarter.

If the market eases in third quarter, as some expect, the mills will welcome the breathing spell. It's not that they favor a drop-off in business. A slowdown will give them a chance to get in some much-needed maintenance work. The fast pace of 1955 and 1956 to date has forced them to rely on emergency maintenance that merely postpones the inevitable shutdown for a thorough overhaul, this trade authority declares.

From a strictly business standpoint, ignoring the steel labor question, the outlook for steel is very promising. Construction is going to be better than it looked several months ago. Private home building, particularly. Requirements for the highway program will be terrific. Freight car building is another heavy steel consumer. Oil and gas expansion, the former being spurred by concern over the Middle Eastern oil situation, is drawing the strings tighter on oil country goods, drill pipe, and line pipe. Other steel-consuming industries are just as strong, or nearly so, states "The Iron Age."

United States car makers tightened their belts another notch last week by announcing further reductions in production.

The automobile industry turned out 129,210 cars the past week, said "Ward's Automotive Reports," a 5.2% drop from the previous week's 136,308 output. The current week's pace is the slowest of 1956, save for the New Year's-abbreviated opening week of 125,245 units.

More significantly, said the statistical agency, the current week's production is 25.5% below turnout of the relative week in 1955, in which 173,482 cars rolled from factories.

A milestone will be reached this week, however, said "Ward's," as the 1,000,000th United States car of 1956 is manufactured on Tuesday, Feb. 21. Last year's 1,000,000th unit was assembled six days earlier.

Chrysler Corp. with each division patterning four-day activity almost consistently throughout February, and Ford Motor Co. also viewed a cutback the past week to 29,565 cars from the prior week's 34,751.

General Motors' decline was microscopic, while American

Continued on page 49

Observations . . .

By A. WILFRED MAY

WALL STREET'S GREAT ORDEAL

Wall Street's current manic-depressive acrobatics over Mr. Eisenhower's *Great Decision* constitutes the extreme demonstration of the pre-emptive role of crowd emotion in determining market fluctuations. Hanging on our recuperating (recuperated?) President's every nuance — or outright blast ("it would be idle to pretend that my health can be restored to the excellent state in which the doctors believed it to be in mid-September"), stock prices in quick succession go down the drain and up through the roof. The market's greatest single-day rise since 1939, which occurred last Friday, after the doctors' favorable report-to-the nation, and coinciding with the covering reporters' 16-4 vote predicting his acceptance; contrasted with the severe bust on Jan. 8, following the wished-for candidate's discouraging expressions and the elicitation of a negative 11-3 reporters' poll.

A. Wilfred May

The President's *Decision* has even supplanted the stock-split as a market influence!

All this has transpired either without the merest glance at value criteria, or at most with emphasis on their bullish or bearish aspects following the zig-zag course of the Presidential bed-side rumors.

No Basis for the Jitters!

Actually, there is no logical or otherwise realistic basis for such behavior by the market community over the long, or even the short-terms. Perhaps the party of free enterprise has not entirely taken over the Fair Deal; but surely there are no major economic issues dividing the two governing alternatives facing us. "We believe as strongly in economic progress through free and competitive enterprise as our fathers did . . . But we have also come to believe that the Federal Government has the capacity to moderate economic fluctuations," is not a quotation of one of Mr. Truman's planners, but a profession of faith contained in President Eisenhower's current Economic Report. It represents the credo of an Administration which has created all possible built-in economic stabilizers; which has readied all possible pump-priming devices to curtail depression—when, as, and if. It marks the philosophy of an Administration now committed to big spending and hence high as well as soak-the-rich taxation, to an even broader and more expensive Social Security system, and most importantly — to pervasive government intervention. And wasn't the Republican President's vetoing of the natural gas bill really a dirty New Deal trick?

Fair Deal Implications

Should that worst actually come to pass; that is, a Stevenson in the White House next January, either through Ike's withdrawal or a so unexpected Election disaster; what would be the actual economic and investment implications? Surely the governmentally-stimulated expansion would not be one whit lessened. Surely the bullish forecasters now relying on government expenditures, active public and private construction, wage increases and high consumer income, would not be let down by Adlai. Defense spending, public works and the like, are certainly not going to be forsaken by Democrats in the saddle. As a matter of fact, any alternative Republican candidate as well as the Democrats would doubtless feel impelled to spend more on defense than Mr. Eisenhower.

All Bets Off

Ike may be a good political race horse, but in the economic race, the bettors on all the candidates will fare equally.

"Confidence" and Stock Prices

If it is argued that "Republican Confidence" is the crucial factor; it must be remembered that the New-Fair Deal medication for the economic patient will be bigger doses of taxing-spending and all-round inflation — devastating to the free economy and to the dollar, but correspondingly stimulating to the attractiveness of the equity share as a haven for the harangued man-with-capital.

And, in any event, the popular credo about politicial "confidence" on the part of the business community seems to be to a great extent fictional; manifesting the individual's popular foible of gearing his policy not to what he himself believes, but to what he takes for granted *others* will believe.

Short-Term Assumptions Likewise Unwarranted

So much for the long term. Over the short term, the business repercussions following even the wholly unexpected Republican defeat of 1948 were most mild. But even should the short-term economic impact of a possible Democratic victory be depressive in the industrial sector, the record demonstrates that there is no warrant for taking for granted the accompaniment of corresponding stock market behavior.

W. E. Brown With E. F. Hutton 35 Years

LOS ANGELES, Calif.—William E. Brown is celebrating 35 years of service with E. F. Hutton & Company, 623 South Spring Street, where he heads the firm's communications and brokerage departments.

William Brown

Before joining the local staff of E. F. Hutton & Company in 1921, Mr. Brown was associated with the investment firm of Logan & Bryan in Seattle as a telegrapher on the old Morse telegraph wire. From 1910 to 1920, he was active in the newspaper field serving in various capacities on leading western newspapers. He is an associate member of the Los Angeles Press Club and charter member of the Stock Exchange Club of Los Angeles.

Mr. Brown, a native of Lawrence, Indiana, is active in Masonic circles and served as past master of the Ascot Lodge in Los Angeles.

Newer Concepts of Credit And Voluntary Control

By HERBERT R. SILVERMAN*
Vice-President, James Talcott, Inc.
Chairman of the Board,
National Commercial Finance Conference, Inc.

After describing the shift in consumer financing from human needs to reasonable longings and desires and the backbone role of consumer spending in the economy, Mr. Silverman challenges critics of consumer credit by pointing out: (1) if credit is required for production then it is equally necessary to assist consumption; (2) the artificiality and ineffectiveness of consumer credit restraints; (3) that "fuzzy" economists should make dispassionate studies, and (4) the only dangerous credit is irresponsible credit. Urges cooperative voluntary restraint program with financial institutions, and outlines non-financial qualitative services rendered to small- and middle-sized businesses.

Real students of the problem regard consumer expenditures as the very heart of the current business boom. As a matter of fact the First National Bank of Boston in its newsletter for December said "Consumer spending sparked the . . . recovery that began in the fall of 1954." Certainly, there can be no argument with the thesis that the record outpouring of dollars by the public has played a major part in sustaining business activity. In the third quarter of 1955, for instance, consumer expenditures soared to an annual rate of $256 billion. This was 8% above the level of the previous year and 11% higher than during the summer of 1953, until now the best business year on record. At the same time the consumer price index remained about the same.


Herbert R. Silverman

However, because of certain misconceptions and because of the accelerated rate of consumer spending, it appears that a tighter and tighter government credit policy has been instituted which is giving great concern to an ever-increasing number of people. This concern stems from the fact that a tight government credit policy is an artificial factor in the law governing the demand and supply of credit and may not be the proper medicine for the ailment—if there is an ailment.

I believe that the time has come to give the subject of consumer credit some serious thinking—at least, more, apparently, than it has been receiving in the past. Too long has the subject been the whipping boy of the fuzzy economic thinker. In our school days—and that was not too long ago—the very idea of financing an automobile on the instalment plan was looked upon with horror by the conservative banker and a large segment of our population. Today, the banker has figuratively rolled out the red carpet and the idea of the use of credit by individuals to satisfy their needs has finally found acceptance!

However, it appears, that of late, another change has taken place in the field of consumer credit which has not yet been fully appreciated. The use of credit by individuals has shifted in very recent years from the financing of basic human needs to the financing of reasonable human longings and desires. These longings and desires, and the necessary credit to satisfy them, are rapidly becoming the activating forces which will determine the scope and size of tomorrow's consumer credit market.

There are many evidences of this shift. An obvious example is the use of instalment credit to finance travel and vacations. Less obvious, but more important, is the purchase through credit of goods and services not needed to maintain an essential standard of living.

There is little doubt that the sustained high level of home building owes as much to the desire of the individual for convenience and comfort as to the need for adequate shelter. While the automobile long ago was transformed from a luxury to a necessity, the growing trend in the number of two-car families stems largely from desire. Food freezers, automatic dishwashers and air conditioners must certainly rank high on the list of products where need is a secondary consideration. And what about color television? What factor will determine whether the public will buy them — need or desire?

Another new ingredient that must be taken into consideration is the modern concept of "family living." This concept embraces not only more widespread home ownership but bigger families, a faster rate of family formation, and the trend to the suburbs.

In the past 15 years the suburban population of the nation's 162 metropolitan areas has increased 59% compared with only a 20% increase for the cities themselves.

This trend to the suburbs has set off a chain-reaction leading to the greatest real estate boom in the history of the nation, the construction of thousands of shopping centers, the creation of myriads of two-car families and an almost untold impact on all types of consumer spending.

Yes, I repeat, a new look must be taken at the concept of consumer spending and the necessary credit to effectuate such spending.

Outmoded Concepts Relative to Credit

Paradoxical though it may sound, the one element in the art and science of economics which might be said to be unchanging is the element of change.

Two centuries ago in France, Quesnay and his fellow physiocrats regarded as "sterile" any economic activity that was not directly concerned with agricultural production.

This theory was in vogue for a long time but the results of the industrial revolution compelled a revision of this thinking and in the latter part of the 18th century the views and writings of economists emphasized proauction. But even this emphasis contained a glaring fallacy because credit, according to these thinkers, was considered to be a facility to be used only by producers. Rightly used by them, so the economists of the time thought, the production of goods and services would be stimulated. How these goods and services were ever to be paid for by consumers gave them little or no concern; all seemed to agree that credit for the consumer was verboten.

I don't think there is anyone, today, who will dispute the fact that just as credit in the hands of the producer may further the production of goods and services, and thus make them available to the consumer, so sufficient credit in the hands of the consumer will enable him to buy the goods and services and thus stimulate producers to make more goods for consumers. As that delightful character Sakini, in "Teahouse of the August Moon" sagely observed, "American capacity for production is matched only by American capacity for consumption."

It is my belief that consumer credit has the same general influence on the economy as that exerted by other types of credit. So why make it the whipping boy? Why all the current statements that it must be drastically regulated to avoid a bust?

Restrictions on the Supply of Credit

When one speaks of controlling credit he must bear in mind that there are two kinds of control—quantitative and qualitative.

We hear a lot today about the Federal Reserve Board's plans to control credit. There can be no dispute with the fact that proper control of credit by the Federal Reserve is not only necessary but always will be necessary. But the question troubling a great number of serious students of the problem is: are the measures presently being emphasized by the Federal Reserve Board, the correct ones? It seems to many such students that undue emphasis is being placed on the raising of interest rates as a control measure.

During the past year we have seen the Federal Discount rate go up to 2½%, thus necessitating the rates charged by banks and other financial institutions likewise to go up and up and the end is not in sight.

To paraphrase the words of the popular song on the hit parade "Higher interest rates and what have you got—costlier operation and deeper in debt."

While American businesses may not owe their souls to the company store, the lot of the American consumer is not being made any easier, for the increase in interest rates must be passed down to them in the form of higher prices.

The control of credit, particularly consumer credit, by a government agency raising or lowering interest rates is fraught with great danger. Allan Sproul, President of the Federal Reserve Bank of New York, recognizes the fact that more objective study and research into the place of consumer credit in our economy is needed rather than proceeding along the present policy of observation and opinion. In an address before the American Economic Association on Dec. 29, 1955, he said, and I quote:

"The basic question involved is whether an attempt should be made through regulation of these specific types of credit (meaning consumer and mortgage credit) to exert a stabilizing influence on areas of the economy which, in the past, appear to have been major sources of instability of employment and production, or whether we should be content with efforts to regulate the over-all availability and cost of credit, hoping that fluctuations in the major areas of the economy will balance out. Our experience, thus far, suggests to me that general credit controls can exert an effective influence on these particular types of credit only with a considerable lag, and that we cannot rely upon countervailing forces in the economy to maintain over-all stability."

Let us analyze for a moment just what the Federal Reserve is doing today to interest rates.

By definition, interest rates are the prices paid for loanable funds. In an economy such as ours, interest rates are in the long run established by the interplay of supply and demand forces in the credit market. Changes in rates, like changes in the price of commodities, normally should reflect changes in supply and demand.

Federal Reserve authorities, if they are so disposed, can interfere with the law of supply and demand of credit, and can force almost any general level of interest rates they choose to establish. This was amply demonstrated in the war and postwar period when they kept the rates from rising. They did this almost entirely by affecting the supply of funds—by creating whatever loanable funds were required to keep interest rates from going up.

Federal Reserve actions today are powerfully affecting interest rates in an upward fashion. By endeavoring to tailor the supply of Reserve Bank Credit to what the Board believes is appropirate to the prevailing economic situation, it has strongly affected the price being paid for loanable funds.

A Suggested Approach to a Proper Credit Policy

The history of credit regulation by the Federal Reserve System is not particularly inspiring. In each of the three applications of Regulation "W," Government agencies took the responsibility of determining what the terms were to be. Lenders naturally went as far as they could within the limits laid down. The longest possible terms within the law tended to be considered the "right" terms.

Then, in each case, the removal of the regulation meant that lenders were left free to make terms, and competition naturally moved terms in an easier direction.

The only conclusion to be reached from the experience of these regulations was that the growth of consumer credit was checked and held static while the regulation was in operation. However, no attention was given to loosening terms where such loosening was needed. It was an all or none type of restriction.

A liberal long-range credit structure, with flexibility to meet short-range needs is necessary for our national economy and should be particularly geared to the amount of outstanding credit related to our Gross National Income and potential maximum production and employment.

I think we will all agree that expanded credit becomes dangerous only when credit is used irresponsibly. I think it is an error to assume that an expansion of consumer credit is dangerous **per se**. Consumer credit is the lifeline of consumer goods production. Curtail such credit and you curtail production in most every important sector of the national economy. The rise of instalment debt from 3% of the Gross National Product in 1929 to 7% today should not give us too much concern.

I believe that economists will agree that our great problem in the next few years is whether we will be able to bring to more and more American consumers a high enough level of buying power to clear the markets of the products turned out by our increased production facilities. However, it goes without saying that this buying power must not be the result of a speculative boom. For in speculation lies disaster. The catastrophic results of unbridled speculation in the late '20s should warn us that it must not be allowed to happen again.

I submit that while the Federal Reserve authorities can do much to advise on the quantitative aspects of credit, other agencies, particularly private financial institutions should be encouraged and stimulated to exercise control on the qualitative side. The emphasis, currently, should be upon the now larger than ever responsibility of private financial institutions. They can help to keep the inventory situation in order by proper advice to borrowers; they can do much for consumer credit, if it expands unduly, by keeping credit terms in line. Certainly, they can help the general business credit situation by appraisal and re-appraisal of the content of their own portfolios.

On inventories the financial institution has its embarrassments when attempting to instruct a borrower, but the importance of the matter is its justification. No less an authority on economic conditions than Professor Sumner Slichter has recently expressed concern over the lack of effort of the Federal Reserve authorities to control excessive inventories. The responsibility should pass to the financial institutions themselves, where it really belongs.

The Experience in Canada Points the Way

In line with my thought that financial institutions should voluntarily police and regulate the qualitative nature of credit with the authority of a central agency behind it, the experience of our neighbor, Canada, is pertinent. There, as you know, they do not have a banking system like our Federal Reserve System but they do have a strong central bank.

Canada's recovery from its slight recession of 1954 has been nothing short of spectacular and has exceeded the most optimistic forecasts. By the second quarter of 1955, according to Gordon R. Ball, President of the Bank of Montreal, production of goods and services was running nearly 10% higher in over-all terms than in 1954.

According to Mr. Ball, the important job of moderating the recurrent trends of business activity

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*An address delivered by Mr. Silverman before the Bank Credit Associates of New York, New York City, Jan. 19, 1956.

Moderate Year Ahead

By MALCOLM P. McNAIR*
Lincoln Filene Professor of Retailing
Harvard Graduate School of Business Administration

Prominent business professor perceives a year of moderate advance with inflationary forces held in check based on the following: (1) government spending slightly increased even if defense outlays are decidedly hiked; (2) lower rate of business investment increase; (3) uncertain inventory-turn situation; (4) less pronounced construction rise; (5) lower rate of consumer spending accompanied by accelerated debt repayment; (6) higher short-term interest rates; (7) possible political tax reductions; and (8) divergent price trends. Professor McNair sees dangerous strains in certain areas. Concludes with a special department store analysis.

The year 1955 was preeminently the "year of the consumer." The strong upthrust of consumer spending converted what, a year ago at this time, looked like a modest recovery from the readjustment of 1954 into a veritable boom that has carried the U.S. economy to new heights of consumption, production, and employment. Indeed the expansion of industrial and commercial activity in 1955 was at a rate two or three times greater than the annual long-term rate of growth.

Prof. M. P. McNair

Specifically in the department store business we have just recorded the best Christmas sales in history; and we can now roughly approximate the 1955 fiscal year results as follows: Sales are up approximately 7% from 1954; the gross margin rate is up by 1 or 2 tenths of a percent, primarily because of lower markdowns; and the expense rate is just a shade lower than in 1954. The effect of wage advances has been held in check by better volume, slightly higher prices in recent months, and improved expense control. Therefore profits after taxes for the year 1955 will be better percentagewise than in any year since 1950. Dollarwise, taking into account the sales increase, they will almost certainly be better than in any year since 1948.

The questions we now ask ourselves are these:

(1) How much farther, both in extent and in time, will this general business boom go?

(2) What will be the nature and extent of the readjustment? When will it begin?

(3) How will the department store business be affected?

I don't think there is any crystal ball that is able at this time to afford definitive answers to all these questions. But we can, as we have sought to do on other similar occasions, (1) direct your minds to pertinent facts and issues, (2) interpret, in some fashion at least, the current and immediately recent developments, (3) sketch the major probabilities as they now appear, and (4), most important of all, try to provide you with a better background for your own continuing task of interpreting and forecasting as the year progresses.

Facts and Predictions

Next in order, is to see just where we are now and to consider how we got there. Comparing the data now available for most of 1955 with the corresponding figures for 1954, we note the following:

(1) The Federal Reserve index of production, which averaged 125 for 1954, stood recently at 144 and will probably average 139 for 1955 as a whole.

(2) Gross National Product, perhaps the best over-all measure of business activity, was $361 billion in 1954, rose to a rate of $392 billion in the third quarter of 1955, and will probably total at least $387 billion for the year as a whole.

(3) Personal income amounted to $288 billion in 1954, has risen according to the most recent figure to a rate of $310 billion, and apparently will total $303 billion for the entire year.

(4) Disposable income, i.e., what individuals have available to spend, from a 1954 figure of $255 billion came up to a third-quarter rate of $272 billion, and evidently will total close to $269 billion for the entire year.

(5) Personal consumption, from a figure of $237 billion in 1954, moved up to $256 billion at an annual rate in the third quarter, and probably will total $253 billion for the entire year.

(6) The difference between the two preceding figures, namely, the figures technically known as savings, has gone down during the past year. For 1954 the figure was $18 billion, a little over 7% of disposable income. By the third quarter of 1955 it had dropped to an annual rate somewhat below $16 billion, or less than 6% of disposable income. The total for the year may be not far from $16 billion.

(7) In this connection a very significant figure is total consumer credit. At the end of 1954 the volume of consumer credit outstanding was slightly over $30 billion. By November of 1955 this figure had jumped to more than $35 billion.

(8) Employment, which in December, 1954, stood at 60,690,000, in November of 1955 was at 64,800,000.

(9) Unemployment, conversely, went from 2,800,000 in December, 1954, to 2,400,000 in November, 1955.

Thus 1955 was a much bigger year than it was forecast to be. Many economists, indeed a majority, at this time last year doubted whether 1955 could equal 1953, during which year we touched a top annual rate of about $370 billion for Gross National Product. In the department store business specifically, I suggested last year a probable 3% increase for the spring season; Amos Parrish predicted an increase of 2%; and the actual increase for the February-July period was over 5%.

Upturn Forces

What were the causes of this tremendous business upturn in 1955? What did we miss in our analysis of the situation a year ago? Some of the major elements in the upturn were as follows:

(1) Probably the biggest factor of all was the strong consumer demand, especially the demand for durables and particularly for automobiles. In 1955, automobile sales were some 17% or 18% higher than in 1954. Production of close to eight million cars was substantially greater than expected. The merchandising and promotional efforts of the industry and the response of the public to these efforts were phenomenal.

(2) There was also an upturn in business spending for plant and equipment. From a total of nearly $27 billion for the whole of 1954, the rate of this spending rose to nearly $31 billion in the fourth quarter. This is a factor that many of us missed last year, since the decline which was in evidence at the end of 1954 was expected to continue through most of 1955.

(3) The factor of inventory build-up was definitely foreseen. By October, 1955, inventories of manufacturers, wholesalers, and retailers were nearly $4 billion higher than at the same point in the preceding year. Not foreseen, however, was the fact that sales would increase so much that the stock-sales ratio would not rise. In fact, as of October, 1955, the stock-sales ratio was lower than in December, 1954.

(4) The continued demand for housing was an important factor in the 1955 boom. This demand also was foreseen in part, but it was not visualized as being so strongly maintained throughout the year.

(5) As correctly foreseen, there was a flattening out of government spending in 1955 after the sharp drop which took place in the preceding year. Thus government expenditures were a neutral factor in the 1955 situation.

(6) All this activity generated more jobs. There was a greater increase in the labor force than was expected, apparently because of more women being attracted into the ranks of workers; the average number of hours worked per week tended to rise; and these factors, in conjunction with higher wages (which were clearly foreseen), brought about a greater increase in disposable income than had been anticipated.

(7) Then there was also the very significant fact that consumer spending increased even faster than income in 1954; and hence, as already remarked, there was a sharp increase in total consumer debt.

If one were to try to boil all this down to one or two major factors, he might put his finger on the fact that consumer instalment credit, which increased less than $600 million from the end of 1953 to the end of 1954, actually went up between November, 1954, and November, 1955, by more than $5 billion. Roughly half this instalment credit represented automobile purchases and was clearly a major factor in the sale of more than 7½ million cars in 1955; a large part of the remainder, of course, represented other consumer durables. At the same time, mortgage credit increased and sustained the housing boom. Thus these credit factors sparked a substantially higher rate of business activity, incomes, number of jobs, and so on, than had been anticipated.

1956 Outlook

So where do we go from here? As usual, we must base our estimates on an appraisal of the outlook for the important flows of spending, including principally (1) government spending, embracing defense and other Federal outlays and also state and local spending, (2) business spending for plant and equipment, (3) business spending for inventory, (4) spending for construction, both private and public, and (5) consumer spending, which is of

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*An Address by Professor McNair before the National Retail Dry Goods Association, New York City.

Dealer-Broker Investment Recommendations & Literature

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

Airlines—Bulletin—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Area Resources—"A Treasure Chest in the Growing West"—Book explaining why the area served offers so much opportunity to industry—Utah Power & Light Co., Dept. K. Box 899, Salt Lake City 10, Utah.

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.

Bank Stocks—Analysis of 1955 year-end reports—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Electronics—Bulletin—Salik & Co., Bank of America Building, San Diego, Calif.

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.

Japanese Fisheries Industry—Analysis—The Nikko Securities Co., Ltd., 5, 1-chome, Kabutt-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

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

"Let Robot Do It"—Automation with particular reference to the **Cross Company, Foote-Burt Company, Giddlings & Lewis Machine Tool Company, Kearney & Trecker Corporation, Snyder Tool and Engineering Company** and **Warner & Swasey Company**—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Life Insurance Stocks—Analysis with particular reference to **Aetna Life Insurance Company, Connecticut General Life Insurance, Continental Assurance Co., Franklin Life Insurance, Jefferson Standard Life Insurance, Life Insurance Company of Virginia, Lincoln National Life, National Life and Accident Co.** and **Travelers Insurance**—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Oil Industry — Survey with particular reference to **Cities Service, Ohio Oil, Pacific Western Oil, Phillips Petroleum, Socony Oil** and **Standard Oil of Ohio**—Thomson & McKinnon 11 Wall Street, New York 5, N. Y.

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

Uranium in Wyoming—Price chart showing at a glance the gross value of entire deposits of blocked out ore as reflected by the assays showing the percentage of U_3O_8. All grades from one Ton or a million. Gives Base Price and all bonuses paid by the A. E. C. for quick evaluation of investment possibilities. A Copy will be sent prepaid upon receipt of $1.00 which will be refunded if not satisfied.—The Victor Company, Box 8834 Britton Station, Oklahoma City, 14, Okla.

* * *

American Alloys Corp.—Memorandum—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

American Machine & Metals, Inc.—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

American Radiator & Standard Sanitary Corp. — Analysis — Harris Upham & Co., 120 Broadway, New York 5, N. Y.

Balboa Mining & Development Co.—Memorandum—Mountain States Securities Corp., Denver Club Building, Denver 2, Colo.

Borg Warner Corporation—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Borg Warner — Analysis — Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief discussion of **Continental Baking.**

Chattanooga Gas Company—Card memorandum—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Chicago & Northwestern Railway Co.—Memorandum—Salomon Bros. & Hutzler, 60 Wall Street, New York 5, N. Y.

Christiana Securities Co.—New Study—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

City of Detroit Mich. Water Supply System Revenue Bonds—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

C. G. Conn, Ltd.—Memorandum—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

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

Daystrom, Incorporated—Report—Bertrand W. Hall & Co., 41 East 42nd Street, New York 17, N. Y.

Fanner Manufacturing Co.—Report—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Firth Carpet Company—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York City. Also in the same issue is an analysis of **Storer Broadcasting Company** and three selected $10,000 portfolios. Also available is a list of 25 selected "bull market" shares vs. a list of "Storm Shelter" issues.

Foote-Burt Co.—Memorandum—Grimm & Co., 44 Wall Street, New York 5, N. Y.

Harris Seybold Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Parke, Davis & Co.**

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

Horizons Titanium Corporation—Analysis—Greene and Company, 37 Wall Street, New York 5, N. Y.

Jupiter Oils Ltd.—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

National Tank Company—Study—Schneider, Bernet & Hickman, Inc., Southwestern Life Building, Dallas 1, Texas.

Northwestern National Life Insurance Co.—Memorandum—Dallas Union Securities Co., Adolphus Tower, Dallas 2, Tex.

Norwich Pharmacal—Bulletin—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Ocean Products, Inc.—Memorandum—Louis C. McClure Co., 617 Madison Street, Tampa 2, Fla.

Old Hickory Copper — Report — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Outboard Marine & Manufacturing Co.—Analysis—Cowen & Co., 54 Pine Street, New York 5, N. Y.

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

Republic Steel Corp. — Memorandum — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Robertshow Fulton Controls Co.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Studebaker Packard Corporation—Progress report in form of brochure entitled "Formula for Growth"—Studebaker-Packard Corporation, Detroit, Mich.

Valley National Bank of Phoenix—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Feb. 16, 1956 is as follows:

Team	Points
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	19
Leone (Capt.), Gavin, Fitzpatriek, Valentine, Greenberg	16
Growney (Capt.), Define, Alexander, Montanye, Weseman	16
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	15½
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	15
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	15
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	13
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	10
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	10
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith	9½
Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	8
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	3

200 Point Club

Bill O'Connor ... 209
Cy Bies ... 206

5 Point Club

Ernie Leinhardt
George Leone
Hank Serlen
Mike Growney

Continued from page 2

The Security I Like Best

$52 million in 1955, against $34 million in the previous year and it is my opinion that billings this year will exceed $75 million and may get up to as high as $85 million.

Earnings of UPX last year are believed to have been in the neighborhood of $1.85 a share plus 5 cents of capital gains, as against $1.06 in 1954, plus another 5 cents of capital gains. In my opinion, earnings for 1956 could exceed $2.25 a share and may even cross $2.50 a share, and if the current rate of progress continues, it would seem to me that earnings in three to four years could get up to $4-$5 a share. Depreciation charges currently running at the rate of over $8 million is an added constructive feature which, together with retained earnings, will help the company to prepare for color broadcasting probably by the Fall of 1957, but at the same time has enabled the company to pay off some of its debt obligations. In 1955 it is believed over $3.2 million in debt was paid off in addition to retirement of 160,000 shares of $20 par value preferred. No debt payments are due now until July, 1957. Approximately 170,000 options were exercised last year. Dividends of $1.20 were paid last year including 20 cents extra, and it would seem to me that if current earnings projections materialize for 1956, a higher dividend might well be considered before the year end.

Its 35% interest in Disney land is a good publicity feature and although nothing has been pulled down it is regarded as a huge success. AM-PAR-Record Corporation, organized last June, is getting underway distributing Mickey Mouse records and other items of interest. Its 33% interest in Microwave Associates, a company which is owned one-third each by UPX, Western Union and the Microwave scientists offers long-term possibilities.

It appears to me that ABC-Paramount Theatres has outstanding appeal at this time and I would recommend its purchase.

COMING EVENTS

In Investment Field

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.

An Optimistic Look Ahead— Our National Economy in 1966

By JAMES J. O'LEARY*
Director of Investment Research
Life Insurance Association of America

Prominent insurance economist looks 10 years ahead and sees: (1) 37% increase in real Gross National Product; (2) business cyclical swings kept within tolerable limits; (3) persistent moderately rising price level; and (4) greater government economic intervention. In asserting the life insurance industry is the last stronghold of opposition to inflation, Mr. O'Leary describes the problem as one of his industry's most important questions—regardless of Administration in power. The dynamic growth forces are seen to be: population changes, research and capital outlays, long-range investment plans, pace of business competition, middle class growth, and the government's role in maintaining prosperity.

Introduction

Back in the days of Adam Smith and Thomas Malthus, economics was called the "dismal science." This description is incorrect today on two counts. For one, despite all the talk that economists have discovered ways to control the business cycle, economics certainly cannot be called a science. The economic behavior of human beings cannot be subjected to test tube analysis. Moreover, at the present time economics certainly cannot be described as "dismal." This may have been a fitting adjective back in the 1930's in the days of the "mature economy" and the "stagnation thesis," but today economists talk in the optimistic terms of "expansion," "growth" and "economic progress." Economic theorizing is alive with optimism.

Dr. James J. O'Leary

In keeping with the spirit of the day, I am going to let my own imagination run riot and speculate with you about the future of our national economy—what it will be like 10 years from now, and how it will perform on the way. My view of the future will probably be far wide of the mark but perhaps it may be useful in stimulating your own thinking. The choice of a 10-year look ahead is at least long enough for you to forget my conclusions. Speaking about "conclusions," you know it's commonly said that if all economists were laid end to end, they wouldn't reach a conclusion. That may have been true in the past, but it is not today.

In order that you may have some idea of the ground I am going to cover, I list the following questions to which I shall address myself.

What will be the size of our national economy in 1966? Can we continue to enjoy rapid economic growth and progress?

What is likely to be the behavior of the general price level between now and 1966?

Are we likely to have another big depression or have we learned how to control the business cycle?

And, finally, how, if at all, will the nature of our national economy change in 1966?

Listing these questions reminds me of a reply made by one of my colleagues back in the days when I was teaching economics. Year after year in his examinations he employed the same identical questions. Finally one day when he was drawing up the usual exam I pointed out that the undergraduates kept a file of past examinations in the economics courses and that they always knew the questions he'd ask. To which he replied with a grin that he knew that—the questions never change but the answers do! This is truer than ever today.

As I go along in my remarks, you will undoubtedly recognize a number of implicit assumptions. There are three, however, which I think might be placed on the table at the start. First, I assume that we shall see a continuation for a number of years of the cold war between the East and the West. This will have, of course, the important effect of keeping our Federal budget at a high level even though we are able to avoid a major nuclear war. Secondly, I am assuming that the next 10 years will witness increasingly intense competition between the American and Soviet economic systems, which will provide a strong driving force toward economic expansion in both countries. Thirdly, in their efforts to cultivate the good will of the American electorate, the economic policies advocated by both the Republicans and the Democrats will probably not be wide apart. Indeed, after just reading the Economic Report of the President issued last month I confess that it is getting more and more difficult for me to distinguish between the Republicans and the Democrats.

What Will Be the Size of Our National Economy by 1966?

Turning now to the first question, what will be the size of our national economy by 1966? Can we continue to enjoy rapid economic growth and progress? First, let us take a look at the economic growth which has occurred in the United States in the past 10 years. The Gross National Product, or the total value of goods and services produced annually in the United States, amounted to $387 billion in 1955. In 1946 GNP was $283 billion, again in terms of 1955 dollars. In other words, during the past 10 years we have enjoyed a real increase of $104 billion, or 37%, in our Gross National Product as measured in constant purchasing power dollars. If we can assume that the next decade will produce a similar growth, this would mean that GNP in 1966 would amount to about $530 billion, still expressed in terms of 1955 dollars. The question is, do we have any good basis for expecting this continued growth?

I am convinced that there are good grounds for anticipating that we shall have at least as much growth in the next 10 years as we had in the past decade. The reasons for this outlook are several and are undoubtedly familiar to you. For one thing, we are now in the midst of a period of substantial growth in our population, with fairly conservative estimates of the Census Bureau indicating that our population will increase by 25,000,000 in the next decade bringing the total to 190,000,000 in 1966. The rapid increase in new family formations, which has been tapering off recently, is slated to get under way again in a few years. This should, of course, give a stimulus to consumer expenditures and to business investment by further broadening the mass market. It is bound to have a far-reaching expansionary effect upon housing and durable consumer goods. With the large amount of money now being spent for industrial research, currently at $5 billion, it is inevitable that we shall have a continued growth of scientific knowledge and a further onrush of technological change. We are clearly upon the threshold of the atomic power age. We all know that technological change opens the road to heavy capital expenditures by business and industry and fosters a dynamic economy. Moreover, it leads to rapid obsolescence of fixed capital, which also paves the way for large investment expenditures by business and industry purely to maintain productive capacity.

Still another important force contributing to economic growth is the recent development of long-range investment planning by industry. We have all been excited recently by the multi-billion dollar investment planning of the steel industry, chemical industry, and automobile industry. This long-range investment planning is facilitated by the regular flow of savings from financial institutions such as life insurance companies on an advance commitment basis. Still another force contributing to the growth is the intensified pace of business competition which we see everywhere today. The drive to get ahead by reducing costs not only stimulates business investment but also widens the mass market. Another force making for expansion is the wide diffusion of well-being among our people and their insistent and growing desire to earn more and live better which has led to the development of mass markets to match mass production.

Many more forces leading to economic expansion could be mentioned. Our population will continue to be highly mobile and will continue to move out of large metropolitan centers. We are away behind in meeting the demands of our expanding and highly mobile population for schools, roads, hospitals, and public improvements generally. Here is a vast field for state and local government expenditures.

Finally, and not the least, we have the growing recognition on the part of the general public of the government's responsibility in helping to maintain stable prosperity. I shall say more about this presently, but it is certainly a powerful force toward expansion.

The size of the Gross National Product in 1966 must, of course, be a matter of speculation. It will depend basically upon the size of our labor force, which can be calculated with a fair degree of accuracy, the rate of output per man hour, and the average number of hours worked per week. Assuming a continuation of the historical trends in these variables it seems likely that GNP in 1966 will approach $550 billion in terms of 1955 dollars.

Perhaps you will be interested in a few breakdowns of GNP at this level which will illustrate better what this means for American markets. For one thing, with a $550 billion GNP we might expect personal consumption expenditures to run as high as $360 billion in 1966 as compared with about $250 billion in 1955. Disposable income available to individuals would amount to about $380 billion compared with about $270 billion in 1955. Getting closer to our own market, on the basis of the relationship which has existed in the past decade, life insurance premium payments should amount to $13.3 billion in 1966 as compared with about $10 billion in 1955. There certainly should not be any lack of market for our product.

Whenever I become involved in dealing out these billion dollar figures I am always reminded of my wife's query—If you economists are so smart, how come we aren't rich?

What Is Likely to Be the Behavior of the General Price Level Between Now and 1966?

As you appreciate better than I, one of the most important questions for life insurance today is what is likely to be the behavior of the general price level in the next decade. I do not need to tell you that there is a great deal of unanimity not only in our business, but also among economists, that the general price level will move steadily upward. Hardly anyone expects that we shall have runaway inflation but rather a moderate but persistently upward price movement. This idea is based upon three principal arguments. The first is that certain basic changes have occurred in our economy such as the growth of collective bargaining strength by labor, agricultural price supports, and escalator clauses of various types which will not only prevent costs and prices from declining at any given level but will also serve gradually to push them up. More important, however, is the thought that under the Employment Act of 1946 our Federal Government, whether Republican or Democrat, will direct its powers toward keeping our national economy humming at "full employment." It is widely agreed that the goal of full employment is incompatible with economic stability so that it is anticipated that government pressures toward full employment are bound to produce an upward push on prices. Thirdly, the argument is made that the tense international political situation, with the resultant heavy Federal budget, will be an important contributory force toward higher prices.

There is no gainsaying the power of these arguments, particularly the political pressures for maintaining full employment. Today we are living under an Administration dedicated to preserving

Contiued on page 14

*An address by Mr. O'Leary at the Saratoga Meeting of the General Agents and Managers Section of the New York State Association of Life Underwriters, Saratoga Springs, N. Y., Feb. 17, 1956.

N. Y. Sec. Dealers To Hear Zeckendorf

William Zeckendorf, President and business executive of Webb and Knapp Incorporated, nationally known real estate development concern, will be the guest speaker at the 30th annual dinner of the New York Security Dealers Association at the Biltmore on Friday, March 9, 1956.

William Zeckendorf

Mr. Zeckendorf, as President of Webb & Knapp, Incorporated, was instrumental in securing the United Nations for New York City. The present East River home-site of the U. N. was assembled by Webb & Knapp for the development of X-City, a great inner city project, including office and apartment buildings, opera house, convention hall, etc. This project was abandoned in favor of the U. N., Mr. Zeckendorf offering the property to the United Nations at any price the organization was willing to pay. Mr. John D. Rockefeller, Jr., heard of this offer and donated $3,500,000 to the U. N. with which the world organization purchased the properties from Webb and Knapp, Incorporated.

The company also acts, on occasion, as real estate consultants to corporations, estates and individuals. The president of Webb & Knapp is real estate adviser to the Rockefeller family. The company has advised a variety of organizations including Time, Inc. (since 1938), the Columbia Broadcasting System, New York Philharmonic Society, Gimbel Brothers, the Willard Estate in Washington, D. C., and the Carnegie Endowment for International Peace. The firm was engaged as exclusive consultant in the reorganization of Vincent Astor's real estate holdings from 1942 to 1945, holdings which at the time had a book value of approximately $50,000,000.

Dunn, Smith, Join Nat'l Secs. Research

Vincent P. Dunn of New Haven, Conn., and G. Sellers Smith, Jr., of Philadelphia, Pa., have joined National Securities & Research Corporation as wholesale representatives for the National Securities Series of mutual funds, it was announced by H. J. Simonson, Jr., President.

Mr. Dunn, who will make his headquarters in New Haven, will serve as wholesale representative in Connecticut and Rhode Island. Mr. Smith will make his headquarters in Philadelphia, serving as Assistant to Vice-President G. Sellers Smith and wholesale representative John M. R. Morton in the Eastern Territory which comprises the states of Delaware, Maryland, Michigan, Southern New Jersey, Eastern Ohio, Pennsylvania, Virginia and West Virginia, as well as the District of Columbia.

Prior to joining National Securities, Mr. Dunn was New England Manager of the mutual fund department of Lee Higginson Corporation in Boston and Mr. Smith was associated with Bache & Company in their Philadelphia office.

With Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Marving C. Vick has become connected with Southern Investment Company, Inc., Johnston Building.

Equal Competition for Savings And Federal Income Taxation

By GAYLORD A. FREEMAN, JR.*

Vice-President, The First National Bank of Chicago

Chicago banker attributes savings and loan associations' larger earnings, compared to commercial banks, to: (1) higher mortgage portfolio ratio—96% against 39% of respective savings; (2) lesser liquidity obligation; (3) liberal lending policy, and (4) inequitable disparity in bad debt reserve allowance. Welcoming application of taxes to associations, since 1952, as a step towards more equal savings competition, Mr. Freeman finds even identical taxation would not reduce associations' competitive advantage. Advocates increasing reserves so increased capital funds and reserves would allow a larger return to the commercial bank saver.

The effect of Federal income taxation upon the competition between the commercial banks and the savings and loan associations is not a happy subject nor is it an easy one to analyze or discuss. It is fraught with emotion and is highly complex. Nevertheless, I am pleased to have the chance to discuss it for I fear that many of us in the past have expended far more emotion than intellect in considering the problem. Today I hope we can bring to it less heat and more light. In short, I hope that, together, we can think about the question.

G. A. Freeman, Jr.

I will start from the point that the savings and loan associations pay substantially higher rates of return to the saver. This point is clearly illustrated in the accompanying table which shows the comparative rates paid by the banks on the one hand and the savings and loan associations on the other in the principal cities of the Seventh and Eighth Federal Reserve Districts.

Rates of Return Paid by

City	Banks	Savings and Loan Associations	Differential
St. Louis	½% to 1½%	2¾% to 3½%	1%
Milwaukee	½% to 1%	3½% to 4%	3%
Indianapolis	1%	2½% to 3½%	1½%
Detroit	1% to 1½%	2% to 3½%	1%
Louisville	1% to 1½%	3% to 5%	2%
Chicago	1% to 2%	2½% to 3%	1%
Little Rock	1% to 2%	3% to 3½%	2%
Des Moines	1% to 2%	3% to 4%	2%
Sioux City	2%	3%	1%
Memphis	2% to 2½%	3%	1%

You will note that the rates paid by the savings and loan associations are higher in every instance. We can express this differential as 1% or 2% or 3%, but actually in terms of the rate paid, they pay 100%, 200% or 300% more than do we commercial banks. That is the primary reason that they attract savings that would otherwise come into our commercial banks.

This being so, let us consider:

(1) Why is it that they can offord to pay so much higher rates than can we commercial banks?
(2) How much of this ability is due to the difference in Federal income taxes?
(3) What is the actual difference in Federal income tax treatment?
(4) Is this difference fair?
(5) What would be the effect of taxing them in the identical way that we are taxed?
and lastly,
(6) What should we do?

(1) How Can the Savings and Loan Associations Pay So Much Higher Rates Than We?

The answer is fairly simple; they can **pay** a higher return because they **earn** a higher return. They **earn** a higher return because:

(a) They invest virtually every dollar of their savings in loans, and
(b) All of their loans are long-term and high-rate mortgage loans.

At the end of 1954 (which is the latest year for which we have figures), savings and loans associations had $27.3 billion of share accounts and $26.2 billion of real estate mortgages; that is, they had 96% of their share accounts in long-term high-rate mortgage loans (this is not unusually high for them as the average for all savings and loan associations over the last 20 years has been 89%).[1]

On the other hand, we commercial banks, at the end of 1954, had $46.8 billion of savings and only $18.5 billion of real estate mortgages or 39% of our savings in real estate loans (and incidentally that was higher than the average for the past 20 years of 29%).[2]

Of the savings entrusted to us, we do not invest nearly as much in mortgages because we think they are not sufficiently liquid to give us the degree of safety which we feel we should offer to the public.

As of the end of 1954, we commercial banks had 61%[3] of our deposits in cash and U. S. government securities. The savings and loan associations had only 15%[4] of their share accounts in cash and governments, yet they claim they are liquid.

We not only **wouldn't** invest as the savings and loan associations do—we **couldn't.** Congress has forbidden national banks and state member banks from investing any more than their capital and surplus (or 60% of time deposits) in such mortgages.[5] Why? Because Congress wants the banks to be liquid—so that the savers' funds will be safe and available.

Congress does not require the same safety or liquidity of savings and loan associations. As a part of the emergency H.O.L.C. Act of 1933, Congress authorized the organization of federal savings and loans for the primary purpose of providing a market for mortgage loans and it continues to encourage their growth in order to maintain that market.[6]

This suggests that instead of our objecting to the savings and loan associations' referring to themselves as "Savings Associations,"[7] we should refer to them—and encourage the press to refer to them—as "Loan Associations," which is what they were meant to be—and are.

The net effect is that because of their less conservative lending policy, the loan associations earn relatively much more than we do.

(2) How Much of This Difference in Ability to Pay Is Due to This Difference in Federal Income Tax Treatment?

It is this difference in gross earnings rather than any major difference in expenses or taxes that accounts for the difference in net.

Comparative expenses are not unlike. For each $1,000,000 of deposits or share accounts in 1954 the operating expenses—before interest (dividends) were, loan associations $13,060,[8] banks $16,474.[9] Thus, the difference in the investment policies carries through to earnings available for interest, dividends and reserves.

In 1954, for each $1,000,000 of share accounts (or deposits), the loan associations had earnings before dividends and reserves of $37,283,[10] and the insured banks had earnings before interest and reserves of only $11,404.[11]

With earnings of about three times ours, the loan associations can pay a much higher rate. Obviously, our more conservative lending policy is the principal reason why we cannot match the rate they pay.

Of course, some of this difference in ability to pay is due to the inequitable difference in tax treatment—but you may be surprised at how little. If the commercial banks had virtually escaped taxation in 1954, as the loan associations did, the relative earnings per million dollars of share accounts—or deposits—before dividends and interest on savings, would have been: loan associations $37,283 and banks $16,276. That is, **even if we were taxed alike, their earnings would be more than twice the amount of ours.** It is the difference in **investment** policy, rather than the difference in **tax** treatment, which accounts for the great difference in earnings.

Thus, it is apparent that the primary reason the loan associations are taking the savings business away from the banks is that they pay higher returns. They pay these higher returns because they earn more. They earn more primarily because they follow a less conservative investment policy than we banks do—not because of the difference in tax treatment.

(3) What Is the Actual Difference in Federal Income Tax Treatment of Commercial Banks and Loan Associations?

The loan association, like the mutual savings bank, was for years considered to be a form of cooperative and hence exempt from federal income taxation.

Why are cooperatives exempt? Historically, cooperative organizations operated for **mutual** purposes and **without profit,** such as agricultural or labor organizations, mutual savings banks not having a capital stock and building and loan associations have been given preferential treatment by the Internal Revenue Code.

Why is this so? It is generally supposed that such associations are mutual buying, lending or selling groups. They merely make rebates of price (or interest) to their participating members and do not have profits as such. As they are corporations without stock, any income or profit is rebated to, and realized by, the members rather than the corporation.

But this basis for exemption has not been present in the typical loan association for some time. The loan association has long ceased to deal exclusively with its members and, on the contrary, dealers with the general public as does an ordinary stock corporation incorporated for profit (such as a commercial bank); hence, the underlying reason for exemption no longer exists.

Some courts were aware of this change and a few attempted to limit the exemption by saying:

> " . . . it seems clear that, when it (the association) ceases to be substantially mutual and adopts as its chief business dealing for profit with the general public by the methods of an ordinary savings bank, it is no longer a building association, entitled to be exempted from income taxation under the statute in question.[12]

But, rather than letting the courts and the Bureau of Internal Revenue work toward taxation of the loan associations on a proper basis, some bank groups, in 1951, made a heated attack on them in Congress and attempted to have them taxed as we are taxed—strictly as a competitive matter. Congress did amend the Internal Revenue Code, subjecting the loan association to federal income tax for the years beginning after Dec. 31, 1951.[13]

Thus, the savings and loan associations are now subject to the federal income tax—not a special or a different tax but pre-

*An address by Mr. Freeman, Jr., before the Regional Savings and Mortgage Conference of the American Bankers Association, Kansas City, Mo., Jan. 30, 1956.

1 American Bankers Association, *Savings and Mortgage Statistics,* March, 1955.

2 *Ibid.*

3 F.D.I.C. *Annual Report,* 1954, p. 123.

4 Home Loan Bank Board, Combined Financial Statements, 1954, p. 15.

5 Banking Act of 1935, Title II, Sec. 208.

6 See Statement of Sen. Prescott Bush in the 83rd Congress in Hearings on SB 975 on p. 75: "We should have the law established and the policy established on a basis that will lend all of the encouragement possible to people to put their money into depositories who are going to lend it privately for the building of homes so as to get this home building business off the back of the Government where it has found itself for some years." Of course, Senator Bush overlooks the fact that all insured commercial banks (as of the end of 1954) held over $18.3 billion of mortgage. (F.D.I.C. *Annual Report,* 1954, p. 41.)

7 In the case of federal associations, this appears to be a clear violation of Section 5(a) of the Home Owners Loan Act of 1933 which specifies that such associations shall be known as "Federal Savings and Loan Associations."

8 Home Loan Bank Board, *Op. Cit.,* pp. 14 and 52.

9 F.D.I.C., *Op. Cit.,* pp. 130 and 138.

10 Home Loan Bank Board, *Op Cit.,* pp. 14 and 52.

11 F.D.I.C., *Op. Cit.,* pp. 130 and 138.

12 *Lilley Building & Loan* vs. *Miller, Collector of Internal Revenue,* (1922) 280 F. 143 at 147 Aff'd 285 F. 1020, Cert. Den'd., 262 U. S. 754.

13 By removing them from the list of exempt corporations under the then Section 101 of the Internal Revenue Code.

cisely the same tax and the same tax law that we commercial banks are subject to.

But, there is one great difference!

As you know, no business corporations are taxed on their gross income. We banks, like other corporations, are allowed to deduct from gross income our business expenses; that is, salaries, rent, supplies and other business costs, including the interest that we pay to our savings depositors. We can also deduct the amount of our losses on bad loans. Or, as an alternative, we can deduct from taxable income, and set aside, an amount to cover losses on bad debts which we are likely to suffer in the future. This is deducted as an "addition to reserves for bad debts."

The loan associations, which are otherwise subject to the same tax provisions as we, are, however, allowed to deduct a much larger amount from taxable income and add to their reserves for bad debts. **It is this single difference, the amount which can be deducted from taxable income and added to reserves for bad debts, that distinguishes the tax treatment accorded the loan associations from that accorded our commercial banks. It is the only difference in the way we are taxed.**

Let us stop at this point for a moment and recall what we commercial banks are allowed to do in the way of deducting from taxable income an amount to put into a reserve for bad debts.

As a result of several successive steps,[14] the Treasury Department has interpreted the Revenue Code to provide that a bank can make annual additions to a reserve for bad debts equal to its worst 20-year[15] ratio of loan losses to loans, times total loans at the end of the current year.

There are two limitations on our deductions for reserves.

First, the aggregate reserves built up over the years, from cumulative deductions of this kind, less actual losses charged against the reserve, cannot exceed three times the average loss experience factor applied to outstanding loans.

Second, in the first year a bank adopts the reserve for bad debt method, it can add to its reserve only one-third of its maximum permissible reserve, and in the second year only one-half the difference between its reserve balance and the maximum permissible reserve.

Thus, we are subject to a limitation on the amount we can deduct each year and a further limitation that we cannot make further deductions once the aggregate amount of our reserves reaches three times the maximum current addition.

Since these reserves are at the present time based on each bank's loss experience, there is no uniformity in the amount of deductions. But according to figures prepared by the Federal Reserve Bank of Chicago[16] loss experience for all member banks in the 20 worst years, 1928-1947, was 8/10 of 1% (0.8%).

Three times this average loss experience is 2.4%. Thus, the maximum amount that can be built up from such successive years of deductions is 2.4% of loans. Inasmuch as the banks, as of Dec. 31, 1954, had only 41% of their deposits in loans, this 2.4% of loans equals about 1% of deposits.

The net effect of this is that, using 1954 figures, the most that the average bank could have deducted from taxable income was only 10% of net operating earnings[17] which is only 2/10 of 1% (0.2%) of deposits.

Now for a moment, let's look at what a loan association can do.

It is allowed to deduct an "amount by which 12% of the total deposits or withdrawable accounts of its depositors at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of the taxable year."[18]

Thus, until its reserves reach 12% of share accounts (which, in short, is equivalent to 12% of deposits), a loan association can deduct **all** of its net income from taxable income—hence, it does not need to pay **any** Federal income tax.

At the end of 1954 the average ratio of loan association reserves (and undivided profits) to share accounts was 8.3%. Very few loan associations had reserves of 12% of share accounts—hence very few loan associations paid **any** Federal income tax.

(4) Is This Difference In Tax Treatment Fair?

Since reserves are set aside to absorb future losses, the amount of such reserves should depend on the size of probable losses—and since loan associations have much more at risk—and at greater risk—than we do, perhaps they should be permitted to build up greater reserves in relation to share accounts than we can in relation to deposits. Since their loans are riskier than ours, perhaps they should be allowed to build up greater reserves in relation to loans. Since more of their income comes from interest on loans, perhaps they should be allowed to deduct a somewhat larger portion of their income than we—But the great disparity between the deductions allowed to loan associations and those allowed to the banks is grossly unfair.

They can deduct 100% of income—we can deduct 10%.[19]

They can build reserves of 12% of share accounts—we can build reserves of 1% of deposits.

They can build reserves of 12% of loans[20]—we can build reserves of 2.4% of loans.

That just isn't fair!

Totally aside from the question of competition for the public's savings, it isn't fair to require us to pay such taxes when they escape. We are in effect bearing a part of their share of the tax burden.

This is proven by an examination of the dollar amounts of taxes paid by the commercial banks on the one hand, and the loan

Continued on page 13

14 See Internal Revenue Service Mimeograph 6209 (issued Dec. 8, 1947) and Internal Revenue Service Ruling 54-55 (issued on April 8, 1954).

15 A bank can select any 20 consecutive years beginning with 1928.

16 Prepared by the Research Department, Federal Reserve Bank of Chicago, Aug. 13, 1948.

17 Actually, in 1954, because many of the smaller banks do not find the reserve method attractive, the commercial banks in the aggregate deducted, as additions to such reserves, an amount equal to only 7% of net earnings before taxes. F.D.I.C. *Annual Report*, 1954.

18 Section 593 of the 1954 Internal Revenue Code.

19 On the basis of 1954 figures.

20 On the assumption that their loans approximately equal their share accounts. At the end of the third quarter of 1955 their loans were over 100% of share accounts.

The Crying Need for Hard Money

By B. BARRET GRIFFITH*

Elsinore Cattle Company, Inc.
Colorado Springs, Colorado

Gold price increase to $100 and return to hard money advocated by Mr. Griffith to solve all present agriculture, monetary affairs and foreign problems. Believes over $12 billion in liabilities to foreigners will be cashed in for gold because foreigners have restricted their American investments to cash or short-term Treasury obligations.

B. Barret Griffith

Although the handwriting on the wall is ominous, there is nothing apparent today in agriculture, monetary affairs, or foreign problems which could not be solved by a higher price for gold and return to hard money. Greatest obstacle to solution to today's problems seems to be the reluctance of some economic and monetary managers in Washington to admit failures to manage completely and entirely our economic and monetary affairs. Facts suggest that gold miners, ranchers and farmers together must advocate hard money.

In agriculture we are apparently suffering from a depression of abundance. The surpluses, representing billions of dollars in taxpayers investment, resulted from government managers who apparently were not divine. Exemplifying the empty hollowness of plans being submitted as solution to our agricultural problem may be the recent newspaper report that Mordecai Ezekiel, one of the drafters of the Agricultural Adjustment Act and consequently one of the founding fathers of our present agricultural surpluses, is now on the payroll of the UN living comfortably in Rome and devoting his thoughts to solving the problem of surpluses by spending huge additional funds for that purpose.

Turning to the foreign situation, it appears that problem is the direct opposite to the one of agricultural surpluses. Reduced to the lowest common denominator, the foreign problem seems to be related to the problem of hungry populations throughout a substantial part of this world. Since 1945 world population seems to have increased by about 150 million people. Apparently many people in the Far East and the Middle East are hungry, now, today. However, solution to the problem, suggested and offered by Washington experts seems to be a plan whereby the American taxpayer would finance the cultivation of land in under-developed areas and build plants for the later production of manufactured goods in those areas. Meantime, American taxpayers should give away and humiliate the hungry by a food and dollar dole until such time as their lands and factories come into production. American taxpayers are told that additional dollars must be spent both to solve the problem of our agricultural surpluses at home and the problem of food shortages abroad.

Turning briefly to our monetary situation and particularly the position of gold, there are several interesting and noteworthy factors. Our present monetary gold stock totals about $21.7 billion. Total monetary liabilities to foreigners are approaching $12 billion. You will recall that American dollars in the hands of foreigners are redeemable in gold although you and I as American citizens are denied that right, or even the right to own gold or gold coin. During the last month I have read articles and reports of interviews with nationally known economists on the subject of the adequacy of The United States of America gold reserves. If our gold stock is adequate and satisfactory, why recently has there been so much discussion about it? If economists can read the minds of foreigners and therefrom conclude that those foreigners under no circumstances would withdraw gold from this country, why have those same foreigners restricted their American investments to either cash or very short-term Treasury obligations?

From facts as they are (agricultural surpluses at home; hungry people abroad; and lack of one hard currency available to all) solution to at least some of today's problems appears to be self-evident. They suggest (1) give to American citizens the same convertible and hard dollar that is available to foreigners and thus create a medium of exchange in which all men would have equal confidence and thus be encouraged to trade goods and services; (2) permit American farmers, ranchers, and businessmen the right to trade and sell their goods to foreigners at agreeable prices, arrived at both by realistically adjusting commodity prices and the value of gold upward to a limit of $100 per ounce; and (3) endorse the Memorial passed by Colorado House of Representatives, Jan. 11, 1956, with supplement to it to include gold revaluation to spur trade and to extend the same to miners as to farmers and ranchers, suggested tax provisions.

*A talk by Mr. Griffith before the Miners Conference Meeting, Denver, Colo., Feb. 3, 1956.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—John W. Jenkins has become associated with King Merritt & Co., Inc., Woodruff Building.

Federal Reserve's Credit Restraining Activities

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

Board Chairman Martin finds indispensable monetary policy requires cooperation with debt management, and prudent business, labor, finance and agricultural leadership. Depicts System's objective as providing hard-to-gauge right volume of bank reserves. Credit restraining activities seen in increased member bank borrowings accompanied by successively increased discount rates, and twice raised security margin requirements. Board head discusses: (1) shift in commercial bank portfolios out of Governments; (2) rising demand deposit velocity; (3) non-money market effect of increased Government securities purchases; (4) unusual float rise; and (5) aid to international trade financing and to the Treasury.

On behalf of the Board of Governors, I should like to express appreciation of this opportunity to report to you on the nation's credit and monetary developments during 1955. The President's Economic Report describes in detail the generally gratifying performance of the nation's economy, except for agriculture, over the past year and you have already had testimony dealing with important phases of the subject. The only supplement I will offer for your background information is a small chart book of key statistical information on domestic and international economic developments over the past year. My prepared statement will relate mainly to adaptations in Federal Reserve operations in response to the changing economic situation.

W. McC. Martin, Jr.

Ease to Restraint

In 1955 Federal Reserve policy shifted from maintenance of ease in the money market to restraint of inflationary developments. During January, System policy continued to be directed toward fostering recovery, while maintaining conditions in credit markets that would avoid unsustainable expansion. Beginning in February, however, and for the remainder of the year, as over-all demands mounted, as industrial output approached capacity and inflationary pressures appeared, measures were adopted to moderate the pace of credit expansion. Federal Reserve action sought to keep growth in bank credit consistent with growth in employment and production. Increased credit demands exerted increasing pressure on bank reserve positions; borrowed funds became less readily available to marginal users, and interest rates rose.

Lending Restraints

In pursuance of this policy of restraint on bank credit expansion, the Reserve System reduced slightly over the year its portfolio of United States Government securities. Commercial banks, in order to meet growing loan demands from their customers, had to sell a large amount of Government securities to non-bank holders. These banks also increased both the frequency and magnitude of their borrowing from the Reserve Banks. The fact that the banks found it necessary to borrow did, in itself, impose some restraint on their lending activity. This restraint was reinforced by successive increases in the discount rates charged by Federal Reserve Banks on member bank borrowing.

Loans and Investments

For the year 1955 as a whole, the rise in total loans and investments of commercial banks amounted to approximately $5 billion or about 3%—a smaller expansion than in 1954. Loans and investments, excluding United States Government securities, rose by $12 billion or 15%—the largest growth of any year since 1950. Through sales and run-offs at maturity, bank holdings of Government securities were reduced by $7 billion, mainly in short-term issues. This shift from Government securities to business and consumer loans caused bank liquidity to decline, which in turn worked to restrain bank lending.

Money and Velocity

Like the increase in total bank credit, the rise in the active money supply, namely, the demand deposit and currency holdings of consumers and businesses, was moderate. For the year, the money supply rose about $3.5 billion or less than 3%. The turnover of demand deposits outside leading financial centers, however, rose from 19.2 times a year in 1954 to 20.4 times, or by 6% reflecting more active use of existing money. Deposit turnover in financial centers was also faster than in 1954. As compared with 1954, the increase in time deposits in 1955 was much less at commercial banks and about the same at mutual savings banks. Growth in savings and loans shares was somewhat greater than in the preceding year.

Shift in Governments

Nonbank sectors of the community, particularly business corporations, State and local governments, pension and trust funds, and individuals, added substantially to their holdings of United States Government securities, including the short-term issues sold by banks. This shift in ownership of Government securities represented a reversal of developments in 1954 when commercial banks added appreciably to their holdings of Government securities by market purchases from nonbank holders while increasing loans only slightly. Nonbank lenders also extended more credit to private borrowers in 1955 than in previous years. Especially sharp was the rise in mortgage and consumer credit.

Although policy actions of the Federal Reserve in 1955 tended to produce a gradually increasing degree of restraint over much of the year, most of the System's open market operations, including repurchase agreements with dealers in Government securities, sought to moderate the impact of seasonal factors on the money market. In January and February the System sold, or allowed to mature without replacement, $1.3 billion of United States Government securities. This was mainly for the purpose of absorbing reserves made available by the seasonal return of currency from circulation and the reduction in required reserves associated with the seasonal deposit decline. Since the declines both in currency demands and required reserves were less than usual for the season, some additional member bank borrowing from the Reserve Banks resulted. Borrowings, which averaged about $300 million in December, 1954 and January, 1955, increased to $500 million in March and April, 1955. This change marked a shift in the emphasis of Federal Reserve operations from ease toward moderate restraint.

During the second quarter of the year Federal Reserve operations in the Government securities market were small, and there was little net change in commercial bank reserve positions. In recognition of the rise in market rates of interest that had been occurring since the summer of 1954, the Federal Reserve Banks raised their discount rates in April from 1½ to 1¾%.

Stock Margins

The Board of Governors raised margin requirements for purchasing and carrying listed securities from 50 to 60% in early January and again to 70% in late April. The volume of stock market credit, which had risen sharply from early 1954 through the spring of 1955, thereafter expanded but little.

In the early part of July, the System purchased Government securities to supply banks with reserves to meet temporary seasonal needs, including Treasury borrowing in the market. From mid-July to late September, the System's holdings of securities declined and member bank borrowing from the Reserve Banks rose in September to a daily average level of about $850 million, as compared with an average of $400 million in June. Interbank borrowing also increased during this period. In early August, discount rates were raised from 1¾ to 2% at 11 Reserve Banks and 2¼% at the Federal Reserve Bank of Cleveland. The 2¼% rate was established at all Reserve Banks by early September. Thus in this period restraint on bank credit expansion was firmed.

$1 Billion Governments Added

In late September, the System resumed purchases of Government securities. Between that time and the year-end more than $1 billion had been added to the Federal Reserve portfolio of securities, of which about $350 million were securities acquired under repurchase agreements. These operations offset seasonal drains on bank reserves and did not ease the money market. In mid-November, restraint on bank credit expansion was again strengthened by a further increase in discount rates to 2½% at all Federal Reserve Banks.

Treasury Aided

During the year, outright purchases of Government securities by the Federal Reserve were confined almost entirely to Treasury bills. At the end of November, however, the System entered into commitments to purchase $167 million of new certificates when issued on December 8. The specific occasion for an acquisition of certificates rather than Treasury bills was to facilitate a large-scale Treasury refunding operation in the face of a more stringent money market than was foreseen when the terms of the Treasury refunding were decided upon. Another unforeseen circumstance was an unusually large volume of maturing issues held by investors desiring cash, which made them indifferent to the terms of the exchange offering.

Unusual Float Increase

Toward the close of the year, as is usual, additions to the System's portfolio consisted of temporary purchases of securities under repurchase agreements with dealers in Government securities. The purpose of these purchases was to moderate the effect on the money market of the exceptionally heavy volume of business and financial payyments at the year-end. Reserves also became available about this time through an unusually large and sustained seasonal increase in Federal Reserve float, which reflects the volume of credits to the depositing banks' reserve accounts for checks still in process of collection through the Reserve Banks.

At the year-end the money market continued firm in tone because of the large demands for liquidity, the temporary nature of some of the reserve funds available to the market, and the effect of higher discount rates in keeping down member bank borrowings

Flexible Action

In summary, the year 1955 was marked by the flexibility and adaptability that are essential in the administration of monetary policy if it is to play its proper role. Above all, timeliness is vital. In retrospect I think it fair to say that the transition of monetary policy from ease to restraint in 1955 was effected promptly as economic recovery was achieved and capacity output, accompanied by inflationary tendencies, was approached.

Federal Reserve Objective

I did not take part a year ago in your hearings on the Economic Report but the preceding February of 1954 I emphasized in my statement to you that the objective of Federal Reserve policy and action is to make available a volume of bank reserves that will safeguard the economy from the oversupply that makes for inflation or the undersupply that makes for deflation. The exact amount of reserves needed for this purpose is difficult to measure with fine precision ahead of time. The goal is a growing economy and a rising standard of living for the nation.

Monetary policy, closely coordinated with debt management, can contribute to the attainment of that objective but cannot by itself maintain the steady and sustainable economic progress we all wish to have. Responsibility for continued progress rests not alone on Government, but upon the practice of prudence and self-restraint on the part of leadership in business and finance, in labor, and in agriculture.

Indispensable

The operation of free markets may be counted upon to bring about many essential adjustments without the direct intervention of Government. The performance of the economy in the last few years justifies, I believe, renewal of faith in monetary action as an indispensable, though by no means omnipotent factor, in the orderly development of the economy under private enterprise institutions. I continue to have that cautious optimism about the future which I expressed here two years ago.

*Testimony by Mr. Martin before the Joint Committee on the Economic Report, Feb. 7, 1956.

Economic Planners Shift Signals, Says Rukeyser

Change in Federal policy from caution to increased merchandising zeal noted by commentator. Says regulators are now maneuvering to foster sales, instead of sitting on the lid of a boom. Cautions against "headline thinking," over-magnifying immediate short-term fluctuations.

GRAND RAPIDS, Mich. — The significance of recent economic planning by the Federal authorities in the housing field has been to shift signals from caution to increased merchandising zeal. This view was expressed by Merryle Stanley Rukeyser, business columnist, author, and economic consultant, in a speech here at the 67th annual convention of the Michigan Retail Lumber Dealers Association.

Merryle S. Rukeyser

Mr. Rukeyser said: "While business executives, bankers, and legislators have been debating whether consumer debt is too high and whether the terms are too loose, the Eisenhower Administration through its Veterans Administration and the Federal Housing Administration recently put out a green light. These supervisory Federal agencies signaled that the danger of a runaway inflation in housing was over, and they expressed this viewpoint through reversing the cautionary action of last July in shortening maximum terms for home mortgages from 30 to 25 years. The latest adjustment restores the 30 year limit, and has the effect of reducing monthly payments by home owners. However, the moderately increased down payment requirements are continued.

"The fact that the earlier restrictive action had brought results was shown in decreased monthly applications to both the Veterans Administration and the Federal Housing Administration for appraisals of homes as a prelude to mortgage guarantees. The impact of the new ruling is to shift gears, and the regulators, instead of sitting on the lid of a boom, are now maneuvering to foster sales. In addition, there is official encouragement of plans to modernize old homes.

No Basis For Criticism

"Inconsistency of rulings should not be interpreted as a basis for adverse criticism. On the contrary, management of the national economy through indirect credit and related controls must, in the nature of things, be flexible. A classic sponsor of such procedures, the late Paul M. Warburg, intellectual father of the Federal Reserve System, counselled that the 'way to avoid a bust is to sit on the bulge during a boom.' In light of the letting down in demand, the Federal housing authorities felt that the time is here to relax restrictions. It should be noted that the Eisenhower Administration prefers to rely on these indirect controls as an alternative to direct price fixing and rationing, which were at times used by the New Deal and the Fair Deal. Dr. Gabriel Hauge, the President's economic advisor, pointed out that these indirect methods retain an optimum of decision-making in the hands of the individual customer.

"In view of the continuing debate, especially in banking quarters, as to whether consumer credit totals are too high and whether payoffs are inadequate, it will be well to alert the individual to the desirability of self regulation through prudently relating fixed commitments to personal income, actual and projected. A review of credit experience during the depressed 1930s' shows that the credit buyer tapered off new commitments as conditions changed just as the cash buyer did. As a result, payoffs on consumer credit were satisfactory, and the loss ratio to lenders was much less than on more conventionally approved older types of commercial and industrial and governmental credits.

"In an expanding economy, it relieves shock to be prepared for record breaking totals. The ratios of commitments to expected income are more significant than the undigested totals. The big bulge in consumer credits reflected the boom in automobiles in 1955 and in housing in the first part of 1955 before restrictive action in July. The letdown in housing demand and the current calming down in automobile purchases will inject self corrective processes into the statistics of consumer credit."

Mr. Rukeyser, who is author of "Financial Security in a Changing World," pointed out that the national economy is strengthened as individual buyers exercise discrimination and self restraint. He cautioned against headline thinking, which overmagnifies immediate short-term fluctuations, and urged business statesmanship to put their sights on long-term opportunities and prospects. He admonished that longer mortgage terms impose on the construction industry obligations to build quality and endurance into new structures, which should be made to outlast the financial obligations which they bring into being.

Weston Smith Heads Firm in Shareholder Relations Counselling

Weston Smith has organized and will direct "Financial Public Relations Counsultants," a new firm specializing in counsel to corporate management, investor and financial community relations. Offices have been opened at 33 Rector Street, N. Y.

Weston Smitn

Recently resigned as Executive Vice-President of "Financial World," Mr. Smith has been retained as a Consultant by the national weekly magazine to continue the Annual Report Surveys and Oscar-of-Industry Awards which he originated and has directed for 15 years. As in the past, selections of the best reports will be handled by an independent board of judges.

In addition to surveying 5,000 annual reports each year, Mr. Smith recently completed his 10th annual review of the shareholder relations policies of 1,000 industrial corporations. As a result, he has collected one of the country's largest libraries of stockholder communications and information material sent to the financial community.

After serving "Financial World" successfully as statistician, security analyst, financial writer and associate editor, Mr. Smith in 1943 was appointed survey director and an officer of the publishing company.

A frequent lecturer on the subjects of annual reports and management - investor relations, Weston Smith is author of the "Stockholder Guidebook" and "Shareholder Relations Manual." He is a past president of the N. Y. Chapter, Public Relations Society of America.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Francis P. Smith is now with Bache & Co., National City East Sixth Building.

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Equal Competition for Savings And Federal Income Taxation

associations on the other, since the end of 1951 when they first became taxable.

Amount of Federal Income Taxes Paid by

	Banks	Loan Associations
1952	$ 695,000,000	$ 2,485,000
1953	786,000,000	3,977,000
1954	907,000,000	4,391,000
Total	$2,388,000,000	$10,853,000

That is grossly unfair—not only to the banks—but to all taxpayers for they are bearing a part of the loan associations' just share of taxes.

The law should be changed in order that these profit-making (and profit-retaining) corporations might pay their fair share of the great tax burden.

But! We are not only interested in (and motivated by) a desire for justice, we are also interested in achieving conditions under which we would have a more equal opportunity to compete for savings.

Hence we come to our next question.

(5) Would A Reduction in the Loan Associations' Reserves Reduce Their Competitive Advantage?

Looking at the matter in its purely competitive aspect, our question is — would taxing the loan associations exactly as we are taxed cause them

i. to reduce the rate of dividends which they pay the saver; or
ii. to maintain their dividend rate and reduce their additions to reserves; or
iii. to increase their dividend rates and reduce additions to reserves?

Since it is the payment of higher dividends that is the loan associations' present advantage,

the banks will benefit if the loan associations reduce their dividends,

the banks will be no better off if the loan associations maintain their present dividend rate, and

the banks will be at an even greater disadvantage than at present if the loan associations increase their dividends.

Which are they most likely to do?

Let us consider the average loan association's distribution of earnings per $1,000,000 of share accounts, under the present tax law.

i. Net income before reserves and dividends	$37,463
ii. Bad debt reserve	11,033
iii. Dividends	26,085 (2½%)
iv. Balance subject to tax	345
v. Income tax (52%)	180
vi. Net after tax added to capital reserves	165
vii. Total additions to reserves (ii and vi)	11,198

It would have loans of $1,000,000[21] and net income (after expenses but before taxes, dividends or reserves) of $37,463. At present the loan association pays a dividend of $26,085 (a little more than a 2½% rate), it pays income taxes of only $180, and adds the balance ($11,198) to its reserves.

Now let us consider what it would do if it were allowed only the reserve now allowed to the banks — that is, assume the average bank could make a deductible annual addition to reserves of ½ of 1% of loans—or $5,000.

It might elect to keep up its additions to capital funds even if it meant curtailing its dividend rate.

	A Under present tax law (exempt if reserve is less than 12%)	B A reduction in dividends (to make the same additions to reserves as at present)
i. Net income before res. and divs.	$37,463	$37,463
ii. Bad debt reserve	11,033	5,000
iii. Dividends	26,085 (2½%)	19,551 (2%)
iv. Balance subject to tax	345	12,912
v. Income tax (52%)	180	6,714
vi. Net after tax added to cap. res.	165	6,198
vii. Total additions to res. (ii and vi)	11,198	11,198

In order to add the sum of $6,198 to its capital reserves (which, added to an assumed addition to a reserve for bad debts of $5,000, would equal $11,198), would reduce its dividend from $26,085 to $19,551 (roughly a reduction from over a 2½% to less than a 2% rate), pay the tax and still make the $6,198 addition to its capital reserves. **Such a course would make the loan association materially less competitive than it is today.**

However, the loan association need not follow such a course. It might elect to pay the same rate of dividend as before, $26,085.

	A Under present tax law (exempt if reserve is less than 12%)	C Maintenance of the same dividend as at present
i. Net income before res. and divs.	$37,463	$37,463
ii. Bad debt reserve	11,033	5,000
iii. Dividends	26,085 (2½%)	26,085 (2½%)
iv. Balance subject to tax	345	6,378
v. Income tax (52%)	180	3,316
vi. Net after tax added to cap. res.	165	3,062
vii. Total additions to res. (ii and vi)	11,198	8,062

21 Assuming its loans equalled share accounts.

If its remaining $6,378 of net income is taxed at the rate of 52%,[22] it will add $3,062 to its capital reserves.

If the loan association follows this course (that is, continues to pay the same dividend but reduces its additions to capital reserves by the amount of the tax), **its immediate competitive advantage over the banks is not reduced at all.**

The loan associations might elect the third course, that is increase its dividend to $32,118 (roughly equivalent to an increase from a 2½% to a 3¼% rate) and thus distribute to its shareholders its entire net income after deductible reserves — and virtually escape all taxation.

	A Under present tax law (exempt if reserve is less than 12%)	D An increase in dividend rate (to give maximum benefit to shareholder and minimum tax)
i. Net income before res. and divs.	$37,463	$37,463
ii. Bad debt reserve	11,033	5,000
iii. Dividends	26,085 (2½%)	32,118 (3¼%)
iv. Balance subject to tax	345	345
v. Income tax (52%)	180	180
vi. Net after tax added to cap. res.	165	165
vii. Total additions to res. (ii and vi)	11,198	5,165

Such a course would make the loan associations not less competitive but FAR MORE COMPETITIVE than at present.

If the loan associations were taxed precisely as we banks are, which course would they be the most likely to follow?

Since the shareholder is, in theory at least, the one who benefits by additions to reserves, and he is also the one who benefits by the payment of larger dividends, and he is more certain to benefit by the latter course, the interest of the shareholders would tend to encourage the loan association to follow that course most beneficial to the shareholder, and the least advantageous to the tax collector.

As you can see from line viii. in the following table, the most directly advantageous course from the present shareholder's point

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22 For simplicity we are applying the common rate of 52% even though in a case of this size the actual rate, for banks or savings and loan associations would be somewhat less, 30% on the first $25,000 and 52% on the balance of its taxable income.

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Equal Competition for Savings And Federal Income Taxation

of view is the payment of a greater dividend and the elimination of all taxes.

Is the Competitive Advantage of the Loan Associations Decreased or Increased by a Reduction in Allowable Reserves[23]

	If Loan Associations Retain Their Present Advantage	If Loan Associations Were Taxed Precisely as the Banks ——Are Today——		
	A	B	C	D
	Under Present Tax Law (Exempt if Reserve is Less than 12%)	A Reduction in Divs. to Make the Same Additions to Res. as at Present	Maintenance of the Same Dividend as at Present	An Increase in Div. Rate to Give Max. Benefit to Sharehldr. & minim. tax)
i. Net income before reserves and dividends	$37,463	$37,463	$37,463	$37,463
ii. Bad debt reserve	11,033	5,000	5,000	5,000
iii. Dividends	26,085 (2½%)	19,551 (2%)	25,085 (2½%)	32,118 (3¼%)
iv. Balance subject to tax	345	12,912	6,378	345
v. Income tax (52%)	180	6,714	3,316	180
vi. Net after tax added to capital reserves	165	6,198	3,062	165
vii. Total additions to reserves (ii and vi)	11,198	11,198	8,062	5,165
viii. Total advantages to shareholders (iii and vii)	$37,283	$30,749	$34,147	$37,283

The only deterrent to the increase in dividends, and escape of taxation, would be the fear, on the part of the supervisors, or of the loan association management, that such a course would fail to provide adequate safety. Would, however, this extreme course be so unsafe as to prevent its adoption by a loan association management (or supervisory force) that considers a 100% home mortgage portfolio as both safe and liquid? The assumed deductible addition to bad debt reserves of ½ of 1% is a substantial dollar amount ($5,000). It is equal to ½ of 1% of share accounts (because we have assumed loans equal to share accounts). This annual addition to reserves for bad debts is greater than the annual additions to bank capital (including bad debt reserves) in relation to bank deposits[24] and at ½ of 1% of loans is almost as large as bank additions to capital (and reserves) in relation to risk assets,[25] (if not in relation to the degree of risk) and indeed provides greater shareholder protection than that required by statute or regulation.[26]

Our conclusion is that taxation of the loan associations on the same basis as that on which the banks are taxed (i. e., a reduction in their deductible additions to reserves) might lead some loan associations to reduce their dividend. In all probability, however, it would cause more of them to maintain their present dividend rates or even to increase them in order to avoid the tax. As a consequence, such taxation of the loan associations would not materially reduce their dividend rates. Hence, it would not reduce the competitive advantage which they now enjoy — **and might give them an even greater competitive advantage.**

So much for theory. The practice of the mutual banks tends to substantiate the point. Those mutual banks whose reserves exceed the 12% maximum, and hence are taxed like our commercial banks are every bit as aggressive in raising rates as are those not subject to tax. The New York "Times" (for Sunday, July 10, 1955) carried in the financial section a story to the effect that "It Pays Even More To Be Thrifty Now" pointing out that eight of Brooklyn's 21 savings banks had raised their dividend rates on savings deposits from 2¾% to 3% a year. The story states that

> "At the Williamsburgh Savings Bank headquarters at 1 Hanson Place, a building that towers above the Brooklyn skyline, signs were put up announcing a 3% rate was expected for this quarter. The words 'paid four times a year' were underlined."

The article continues:

> "For some smaller banks this could be difficult. Williamsburgh, which is one of the very few savings banks in the country with a surplus high enough to make its profits subject to Federal income taxes, is confident its earnings will support the higher rate."

Thus, we see that the fact that such a mutual bank has to pay Federal income taxes does not prevent it from paying high rates. The same would be true of loan associations. Consequently, a reduction in the bad debt reserves allowed the loan associations would not make them materially less competitive. Hence, we may make a mistake if we concentrate our efforts in this direction.

(6) What Should We Do?

Concerned as we commercial bankers are over the loss of savings deposits, we must recognize that our first goal is safety and our second is profits for our stockholders. Size, the satisfaction of having large deposits (other than for their profit-making potential) is less important.

Hence, in considering tax legislation, as in considering anything else, we must ask ourselves what will make our banks safer and bring our stockholders a larger return—not how can we best smack down a competitor.

On this basis, if we are to seek more equitable tax legislation, we would be much better advised to strive for an increase in the reserves allowed to the commercial banks—than to seek a reduction in the reserves allowed to the loan associations.

The A.B.A. at its spring council meeting in White Sulphur Springs last April came to this conclusion and indicated (I think very wisely) that it would use its best efforts to obtain an increase in the reserves allowed to the banks.

This is not, however, an easy accomplishment at a time when the government's expenses are increasing and the political pressure is all directed toward giving the benefit of any tax reduction to individual taxpayers—the voters.

Nevertheless, the A.B.A. Tax Committee, a wise and experienced group, approached the Bureau with a request to consider substituting for the 20-year average experience—a reserve equal to 5% of loans. The Bureau said the 5% was too high but indicated it might consider a flat 4% maximum; that is, permit a maximum annual deduction of 4/10 of 1% of loans until the aggregate reserve equals 4% of loans outstanding.

The allowance of such a reserve of 4% of loans would enable the average bank to further increase its capital funds, including reserves (by using the pre-tax rather than after-tax earnings) and, at the same time, increase the rate of interest paid to the saver by 50%.

Disposition of Bank Income[27]

	Actual	Proposed 4% Loan Reserve
Net income before interest and taxes	$2,832	$2,832
Interest paid to savings depositors	618	927[28]
Increase in loan reserves	——	446[29]
Balance subject to tax	2,214	1,459
Income taxes	907	598[30]
Dividends to stockholders	517	517
Retained earnings	790	344

The Treasury has objected to the proposal not on the grounds that it is too liberal (for in the face of bank losses during the depression 4% is very modest) but because such a change from individual experience to a flat rate should be approved by Congress rather than be granted administratively.

It is unlikely that this 4% reserve will be achieved in 1956—an election year—but it should be attainable thereafter. To strengthen its presentation before the Treasury, the A.B.A. Tax Committee sent A.B.A. Members a questionnaire last fall. This was designed to discover just how many of you use the reserve method—and what you need. Forty per cent of you responded—and your replies are now being tabulated.

The 4% reserve, if achieved, will be of real affirmative value to you in further strengthening your banks—and in passing on a greater return to the saver. This is more to be desired than weakening your competitors. For if and when the loan associations fail, we will all suffer.

Conclusion

We are faced with difficult competition from competitors who can invest in high risk, high rate. loans—every nickel the public entrusts to them. Furthermore they don't have to pay it back when requested to do so but can tell the saver to wait until some cash comes in—from new savers or the liquidation of loans —whether that is six months or six years.

These advantages enable the loan associations to pay a much higher rate of return—and hence to capture more and more of the public's savings.

The problem is further complicated by the fact that they pay virtually no Federal income taxes and, as a consequence, we and all other taxpayers have to pay, in addition to our own, their rightful share of the cost of maintaining our government.

This is grossly unfair.

But the proper solution lies not in weakening them. It lies in obtaining the right to increase our own reserves and thus enabling us to increase our total capital funds and at the same time pay a larger return to the saver.

23 Source: Adapated from data in F.D.I.C. *Annual Report*, 1954, Home Loan Bank Board, *Combined Financial Statements*, 1954.

24 Net additions to capital funds including reserves of all insured banks amounted to 4/10 of 1% of deposits in 1952 and 4/10 of 1% in 1953. See F.D.I.C. *Annual Report* for 1953, pp. 106 and 107.

25 Net additions to capital funds including reserves of all insured banks amounted to 9/10 of 1% of risk assets in 1952 and 8/10 of 1% in 1953. See F.D.I.C. *Annual Report* for 1953, pp. 106 and 107.

26 The only legal or regulatory limitations on the savings and loan associations is that contained in Charter K, Section 10, to the effect that they shall set aside 5% of their earnings (for the purpose of meeting losses) until such time as their general reserves are equal to at least 10% of the association's share accounts. *See Rules and Regulations for the Federal Savings and Loan System*, April 15, 1954, p. 11.

27 Insured Commercial Banks in 1954, from F.D.I.C. *Annual Report*, 1954, pp. 41 & 48.

28 50 per cent increase in interest paid to savings depositors.

29 $1,785 million necessary to bring loan reserves up to 4% of gross loans and discounts divided by 4% the proposal to spread the amount needed over a four-year period.

30 Calculated at 41%, the actual rate paid in 1954 by all insured commercial banks.

Continued from page 9

An Optimistic Look Ahead— Our National Economy in 1966

the integrity of the dollar. All of us, I am sure, have been encouraged by the progress made in this direction. Nevertheless, I think that it is highly significant that even under this Administration, at the top of a boom we are beginning to witness a shift in the direction of an easy credit policy in the residential mortgage field because of a moderate downturn in building activity from a record level. Already we have gone back to a 30-year amortization period on government-insured and guaranteed mortgages, and a flow of government funds is being directed into the residential mortgage field through Fanny May. None of us is, of course, against prosperity. But we live in a world in which governments are convinced that unemployment must be negligible if they are to be reelected, and in this sort of a world—so wonderful and exhilarating in many respects —we face the dilemma of a serious erosion in the value of the dollar.

On the other hand, on the more optimistic side, we have the encouragement that our economy has achieved an enormous capacity to produce goods and services. Expansion increases that capacity. Economists have usually thought of this rising productive capacity as a potent factor toward deflation. In this day of optimism, we think less in these terms but certainly the sheer mass of goods and services which can be produced today exerts an important influence toward holding down inflationary pressures. In many respects during the past ten years it has been miraculous that in the face of the demands which have been generated we have been able to avoid a runaway inflation. I am sure that the avoidance of runaway inflation can be explained to a large degree in terms of the spectacular increase in our capacity to produce. So, perhaps we may be exaggerating the inflationary bias of our economy today.

If I had to guess as to the future of the general price level, and I suppose I must, it would be my guess that in the next ten years we shall witness a gradual rise, primarily due to our fetish for full employment. However, I quickly add that we in the life insurance business should not accept the prospect of a continued rise in the general price level, however moderate. Instead, we must fight it like a plague. Even a rise of only 2% per year will on a compound basis cut the purchasing power of the dollar by nearly 22% by 1966. Nearly everyone today is seeking an escalator to rise along with inflation. One of the last strongholds of opposition to inflation is the life insurance business and I believe we must redouble our efforts to combat government policies which promote inflation. Through the Joint Committee on Economic Policy of the American Life Convention and the Life Insurance Association of America we have achieved some success but we need to work even harder to make our influence felt.

Are We Likely to Have Another Great Depression?

Let us turn now to the question, are we likely to have another great depression, or have we learned how to control the business cycle?

I see little chance that we are likely ever again to experience another deep and protracted depression such as occurred in the 1930's, certainly not in the next ten years. The forces for expansion which I outlined earlier give us the assurance that a deep depression is not in the cards. Moreover, we have fortunately built into our economy a number of stabilizing elements such as unemployment insurance and bank deposit insurance which we did not have in the Thirties, which will help to prevent our economy from going through the wringer of liquidation as it did in the great depression. Also, with so large a proportion of our households in income tax-paying brackets today, swings in business conditions automatically bring into play stabilizing forces. Moreover, although this can be easily exaggerated, we have learned much about the causes of business instability and we have better knowledge today about how the Federal Government and private business can cope effectively with a decline in business activity through appropriate policies in the area of taxation, monetary and debt management, and housing, to mention a few.

At the same time, although I feel confident we can avoid a deep and protracted depression, it would be a serious mistake to assume that knowledge of the causes of business instability and skill in administering counter-cyclical measures have progressed to the point where we can eliminate the business cycle entirely. It is a source of concern to authorities such as the Federal Reserve Board and the Treasury that so many people believe that government is now able to prevent anything but mild ripples in business. Actually, I believe that the economic progress we achieve in the next ten years will not proceed on a smooth path. I am sure that we shall have characteristic ups and downs in business, and I do not think we can rule out the possibility that some of the swings will be fairly wide.

The analysis of business cycles is still an art and not a science. The course of business depends so much on consumer and business psychology that forecasting still involves a large element of guesswork. The difficulty of timing governmental policies to offset business fluctuations is illustrated well by the situation today. Many business economists are forecasting that we have passed the crest of the boom and are now moving into a period of business decline. The principal straws in the wind which they point to are declines in automobile production and housing starts. At the same time, there are offsetting developments toward expansion such as the continuing boom in business and industrial expenditures for plant and equipment and heavy expenditures by state and local governments. The factual information which we have on hand and our knowledge of business conditions at any given moment are still just not good enough to tell authorities like the Federal Reserve how promptly it should act at the present time, if it should act at all, to ease the general availability of credit.

My thinking on control of the business cycle might be summarized as follows. I am skeptical about any blind faith that the Federal Government now has in its power to eliminate the business cycle. Through improving knowledge of the functioning of our economy and better skill in the use of instruments of control, and through better private business planning, we now have the assurance that business fluctuations can be held within tolerable limits and can be prevented from moving into deep and protracted depressions. Indeed, I am optimistic enough to believe that most of the fluctuations which we experience in the future will be relatively minor in scope as compared with the past.

Will the Nature of Our Economy Change?

There is one last question which I would like to discuss briefly, namely, will the fundamental nature of our economy change in the next decade? Perhaps it would be better to ask the question in terms of how the nature of our economy will change because it is certain that there will be some change.

It seems inevitable that in the next ten years we shall witness a continuation of the trend which has been with us for a long time, particularly since the early Thirties, that is, more and more Federal intervention in our economic life. This increased intervention will be primarily an outgrowth of the government's desire to maintain economic stability at a full employment level. To steer this course without inflation will almost inevitably require greater Federal intervention. I believe, and I fervently hope, that this intervention will take in the main an impersonal form through such government policy measures as general control of credit, budgetary policy, and the like. We have, of course, witnessed some big changes in this direction since the New Deal. It is significant that fewer and fewer people today question the desirability of having the Federal Government pursue revenue and expenditure policies directed toward encouraging high employment. Moreover, popular support for government intervention directed toward full employment and expansion will, of course, come from a desire on the part of the American people to raise their living standards and have an economic system which can compile an attractive record in competition with the Soviet. Along with the pressures toward greater Federal intervention to insure full employment, we undoubtedly will see more and more direct intervention by the government to promote the social welfare. I won't try to expand on this—you know this situation better than I.

In spite of increased government intervention, I believe that the mainspring of our economic progress will be in the future, as it has been in the past, free initiative and private enterprise. This is deep-seated in the American character. Up to this point we have had the ingenuity in this country to increase government intervention in our economy in an evolutionary way without destroying the spark of free initiative and enterprise. There are great dangers in such a course, however, particularly in the increase of direct government intervention. As we have learned so well from the experience of other countries, if we lose our economic liberty, the loss of political freedom and dignity of the individual cannot be far behind.

Current Status of Legislation Covering Stock Gifts to Minors

By KEITH FUNSTON*

President, New York Stock Exchange

Exchange head reports on present status of suggested model statute to simplify gift of stocks to minors as part of program to broaden stock ownership. Says law is now on books of eight States and calls attention to Treasury Department ruling qualifying stock gifts for tax purposes. Emphasizes importance of educating today's youth on value of business ownership in light of economy's future staggering capital needs.

Two weeks ago we had as our guests at the Stock Exchange four teen-agers from Texas—two boys and two girls. They were officers of the prize winning company in the Exchange's nationwide contest to pick the best annual report issued by a Junior Achievement Company. If you have a son or daughter in high school you may know of the Junior Achievement program and how it operates. It's a national organization which enables teen-agers, with the help of local businessmen, to run their own small-scale businesses. These miniature companies are organized every fall and liquidated in the spring toward the end of the School year. More than 2,000 Junior Achievement Companies from all over the country participated in this year's contest. The winning company manufactured and sold 300 portable charcoal grilles at $9.95 each. They made a handsome profit. The boys and girls divided $593 among themselves and paid their stockholders a 20% cash dividend in addition to the return of their original investment.

G. Keith Funston

In personal and practical terms, Junior Achievement proves a point too many people overlook. These young Texans may be teenagers and high-school students, but they are citizens and business people too. The free enterprise system has no minimum age requirements.

The presentation of this prize each year is always one of my most pleasant duties as President of the Exchange. These youngsters are learning about our free enterprise system by becoming a part of it. In a very real sense, they are learning by experience. They understand what it means to be a stockholder in a company, they recognize the problems of meeting a payroll and other expenses and they appreciate the importance of the profit system.

I cannot imagine a better way to introduce our children to the business world than Junior Achievement presents. You can, therefore, appreciate my astonishment when I first realized several years ago that these children could not continue their direct participation in our capitalistic system because of antiquated state laws which surround gifts of stock to children. This situation was brought home to me when I suggested at that time that we make the first prize in the Junior Achievement contest a share of stock in a company listed on the Exchange. It was my thought then—and it still is—that a direct ownership share in a listed company would be an ideal gift for these youngsters whose interest in our free enterprise system had been demonstrated so clearly. As a layman I thought that this was a pretty good idea.

But the reactions of our lawyers to my proposal ranged from polite rejection to outright shock at the innocence of my suggestion. Didn't I know the problems of giving stock to minors, they asked? Was I aware that a legal guardian would have to be appointed to sell the stock should that ever seem wise and that the proceeds of sale could not be reinvested in stock? Or, they inquired, was I planning to set up a trust for each child? If so, who would be the trustee? I couldn't argue with the law, of course, but I couldn't help but wonder why in the greatest capitalistic nation in the world we had made it so difficult to make a simple gift of stock to a child.

Now I am sure that most of you here today, lawyers and bankers experienced in the trust field, would agree with the advice that our lawyers gave me, that a small gift of securities to children under existing state law created more problems than the gift was worth. I hope you will also agree with the solution we have devised.

Model Statute

We have proposed a model state statute to simplify stock gifts to children. Under this proposal the simple act of registering securities in the form prescribed by the statute would create a fiduciary relationship between an adult and a child.

This statute permits a parent or other adult to make a gift of securities to a child with the power of management reserved to the giver or to a close relative of the child whom the giver designates. Whoever holds this reserved power of management is called a custodian of the child's securities.

With this kind of legislation all a parent or other adult must do to make a gift of securities to a child is to register the securities in a certain way—"John Jones, as Custodian for Mary Jones, a Minor."

The stock then belongs to Mary Jones completely and irrevocably and the rights, powers and duties of her father, John, as her custodian are spelled out clearly by the statute.

The custodian has broad powers to manage the property in his care during the child's minority and also to expend either income or principal for the child's benefit.

Any securities can be given to a child under this statute. While the custodian can sell securities for the child he is limited in any purchases to securities which would be acquired by a prudent man seeking a reasonable income and preservation of capital.

The limits of the liability of third parties—brokers, transfer agents and others—in their dealings with the adult custodian are carefully defined in the statute.

In short, this legislation would provide a simple and practical way for a parent to make a gift of stock to his child without the present legal entanglements.

Approved by Eight States

I publicly announced this draft statute just a little over a year ago and it was greeted with enthusiasm all across the country. Individual legislators who had tried to give stock to their own children wrote me asking permission to introduce the statute in their own legislatures. In rapid sequence the bill was enacted into law in eight states from coast to coast—Connecticut and New Jersey in the East, California and Colorado in the West, Wisconsin and Ohio in the Mid-West, Georgia and North Carolina in the South. They all joined in an effort to make it as simple for their residents to give securities to their children as it is to give U. S. Savings Bonds or bank accounts.

A good start has been made and this is reassuring since the problem that is involved may have an important influence on the long-range future of our business system. I say that because of the vast changes which have already taken place and the even greater changes to come. The modern American corporation has evolved in only 50 years into what is probably the outstanding economic phenomenon of our times. Since the turn of the century corporate ownership has spread from a relatively small circle of Americans to 9½ million people and this number is increasing every day. By the time today's children are tomorrow's leaders, I believe that our productive resources will be owned by many more millions of Americans. And essential to the strength of such an economic democracy is the education and indoctrination of today's youth in the philosophy and operations of our economic system.

Most Children "Excommunicated"

Yet today children in 40 of our states are denied the greatest single teaching tool that we have—ownership. And largely as a result of that denial of the convenient right of direct ownership of stock, the vast majority of our children are in an economic sense, excommunicated. It is an unfortunate fact that, unless changes are made in our laws, the great majority of our children will reach maturity with no real comprehension of what it takes to make a business tick and what it means to share in the fortunes of a business. Even now too many adults lack that knowledge. Our children will reach maturity at a time when the capital needs of our economy will be so staggering that, if they are not met willingly from the savings of people educated to the significance of stock ownership, they will be met by government investment and government ownership. In a critical sense the economic education of our children today will determine both the form and the substance of our economic system 20 years hence.

This belief in the cumulative educational value of stock ownership was ably expressed earlier this month by M. J. Rathbone, President of Standard Oil of New Jersey and Chairman of the Junior Achievement National Campaign. "Ownership of securities by teen-agers," he said, "is nothing less than a personal introduction to our business system, a home course in economics."

The passage of this legislation in eight states in the first year is gratifying and encouraging. But the job will not be complete until every parent in America who

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*Remarks by Mr. Funston at Luncheon of the Banking Law Section of the New York State Bar Association, New York City, Jan. 26, 1956.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was largely a waiting game this week as the time neared for the big political answer of the year — whether or not the President will run again. There was a lot of deprecating so widespread a notion that the course of the market would depend on extraneous political factors. But at the same time there was little disposition to take a positive stand until the decision is cleared up, making it a somewhat odd market situation.

Split Casualty

The inevitable stock split casualty of the week was duPont which turned in some erratic performances when directors of the company ignored any recapitalization at their dividend meeting. Among the more violent was a one-day swing over a range of nearly 11 points, which would qualify as a full year's range for lower-priced issues. Long Bell Lumber was another that was able to join the wide steppers on occasion. The fact that International Paper has declined to get any more specific than that talks are taking place leaves the issue with a rather wide area to roam.

* * *

Veto of the natural gas bill and the hubbub it raised over campaign contributions from the oil industry failed to generate much evident disappointment among the affected issues and their pattern was largely one of consolidation after recent strength. There was no dearth of champions for specific oil issues since it is one industry assured of comfortable earnings for this year.

* * *

As with most major group, the demand that centered on the oil section has been rather selective and has left a wide disparity between the traditional measurements from one issue to the other. Some have been available at 20 or more times earnings, such as Amerada and Continental, while others in the group are available at less than 10-times earnings as in Pure Oil and Atlantic Refining. Similarly, on a yield basis some have been selling at less than 2%, including Texas Gulf Producing, while yields of 5% or more have been available in Sinclair and Richfield. The latter, particularly, is regarded somewhat widely as a likely candidate for a dividend boost on top of its relatively high standing in the yield column.

Oil Favorites

As far as the specific oil favorites are concerned, one facet that has appealed to many of the market observers is the greater growth in foreign demand than in domestic consumption, with some figuring that the overseas demand could increase 8% this year against a 4% increase in the United States. The international operators appearing on the buy lists for this reason include Socony, Jersey Standard, Calso and Gulf Oil. Generally, the industry's last price squeeze was in 1954 with a good improvement in earnings last year and with this year already off to a good start in heating oil demand because of the colder-than-usual winter.

* * *

Steels, like the oils, were also benefiting earnings-wise from a fast getaway to start the new year, record operations persisting despite the slowdown in orders from the auto makers. How much of it is due to consumers' stockpiling lest the spring wage talks result in a strike isn't known. However, the demand for the metal has easily taken up the slack from lower car production and some of the industry estimates of how long capacity production will run are now reaching into the third quarter.

* * *

Armco Steel, which has the advantage of having grown faster than the industry as a whole, had its followers since in only nine months of last year its net was greater than for any full year in history save for the Korea War-spurred 1950. A large part of the company's operations are run by members of company unions and even in past steel strikes Armco has been able to continue a significant portion of its output, making it an odd strike hedge in the industry. With the benefits of improved facilities starting to show up in the profits column, Armco has been growing steadily in investment stature.

* * *

Pan American World Airways, the largest air transport line in the world, has been growing in popularity because of a background of favorable factors plus the fact that it is well deflated under its 1946 peak when it sold around 10 points higher. The company came close in half of last year to equalling its net profit for all of the year before, despite the fact that earnings of many of its associated enterprises aren't reflected in its own earning reports. International air travel is also picking up and the trend is expected to continue through this year with the growth of lower-fare tourists' rates. It is one of the lower-priced issues with a longer than average unbroken dividend record stretching back 15 years now.

* * *

Food Machinery & Chemical among the specialties has been building up a following largely because of some large figure comparisons, the chief one being a sales level built up some 29 times over what it was just before World War II. Earnings, too, have perked up smartly, making the issue one of the likely candidates for a dividend boost. The company is a leading producer of canning and packing machinery with all the facets of "automation" in the packaging line. Its chemical business, in which line it is a comparative newcomer, has been building up impressively.

Attractive Plane Issue

Curtiss-Wright emerged as some sort of a refuge for seekers of plane issues in the face of Washington questioning of profits on defense work. The company derives about two-fifths of its income from commercial business, unlike the prime airframe companies where the Government, up to now, is by far its chief customer. Apart from engines and propellers, the company has built up a good diversification including new products in the electronics field. The stock has reacted pricewise from its recent high, serving to make it a more attractive purchase on a good yield basis.

Some of the paper issues were in favor and, conversely the companies with large timberlands were eyed greedily by the paper makers, including the International Paper talks with Long Bell Lumber which has sizable timber stands. Robert Gair, which has been adding to its product lines busily both internally and by such acquisitions as that of Southern Advance Bag last year. Sales have nudged all-time records with continued improvement anticipated when the new lines and new capacity come into play. The company is sufficiently attractive to Owens Illinois Glass so that the latter holds half a million, or 17%, of the shares Gair has outstanding.

An Interesting Rail

Railroads continue in the more liberal yield column, but since they are the cyclical industry of the American scene currently, even the odds of their getting their 7% freight rate increase haven't been able to inspire much speculative enthusiasm. Some of the better class, like Illinois Central, occasionally are given market letter analysis. The road has been able to whittle its funded debt appreciably in recent years and eliminate entirely a preferred stock issue. Its dividend payout of around 45% is conservative, hence well covered currently.

[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.]

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Current Status of Legislation Covering Stock Gifts to Minors

wants to give stock to his children can do so as simply as he opens a savings account or purchases Government bonds for a child.

New York Considering Bill

Here in New York the bill passed the General Assembly without a dissenting vote last year, but was held in the Senate Judiciary Committee pending further study. The bill has been reintroduced in the current session of the Legislature by Assemblyman John R. Brook and Senator MacNeil Mitchell. We are hopeful that before long residents of New York may enjoy the benefits of this legislation already enjoyed by our neighbors in Connecticut and New Jersey.

The Committee of State Legislation of the New York State Bar Association approved of the bill last year. We hope that this endorsement will be reaffirmed this year.

New York is not alone in its legislative study. Ten other states will hold legislative sessions to consider general matters in 1956 and we anticipate the introduction of this bill in each of those legislatures. These states are Massachusetts and Virginia, where it has already been introduced, and Rhode Island, Maryland, Michigan, Kentucky, Louisiana, Arizona, Mississippi and South Carolina.

In considering this bill these legislatures will have the advantage of observing its operation in other states for the past year. This period has served to familiarize transfer agents and others with the measure so that it is no longer a novel form of gift. The intervening period has also served to clarify certain tax questions concerning gifts made under the statute.

Treasury's Ruling

A Treasury Department ruling dated Jan. 6 of this year states that a gift made under one of these statutes—in this case Colorado—is a completed gift for Federal gift tax purposes on the date the shares are registered on the books of a corporation and that such a gift qualifies for the annual $3,000 gift tax exclusion.

This ruling should give further impetus to the use of these statutes for modest gifts of stock. In fact, a recent survey of a number of our large listed companies shows that gifts under these statutes are enjoying a rapidly growing popularity. It bears out the fact that most of the gifts are of modest amounts of stock, representing only a few hundred dollars on the average.

I think that the fact that most of these gifts are small is of particular significance to those of you — bankers and lawyers alike — who must today spend many hours, frequently without compensation, explaining to clients the problems involved in making modest gifts of securities to children.

Earl MacNeill, Vice-President of the Irving Trust Company, commenting on the statute in a recent article in the "Trust Bulletin" expressed his belief that it would relieve trust officers of the burden of spending "many costly hours explaining to customers how they cannot casually register securities in the names of their minor children without getting into complications; . . . how the full panoply of legal guardianship can well crush the small intended gift with its burden of complexity and expense; and how a living trust likewise can be cumbersome, costly and restrictive" out of all proportion to the size of the contemplated gift.

Beneficial to Brokers

I would like to second Mr. MacNeill's observation and include brokers among those whose lives will be eased by this legislation. However, I would like to add this comment. We do not believe that this statute provides the complete answer to all gifts of securities to minors. It will prove an excellent vehicle for smaller gifts. But we believe that any giver who wishes to make a substantial gift of securities to a child may well consider the advisability of creating a trust which can provide greater flexibility, including continuance of the property in trust beyond the child's majority, and the disposition of the property to someone other than the child's estate if the child dies before reaching 21.

Many of you, of course, are familiar with this legislation. Many others of you will be asked your opinion of it. I know that each of you will approach your consideration with sympathy and understanding of the problem which it is designed to help solve.

This bill is an important part of the Exchange's program to encourage broader share ownership among our people. While the Stock Exchange is first and foremost a market place for securities it is also at the very heart of our economic system—a system under which the individual, not the Government, owns the tools of production and under which incentive derives from the profit motive, not from the dictates of all-powerful government. If this system is to grow and prosper, we believe it is essential that the ownership of our productive facilities be as widespread as possible. For that reason we are endeavoring in all our advertising and public relations efforts to tell the story of shareownership, what it means for the individual and what it means for the country.

Stock Exchange members and member firms have devised and instituted the Monthly Investment Plan to enable the man of modest means to make regular purchases of stock out of income. We have encouraged our listed companies to adopt stock purchase plans for their employees.

Primary Objective

All of these efforts have been directed at one objective — the broadening of shareownership in America. More than anything else, we believe that this is essential to the continued dynamic growth of our economy.

This legislation facilitating stock gifts to children seems to me to fit perfectly into this program. The fact that these stock gifts will help to educate our children about our business system is only part of its value. In addition it will enable each of us as parents to put aside for our own children a share or two of stock—to give them a direct ownership interest in the future growth of the free enterprise system in which we live.

UNION CARBIDE

AND CARBON CORPORATION

UCC

*1955 Annual Report Summary**

CONDENSED INCOME STATEMENT

	1955	*1954*
Sales	$1,187,153,197	$923,693,379
Total Income	1,207,883,693	946,174,299
Cost of Goods Sold, Selling, General, and Administrative Expenses	804,255,363	668,418,442
Depreciation and Amortization	106,307,911	93,712,849
Interest on Promissory Notes	14,737,500	11,913,750
Net Income Before Federal Income Taxes and Renegotiation	282,582,919	172,129,258
Provision for Federal Income Taxes and Renegotiation	141,827,061	82,349,987
Net Income	140,755,858	89,779,271
Net Income per Share	4.83	3.10
Dividends Paid	87,206,032	72,381,985

CONDENSED BALANCE SHEET

Assets

	1955	1954
Total Current Assets	$677,219,203	$553,594,053
Fixed Assets After Accumulated Depreciation and Amortization	670,435,893	675,518,610
Investments in Affiliates and Foreign Subsidiaries	17,508,524	15,862,794
Deferred Charges	6,824,192	6,660,502
Patents, Trade-Marks, and Goodwill	1	1
	$1,371,987,813	$1,251,635,960

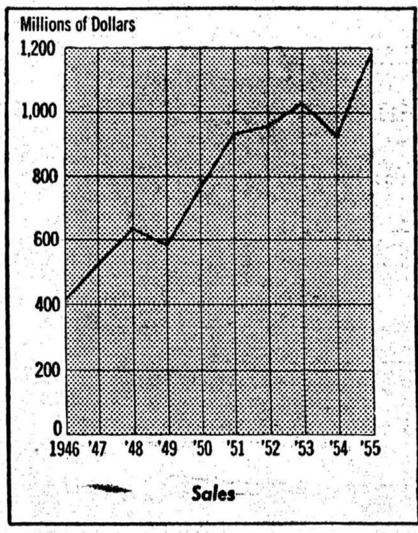
Liabilities

	1955	1954
Total Current Liabilities	$229,098,541	$156,946,120
2.70% Promissory Notes	110,000,000	120,000,000
3.75% Promissory Notes	300,000,000	300,000,000
Capital Stock—		
28,499,319 shares (28,388,894 shares in 1954)	217,149,684	212,662,021
627,300 shares (563,900 shares in 1954) held by the Corporation as collateral under the Stock Purchase Plan for Employees	36,409,539	23,775,439
29,126,619 shares (28,952,794 shares in 1954)	253,559,223	236,437,460
Less present amount of Agreements	35,891,641	23,419,484
	217,667,582	213,017,976
Earned Surplus	515,221,690	461,671,864
	$1,371,987,813	$1,251,635,960

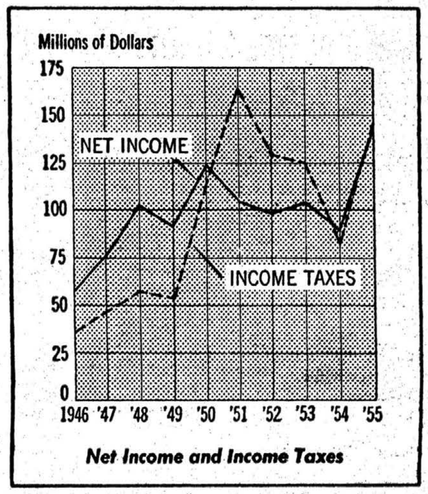
*Copies of the complete 1955 Annual Report of Union Carbide and Carbon Corporation will be furnished on request. Also available is an illustrated booklet that describes the products and processes of Union Carbide and tells how the Corporation's research helps satisfy basic human needs. If you wish copies of these booklets, please write to the Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

UCC's Trade-marked Products include

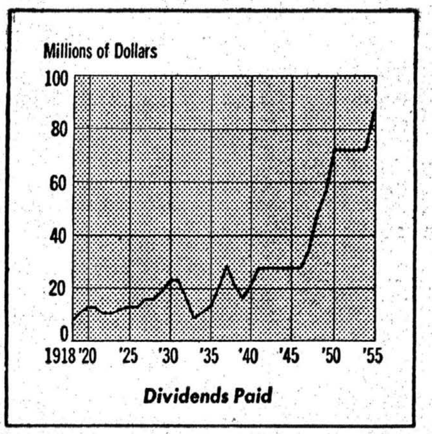
EVEREADY Flashlights and Batteries • Dynel Textile Fibers • SYNTHETIC ORGANIC CHEMICALS • PREST-O-LITE Acetylene
PRESTONE Anti-Freeze • ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • UNION Carbide • LINDE Oxygen
UNION CARBIDE Silicones • BAKELITE, VINYLITE, and KRENE Plastics • NATIONAL Carbons • ACHESON Electrodes • PYROFAX Gas



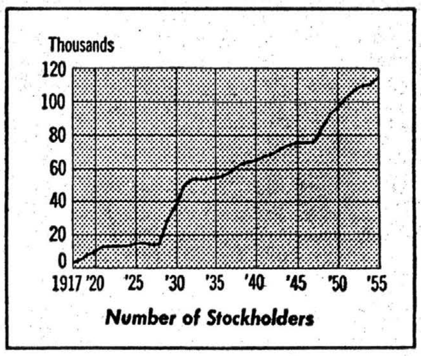
Sales



Net Income and Income Taxes



Dividends Paid



Number of Stockholders

On Where to Live and Invest and Retention of Company Reports

By ROGER W. BABSON

In assuming war is inevitable some time, Mr. Babson is bullish about the merits of small cities and towns as a place to live and to invest. The Massachusetts investment counselor suggests old company reports for stock owned be retained in order to determine whether the company is reducing or increasing its debt.

During these cold winter months, I get many letters asking where to locate to get an easy living. Frankly, I do not know of any such locations.

Roger W. Babson

Every one of our 48 states and three territories has its advantages and disadvantages. The South is very attractive during the winter season; but its summers do not encourage ambition and progress. The Pacific Coast has a wonderful climate; but is becoming overpopulated by job seekers. New England leads in educational facilities; but it is handicapped by high-cost power and by its distance from both raw materials and markets.

The Central West appears to be the surest place to make a living; but it holds few speculative opportunities,—not so many as does the Southwest, such as Texas. Two hardy young people with self-control could probably save money easiest in Alaska; while Washington, D. C. would be the most difficult place to lay up savings. Unfortunately, the saying "Easy come —easy go" applies to every part of our great country.

What About Big Cities?

I advise young people not to settle in our biggest cities. This advice applies especially to large seaboard cities such as Boston, New York Philadelphia, Baltimore, Los Angeles, and even San Francisco. Because of the automobile and the trek to the suburbs, these cities are going through changes which are difficult to forecast. Frankly, I believe young people make a mistake in settling therein.

The above advice is wholly apart from the possibility of the big cities being bombed in case of World War III. Although such a war is not now in sight, the best authorities seem to agree it is inevitable sometime. It, therefore, might be unwise now to buy property in one of these big seaboard cities or even in the immediate suburbs. In fact, as this belief becomes more general, just the fear of war could depress the prices of such property, even though this fear might also force higher wages. But, what would higher wages amount to if you should be bombed?

Invest your money in other cities than those mentioned above. In short, I would not invest in the electric or gas companies of any of these big seacoast cities. It may be possible to protect certain of our interior big cities from bombs dropped by airplanes. The billions which we are spending on radar should be very helpful in this respect. No radar, however, has been invented that will detect an enemy submarine suddenly rising to the surface on a dark night 200 miles from New York City and prevent it from throwing an atomic missile into the heart of New York City.

Very few companies are now building new factories in these large seaport cities; instead, many of them are building new factories in interior cities. The most desired locations are in centers with a population of less than 75,000, and even in cities and towns of 10,000 or less. All the above makes me bullish on the small cities and towns of our country. They will get new industries and larger populations, and will enjoy lower living costs. They have all the advantages of the big city, with none of the disadvantages.

Study Annual Reports

Every company with securities listed on any stock exchange sends an attractive report each year to every stockholder—even the owner of only one share. This report shows where the company's plants or factories are located. If all or most of them are in any large city, this is rather risky, from the standpoint of war risk or labor costs, or from other points of view. I don't like to have "all my eggs in one basket."

In addition to reading the President's report, note the balance sheet and compare it with that of previous years. This means you should keep old reports as long as you hold the stock. Only in this way can you learn whether the company is reducing its debt or increasing it. I especially refer to bank loans and short-term note issues held by institutions. Long-term bond issues do not bother me, as the owners are scattered all over the country.

How Long Will the Building Boom Last?

F. W. Dodge Corp. Economist attributes expected 1956 mild housing decline to financial shortage and sees non-housing construction keeping the year's total building trend upward. Discerns continued housing prosperity for the next 10 years and not speculative excess as construction attempts to catch up with economy's growth.

A minimum of 12 to 13 million housing starts involving at least $600 billion in construction costs for new and old homes during the next decade is seen by Dr. George Cline Smith, Vice-President and Economist of the F. W. Dodge Corporation, New York City. In addressing the Regional Savings and Loan Conference of the American Bankers Association, Kansas City, Mo., Jan. 31, Dr. Smith pointed out:

Dr. George C. Smith

"There isn't any current building 'boom,' at least not in the sense that the word 'boom' commonly implies a speculative excess followed by a bust. There's no denying that construction, like most other industries, is highly prosperous—but prosperity should not be confused with a boom. Actually, the expension of construction in recent years has been quite modest, in relation to the growth of the economy. Total outlays in 1955 equaled less than 11% of the total national output, a ratio that is entirely consistent with the customary relationship in periods of normal peacetime growth and considerably lower than the 13% figure that characterized the peak years of the last real building boom in the '20s.

"We often forget the fact that the construction industry went through a period of 16 lean years from 1930 through 1945. The depression hit the industry harder than many others; and during the war which followed, nondefense building came to a virtual standstill. The underbuilding of that prolonged period left us with backlogs from which we are still trying to recover; and these backlogs are compounded by the rapid growth of the nation, both in population and in standards of living.

"In many types of construction we are still underbuilding. This is particularly true of highways and schools, but can be found in other categories as well. Our automobile population has doubled in 10 years, but the traffic-carrying capacity of our highways certainly hasn't increased correspondingly. There are enough children already born to insure that every grade of school will have more children each year through 1960, and the higher grades will go on increasing long after that.

"While all indications point to a mild decline in homebuilding activity in 1956, expansion in other sectors of construction will more than offset this drop. Particularly strong elements will be public works and other heavy engineering, and industrial building: Recently announced plans of manufacturers to expand their plant and equipment spending indicate a recognition that the national economy has grown to a point where higher basic levels of production—higher capacities — are necessary. In a sense, this is a tacit recognition of the fact that even industrially, we have been underbuilding.

"This year's housing decline does not represent a falling off of basic demand, but rather a temporary shortage of financing. Actually, it is possible to argue that even in housing, we have been underbuilding. Most units being built go to satisfy the needs of population growth; relatively few are for replacement of obsolete or destroyed housing. At the present rate of replacement, it would take in the neighborhood of 150 years to replace our existing housing stock; and it is very doubtful that the average American family of the future will be content to live in a house a century and a half old.

"Housing starts will probably be around 1,200,000 this year, but should turn upward in following years. I would expect an absolute minimum of 12- to 13-million starts in the next 10 years, and probably a lot more than that if the remainder of the economy stays healthy. During this decade, at least $600 billion will be poured into construction, both new building and maintenance and repair. This figure seems huge, but actually it assumes only a modest expansion of the industry directly in line with the expected growth of the economy.

"Where is the money coming from for this volume of building? That should be no problem. The estimate assumes that construction won't grow any faster than the rest of the economy; and the expected increase in national income and the normal growth of savings and investment should provide ample funds for building, subject, of course, to temporary stresses and strains which will probably always occur."

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market still appears to be at the crossroads waiting for direction signals. It is not expected, however, that too much will develop until some of the conditioning factors overhanging the money market have been cleared away. The most important of these are whether President Eisenhower will or will not run again, whether the business pattern will continue to show less vigor, and to a more limited extent the impending refunding operation of the Treasury. It is evident that most of these imponderables will be resolved in the near future.

In the interim, while the money market is waiting for things to happen, the buying continues to be sizeable in the near-term obligations. The middle maturities of Governments are not getting as much attention as in the immediate past and this is being attributed to the coming refunding of the Treasury. The longest maturities, according to reports, are still being well bought by the usual institutional investors.

Business Trend Key to Monetary Policy

The inflationary pressure which has been one of the most important forces operating in a tightening way in the money market, appears to have subsided and an early resumption of this pressure is not expected. According to reports, this is the kind of thinking which is now being found in what is termed "official sources" and while there has been no alterations yet in the policies of the powers that be, it will not take a great deal more of a change in the forces that operate in the economic picture to have a somewhat different official position develop towards the money market.

The business pattern is being watched very closely by money market specialists because it is evident that the key which will unlock future developments in the Government market will be found in what takes place in the various forces that make up the business situation. Already there are signs of a let-down in the automobile industry, which could have an important effect upon the economy of the country, especially if it were to be accelerated and to be of long duration. The building business is another force in the economic pattern which is not considered to be as vigorous now as it has been, and it would not be too surprising if the number of home starts in 1956 were somewhat under those of last year. The fact that changes have been made in the terms of FHA and VA loans is evidence that conditions in the building business are not quite as inflationary as was the case not too long ago.

Inventory Picture Vulnerable

The inventory picture is likewise a point of a modest amount of concern, because it is indicated that build-ups in certain industries have reached levels which are not considered to be too healthy. The liquidation of inventories that are not movable at prices which would be profitable does not usually have a favorable effect upon the economy. Consumers' credit is still a bone of contention among many economists. However, the opinions now evidently are favoring a decline in the total volume of these loans. Some lessening in the demand for loans by individuals would not be an adverse factor, because it seems as though these borrowings have been high in many instances. Nonetheless, a downward trend in consumers' loans that would be steep and protracted would not be too good for the economy as a whole.

Demand for Loans in Downtrend

Because there are elements of concern in the economic picture, there has not been the same demand for funds as was the case in the not distant past. Therefore, some of this money is being put to work in selected issues of Governments, with the trend still in the direction of lengthening maturities. This is being done in spite of the fact that the policies of the monetary authorities up to this time have not shown any changes. On the other hand, the new attitude which has developed in the money market might be a forerunner of what will happen as far as future monetary policy is concerned. The changes which were recently made by Government agencies in the mortgage field might also be foretelling what the powers that be will be doing in the future.

Current Market Movements

Institutional demand for the 2½% Government bonds, according to advices, is being stepped up, with some of this money coming from the sale of the 3s, the 3¼s and short-term obligations. The out-of-town commercial banks, particularly those with sizeable savings deposits, are reportedly among the important buyers of the more distant Treasuries.

The rise in the British bank rate to 5½% is looked upon as purely an English financial development and is not expected to have any effect upon interest rates in this country.

Goodbody Adds

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Newton R. Black, George W. Newhart, Paul S. Liker and Louis A. Hornstein have joined the staff of Goodbody & Co., 205 North Main Street. Mr. Black, Mr. Liker and Mr. Hornstein were previously with A. M. Kidder & Co.

Rudd, Kristeller Opens Branch in New York

Rudd, Kristeller & Co. have opened a branch office at 11 Wall Street, New York City under the direction of Adrian R. Kristeller.

With Pacific Northwest

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Thomas M. Murphy has become associated with Pacific Northwest Company, Wilcox Building. Mr. Murphy was formerly with Zilka, Smither & Co., Inc. and prior thereto for many years with Conrad, Bruce & Co.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Philip C. Buhle, Jr. has become associated with Bache & Co., 135 South La Salle Street. Mr. Buhle was previously with Goldman, Sachs & Co.

Britain's Measures to Slow Down Inflation

By PAUL EINZIG

Eminent British Economist finds Government's bitter anti-inflation medicine still of insufficient dosage. Steps taken include: (1) increasing the Bank Rate from 4½% to 5½%; (2) curtailing investments by local authorities and private sectors of the economy; (3) reduction of Government expenditures by £100 million; and (4) continuation of the cooperating bank credit squeeze program. Chancellor Macmillan's future measures believed to be: Bank Rate rise to as high as 7½%, and making savings more attractive.

LONDON, Eng.—On Feb. 16 the Bank of England announced the increase of its Bank Rate from 4½ to 5½%. The announcement did not come altogether unexpected. For some weeks an increase of the Bank Rate was vaguely expected every Thursday, owing to the growing feeling that the measures taken by the Government to fight inflation were not sufficient. It took Mr. Macmillan, Chancellor of the Exchequer, some seven weeks to familiarize himself with his new post, and to obtain the Cabinet's approval of his proposed disinflationary measures. Foremost among them was the increase of the Bank Rate.

Paul Einzig

The bankers were becoming more and more critical of the Treasury's attitude in the matter of the credit squeeze. They did not like to incur unpopularity among their customers by taking the initiative for cutting their credit facilities. The increase of the Bank Rate has now relieved them of this task. There are bound to be a number of borrowers who will now prefer to repay their loans rather than pay higher interest rates, and many would-be borrowers will prefer to abstain from asking for loans.

Will the 5½% Bank Rate provide sufficient deterrent to business expenditures? Possibly in the building trade there will be less activity both by private builders and by local authorities engaged in housing schemes. A number of marginal cases are likely to be affected in many branches of business. But so long as the rise in prices is expected to continue, even the present interest rates fail to deter most borrowers. In order that dear money should produce its effect, it would be necessary to convince the public that the rise in prices has now come to a halt. In view of the large wages demands which are being pressed forward, most people are inclined to doubt whether the rise in prices could in fact be halted, except at the cost of much more drastic measures.

The measures announced by Mr. Macmillian after the increase of the Bank Rate do not appear to go far enough to bring about a turn of the trend. The sum total of the cuts in capital expenditure and current expenditure by the Government is about £100 million this year, which is about equal to the increase of the Budgetary Estimates for 1953-57 over the Estimates for 1955-56. On the other hand, the Chancellor expects the local authorities to cut their capital expenditure by a considerable amount, and the private sector of the economy, too, is expected to curtail its planned capital investment. To achieve that end, Mr. Macmillan repealed a concession made by his predecessor less than two years ago when, in order to encourage capital investment, an "Investment Allowance" was granted for the purposes of taxation. Moreover, the Capital Issues Committee was instructed to scrutinize more closely applications for authorization of public issues and of credit exceeding £50,000. And the banks were called upon not to relent their credit squeeze. Possibly these steps, together with the Bank Rate, will cause some reduction of business spending. But it is far from certain whether it will be sufficient.

In any event, Mr Macmillan has already proved that he is made of a tougher fibre than his predecessor. It is understood that he wished to go much further, but that the Cabinet has vetoed some of his proposals. In the absence of the desired degree of improvement in the near future, he is likely to be able to persuade the Cabinet to allow him to proceed. The Budget statement on April 10 will provide him with an opportunity for introducing another batch of measures. It is understood that he will then announce, among others, some new measures aimed at making saving more attractive. Such measures were foreshadowed by Sir Anthony Eden in January, and even if no information is available about their nature, it is assumed that Mr. Macmillan has something original and unconventional in mind.

Meanwhile a further increase in the Bank Rate is distinctly a possibility. Before the announcement of the increase on Feb. 16, it was widely believed that the Chancellor would resort to shock-tactics by raising it to at least 6%, and possibly even higher. There is a feeling that he is quite prepared to go up to 7½%, and the anticipation of a further increase provides a powerful deterrent to borrowers.

Allowing for all this, the impression remains that he has not gone far enough. There is no comparison between the sum total of the measures taken by him and by Mr. Butler, his predecessor, and the breath-taking Draconian measures adopted in 1931 when sterling was in danger, or in 1940-41 when Britain itself was in danger. But then, those were occasions of acute crises, and the public almost enjoyed submitting to brutally harsh measures. Today the position is different. For years Britain has been struggling with a chronic inflation, but in spite of the losses of gold during 1955, and the unexpectedly bad trade balance figures in January 1956, the public is not sufficiently frightened to face a major shock. So the bitter medicine has to be administered in relatively small doses.

There is a feeling that, if only Mr. Macmillan were allowed free hand, he would solve the problem. The second instalment of his measures is awaited with much interest, especially as there are indications that the influence of his opponents within the Cabinet is weakening. Meanwhile the effects of his present measures should be sufficient to hold sterling and slow down inflation, even if they could not bring it to a halt.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Alexander Conovich and Ralph J. Pempel have been appointed Vice-Presidents of **The Chase Manhattan Bank, of New York,** J. Stewart Baker, President, announced on Feb. 21. Both men began their banking careers over 30 years ago with the **Equitable Trust Company** which was merged with the Chase in 1930. Mr. Conovich is in the public utilities department, Mr. Pempel in the trust department. At the same time five officers received promotions as Assistant Vice-Presidents viz. Cornelius D. Howland in the bank's mid-western district and Jack A. Peyman in the branch administration department; Harold M. Lindstedt, LeVan H. Loveland and Herbert S. Pettit at branches in New York City. Seven new officers were appointed: Carl M. Hess, Assistant Vice-President, petroleum department; Wheeler T. Dell, personal trust officer; Robert L. Barker, Thomas B. Hallock, Daniel S. Johnson and John R. McIntyre, investment officers; and John G. Winger, petroleum economist.

* * *

Frederick J. Freese, Vice-President of **The Chase Manhattan Bank, of New York,** has been elected a trustee of the **Bronx Savings Bank of New York.** Mr. Freese has been in banking since 1916 when he joined the then **Bank of the Manhattan Company.** He is a director of several business and civic organizations.

* * *

Jerry Finkelstein, President of Tex McCrary, Inc. and former Chairman of the New York City Planning Commission, has been elected a member of the board of directors of the **Commercial State Bank and Trust Company of New York,** it was announced on Feb. 16 by D. Mallory Stephens, Board Chairman, and Jacob Leichtman, President.

* * *

The capital of the **First National Bank of Glen Head, Long Island, N. Y.,** has been increased as of Jan. 18 from $234,600 to $238,000 by a stock dividend of $3,400.

* * *

In addition to the merger agreement entered into by the directors of the **Hempstead Bank of Hempstead, N. Y.** and the **Wheatley Hills National Bank of Westbury, N. Y.,** noted in our Feb. 16 issue, page 854, the Board of Governors of the Federal Reserve System in its Feb. 4 weekly announcement noted the merger on Feb. 1 of the **Hempstead Bank of Hempstead, N. Y.,** under its charter and title with the **Oyster Bay Trust Company of Oyster Bay, N. Y.,** both State members. The announcement adds that a branch was established in the former location of the latter bank.

On the same date (Feb. 1), the New York State Banking Department reported that approval had been given to Certificate providing that **Hempstead Bank** is to exercise the powers conferred by Section 100 of the Banking Law of the State of New York, thereby converting the bank to a trust company in accordance with the provisions of Section 94 of the Banking Law; also providing for an increase of capital stock from $1,000,000 consisting of 100,000 shares of the par value of $10 each to $1,200,000 consisting of 120,000 shares of the same par value.

* * *

Blair & Co. Inc. and associates announce that the offering of 119,600 shares of additional capital stock of **The Franklin National Bank of Franklin Square, N. Y.,** made to stockholders of record Jan. 24, to employees of the bank and to the Employee's Profit Sharing and Benefit Plan have all been subscribed for under the warrants which expired Feb. 10. Of the total, 117,165 shares were subscribed for by the stockholders and 2,435 shares by the employees and the Employee's Profit Sharing and Benefit Plan of the bank. Reference to the plans to increase the capital appeared in our issue of Feb. 2, page 639.

* * *

The capital of the **First Westchester National Bank of New Rochelle, N. Y.,** was recently (Jan. 17) augmented by a stock dividend of $70,625, thus bringing the capital up to $1,483,125 from $1,412,500.

* * *

A stock dividend of $200,000 has served to increase the capital of the **Citizens and Manufacturers National Bank of Waterbury, Conn.,** as of Jan. 18, from $600,000 to $800,000.

* * *

At the Annual Organization Meeting of the Board of Directors of the **County Bank & Trust Company of Paterson, N. J.,** held in January, C. Kenneth Fuller, President, was elected Chairman of the Board and Cowles Andrus, Executive Vice-President, was elected President of the bank. Other board members, officers and administrative assistants were reelected. Mr. Fuller, who will continue as the bank's chief Executive Officer, has served as President of the bank for the past 12 years. Mr. Cowles Andrus, formerly President of the **Peoples Bank and Trust Company of Passaic,** was elected Executive Vice-President of the County Bank and Trust Company in 1951 after more than 20 years of general banking experience in the Passaic County area. The proposed merger of the **Citizens Trust Company of Paterson** with the **County Bank & Trust Co.** was noted in our Feb. 16 issue, page 854.

* * *

Reginald C. Short, of Pittsburgh, Pa., has been elected Vice-President and Trust Officer of **The Bank of Virginia, at Richmond, Va.,** according to an announcement on Feb. 13 by Thomas C. Boushall, President of the bank. Mr. Short will assume his new duties on March 5 with the bank's main Trust Department offices in Richmond, Mr. Boushall said. A native of New York City, the new bank officer began his banking career in 1925 and was associated with the trust departments of a number of banks through the years. Returning to banking, following active duty with the Navy from 1942-1946, Mr. Short later joined the **Fidelity Trust Company** as Associate Trust Officer. He advanced to Trust Officer and then to Vice-President.

* * *

The Bank of Commerce and Trusts, of Richmond, Va. and the **State-Planters Bank and Trust Company,** also of **Richmond, Va.,** both State members of the Federal Reserve System have merged as of Jan. 3 under the new title of the **State-Planters Bank of Commerce and Trusts,** according to an announcement by the Board of Governors of the Federal Reserve System, which states that the former head office and branch of **Bank of Commerce and Trusts** will be operated as branches by the continuing bank.

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Increased from $2,500,000, the capital of the **City National Bank & Trust Company of Columbus, Ohio,** became $3,000,000 as of Jan. 16, by reason of a stock dividend of $500,000.

* * *

A capital of $625,000 was reported by the **Commercial National Bank in Muskogee, Okla.,** as of Dec. 13, the amount having been increased from $500,000 by a stock dividend of $125,000.

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The merger of the **Citizens Bank of Mobile, Ala.,** with common stock of $260,000 into the **First National Bank of Mobile,** with common stock of $1,500,000, was effected as of Jan. 31 under the charter and title of the **First National Bank.** At the effective date of the merger the enlarged bank had capital stock of $1,500,000, in 60,000 shares of common stock, par $25 each, surplus of $4,500,000 and undivided profits and reserves of not less than $1,232,107.

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The First National Bank and Trust Company of Oklahoma City, Okla., now (as of Jan. 16) has a capital of $10,000,000, raised to that amount from $7,500,000 by a stock dividend of $2,500,000.

* * *

The Comptroller of the Currency at Washington reports on Jan. 16 the voluntary liquidation of the **Commercial National Bank,** of **Knoxville, Tenn.,** with common capital stock of $500,000, effective Jan. 5. The liquidating bank was absorbed by **The Hamilton National Bank of Knoxville.**

* * *

Merriell Autrey has been elected Assistant Cashier of **The Citizens and Southern National Bank, Atlanta, Ga.** Announcement of his election followed a meeting of the bank's Atlanta Advisory Board on Feb. 17. Mr. Autrey has been with the C&S since 1951.

* * *

An addition of $400,000 has been made to the capital of the **Florida National Bank of Pensacola, Fla.,** whereby the capital now (Jan. 17) stands at $800,000 against $400,000 previously. A $400,000 stock dividend was the means of enlarging the capital.

* * *

The First National Bank of Montgomery, Ala. increased its capital from $1,500,000 to $1,750,000, as of Jan. 17. The increase resulted from a $250,000 stock dividend.

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R. J. MacBean and T. J. Moroney, both Vice-Presidents and Trust Officers of the **Republic National Bank of Dallas, Texas,** were elected Vice-Presidents and Senior Trust Officers of the bank on Feb. 14 it was announced by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President of Republic. Their election occurred at the regular meeting of Republic's Board of Directors, held on the 36th anniversary of the founding of the bank. Both Mr. MacBean and Mr. Moroney are veteran members of Republic's official staff, and have long held top positions in its Trust Department. Mr. MacBean joined the staff of the **Republic Trust and Savings Bank,** an affiliate later consolidated with Republic, in January of 1924. He began as Assistant Secretary, later becoming Secretary. In 1928, he was elected an Assistant Vice-President, becoming a Vice-President in 1931, and Vice-President and Trust Officer Jan. 1, 1946.

Mr. Moroney became affiliated with Republic in 1929 as an Assistant Cashier. He became an Assistant Vice-President in 1938, Vice-President in 1940, and was elected Vice-President and Trust Officer in 1946.

* * *

Twenty-four men and one woman were elected to the board of directors of **Crocker-Anglo National Bank of San Francisco** at a special organization meeting held on Feb. 13 the first day of business under the new bank name, it was announced by W. W. Crocker, Chairman of the Board, and Paul E. Hoover, President and Chief Executive Officer. At the same meeting, members of an advisory committee of 16 men to the board were named, officers were appointed and the first dividend on the bank's new stock was declared. In these columns Feb. 16, page 854, it was noted that the **Crocker-Anglo National Bank** opened for business on Feb. 13, and that it represented the consolidation of the **Crocker First National Bank** and the **Anglo California National Bank,** both of **San Francisco.** As indicated in our Feb. 13 issue the principal officers of the Crocker-Anglo Bank are W. W. Crocker, Chairman of the Board; Paul E. Hoover, President and Chief Executive Officer; J. F. Sullivan, Jr., Chairman of the Executive Committee; Paul B. Kelly, First Vice-President, and William Pflueger, Executive Vice-President. All other officers of the former Anglo and Crocker banks it is announced were elected officers of the Crocker-Anglo National Bank. William A. Henderson, previously Cashier of the Anglo Bank, has been named Vice-President and Cashier of the consolidated institution and J. J. Cambridge, Jr., who was Auditor of the former Anglo Bank, has been made General Auditor. The first dividend of the consolidated bank on its 3,867,000 outstanding shares of capital stock, amounting to 30 cents per share, was declared, in adjustment of dividends declared by the predecessor banks before the consolidation. It will be payable on April 1 to shareholders of record March 10.

* * *

John F. Boland, Sr., late Director and Senior Vice-President of the **National Bank of Westchester, of White Plains, N. Y.,** died on Feb. 18 in Lawrence Hospital, Bronxville. He was 68 years of age. Mr. Boland was President of the **First National Bank and Trust Company of Tuckahoe** from 1931 until 1954 when it was consolidated with the **Westchester Bank and Trust Company** of **New Rochelle,** under the former bank's National Charter as **National Bank of Westchester.** He had been with the bank since 1914. Mr. Boland was also a former Vice-President of the Westchester Clearing House Association.

* * *

California Bank of Los Angeles, Cal., will open a branch office in Fullerton, Cal., in April, Frank L. King, President, announced. The bank will occupy temporary quarters in the California Hotel building until completion of permanent quarters at Spadra Road and Whiting Avenue. Max B. Horn, Assistant Vice-President in charge of the Anaheim Office, will be assigned to the new Fullerton Office in a similar capacity. He will be succeeded at the Anaheim Office by Barney W. Jordan, Manager.

* * *

Edgar B. Jessup, President of Marchant Calculators, Inc., has been elected a member of the board of directors of **First Western Bank and Trust Company,** of **San Francisco,** it was announced on Feb. 14. Mr. Jessup fills a vacancy on the board caused by the inability of Philip F. Landis to continue serving as a director.

Covington Janin Joins H. L. Jamieson Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Covington Janin has joined the staff of H. L. Jamieson Co., Inc., Russ Building. He was formerly sole proprietor of Covington Janin Company and prior thereto was an officer of Putnam Fund Distributors.

Phila. Secs. Assn. Appoints Committees

PHILADELPHIA, Pa.—Francis M. Brooke, Jr., of Brooke & Co., President of The Philadelphia Securities Association, announced appointments to various committees of the Association to serve for the year 1956.

The membership committee is headed by F. Lester Smith of Janney, Dulles & Co., as Chairman, with Edward B. Stokes, Stokes & Company, as Vice-Chairman. Other members of the committee are: Eugene Arnold, Jr., Robinson & Co.; George A. Bailey, Jr., George A. Bailey & Co.; Walter Buckley, Walston & Co.; John P. McCoy, A. J. Sailer & Co.; Warren V. Musser, Philadelphia Securities Corp.; William T. Poole, Schmidt, Poole, Roberts & Parke; Daniel J. Taylor, Woodcock, Hess & Co., Inc.; and William A. Webb, DeHaven & Townsend, Crouter & Bodine.

Albert A. R. Wenzel of Hornblower & Weeks is Chairman of the program committee. Other members: Thomas J. Meaney, T. J. Meaney, Inc., and Richard M. Newnham, Brooke & Co.

The Chairman of the membership committee is Leighton H. McIlvaine of Goldman, Sachs & Company. Harold F. Carter, Hornblower & Weeks; William A. Lacock, E. W. Clark & Co.; and Stuart M. Wyeth of Stone & Webster Securities Corporation, are members.

The directory committee Chairman is C. Budd Heisler, Central-Penn National Bank. Other members are Orrin V. Boop, Schmidt, Poole, Roberts & Parke and Reeves Bunting of Kidder, Peabody & Co.

On the public relations committee are E. Howard York, 3rd, of Doremus-Eshleman Co., Chairman, and G. Elwood Williams of The First Pennsylvania Banking & Trust Company.

Form James H. Drass Inc.

SUNBURY, Pa. — James H. Drass, Inc. has been formed with offices at 30 North Fourth Street to conduct a securities business. Officers are James H. Drass, President; L. E. Drass, Vice-President and Treasurer; and J. G. Drass, Secretary. Mr. Drass was formerly President of J. H. Drass & Co. Inc.

Continued from first page

As We See It

farmers than it would were it not for the ubiquitous politician who is constantly telling the farmer that he is *sui generis* and deserves abundant largesse from the rest of us.

Facts Not Easily Had

One trouble with this situation is the general lack of knowledge of the essential facts of this situation. Slow, persistent trends are buried beneath the mouthings of time servers. A good deal of work is required to unearth them, and a certain statistical background is needed to interpret them. Yet the facts are unmistakable. There is a long-term, rather steady, decline in the number of men devoting themselves to farming in this country, and that includes both proprietors and hired help. It is also a demonstrable fact that the income of the farm operator has declined a good deal less than the calamity howlers citing price relationships would have us believe, and a little analysis reveals the further truth that it is the cost of production rather than gross receipts which is mostly responsible for the farmer's woes.

As Governor Smith used to say, let us look at the record. It was in 1947, 1948, 1951 and 1952 that the farmers were most definitely "in clover," according to the usual criteria, the particular year chosen as the best depending largely whether gross income, net income or realized net income is to be used as the yardstick. In 1948 and 1951 a very substantial part of gross income as compiled by the Department of Agriculture consisted of inventory profits, so-called, and in 1947 a smaller net and realized net income emerged largely by reason of large inventory losses—for the most part bookkeeping entries. The results, whichever figure is used, of these years were heavily influenced by rising prices for all sorts of goods, but, by and large, they may be taken as the boom postwar years for agriculture.

But among how many farm operators were these goodly sums distributed? In 1947, the number was roughly 4,650,000; in 1948, about 4,522,000; in 1951, some 3,956,000 and in 1952, the figure came to approximately 3,882,000. Gross farm income per operator was $6,820 in 1947; $7,880 in 1948; $9,650 in 1951 and $9,660 in 1952. Now these years were also exceptional years in the matter of costs but, all things taken into consideration, the net coming through to the operators was relatively good, better than in virtually any other post war year. Net per operator in 1947 was $3,120; in 1948 it was $3,700; in 1951, the figure was $3,990 and in 1952 it came to $3,680. If we take actually realized income, the figures respectively are: $3,610, $3,450, $3,680 and $3,460.

And Now?

Now turn to the situation in 1954, the latest year for which such detail is available. A very substantial amount of information is available for 1955 and it rather clearly indicates that last year was in no fundamental respect very substantially different from 1954 in these relationships. Well in 1954, gross income came only to $34,165,000,000, an increase of $2,452,000,000 over 1947, but a drop of $1,491,000,000 from 1948, a decline of $4,015,000,000 from 1951, and down $3,325,000,000 from 1952. These are the figures—and others like them—that we hear so much about. But unheralded and unsung the number of farm operators declined 872,000 from 1947 to 1954, 744,000 from 1948 to 1954, 178,000 from 1951 to 1954, and 104,000 from 1952 to 1954. Thus we find that the average farm operator had a gross income of about $9,000 in 1954 as compared with $6,820 in 1947; $7,880 in 1948; $9,650 in 1951; and $9,660 in 1952. His net income in 1954 was about $3,260 against $3,120 in 1947; $3,700 in 1948; $3,990 in 1951 and $3,680 in 1952. If net realized income is taken as the measure of comparative well being, the figures are $3,170 against $3,610, $3,450, $3,680 and $3,460, respectively. Evidently the farm operator is not nearly so bad off as the gross figures so often quoted would suggest.

Let us also take note of the fact that the farm operator has had to pay steadily rising wages to his help. There has been a decline in the total number of men on the payrolls of farm operators, but their numbers have not declined sufficiently to offset rising wages. The fact of the matter is that the wage bill of agriculture was greater in 1954 than in any previous year. Farmers naturally found the cost of operating the machinery substantially greater (since they had much more of it); taxes were higher—as they are with every one else; and being so extensively motorized their depreciation charges mounted.

Now a situation of this sort will be solved, it seems to us, if it is ever solved by the simple (though quite possibly painful) process of weeding out the less efficient producer and permitting him to seek a living elsewhere; a retirement of the less productive land; a better selection of goods to be produced, and a generally improved efficiency in production. This must proceed until such time that the price of what is produced will in response to natural forces meet the lowered cost of producing it and afford the operators sufficient profit to persuade them to keep on producing. So far as we can see, none of the "solutions" now under discussion could be depended on to hasten that day. And that is the disheartening thing about it all.

Securities Salesman's Corner

By JOHN DUTTON

The "In Between" Calls

Many salesmen work like beavers to open an account, then after they have made the first sale or two, their interest is turned to some other prospect and off they go chasing what they think are greener pastures. Someone recently mentioned his experience as a first time customer of an investment firm and critically remarked, "Until they had my first order you would have thought I was the most important person they could know, but afterward I was the forgotten man. Before I became a customer their mail was regularly sent to me. Offers of service, of new issues, of attractive investment opportunities were mailed to me regularly. Their salesman telephoned me when he had information he thought might be of interest to me. I was impressed that here was a firm that wanted my business and would show its appreciation by giving me top service. After I made my first investment through them and they put my name on their books something happened. Although I still hear from the same salesman occasionally and he's a pleasant likable fellow, I have to call him now when I want something in the way of service or information. I guess he's out looking for more profitable customers —or could it be that the investment business is different than others — I always thought that your customer was your best prospect but it doesn't seem so as far as my experience goes with this broker."

Don't Stop After the First Sale

When a customer gives you his first order he is saying to you, "I like you and I believe I will benefit from this transaction, but the rest is up to you — show me." That is the sort of thinking that is going on in his mind. Even if he is a small account, the principle is the same. Each man knows many other people who could also be your clients. Don't overlook the fact that it is what you do and say after you obtain that first order that will either convince him that you are his investment advisor, or will cause him to look somewhere else.

Several months ago a mild sort of man came into my office and told me he had a small amount of funds for investment. He said he wanted to buy some X Y Z common and asked me what I thought of it. I gave him considerable time and was just as pleasant to him as if he had been a large investor instead of an odd-lot buyer. He left and I forgot the incident. Just the other day he reappeared and he had two small checks in his hand which he laid on my desk. He told me he had come back to see me because he believed that I would treat him right.

My first impression had been good. Much to my surprise he also told me that he was sending for a fairly substantial sum that was invested in low yielding, fixed-income securities, and government bonds, and when he received these funds he wanted me to handle the reinvestment for him.

You never know when and where you are going to find business—but the only way you can be certain that you expose yourself to opportunities is to never overlook the possibility that the other fellow is IMPORTANT, not only as a possible client but as a human being.

Call on the telephone after you have made the sale. Follow up and see to it that your new customer knows that YOU ARE THINKING OF HIM. Ask him if there is anything else you can do for him. Offer him quotations, suggestions for further investment, statistical reports, or just find out the state of his health. Show your interest in others by taking notes of things in which they are interested and use the telephone to inquire as to their welfare. The man who takes an interest in his customers will not only do more business with them as time goes on, but he can count on their loyalty as well. Not only will you build small accounts into larger ones by following this procedure, but you can also obtain new clients from friendly, loyal, customers who have done well with you. The investment business is not, and should not be a "one sale" proposition. Start to sell AFTER YOU HAVE MADE SALE NUMBER ONE.

James Mueller Elected Slayton & Co. V.-P.

ST. LOUIS, Mo. — James W. Mueller, veteran St. Louis automobile retailer, has been elected a Vice-President of Slayton & Company, Inc., principal underwriters of Managed Funds, Inc., Hilton H. Slayton, President of both firms, announced.

Mr. Mueller's new duties will be principally administrative, dealing with internal operations and budgetary controls.

Mr. Mueller had been an automobile salesman and dealer since 1932. Before coming to the Slayton organization, he owned and operated the Downtown Oldsmobile Agency in St. Louis.

With First Fla. Inv.

(Special to The Financial Chronicle)

ORLANDO, Fla. — William T. Lane has become affiliated with First Florida Investors, Inc., 21 South Court Street.

W. M. Ellsworth Opens

ELMONT, N. Y. — William M. Ellsworth is engaging in a securities business from offices at 159 Sterling Road.

Jansen to Address Boston Investment Club

BOSTON, Mass. — On Wednesday, Feb. 29, Arthur Jansen, general partner of W. E. Burnet and Company, will address the Boston Investment Club. The dinner meeting will be held at the Boston Yacht Club on Rowe's Wharf at 7 p.m.

Arthur Jansen

Mr. Jansen has been preeminent in the field of railroad economics and security analysis for many years. Graduated from the Columbia University School of Business in 1927, Mr. Jansen has been connected with financial firms almost ever since. His interest in railroad securities began in 1930 when he was head of the statistical department of Schmeltzer, Clifford & Company.

From 1946 to 1953, Mr. Jansen taught Analysis of Railroad Securities at the Graduate School of Business Administration of New York University. He also has been teaching Corporate Finance at Columbia University since 1948.

Since 1937, Mr. Jansen has been closely identified with "Barron's" and, in the intervening years, has written several hundred articles about railroads and their securities.

From 1948 to 1950, he was head of the railroad section of the New York Society of Security Analysts and has continued to take an active part in the group. Since 1947, he has been a trustee of the Irving Savings Bank in New York City.

Education Committee Of N. Y. Inv. Assn. Speakers Programs

During the past two months members of the Education Committee, Speakers Group of the Investment Association of New York have appeared before six organizations where there was a total attendance of about 380 persons. The Investment Association of New York is made up of young men in the field of investment banking and brokerage. Leon J. Weil, Steiner, Rouse & Co., spoke before the Omailia Business Club at Fordham. Arthur Rock, Shields & Co., lectured to the N. Y. Chapter of Delta Nu Alpha Fraternity and William Ruane, Kidder, Peabody, spoke before the Women's Faculty Club of New York University. Vance Van Dine, Morgan Stanley & Co., spoke before the Pan Hellenic Club and the Savings Bank Association of Connecticut and Walter Stern, Burnham & Co., talked before the Palestine Lodge.

In the next few weeks talks are scheduled by members of the Investment Association before the Chandler Secretarial School, the Congressional Fellowship and the Barbizon Hotel for Women. In addition the Education Committee has scheduled a six lecture course at Cooper Union during April and May.

Columbia Securities Corp. Opens New York Branch

Columbia Securities Corporation of Denver has opened a branch office at 80 Wall Street, New York City under the management of A. Henry Fricke.

MEMBERS OF

THE BOSTON SECURITIES TRADERS ASSOCIATION

32nd ANNUAL DINNER

At The Parker House February 10, 1956

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Gilbert M. Lothrop
W. E. Hutton & Co.

Vice-President

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New York Hanseatic Corporation

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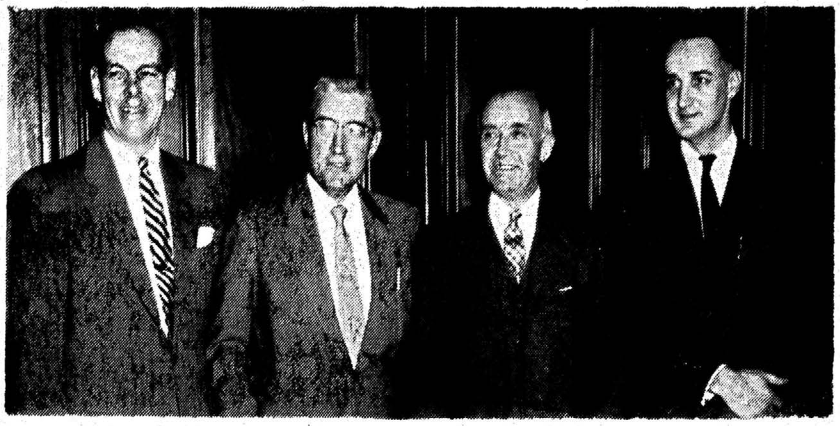
Leo F. Newman
American Securities Corporation

George Cunningham, *George W. Cunningham & Co.*, Westfield, N. J.; Joseph Rinaldi, *Lerner & Co.*; Lloyd Clearihue, *A. E. Ames & Co., Incorporated*; Tony Catalana, *R. W. Pressprich & Co.*

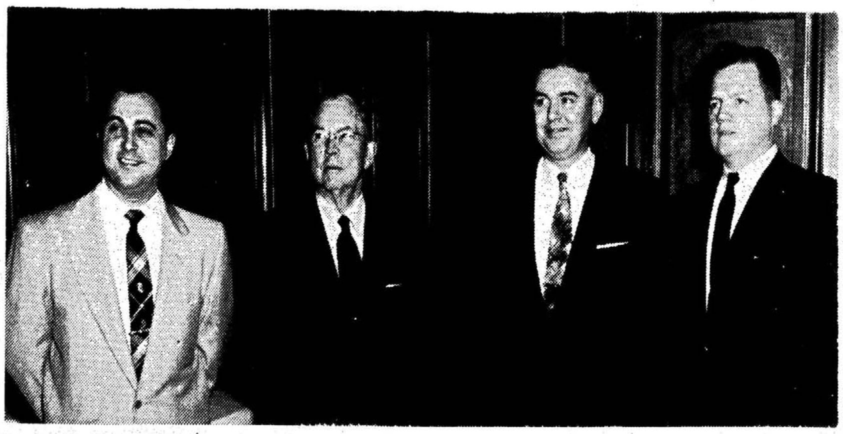


Jim McFarland, *Hecker & Co.*, Philadelphia; Frank Breen, *Schirmer, Atherton & Co.*, Boston; Carroll Williams, *Laird, Bissell & Meeds*, New York; Alan R. Hart, *Schirmer, Atherton & Co.*, Boston

John Hudson, *Thayer, Baker & Co.*, Philadelphia; Gilbert Lothrop, *W. E. Hutton & Co.*, Boston; William H. Rybeck, *William H. Rybeck & Company*, Meriden, Conn.; Guy R. Hogarth, *Edward M. Bradley & Co., Inc.*, New Haven

Jim McAtee, *Butcher & Sherrerd*, Philadelphia; Fred Carter, *DeHaven & Townsend, Crouter & Bodine*, Philadelphia; Bud Lewis, *Weeden & Co.*, Boston; Ed Knob, *Drexel & Co.*, Philadelphia

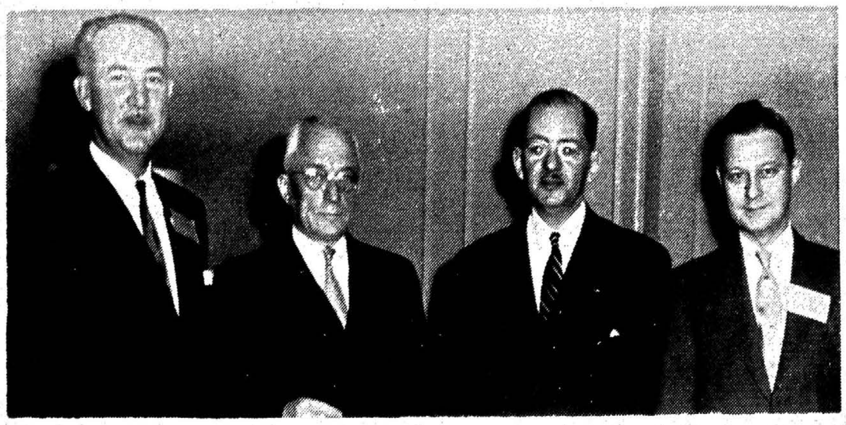
Joe Titolo, *Harris, Upham & Co.*, New York City; Lowell Warren, *Dominion Securities Corporation*, Boston; Walter Eagan, *Harris, Upham & Co.*, Boston; Barney Nieman, *Carl Marks & Co., Inc.*, N. Y.



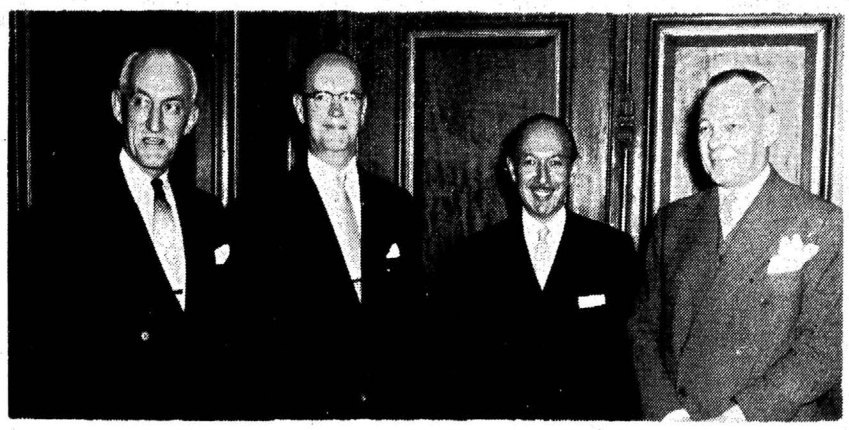
Joe Buonomo, *F. L. Putnam & Co., Inc.*; Mark Means, *F. L. Putnam & Co., Inc.*; John D'Arcy, *F. L. Putnam & Co., Inc.*; James Concagh, *Nesbitt, Thomson and Company, Inc.*, New York

James E. Sullivan, *Baldwin, White & Co.*, Boston; F. E. Maguire, *Stroud & Company, Incorporated*, Philadelphia; Jack Jossem, *Mitchell & Company*, New York City; Bill Thompson, *Carr & Thompson, Inc.*, Boston; Frank Walters, *Cosgrove, Miller & Whitehead*, New York

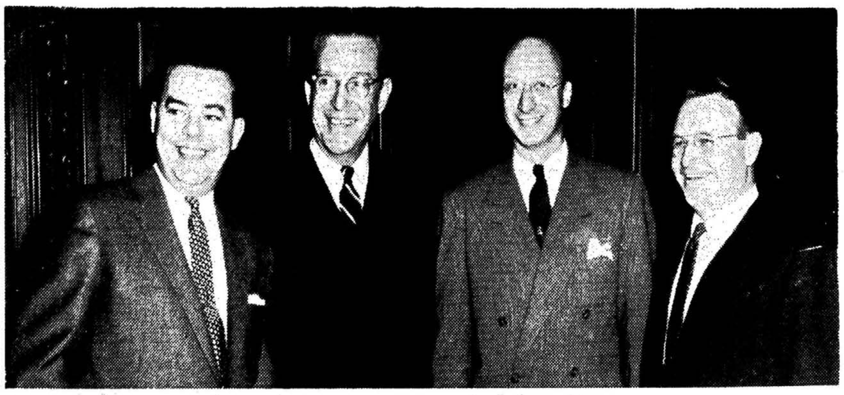
David May, *May & Gannon, Inc.*; Lewis D. McDowell, *Chas. A. Day & Co., Inc.*; John McCue, *May & Gannon, Inc.*; Irving Le Beau, *May & Gannon, Inc.*


Hal Murphy, *Commercial & Financial Chronicle*, New York; Wilfred N. Day, *Chas. A. Day & Co., Inc.;* Don Homsey, *du Pont, Homsey & Company;* Arthur Engdahl, *Goldman, Sachs & Co.*

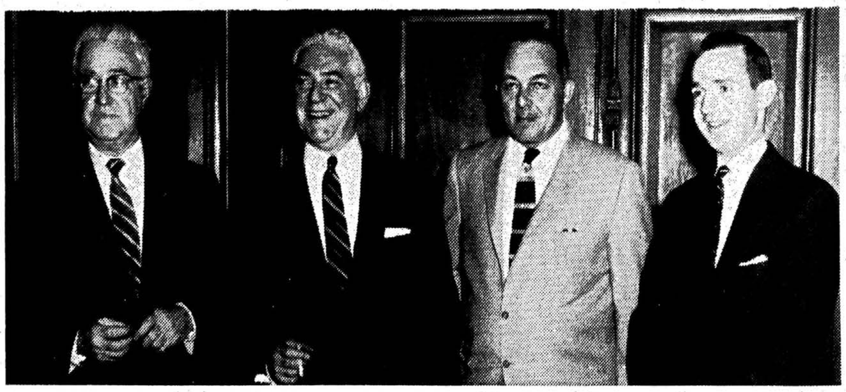

William Kumm, *Coggeshall & Hicks*, New York; Timothy Murphy, *Chace, Whiteside, West & Winslow, Inc.;* James B. Maguire, *J. B. Maguire & Co., Inc.;* Bob Greene, *Stroud & Company, Incorporated*, Philadelphia


"Duke" Hunter, *Wellington Hunter Associates*, Jersey City, N. J.; Joe Monahan, *J. A. Hogle & Co.*, New York; Maurice Hart, *New York Hanseatic Corporation*, New York; Jim Traviss, *Goldman, Sachs & Co.*, New York


Wilfred Conary, *G. H. Walker & Co.*, Providence, R. I.; Joe Carew, *Hanrahan & Co.*, Worcester, Mass.



Leo Newman, *American Securities Corporation*, Boston; Lou Walker, *National Quotation Bureau*, New York; Leon Dorfman, *Goldman, Sachs & Co.*, New York; John Meyers, *Gordon Graves & Co., Inc.*, New York

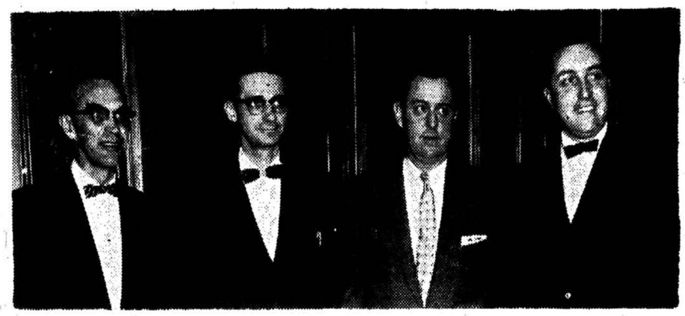


James J. Lynch, *Paul D. Sheeline & Co.*; Paul D. Sheeline, *Paul D. Sheeline & Co.*; Ralph Dimpel, *Seligman, Lubetkin & Co.*, New York; Dick Corbin, *Blyth & Co., Inc.*, Boston

Arthur Murphy, *A. C. Allyn & Company, Incorporated*; Frank Ronan, *New York Hanseatic Corporation*, New York; Walter Saunders, *Dominion Securities Corporation*, New York; Fred McVey, *Childs, Jeffries & Thorndike, Inc.*

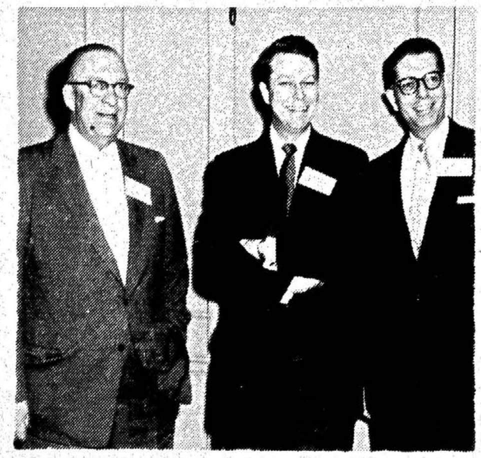
Harold Vaughan, *Doremus & Co.*; Wilfred N. Perham, *Townsend, Dabney & Tyson*; Jim McCormick, Jr., *A. C. Allyn & Company, Incorporated*; Charles Callow, *Frederick C. Adams & Co.*

Calvin Clayton, *Clayton Securities Corporation*; Sumner Wolley, *Coffin & Burr, Incorporated*; Tom Brown, *W. E. Hutton & Co.*, New York; Jack Putnam, *W. E. Hutton & Co.*, Boston



Carl Wells, *Paine, Webber, Jackson & Curtis*; Ray Coppens, *Blair & Co., Incorporated*; Alex Moore, *New York Hanseatic Corporation*; John Mathis, *Estabrook & Co.*

William E. Creamer, *Schirmer, Atherton & Co.;* Ed Beakey, *Eddy Brothers & Co.,* Hartford



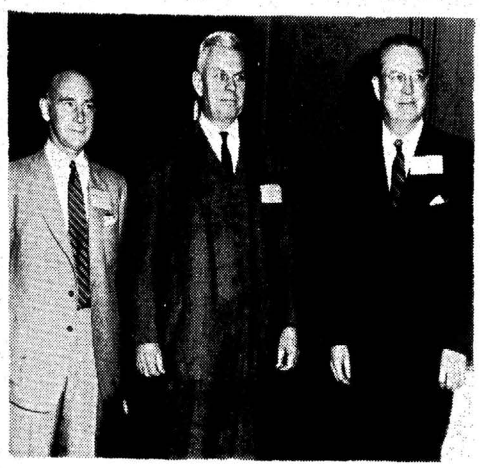
Herman Keller, Norton Keller, and Harvey Keller, *Keller Brothers Securities Co.*

Rex Stevenson, *Nesbitt, Thomson and Company, Inc.,* New York; Carl K. Ross, *Carl K. Ross & Co., Inc.; Portland, Maine;* Eugene Hussey, *First Boston Corporation*

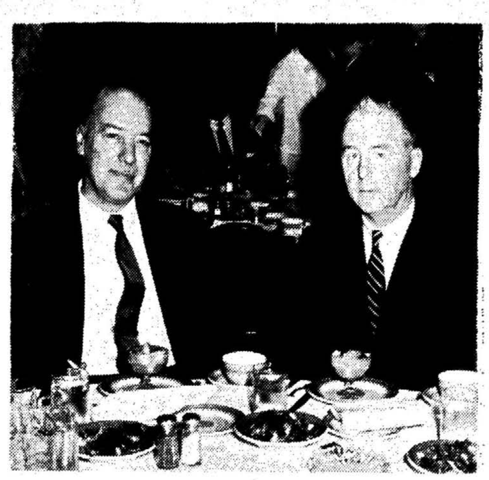
Russell Potter, *Arthur W. Wood Company;* Joe Lombard, *Salomon Bros. & Hutzler;* Kenneth French, *Salomon Bros. & Hutzler*

Robert B. Flemming, *Weston W. Adams & Co.;* Robert Polleys, *Josephthal & Co.;* Speed Hughes, *Clayton Securities Corporation*

Walter Swift, *Kidder, Peabody & Co.;* Walter Austin, *Kidder, Peabody & Co.;* C. A. B. Boss, *Broad Street Sales Corporation*



Lester Doucet, *Salomon Bros. & Hutzler;* Ollie Sughrue, *Salomon Bros. & Hutzler;* James H. Goddard, *J. H. Goddard & Co. Inc.*



W. J. Warkentin, *Harris, Upham & Co.,* New York City; Dayton Haigney, *Dayton Haigney & Co., Inc.,* Boston

Carroll Williams, *Laird, Bissell & Meeds*, New York; Burt Whitcomb, *Harriman Ripley & Co., Incorporated;* Barney Bernard, *Schirmer, Atherton & Co.;* Wallace Mossop, *Barrett & Company, Providence, R. I.*

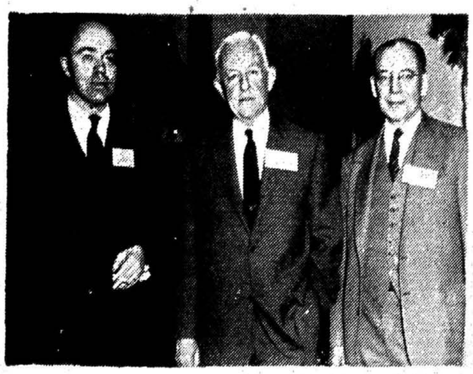
Frank Mullin, *White, Weld & Co.*, Boston; Wally Runyan, *Hemphill, Noyes & Co.*, Philadelphia; Bob Albertson, *Hemphill, Noyes & Co.*, New York; Clive Fazioli, *White, Weld & Co.*, Boston

Jim Jones, *Joseph McManus & Co.*, New York; Bob Payne, *Bache & Co.*, New York; Jim Mundy, *Stroud & Company, Incorporated*, Philadelphia

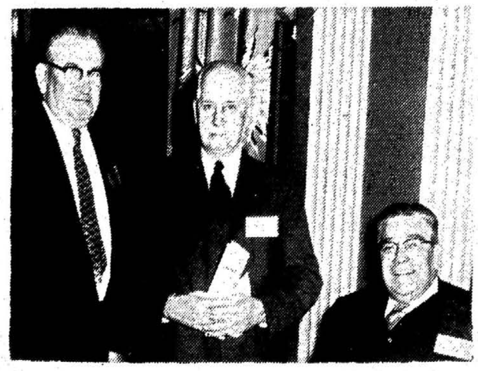
Frank Harrington, *H. D. Knox & Co., Inc.;* Phillip Kendrick, *Securities & Exchange Commission;* Ed Kelly, *Carl M. Loeb, Rhoades & Co.*, New York

Crandon Leahy, *National Quotation Bureau*, Boston; Chas. O'Brien Murphy III, *Pearson, Murphy & Co., Inc.*, New York; Sam Kennedy, *Yarnall, Biddle & Co.*, Philadelphia; Jim Moynihan, *J. B. Maguire & Co., Inc.*, Boston; Jack Carothers, *H. M. Byllesby and Company, Incorporated*, Philadelphia

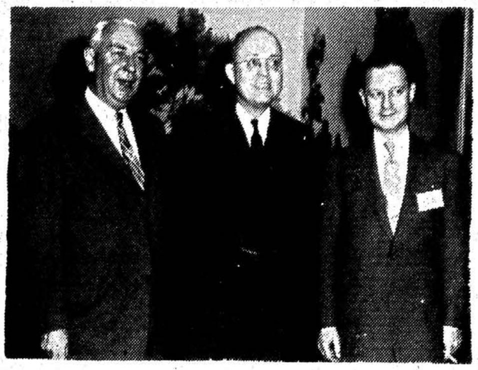
Sam Colwell, *W. E. Hutton & Co.*, New York; Joe Smith, *Newburger & Co.*, Philadelphia; Abe Strauss, *Strauss, Ginberg & Co., Inc.*, New York; Sol Bass, *Bear, Stearns & Co.*, New York



Bob Ingalls, *Tucker, Anthony & Co.;* Elliot Tabor, *Tripp & Tabor*, New Bedford; Pete Munn, *Jackson & Company, Inc.*

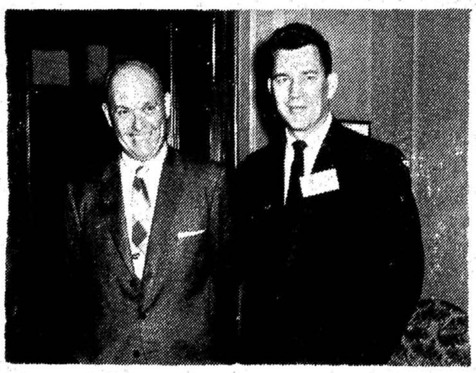


Jim Kelly, *Shearson, Hammill & Co.*, Springfield; Bob Calvert, *Schirmer, Atherton & Co.*, Hartford; Aaron Cook, *Putnam & Co.*, Hartford

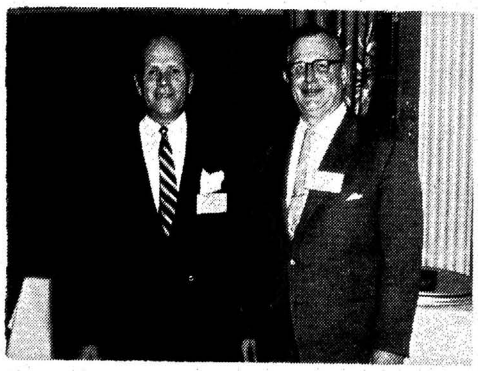


Harry Crockett, *Coffin & Burr, Incorporated;* Jerry Ingalls, *Coffin & Burr, Incorporated;* Arthur Engdahl, *Goldman, Sachs & Co.*

Emil Kumin, *Estabrook & Co.*, Boston; Herbert Gesell, *Kugel, Stone & Co., Inc.*, New York; Fred Moore, *New York Hanseatic Corporation*, Boston



Vic Mosley, *Stroud & Company, Incorporated*, Philadelphia; Stanley Jackson, *Estabrook & Co.*



Vernon Hall, *W. E. Hutton & Co.;* Gilbert Lothrop, *W. E. Hutton & Co.*

Continued from page 3

The SEC and Financing Of Small Business

shall be offered for sale in such State or Province concurrently with the offering pursuant to this regulation";

This raised a storm of protest. The Commission's attempt to dicate the market place that the issuer must choose met with strenuous opposition.

Another anomaly was presented. In our 48 states regulation of the securities industry is varied and constantly changing. There is no uniformity. Where local state requirements are contrary to those of the SEC, whose jurisdiction would be paramount?

It was this dilemma, we believe, which impelled the Commission to abandon this proposal in Regulation A offerings.

However, the last proposed revision retains this objectionable requirement in relation to issuers who conduct or propose to conduct their principal place of business operations in Canada (Reg "D").

These must qualify or make eligible their securities in the Province in which such operations are or will be conducted, which securities must be offered in such Province concurrently with the offering in the United States.

That the argument of jurisdictional disparity applies even more potently here, is clear from the differences that arose between the SEC and at least one Canadian Province on the interpretation of our extradition treaty as it relates to violation of our securities laws.

Equally true is it that there is no more justification for dictating the market place of issuers under Reg "D" than there is under Reg "A."

The Commission, however, goes blithely on its way, seeking, as it repeatedly has, more and extended powers to do more useless work, when, if it stuck to its last, it would increasingly be, as it now is, considerably overmanned. This is more imprudent waste of public money by an administrative agency which was created to operate in the public interest.

The earlier release stated:

"Provision would have to be made, by escrow or otherwise to assure the return to subscribers of the money paid in unless at least 85% of the total offering is sold and paid for within six months after the commencement of the offering."

The latest provision is that the offering circular shall contain " . . . a representation by the issuer and the principal underwriters that none of such securities will be issued and that 85% of all funds paid in by subscribers for the securities sold hereunder will be returned to them unless six months after the commencement of the offering 50% of the securities originally proposed to be offered and sold hereunder has been sold and paid for in cash, and . . . a description of the arrangements made for the holding and return of such funds."

The first recommendation called for a return of 100% of money paid by investors for all subscriptions if 85% was not sold in six months; the last calls for a return of 85% of such money paid for subscriptions if 50% of the issue is not sold in six months.

There is something diabolical about both these proposals, and we wonder whether the SEC hasn't deliberately set out to over-ride Congress, and through its rule making to completely emasculate and abolish small business issues, this, in effect, repealing the law relating thereto.

First of all, when a man buys stock he wants it delivered, whether or not he is called a "subscriber." What does the SEC mean by " . . . none of such securities will be issued . . . ?" Will the purchaser wait six months or any substantial fraction thereof? He will not! He wants his *quid pro quo* and wants it on the line.

Then as to the issuer. He wants his money as soon as he can get it. Customarily he receives his share as the securities are being sold. His very existence may depend on it. A long wait such as six months may defeat the very purpose of the offering and render the issuer bankrupt. This is assuming he could get an underwriter in the first instance.

But could he? Any broker-dealer would have to be a moron to sign an underwriting agreement containing these provisions which the SEC envisages. After all he is not a clairvoyant; yet, if the stock market turned unpropitious and investor apathy developed as a consequence or for some other unforeseen causes, the underwriter on a best efforts contract would find that he virtually had joined in a firm commitment to make a refund to the public.

The SEC, in its omnipotence, is now trying to prevent the public from speculating. By what authority, we ask? When we realize that the growth of this great country of ours was considerably aided by speculation, that many of the early speculative issues are the blue chips of today, we are led to wonder whether the Commission is not doing us incalculable harm as a nation.

We are particularly troubled by the ability of the SEC to nullify acts of Congress, as it is here seeking to do. Fortunately there are alert statesmen in our Congress who are alive to this possibility and, we hope, will not let it go unchallenged. They will not permit to be undone by the Commission what our legislators have done for small business.

Much more could be said about the lack of vision and understanding behind these releases, but then our analysis would have to become quite technical.

The deluge of releases pertaining to new rules or proposed new rules intended to enlarge the Commission's powers, will continue so long as SEC Commissioners regard their functions merely in the light of a temporary stepping stone to more lucrative jobs, and permit themselves to be easily indoctrinated by an unrealistic and over-staffed personnel.

Allen & Co. Arranges Teleregister Financing

The Teleregister Corp., of Stamford, Conn., a subsidiary of Ogden Corp., has arranged to borrow $11,000,000 from the Mutual Life Insurance Co. of New York and the Irving Trust Co. Allen & Co. negotiated the financing.

Of the total, $5,000,000 will be in the form of long-term loans from Mutual Life Insurance Co. of New York, secured by collateral trust bonds and $6,000,000 will be a revolving credit with Irving Trust Co.

The proceeds will be used to finance electronic data-handling systems and other manufacturing operations.

A manufacturer of electronic stock quotation boards, Teleregister also manufactures machines processing reservations for airlines and railroads.

Now Cleek-Tindell Co.

SPOKANE, Wash.—Cleek-Tindell Co., Inc. has been formed with offices in the Paulsen Building to continue the investment business of M. A. Cleek. Officers are Melson A. Cleek, President; H. M. Cleek, Secretary and Treasurer; and Jack R. Tindell Vice-President.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

Continental Casualty Company

Business was started by Continental Casualty Company, as Continental Assurance Company, in 1897 under Indiana law; but its domicile was changed to Illinois in 1948. The title was changed to the present name in 1900. Capital at the start was a modest $100,000, with surplus at $60,000. Numerous capital increases were made to help finance the company's expanding business, some by the sale of new stock via subscription rights; others were stock dividends. Those for the past decade were:

1947—Rights to subscribe at $40 for one new share for five held.
1950—Stock dividend of 25%.
1952—Stock dividend of 33⅓%.
1954—Two-for-one split, bringing the outstanding shares to 2,000,000, par $5.

The charter was revised in 1950 to permit multiple line writing, as it had been an accident and health specialty writer. Net premium volume increased from $16,700,000 in 1929 to $161,300,000 in 1955, putting Continental into 12th place among the stock groups. This large gain was the result of aggressive underwriting policies and the company's leadership in new types of writings. Its accident and health lines, including group and hospital and medical, account for about 58% of total premium volume; and the company is ranked among the leaders in these underwritings.

Its affiliates are Continental Assurance, a life writer in which Continental Casualty's interest is approximately 36%; Transportation Insurance, 100% owned; and United States Life, about 51% owned. Continental Assurance also holds an interest of some 24% in United States Life. Continental Casualty at the end of 1954 carried these holdings at approximately $17,300,000, subsequent to which it paid a stock dividend in Continental Assurance shares of one for each 100 of Continental Casualty held. If the life company's stock held by the parent were to be priced at the present market, it would give the holding a valuation of over $84,000,000, or more than $37 per share of the casualty company's stock.

Continental Casualty is licensed to do business in all states, District of Columbia, Canada. Its agency plant consists of nearly 23,000.

Allocation of net premiums written, at the end of 1954 showed Auto Liability, 10%; Accident Only 5%; Accident and Health, 15%; Hospital and Medical, 12%; Group Accident and Health, 26%; Workmen's Compensation, 8%; Liability, Other than Auto, 4%; Auto Property Damage, 6%; Auto Physical Damage, 4%; Surety, 2%; Miscellaneous 8%. The company's geographical distribution of its writings is widespread, the volume in New York State, the largest in 1954, constituting about 14% of total direct premiums.

Continental has reported an underwriting profit margin in each year for 20 years, an unusually favorable showing even for a top grade underwriter. Another outstanding performance was that in 1954 every one of the company's 12 major lines of business turned in a profit. This was one of the years of serious losses in extended coverage; but this category was one of the minor writings, Continental Casualty not having gone heavily into it.

At the end of 1954, the latest full report available, the company's assets were broken down as follows:

United States Government Obligations	23.1%
Other Governments	2.5
State, County, Municipal Bonds	29.6
Utility Bonds	0.3
Miscellaneous Bonds	0.9
Railroad Preferreds	0.1
Utility Preferreds	1.1
Miscellaneous Preferreds	1.7
Utility Common Stocks	3.3
Railroad Common Stocks	0.7
Bank Stocks	0.6
Insurance Stocks	7.3
Miscellaneous Common Stocks	13.0

Real Estate, Cash, Agent's Balances and Miscellaneous Assets make up the remainder.

All categories of bonds, above, account for 56.4% of assets. This is in keeping with the nature of the casualty business needs. Whereas a fire company's loss is speedily determined by the adjusters, this is not possible in casualty losses as these relate, mainly, to persons, and frequently require hospitalization, medical treatments, etc., the cost of which may go on for long periods.

10-Year Statistical Record—Per Share*

	Liquid Value	Adj. Und. Profit	Invest. Income	Federal Taxes	Net Earn.	Div.	Price Range High	Price Range Low
1945	$22.17	$1.58	$0.78	$0.46	$1.90	$0.60	17¼	13½
1946	22.99	1.40	0.97	0.57	1.79	0.60	19½	12⅜
1947	21.71	1.77	0.89	0.78	1.89	0.60	16	13⅝
1948	21.70	3.17	1.03	1.26	2.95	0.60	17¼	14¾
1949	26.07	2.99	1.20	1.03	3.16	0.75	19¾	14⅞
1950	30.69	2.02	1.47	1.00	2.48	0.87	26⅝	16½
1951	33.30	1.24	1.75	0.76	2.22	0.94	26⅜	22¼
1952	36.35	2.34	1.95	1.59	2.70	0.94	41¼	23⅞
1953	39.47	4.90	2.30	3.18	4.03	1.25	48⅝	36⅜
1954	52.91	6.81	2.68	3.63	5.86	1.33†	93	52½

*Adjusted throughout for stock dividends of 25% in 1950 and 33⅓% in 1952, and for two-for-one split in 1954; and as to liquidating value for issuance of new stock via rights in 1947. No adjustment made for contingent Federal income tax liability on unrealized equities.

†Also a 1% stock dividend, paid in shares of Continental Assurance.

The more rapid growth of Continental Casualty stock marketwise took place after the acquisition in 1952 of its interest in United States Life. The latter stock is considered to have outstanding possibilities.

In April a shareholders' meeting will be asked to authorize an increase in the company's stock outstanding to permit the payment of a 25% stock dividend. Continental Assurance holders are to meet in April, too, to authorize a stock dividend of three new shares for each 13 held (approximately 23%).

Except for the year 1933, dividends have been paid uninterruptedly since 1906. The shares are on a $1.40 annual basis, and as this is only about a 52% pay-out related to investment income, a continuation of the rate on the new capitalization after the 25% stock dividend is a logical expectation.

Liquidating value, as noted above in the statistical record, increased 175% in the decade; net earnings 208%; dividend about 120%. The gain to the stockholder was $42.13, or at an annual rate of $4.21 a share. The 10-year underwriting profit margin was 6.3% to the end of 1954.

The stock ranks among the top grades in the insurance industry.

Continued from page 4

Mobilization of the Atom For Peace and War

by a military course — and with unchecked force — into economic channels. In China, in Afghanistan, in Pakistan, in Malaya, and most of all in India—the Soviet economic war has scored notable and frightening advances. The offensive is now turning toward Turkey and Pakistan with compelling economic enticements and calculated psychological incitements to hatred and violence.

To mature citizens, the signs of this new and most Machiavellian aggression should now be clear.

The largely agrarian, underdeveloped nations which make up three-fourths of the world's population of virtue of their immense, unused resource—both human and material — are of unestimable value to the Soviet in either hot or cold war. Many of these nations have just recently won independence in the breakup of the old colonial systems. All are highly nationalistic, impatient for those material advantages that will overcome their urgent problems of low productivity, low living standards and over population. All, for better or for worse, are advocating rapid industrialization as the best means of developing their latent resources, so that their people may achieve a measure of relief from the endless circle of bare subsistence.

The United States has long appreciated the plight of the underdeveloped nations. Through the investment of billions of dollars and through various aid programs, the American people have sought to help as a matter of practical necessity and as a moral obligation. Although success has been charted, notably in Europe, our efforts have been largely inadequate in the critical underdeveloped nations of Asia, Africa and the Middle East. Indeed, in many of these areas our aid programs, instead of gaining us friends, have earned instead enmity and suspicion. Meanwhile, the Soviet Union, whose borders adjoin many of these nations, has maintained an incessant propaganda barrage, playing skillfully on old suspicions of colonialism, seemingly thwarted nationalist aspirations and actual unremitting poverty. The Russian propaganda campaign offers no real solution—nor in fact does it seek one. Poverty, turmoil, and dissention in other nations are the dynamics of disaster that serve the admitted aims of world communism. Masters in the arts of persuasion and the art of historical distortion, the Soviet strategists have managed to convince millions of Asians that America is responsible for their social and economic distress. And in their emotional insecurity and indecision, conditioned by memories of the hated colonialism once identified with the west, the peoples of Asia are tempted to chance the unknown imperialism of the Soviets.

Although the situation has long remained grave, little serious political challenge was offered to our conventional aid policies until recently. Economic progress in the underdeveloped nations may have been slow and fitful, and crises frequent, but in the absence of any aggressive Soviet economic intervention, there seemed to be sufficient time for traditional evolutionary development.

In our foreign aid planning, however, we appear to have overlooked three crucial factors.

First, we seem to have missed or ignored the consequences of our positive foreign military policy in Europe and Southeast Asia. Relying on the strength of NATO in Europe and SEATO in Asia, and backed up by the power of nuclear weapons and a strategic air command, the West achieved a practical military balance of power which checked Soviet military expansion in all areas. With Soviet military ambitions halted by "positions of strength," it was wholly logical that the Kremlin pursue its goals in the economic sphere. And the economic "softness" of underdeveloped nations is the weak spot in the free world's global defense structure. Indeed, it is quite in keeping with long-range Soviet planning that their leaders have long foreseen the eventual military stalemate and have had alternative programs of social and economic aggression ready and waiting. Examination of the psychological and sematic strategy and tactics of the Soviet over the past 10 years indicates a calculated nurturing of unrest in the underdeveloped nations in order to prepare the ground for full-scale economic offensives.

Unsupported by an appealing and dynamic foreign economic policy, the very force of our single-phase military effort may well have put us off balance and out of position. Now that the Soviet leaders have seized the psychological initiative in Asia, we have, somewhat belatedly, begun the re-evaluation of our foreign aid programs. Inability or unwillingness to imagine and to plan an end result, to deduce from it all possible consequences and to employ in an integrated pattern all military, economic, and psychological means to attain it may have put us in very great peril.

The second crucial factor to which the free world may not have given sufficient weight is the enormous rate of industrial growth in the Soviet Union over the past 10 years. In short, when Russia initiated all-out economic war after the Geneva Conference, she appeared to be able, in reasonable measure, to back up her propaganda in the underdeveloped nations with tangible goods and services.

Third, and most important, is that our foreign aid policy has not as yet employed peaceful nuclear energy as a constructive force in meeting the Soviet challenge and in overcoming some of the most critical economic problems in the underdeveloped nations. Nor, apparently, have Americans recognized the immense psychological value of atomic energy as a symbol of hope in these regions of the world. Signficantly, our adversaries have not been so reluctant. Whether it be recognized as propaganda or not, the promises of responsible Soviet leaders of large-scale atomic aid in Asia and in the Middle East have been effective. Should the Soviets actually deliver, and there seems to be no practical reason to deny the possibility if it is in their interest, the forces of freedom may lose the economic war to the forces of aggression, and thus doom the world to communist domination—without a bomb ever being dropped.

Last Nov. 9, in a speech here in New York, before the Society of Industrial Realtors, I pointed out that "we Americans not only know how to merchandise; we have, indeed, in this respect, no masters. We now possess also, in our development of peaceful atomic energy, what I consider to be not only the greatest product, but the greatest product symbol in the world. **I propose that American industry be permitted to aid as only it can in the marketing of that product and of that symbol.**

"I respectfully suggest, therefore, that the President of the United States, or his delegate, call the nation's industrial, scientific, business and communication leaders to a White House Conference for the express purpose of formulating those specific marketing plans whereby the promise of industrial atomic energy—of 'atoms for peace' may become a reality for the peoples of Asia, Africa and the Midle East."

I should like, today, to renew that appeal to our President.

The major problem of today, I think, lies in our need to understand that power for peace is not merely military power; it is also economic power. And that the greatest power for peace is the joint power of the military atom and the economic atom, combined and acting in combination as joint instruments of our foreign policy. The free world must mobilize for peace as it has mobilized for war in the past, and as it is now mobilizing for defense. What is needed is the binding concept of all-out defense in the deepest sense of the phrase—the massive deterrent principle broadened from its posture of passive or retaliatory military strength to an active and continuing campaign on social, economic and psychological fronts. Faced with the realities of communism, we must maintain a positive lead in the destructive aspects of the atom but we must also unleash the **creative** power of atomic energy. Our atomic posture must be, I believe, on the evidence presented, the upraised arm of **military** atomic power and the outstretched **hand of economic** atomic power. These together are power for peace.

The word **"peace"** has not historically called forth the vigorous emotional response induced by the word "war," nor has it excited that kind of national exertion which can perform industrial miracles. But that, I submit, is because past programs for peace have been passive rather than dynamic, planless rather than planned. I cannot help but be impressed by the thought that a vast enduring peace might well be achieved if it were to be **planned** for, as war has been planned for; if we had, to support our President, the resources of a great general staff of scientific, political, social and economic geniuses devoted to contriving the master strategies and the master tactics of peace; if, to supplement our war colleges, we had peace colleges where men and women by the thousands might be trained in the economic, psychological and social arts of peace; if we had a mobilized force ready, willing and able to plan years ahead, to act, and to persevere for peace.

I fear, however, we have been putting some "first" things second.

We have constricted ourselves in the narrow philosophy of massive military retaliation or of defensive war. We have not comprehended the scope of thinking, planning and acting required to solve the problem of the aggressor, when his aggression is not merely military but is also social and economic.

We must, it seems to me, formulate a dynamic, multiphase, century-long campaign for the establishment of a world of law, order and justice based on a **"systems-concept"**—in which military strategy, economic strategy, psychological strategy and scientific strategy are prime but **integrated** factors. In such a long-range planning, military readiness would be a vital factor—but it would be one of many instruments in the service of a program to establish and perpetually maintain a world of law and order and of justice.

How, specifically, may our powers for peace be mobilized? How specifically may the concept of national defense be enlarged to a concept of a crusade for peace? Not a foolish peace that blinds itself to the presence and the potency of evil. But rather a peace that supports both a thermonuclear deterrent against the brutish ignorance of military aggression, and the mounting of a vast atomic attack on the social and economic imbalance which presently divides the world.

Certainly, I have no all-inclusive answer to these difficult questions. I suggest, however, as an approach that the problem is basically one of motivation, organization and control . . . and that the production experience of American industry may hold a clue to the solution.

Let us examine for a moment certain new development in those industries concerned with our defense effort. The nature and direction of national defense has changed drastically over the past 10 years. New weapons, such as supersonic aircraft, guided and ballistic missiles, and new developments in explosive atomic energy have placed colossal burdens on technology and on industrial management. So interrelated are the complexes of systems and components, so specialized are the skills needed to produce and integrate them, that only a very highly specialized form of organization can provide adequate direction of the processes involved. The relatively simple production line concept and the one-project research and development effort of pre-World War II days are wholly unsuitable now.

A high degree of objectivity, flexibility, coordination, communication and control are indispensable for the design and construction of such radical products as a nuclear submarine, a supersonic bomber, or a ballistic missile. And these are best achieved not by a single-unit organization attempting in itself the development, manufacture and assembly of the many necessary highly specialized components, but by a planned composite of separately managed industrial units, each sharing a part of the production responsibility; yet all assisted, guided, integrated and shaped into a perfectly functioning organism by a centralized and objective policy and planning management complex. Thus, a maximum of efficiency results from each unit or division concentrating on its primary product, while the steersman function — interconnected with operating functions through media or coordination, communication and control can plan and coordinate all efforts.

Such presently changing concepts of management are, it seems to me, the industrial counterparts of the weapon's system concept, or the responsibility for the combining of diverse men, personnel, machines and ideas toward a single end. There is nothing essentially new or radical in this approach, but its efficiency as a management technique is becoming abundantly manifest.

And it is the purpose of these new forms of corporate and divisional organization—these product-and-services systems — to serve both the military defense and the economic welfare of the nation and the free world.

It seems wholly appropriate to extend this kind of systems thinking to the all-out economic war which was declared on the free world last summer. We would then, it seems to me, be able to balance our military lead time with an equally vital economic lead time; and, strengthening our friends industrially, strengthen also our own economy, science and technology.

Atomic power—not conventional power—must be the matrix of our international economic planning, even as it remains the core of our military planning. There is grave danger, it seems to me, in underestimating the immense psychological, humane and practical advantages of socio-economic atomic energy simply because it is not generally competitive costwise with coal-oil power here in the United States. Atomic power is competitive abroad and it is ideally suited to meet the needs of the underdeveloped nations.

There exists literally a boundless export market for reactors and components in underdeveloped nations. And the competitive feature of atomic power means also that a large share of the cost would be gladly borne by the customer. Any large scale industrialization of underdeveloped nations would, of course, develop additional markets for all kinds of consumer goods and services, stimulating world trade and certainly assisting all branches of American industry. American science, technology and production skills would, likewise, be improved by being forced to keep pace with the market demand. In addition, we could expect to secure, it seems to me a much-needed impetus in reactor design and technology which would be of vast benefit to our economy and to our defense efforts.

In an address before the World Symposium on Solar Energy two months ago, I proposed a multilateral, multipurpose program which envisaged the establishment of a World Energy Community. Such a community would be essentially a partnership between the various free governments and their respective industries to promote and to utilize the completely free and independent exchange, on a "need to have" basis, of the most advanced power sources — solar energy, atomic power, and perhaps, eventually, fusion power.

This program, if implemented, would be an economic example of the systems concept in action. The concept of balancing the world's needs with the world's resources—of deterring or immobilizing or excising the war cancer —would stimulate the interrelation and interaction of the whole and its constituent parts, would serve as the coordinating agent in mobilizing resources, men and ideas. The needs of each free nation, therefore, would be set forth by the logic of its present stage of economic development and by the image or projection of its future structure and function.

For some two years I have presumed to urge these rather lonely views on the government and on industry. I note now with gratification that the recently published Report on the Impact of the Peaceful Uses of Atomic Energy confirms and supports these contentions. American industry, however, has not as yet responded to the challenge.

Yet, all the elements are present for American industry and government to initiate and direct a free world mobilization of atomic power for peace. The free nations, together, still have the most efficient and comprehensive production plant in the world. They still possess a qualitative and quantitative lead in scientific and technological research. Above all, the free world is dedicated still to that power for peace which surpasses military atomic power, or economic atomic power or any other material power whatsoever: the power of those great moral and ethical traditions which Western Christian civilization shares—not always too steadily but yet enduringly — with Eastern Buddhist, Hindu, and Moslem civilizations.

No higher moral purpose can be served by East and West than that of nation helping nation to bring the fruits of science to a long-suffering humanity. Let us, then, "be strong, and quit ourselves like men—and pioneers."

R. S. Wilford Opens

LA MESA, Calif. — Ralph S. Wilford is engaging in a securities business from offices at 10005 Country View Road.

Opens Branch Office

HUNTINGTON, N. Y. — Family Fund Investors have opened a branch office at 375 New York Avenue, under the management of Roy S. Marjamaa.

L. J. Mack Branch Opens

L. J. Mack & Co., Inc. has opened a branch office at 50 Broad Street, New York City.

New Mann & Gould Branch

LYNN, Mass.—Mann and Gould have opened a branch office at 23 Central Avenue under the management of Clinton R. Gould.

Whitney-Phoenix Branch

PASSAIC, N. J. — Whitney-Phoenix Co., Inc. has opened a branch office at 18 Broadway.

Public Utility Securities

By OWEN ELY

Tennessee Gas Transmission Company

Tennessee Gas Transmission, a leading natural gas wholesaler with annual revenues of over $168 million, operates some 8,300 miles of pipe line from Rio Grande Valley in Texas northeasterly across Texas, Louisiana, Arkansas, Mississippi and Tennessee to Greenup, Ky. The system then forks, one branch extending to Charleston, W. Va., and the other across Ohio, Pennsylvania, New York and into New England. Deliveries are made principally to subsidiaries of Columbia Gas and Consolidated Natural Gas, but the New England pipe-lines serve 35 regional utilities. Service to the New York metropolitan area began in November, 1955. The company buys most of its gas needs, but is also engaged in oil and gas production.

Tennessee Gas at the end of 1955 had an installed delivery capacity of about 1,730 million cf per day, and had a peak day of 1,882 million cf in December and in January another peak slightly higher, with a daily average in that month of 1,840 million cf. President Symonds remarked "the gas business is good and if it will just stay cold and windy we will do even better,"

Tennessee Gas Transmission has grown very rapidly, probably ranking second in the industry in this respect to El Paso Natural Gas. In 1954 both companies had revenues of $143 million — Tennessee had $28 million in 1948 compared with $24 million for El Paso. But in terms of increase in share earnings Tennessee Gas did better, earning $1.76 last year compared with 71c in 1948; while El Paso probably made about $2.90 compared with $2.35 in 1948. Both 1955 figures include revenues collected under bond and subject to regulatory approval.

Tennessee's expansion program last year included the laying of some 783 miles of pipe, the principal construction being a line from the company's storage area across northern Pennsylvania, New Jersey, and Westchester County, N. Y., attaching to the New England line at Greenwich. The new extension opened up to the company a share of the rich New York City-Northern New Jersey metropolitan market. Another line was built in Texas and Louisiana to facilitate purchase of new reserves. Two new compressor stations were built and four enlarged. These new facilities will greatly improve the company's sales diversification. The northern end of the system has now become a thousand-mile loop affording great flexibility in marketing gas. In 1944 the company's entire output was sold to only two customers, but in 1955 it had 76, the largest taking 31% and the next largest 25%. The company has never failed to meet the requirements for service nor has it ever allocated or prorated gas.

In 1955 the company made its first deliveries of gas from storage, and this summer another storage field will go into service supplementing the two already in use. Ultimately there will be five fields giving the company some 77 billion cf top storage, equal to a billion feet a day for 77 sustained peak days. In connection with this storage operation a peak-shaving tariff was installed which proved particularly popular in New England and is stimulating house-heating business. The company will also store gas for Public Service of New Jersey during the summer and deliver it on demand in the winter, at an extra charge.

Tennessee now produces about 20,000 barrels of oil a day. In connection with its oil and gas activities, last year it acquired Bay Petroleum Corp. for about $20 million. The two plants are being expanded and modernized and are expected to fit in very well with the company's operations.

The company is also stepping up its gas reserves and during 1955 acquired over 2 trillion cf of reserves, bringing the year-end figure up to 13 trillion cf, or a 20-year supply. These reserves are in 201 separate fields in Texas and Louisiana. The company has proposed building a new line through the midwest to connect with the projected Trans-Canada Pipe Line, which if accomplished will open up for the company large reserves in western Canada.

Regarding rates, Tennessee Gas, in common with other major pipe line companies, collects substantial revenues from proposed rate increases "under bond" or subject to FPC approval. The company's rate case was reconvened in January, and President Symonds stated "We feel we have a strong case; we don't know how long it will continue; we anticipate no reduction in the revenue that we are now collecting under bond."

To cover its construction and expansion program last year, the company sold $111 million securities — $50 million mortgage bonds, $25 million debentures, $20 million preferred (including $10 million for refunding), and $16 million common stocks in September. The company sold its American Republics stock for about $20 million, enough to cover the purchase of Bay Petroleum. Currently, the company is selling $40 million $4.50 convertible second preferred stock.

The year 1955 was a very good year for Tennessee, with an increase in Mcf volume of 7%, in revenues (including rate increases) of 16%, and in net available for common stock of 42%. On a consolidated basis, the company earned about $1.76 a share on year-end shares, which reflected the new issue and also a stock dividend of 33⅓%.

Based on the recent price around 31 and the dividend rate of $1.40, the stock yields about 4.5%. The price-earnings ratio approximates 17.6% which, while above average, may not be unreasonable considering the company's growth record both in revenues and net per share.

Railroad Securities

By GERALD D. McKEEVER

Missouri Pacific Reorganization—III

This is the third and last of the series on this subject which is believed to have represented the occasion for the most widespread speculation over the longest period in any single situation in recent history. Last week's instalment was devoted to the development of the background of the new issues set up in the pending "agreed system plan" for the reorganization and consolidation of the Missouri Pacific and its subsidiaries which have been in bankruptcy trusteeship for some 23 years. The present and final instalment will present the evaluation of the treatment provided for the issues of the Missouri Pacific and its subsidiaries that are involved.

First in order is to outline the application of the new first 4¼s which, as described in last week's column, are divided into three series all secured by the overall first lien on the property of the consolidated system. The 20-year series A 4¼s are to provide for the refunding or cash repayment at par of the New Orleans, Texas & Mexico first 4½s, 5s and 5½s while the series B and series C 4¼s of 35 year and 50 year terms respectively will be applied (1) to settle the principal claim in full on the Missouri Pacific "reefer" 5s (the interest having been paid up as previously described) (2) to take care of the greater part of the claim of the International-Great Northern first 5s and 6s and (3) to apply in smaller proportion to the claim of the MOP secured serial 5¼s.

The new first 4¼s are traded "and interest" accruing from the Jan. 1, 1955 dating of the plan and this accrual amounts to just under 5% up to the present. This accrual is offset, however, by varying amounts depending on the series and interest dates of the "reefers" on account of the payment of coupons on the latter which fell due in the first half of 1955. The "reefer" 5s, which sell at 99 to 100 depending on the series, have the claim on this interest accrual as well as on the principal if the first 4½s which replace the "reefers" par for par, viz., $500 of series B and $500 of series C, to make up the "package" for each $1,000 "reefer." The new first 4¼s are currently quoted around 96½ bid and the "reefer" 5s, quoted at 99 to 100 depending on series and accrued interest claim are selling at a virtual parity with the new first 4¼s plus the interest accrual thereon.

The general 4¾s series A and series B are quoted at 76-77 and 71-72 respectively, the difference reflecting the longer term and lesser protective margin of series B. Both are secured by the same second lien on all of the road's properties subject to the first 4¼s. It will be recalled from last week's column that the series A 4¾s have pro forma overall coverage of interest of about 1.50 times based on 1955 estimated earnings whereas the corresponding ratio for series B is about 1.33 times, the interest on series B ranking after that on series A.

While these bonds thus rank among the weaker of the rail income mortgage bonds they are nevertheless quite realistically valued at present quotations. In the first place, the quoted prices, unlike those of the first 4¼s, are "flat" and contain about 5½ points of interest accrual from Jan. 1, 1955. Secondly, if these bonds had a 4½% coupon like most rail income issues, they would sell 4 to 5 points lower to produce the same yield.

The greater part of the general income 4¾s goes to meet in full the claim of $1,873 per $1,000 of the "QMOP" general 4s of 1975. The "package" allocated per $1,000 principal of this issue is evaluated as follows:

	Principal Value	Bid Price "w. i."	Indicated Mkt. Value
Series A 4¾s	$800	76	$608
Series B 4¾s	1,073	71	762
Totals	$1,873		$1,370
Equivalent price		137	
Market price QMOP 4s, '75		135½	
% indicated gain		1.1%	

The $2,159 total claim per $1,000 of "QMOP" secured serial 5¼s is met in part by an allocation of first 4¼s, but to a greater extent by the general income 4¾s of both series as shown by the following "package" allocation per $1,000:

	Principal Value	Bid Price "w. i."	Indicated Mkt. Value
Series C 4¼s	$588	96	$564
Series A 4¾s	1,354	76	1,029
Series B 4¾s	217	71	154
Totals	$2,159		$1,747
Equivalent price		174¾	
Market price of 5¼s		167 - 170	
Indicated gain %		4%	

Missouri Pacific 5½s of 1949 are the unsecured obligation of the bankrupt road and its most junior obligation, and this issue is treated accordingly in the reorganization plan. Of the $2,219 total claim of this issue per $1,000, $400 is settled by equal amounts of series A and B of the general income 4¾s and the balance of $1,819 of the claim by the income debenture 5s. It will be recalled from last week's instalment that this latter issue is described as being unsecured and without a sinking fund, and that its non-cumulative interest has the thin margin of being covered only about 1.15 times overall by 1955 estimated earnings applied on a pro forma basis. Accordingly, these 90-year debentures are quoted at only about 65, but with over 5 points of accrued interest included. The value of "QMOP" 5½s is thus heavily dependent on how these debentures work out as the following evaluation suggests.

	Principal Value	Bid Price "w. i."	Indicated Mkt. Value
Series A 4¾s	$200	76	$152
Series B 4¾s	200	71	142
Income Deb. 5s	1,819	65	1,182
Totals	$2,219		$1,476
Equivalent price		147⅝	
Approximate Mkt. QMOP 5½s		145	
Indicated gain %		1.8%	

The claims of the International-Great Northern 5s and 6s of $1,325 and $1,390 respectively are settled and evaluated as follows:

	Bid Price "w. i."	FIRST 5s Principal Value	FIRST 5s Indicated Mkt. Value	FIRST 6s Principal Value	FIRST 6s Indicated Mkt. Value
Ser. B 4¼s	96½	$680	$656	$700	$675
Ser. C 4¼s	96	537	515	574	521
Ser. A 4¾s	76	108	81	116	88
*Cash			57		61
Totals		$1,325	$1,309	$1,390	$1,345
Equivalent prices			130⅞		134½
Market prices Ign. 5s and 6s			127½		133½
Indicated gain %			3%		0.75%

*Accrued interest on the first 4¼s, since there was no payment on IGN bonds corresponding to the coupons paid on QMOP 5s in the first half of 1955.

International-Great Northern adjustment 6s, another junior bond, receives the following "package" in settlement, but which recognizes the claim of this issue of $2,470 per $1,000 only to the extent of $2,112:

	Principal Value	Bid Price "w. i."	Indicated Mkt. Value
Series A 4¾s	$200	76	$152
Series B 4¾s	220	71	156
Income Deb. 5s	1,250	65	812
Class A Common	*442	39½	174
Totals	$2,112		$1,294
Equivalent price		129¾	
Market price IGN adj. 6s		127½	
Indicated gain %		1.5%	

*Stated at $100 per share—*i.e.*, 4.42 shares.

Missouri Pacific preferred with a total claim of $264.50 per share including cumulative dividend arrears is settled in full by the allocation of 2.645 shares of Class A common per share of "QMOP" preferred. At the current bid price of 39½ for Class A the "work out" price for "QMOP" preferred is $104.50 per share as against the corresponding market price of 103½ for these shares on the New York Stock Exchange. The indicated percentage gain here also would scarcely cover the costs of making the conversion from the old securities to the new. It has been quite plain throughout that there is little left in the MOP issues on a short term or arbitrage basis, but this has no bearing on what future values may be.

Each share of old MOP common stock is to receive 1/20 share of Class B common which, because of its small amount—40,657 shares—enjoys the seemingly fabulous figure of $155* per share earnings on the basis of pro forma application of 1955 estimated earnings. This, however, is "before funds" and there are no corresponding earnings actually available for Class B because of the temporarily over-large capital fund deduction and because of the $5 per share dividend preference of Class A. Moreover, these earnings could vanish rapidly in the case of a downtrend of even mild proportions because of the high leverage against this small issue. There has consequently been little in the way of an attempt to value Class B and there is no "When issued" quote for it as there is for the others. However, the present price of 24 for the old common places a theoretical price of 480 on the Class B stock.

There is no problem to the evaluation of the New Orleans, Texas & Mexico bonds. The $20 million first 4¼s series A are reserved for par for par exchange for the three NOX issues, or at the option of the holders, the latter may take 100% in cash. It is intended to arrange an underwriting at the conclusion of the reorganization to facilitate the cash option.

*Before funds.

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Newer Concepts of Credit And Voluntary Control

was not the sole responsibility of any one group in the country. Trade groups for business and banking exercised discretion in policy and planning, and just as there was abstention from alarm during last year's recession, so now they are keeping a sharp lookout and are not being carried away by boom psychology.

Incidentally, those of you who follow the news dealing with Canadian matters may have noticed from time to time intriguing little articles reading to the effect that the central bank in Canada has called in for a conference designated persons or groups of a particular industry. One such conference was called in the very recent past relative to consumer credit. I leave it to your imagination as to what may have transpired at this conference. However, you can be sure of one thing: the policy laid down at these conferences is rigidly adhered to but formulated on a voluntary basis. Query: Does this approach contain the answer to some of our own qualitative credit problems?

The Commercial Finance Industry in a Tight Credit Market

Because of the tight credit market, today, there has been a sharp increase in the demand for commercial finance company funds. In 1954 the gross amount of advances on open accounts receivable by commercial finance companies totaled approximately $3.2 billion — a phenomenal growth when compared to the $536 million financed by the industry in 1941. This past year there has been a further substantial increase in this form of financing—up some 30% over what it was in 1954, or at the yearly rate of some $4 billion. Of course, this does not take into consideration the many other types of financing engaged in by commercial finance companies such as the financing of commercial and industrial equipment, inventory financing, rediscounting, etc.

We find, however, that our market has expanded not only because of a tightness in the money market but because of the expansion of our economy and because of the increase in the special services offered by the finance companies.

Our industry from its very birth has developed along lines specifically geared to the peculiar and pressing needs of small and medium-sized businesses. Incidentally, as you probably are well aware, small and medium-sized businesses comprise some 95% of the 4,250,000 companies in the United States. Today, besides being a supplier of liquid funds, a commercial finance company is a combination of financial analyst, business engineer, consultant on sales and merchandising, and a host of other things. For these many services no fee is charged or expected, and the cost is absorbed in the financing charge.

What is the nature of the specialized services made available by commercial finance companies? Generally speaking, they are services which commercial finance companies have developed through the application of their techniques to a great variety of small and medium-sized businesses over the years.

Before discussing the current nature of these services, I believe it is a factual statement to say that the early history of the commercial finance industry showed that it was and still is of considerable value to management to have the commercial finance company report regularly on the general quality of the receivables offered as loan security. Through these reports, the borrowing company obtains an objective opinion on the quality of the risks accepted by its own credit department and the effectiveness of its collection procedure. The supervision of current loans provides for the preparation of reports that give a clear statement of changes in the quality of receivables generated and in merchandise returns and allowances. The early experience of the commercial finance industry also demonstrated that many of the clients of commercial finance companies were as much in need of management advice as of funds.

It goes, almost without saying, that currently, because of the credit and competitive situation, management policies in small and medium-sized businesses must be more carefully conceived and much more skillfully carried out than at any time in the past. Our present competitive economy is sounding more emphatically than ever those three insistent words of the market place: COST SAVINGS, EXPENSE REDUCTION, and PRODUCTIVITY IMPROVEMENT. Indeed, there is little or no hope for present management where these concepts are ignored.

So, in effect, it is not at all unusual for commercial finance companies to (1) recommend the improvement of financial planning, (2) to assist in setting up proper accounting methods, cost and quality controls, (3) to give practical business advice and aid in planning expansion and acquisition of new facilities, and (4) to actually recommend sources of technical advice and counseling, relative to up-to-date merchandising and sales methods, and other phases of business activity, where needed.

Examples of Special Aids to Small and Medium-Sized Business

Accounting Aids: With respect to accounting aids, we find it very important to work closely with the firm's accountants who, we feel, are advising their clients in regard to the day-to-day operations of their businesses. Incidentally, the modern accountant seems to be moving more and more into the field of management engineering. This is a field, which, by the way, the accounting profession allowed, in the past, to go by default to others not having the advantage of the thorough background of each client's problem that the professional accountant has. We find that working closely with these men is an invaluable aid in developing joint recommendations.

In our business we have the opportunity to view many types of operations, and thus can draw from others' experiences and pass such knowledge on to others. As an example, many ambitious veterans experienced in working with aluminum, but green as the proverbial bay tree insofar as business matters were concerned, opened their own fabricating and extruding plants after the war. We have been able to help many such fabricators expand their sales and take advantage of opportunities in the aluminum field where but for our services they would have joined the list of business casualties which I understand number something like a quarter-of-a-million a year.

Management Aids: Very often we find that the client has not the management that is sufficiently awake to the possibilities and potentialities of the business he is conducting. In these situations, we believe that the recommendation of a particular business counseling or engineering firm is warranted and we recommend firms that may be of help to management. For example, it is fairly common knowledge that even small and medium-sized companies are learning to benefit from automation. However, management is not always aware of the fact that by redesigning different products so as to give them certain common components the volume may be increased to fully justify automation in the production of the components. In pertinent instances, we have recommended the employment of counsel in industrial design so as to give the product the necessary common components in order to take advantage of automation.

Sales Aids: Where we feel that there is a management deficiency in regard to sales and distribution, we recommend the employment of sales and distribution counsel if our own recommendations are insufficient. I believe you are aware of the fact that four out of five new consumer products fail to achieve consumer acceptance. Costly guess work, flaws in external selling, and a host of other reasons, are often given as the reasons for the failure. The introduction of new products involves too many marketing hazards to be given anything less than the gravest consideration by top management. A firm of competent counseling specialists initiates and coordinates the creating, screening, planning and marketing of all new products. Such a firm pretests the products, pricing, packaging, advertising, sales promotion, channels of distribution, etc. It is a fact that competent counseling specialists have helped many businesses achieve higher ratio of sales, a lowering of sales cost, and a resultant increase in profits.

Production Aids: The squeeze on profits resulting from higher costs of labor in the prime labor markets in 1955 will mean higher prices for steel and other basic materials in 1956. Because of the severe competitive market, it will not be easy to pass along these higher costs to customers. To counteract the cost squeeze, practically all managements are considering increased mechanization, automation and other investments which will tend to reduce labor and administrative costs. Close attention is also being given to the need for rearrangement of plant setup, diversification of products, acquisition of raw material facilities and new market outlets via the merger route.

Commercial Financing — Key to Business Growth

No true observer of the American scene is unaware of the enormous contributions made by commercial banks and insurance companies in the tremendous growth of our economy and of our industries in the 20th century. Future historians will, I am sure, write as glowingly about it as present historians write about the seven wonders of the ancient world.

The commercial finance industry takes great pride in its particular contributions to their growth. It was our industry that shaped and developed the vast field of installment financing, the financing of accounts receivable and inventories, the financing of commercial and industrial equipment and a host of other methods of secured commercial financing.

Present industrial giants like Dow Chemical Company, Monsanto Chemical Company, National Airlines and many others, utilized commercial financing in their early days—when they were veritable fledglings—to get a foothold in the industries where they now are leaders.

Last year the trade group for the industry—the National Commercial Finance Conference—of which I have the honor to be Chairman, invited its members to participate in an award program, i. e. send in their nominations of companies which they had financed and which had achieved outstanding growth through the use of commercial finance company funds.

The names of a large number of small- and medium-sized companies were sent to our awards committee of which Dean G. Rowland Collins of the Graduate School of Business Administration of New York University was Chairman. Of course, along with the names of the nominees, our members sent in supporting financial statements and sales records on a before-and-after basis.

In each instance, the companies started with very limited capital and each attributed its rapid growth to the availability of funds from commercial finance companies.

I would like to give you the case history of one of these companies which received an award:

(1) The O. A. Sutton Corporation (Wichita, Kans.)

Just 14 years ago when O. A. Sutton incorporated, it had a $20,000 order to make aircraft parts for Beach Aircraft, five employees working in a Wichita garage and $2,000 of working capital. The machinery and equipment had been purchased on credit. With numerous defense contracts, the company increased its employment to 300, bought its own manufacturing plant and increased its net worth to approximately $200,000 in less than two years.

In anticipation of peacetime operation, Sutton bought the patents on a rather radical new electric fan and introduced the new Vornado air circulator in 1945. The company captured more than 10% of the nation's fan sales in the first year. But in about two years the sales far surpassed the company's ability to maintain a proper inventory or continue manufacturing without additional working capital. So, in 1948, a commercial finance company extended a line of credit of $150,000 on accounts receivable and an inventory line of the same amount, even though the Sutton Corporation showed a net loss of more than $100,000. In June of 1949, Sutton had current assets of about $800,000 to pay current liabilities of a half a million and had a net worth of nearly $600,000. In 1952, Sutton entered the air conditioner field which is proving as equally successful as the air circulator. However, in 1948, when Sutton originally sought commercial financing, its total annual sales were about $2,500,000 with an inventory and accounts receivable of $150,000 each. In January, 1954, Sutton's sales were nearing the $40,000,000 mark with a net profit of $1,500,000. The accounts receivable amounted to almost $5,000,000 and inventory was over the $2,000,000. In less than six years, O. A. Sutton with the aid of commercial financing gained first place in sales, both unit and dollar-wise. In summary, the use of commercial finance company funds made possible a change from a net loss in 1948 to a net profit of $1,471,278 in 1954.

Conclusion

In closing, I believe it is a fair statement to say that the financial service rendered by commercial banks, insurance companies, commercial finance companies and other financial institutions to small, medium-sized and big business is the epitome of our whole commercial and industrial system. The many forms of nuances of this service have grown with the American economy; they have taken their tone from the exuberant and rapidly developing industrial life of the United States.

With the acceleration in the rate of productivity and the amazing growth of our national economy which is presently pushing toward the $400 billion Gross National Product goal, an unprecedented opportunity presents itself to American financial institutions to reach the new horizons that have been ushered in with the atomic era.

Smith, Barney Group Offers Miehle Shares

The first public sale of shares of Miehle Printing Press & Manufacturing Co., Chicago, Ill., one of the world's largest manufacturers of printing presses, took place on Feb. 21 with the offering of 267,856 shares of the company's class A non-voting common stock by a group of investment bankers headed by Smith, Barney & Co. The stock was priced at $24 a share. Of the shares offered, 50,000 shares represent new financing by the company and 217,856 shares are being purchased from selling shareholders.

Net proceeds to be received by the company from the sale of the additional stock will be applied, together with other Miehle funds, to purchase all of the outstanding shares of Dexter Folder Co. Miehle has owned 50% of Dexter since 1927 and with this purchase Dexter will become a wholly-owned subsidiary.

Miehle, incorporated in 1890, produces and sells a wide variety of sheet-fed letterpress and offset presses of types and sizes designed to meet the requirements of the expanding graphic arts industry, and cutting and creasing presses for the folding box industry. Miehle also manufacturers electric motors for its own use, and electric motors, motor brakes, and generators for sale to others. Dexter Folder Company manufacturers bindery equipment, paper feeders for printing presses and other machinery used principally in the graphic arts industry.

The company's sales in the sheet-fed letterpress field are believed to be larger than those of any of its competitors, domestic or foreign, while in the sheet-fed offset field the Company has increased steadily until it is a leader in this phase of the industry.

Combined sales of Miehle and Dexter during their latest fiscal years ended Oct. 31 and Sept. 30, 1955, respectively, totaled $34,423,779. Net earnings amounted to $1,995,177, equal to $2.45 a share on the number of shares to be outstanding, adjusted to reflect a recent 2-for-1 stock split. Figures on the same basis for the respective first quarters of the current fiscal years were $9,902,103 sales and $755,403 net, equal to 93c per share, against $8,137,679 sales and $517,826 net, or 64c a share in their last fiscal years. The company has declared a quarterly dividend of 37½c a share, payable March 15, 1956 to stockholders of record March 8.

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course by all odds the most important. In my opinion, the present outlook for each of these several areas of spending may be assessed as follows:

(1) **Government Spending**—Figures on government spending for the third quarter of 1955, at an annual rate, compared with the full year 1954 show a small decline in total, with the drop in Federal spending almost made up by the rise in state and local outlays. The total figure for all three categories is $76 billion as an annual rate in the third quarter of 1955 as against a little over $77 billion for 1954. The probability seems to favor a slight increase in government spending for 1956. The defense budget is indicated as being $700 million higher. The President has asked for some increased foreign aid, and there will be a further increase in state and local spending. Thus the government spending factor will be definitely on the plus side in its effects on business activity, particularly in the second half of the calendar year. If there should be any further rise in government spending beyond that indicated, it probably will be in the area of national defense.

Here I cannot forbear a statement of personal conviction to the effect that I sincerely believe we should be spending more for national defense. I think there is a growing recognition that we are losing the cold war, that, in fact, as we are now waging the cold war, we cannot stop the Soviets from winning it. Should there be an increase in national defense outlays, however, it is clear that it would not be likely to have much economic effect in this calendar year unless the turn of events should be so serious as to cause substantial anticipation by business of the increased defense spending.

(2) **Business Spending for Plant and Equipment.**—As already indicated, there was a sharp turnaround of this category of spending in 1955, from a first-quarter rate of $25.7 billion to a fourth-quarter rate of $30.9 billion. Speaking here last year, I said, "With the current rate of population growth, with continued high expenditures for research and development, with the current interest in automation, and with the growing tendency of businesses to undertake long-range planning of their capital requirements without trying to guess the business cycle, there is an excellent basis for substantial capital goods spending in the years ahead. In the absence, however, of some dynamic stimulus to this kind of spending in 1955, the prospect is for a somewhat lower rate than in 1954 and consequently for some adverse effects on business generally." Well, we did get that dynamic stimulus, and it apparently was a combination of the unexpectedly high level of consumer spending, some increased long-range planning of equipment expenditures, and, quite important, the existence of an atmosphere which might be described as the "Eisenhower confidence boom."

At the present time the Department of Commerce estimates that plant and equipment spending for the first quarter of 1956 will be at an annual rate of $31.6 billion. The McGraw-Hill survey of businessmen's intentions with respect to purchasing of new plant and equipment—a survey which has established a very respectable record for accuracy of prediction—sets the probable rate of increase in these capital outlays in 1956 at 13% above 1955. Currently estimates of the Department of Commerce tend to back up this McGraw-Hill forecast. It is generally agreed, however, that the rate of increase in plant and equipment spending in 1956 will be substantially lower than the rate which was manifest between the first and fourth quarters of 1955. The eventual figure, of course, will depend on how strongly consumer demand is sustained in 1956 and may also be affected by the availability of materials, as well as the supply of skilled labor. Shortages in steel, copper, aluminum, and freight cars might have the effect of stretching out plant and equipment spending for a longer period.

(3) **Inventory.**—Inventory building is likely to continue to be a plus factor for at least a considerable part of 1956. The reversal of policy by many companies from one of inventory depletion to one of inventory build-up was an important ingredient in the strong 1955 recovery. By October the increase amounted to approximately $3.8 billion as against the previous October. The rise between September and October was $740 million. This was a greater-than-seasonal rise in inventories, and at the same time sales rose a little less than seasonally. If such a month-to-month advance were to be maintained, it would of course suggest an increase in inventories at an annual rate of nearly $9 billion. In all likelihood more recent figures will indicate a continued inventory build-up but not at so high a rate as in October.

Although new orders received by manufacturers in October dropped as compared with September, where ordinarily the seasonal tendency is the reverse, nevertheless the backlog of unfilled orders of manufacturers continued to rise. Also, as remarked earlier, the ratio of stocks to sales, standing at 1.5 at the end of October, apparently continued, notwithstanding the inventory build-up, to be lower than it was a year ago. All this seems to spell further inventory build-up in the early months of 1956, with the rapidity and extent depending considerably on the course of prices as well as on the availability of materials. Naturally any continued or enhanced rate of inventory build-up contributes to a higher rate of business activity until a turning point is reached. Thus while inventory building is a plus factor at the time when it is occurring, it is a two-edged weapon; and extreme inventory fluctuations can do great damage to the economy. This is one of the business indices which executives should watch most carefully in 1956. The faster inventory rises, the sooner a turn will come.

(4) **Construction.** — Authorities on the construction industry look for another rise in over-all building in 1956, but much less pronounced than the upswing of 1955.[1] Although the number of housing starts is expected to decline from the 1955 total of something over 1,300,000 to perhaps a figure between 1,150,000 and 1,200,000, nevertheless total construction contracts in dollars are estimated at 3% above the 1955 figure because of increases in non-residential building contracts and even larger increases in public works and utilities contracts. In some quarters, doubts have been expressed as to the accuracy of the foregoing estimate, but in general it appears that the construction industry will again furnish substantial support for a

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1 Thomas S. Holden, Clyde Shute, and George Cline Smith (F. W. Dodge Corporation), "Construction: Growth In- . . v," *Architectural Record*, November, 1955.

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sustained volume of business activity at a high level. In the final analysis, of course, this forecast is dependent on the monetary and banking situation and policies pursued by the Federal Reserve System. Significant, perhaps, is the fact that a slight easing of mortgage credit has already occurred, as of mid-December, through the action of the Federal Home Loan Bank Board.

(5) **Consumer Spending.**—Personal consumption is the major flow of spending, amounting at the current rate of 65% of the Gross National Product. Of the increase of $32.7 billion in Gross National Product between the third quarter of 1954 and the third quarter of 1955, personal consumption increases account for $18 billion, business spending for all the rest.

What will consumer spending do in 1956?

(a) Personal income, now running at an annual rate of $310 billion, as against $288 billion for the full year 1954, will continue to show some increase, perhaps rising, according to some forecasts, as high as $320 billion before the end of the year. Supporting these estimates are the high rate of employment, nearly 65,000,000 in November; the rising tendency in average weekly hours, 41.2 in November, indicating more overtime; and advancing wage rates, average weekly earnings standing $79.52 in November and continuing to increase. It is clear that wage rates will advance somewhat further in 1956, especially as the new minimum wage rate goes into effect. Farm income will continue its downward trend but presumably will decline less in 1956 than in 1955, probably 5% as against the 10% drop which occurred in 1955. In this connection it is to be remembered that, because of reduced numbers of people on farms, per capita farm income declines considerably less than over-all farm income. Further factors contributing to high personal income are the higher rate of corporate dividends and some increase in interest income.

(b) Increases in personal income, likely to be on the order of 5% in the first half-year as compared with the same months of 1955, will of course be carried through to disposable income. After the middle of the year, conceivably disposable income may show a greater relative increase than personal income because of possible tax reductions that will benefit consumers, but there is as yet no certainty of such reductions.

(c) But what will consumers do with their income? How much of it will they save? The savings rate is now at the low ratio of 5.8% of disposable income, as compared with figures well above 7% which characterized the period from 1951 through the middle of 1954. In the second quarter of 1955, according to the SEC, individuals actually reduced their net worth by $500 million.[2] As already remarked, the very sharp growth of consumer credit by more than $5 billion (from November, 1954, to November, 1955) is a measure of the extent by which consumer spending in that year exceeded consumer income. Is it likely that a similar growth will occur in 1956?

The answer, of course, depends to a marked extent on consumer attitudes toward durable goods, especially automobiles, in 1956. In the first half of 1955, consumers were spending 13% of disposable income for durable goods, in comparison with a figure of 14% in 1950 and only 10% in 1946. It is my belief that in 1956 this ratio of spending on durable goods will swing back to about 11% rather than the 13% which characterized 1955. Specifically I think that automobile sales in 1956 will be lower by 1¼ or perhaps as much as 1½ million units than in 1955, for the following reasons:

(i) Inventory of relatively new cars in the hands of consumers is higher than at any recent time.

(ii) Higher list prices for 1956 are tending to arouse some consumer resistance.

(iii) Credit is harder to obtain, and somewhat more costly.

(iv) The 1956 models, on the whole, do not represent as many new features and merchandising innovations as did the 1955 models.

There is evidence to support these views in the decline of automobile sales in November (down 22% from the March-to-September monthly average),[3] the rising stocks of cars (nearly 800,000 at year-end), and the kinds of deals already being offered by dealers on new cars.

The recent University of Michigan survey of consumer attitudes toward spending for durable goods reveals no change from the previous survey in June, 1955. In other words, consumer attitudes remain favorable, but lack of a step-up of demand may be taken as evidence of some flattening out. In the face of continued industrial expansion it can be argued that this apparent flattening out of consumer demand may indicate a downturn in the offing.

Possibly, then, sometime before the end of 1956 consumer spending may be rising less rapidly than disposable income. Such a reversal of the 1955 relationship would be accompanied by a substantial rise in savings, since consumers would be paying off old indebtedness faster than they were incurring new obligations. In my opinion, a rise in savings to an annual rate close to $20 billion, perhaps to 7% or more of disposable income, should be regarded as a possibility before the end of the year.

If this line of thought has any validity, consumer spending in 1956 will not continue throughout the year to be so powerful a stimulant of business boom as it was in 1955. In support of this view may be urged the smaller increases in consumer credit occurring since September.

Monetary-Fiscal Situation

Before trying to pull all these pieces together into any coherent picture of the 1956 outlook, it is essential to consider carefully the areas of monetary and fiscal policy and prices, since developments here during the next six months can easily prove controlling of the whole trend of the economy in 1956.

In the monetary and banking situation the basic fact is that the Federal Reserve Board, quite properly, is trying to put the brakes on a boom that has been threatening to get out of hand. During the past year the rediscount rate has been raised three times. These brakes are power brakes, and they have to be applied with a skillful touch. In this regard the Federal Reserve authorities thus far seem to have done a very good job. The relatively high short-term rates for borrowing are designed to keep a check-rein on inventory expansion and on the possibly too rapid growth of consumer credit. These high short-term rates, however, have created an unprecedentedly narrow spread between short-term and long-term money rates. In the long run, this very narrow spread may prove untenable. (Note that the Federal Reserve recently had to give the Treasury a lift when the acceptance of a new issue appeared shaky.) In the meantime the still relatively low long-term rates are conducive to a continued high volume of business investment. If and when the business pace slackens a little, and particularly if construction shows signs of dropping substantially, greater ease will doubtless appear in interest rates. (As earlier remarked, the Federal Home Loan Bank Board has already moved in this direction.) On the other hand, if strong inflationary pressures should become evident in prices and if inventories should rise rapidly in the spring of 1956, a further tightening of short-term rates would be in order.

I think it is a reasonable opinion today that the Federal Reserve authorities will be successful in accomplishing their purpose, that the boom will be moderated without throwing the economy into a skid, although there is some possibility that the short-term situation may require at least one more application of brakes.

On the score of fiscal matters, there are only two comments to make, First, the Federal budget situation will probably not be a significant factor in the 1956 business trend. Although the budget is approaching a book balance, the possible increases in foreign aid and defense spending may postpone this development. Nevertheless it is almost certain that a cash balance and probably something over will be achieved at the end of this fiscal year, in June, 1956. Secondly, any change in taxation in 1956 is likely to be a reduction rather than an increase. This is said with full recognition of the fact that the economic arguments are against a tax reduction at the present time unless business should take a downward turn. Nevertheless, political arguments, particularly in a presidential year, are more compelling than economic arguments. And so a reduction in taxation is still possible. It goes without saying that such a reduction, and, indeed, the anticipation of it, would have a favorable effect on business.

Next we come to prices. The remarkable period of price stability since 1951 has been a most important ingredient in the high level of prosperity in these years.

Wholesale prices, at an average level of 111.6 in 1952, stood at 111.2 as of mid-December, 1955. But increasingly this stability of the general wholesale price index is deceptive, since the agricultural component has been steadily dropping since 1951 and in November, 1955, was 26% below the average of 1951, and since during most of this same period the prices of manufactured goods have been rising because of higher wage costs and recently because of shortages of a few materials. In other words, the price structure is changing; it is reflecting the fact that we do not have enough steel, copper, aluminum, and newsprint, while at the same time we have too much wheat, corn, and cotton. Continuation of these diverging movements is indicated for 1956, but there is some assurance of reasonable over-all price stability in the fact that futures prices and sensitive commodity price indices generally are not signalling any notable changes, with the possible exception of steel scrap prices.

Consumer prices have also exhibited extraordinary stability for the four years 1952 through 1955, with a range in the index over this period only from a low of 112.4 to a high of 115, the latest figure. For the past year the tendency has been slightly on the up side, and it is wholly plausible that the present trends in wage rates and volume of consumer buying will carry this consumer price index as high as 117 sometime during 1956. Again there is a balance of opposing forces, with food prices trending down and the prices of nonfood items, as well as rents and services, trending up.

Outlook Summary

Now what does all this add up to with respect to the 1956 outlook for the economy as a whole? On the balance of factors, I see it something like this:

(1) A strong plus factor will be business spending for plant and equipment.

(2) Inventory building will be a plus factor for the early part of the period, conceivably a minus factor by the end of the year.

(3) Construction will be slightly on the plus side, but perhaps only slightly.

(4) Government spending will also be somewhat on the plus side.

(5) Consumer spending, while running ahead for a considerable part if not all of the year, nevertheless will not be so strong a propellant of business boom as in 1955.

In this perspective, then, 1956 appears as a year of moderate advance, a year in which inflationary forces will be held in check, a year of some flattening out, a year in which gross national product and total retail sales may well make new highs but which, by the time the 12th month rolls around, quite conceivably could witness a number of business indices in moderate retreat—in short, a year of going slowly around a not very abrupt corner. This is a basically optimistic forecast, since it envisages no more than the kind of readjustment with which we have had experience during recent years. Of course, this forecast is barring any unexpected "monkey wrenches" that might get tossed into the situation, such as serious complications in foreign affairs or any snowballing of apprehensions among businessmen as to possible bad consequences of a change in Administration in November.

Department Store Outlook

It remains to translate these general expectations into a forecast of department store results for the spring season of 1956.

(1) **Sales.** — Personal consumption expenditures should run as much as 5% ahead for the spring season as compared with 1955; but part of this increase will be due to slightly higher prices. Some flattening out of consumer spending, however, possibly is indicated by the lower rate of increase in consumer installment debt since September.

There will be some shifts in the mix of spending. Automobile sales will be lower in proportion; and food purchases may also be down a little, wholly because of lower prices; services will continue to absorb the same or a higher proportion of the consumer's dollar. Hence it might be expected that soft goods sales will gain a higher proportion, and on this basis it can be argued that department store sales will show a higher percentage of increase than total retail sales. Supporting this argument is the recent improved demand for higher price ready-to-wear. There are, however, some considerations that point the other way:

(a) There will not be any automatic shift of consumer spending from durables to soft goods, at least not so long as the merchandising and promotional efforts of the soft goods industries are so definitely eclipsed by those of the durable goods industries. More probable is an increase of savings as consumers lighten their debts.

(b) Department stores are still losing some volume to other general merchandise outlets. Sales in the big general merchandise chains are running ahead more strongly than department store sales. In November, Sears, Ward, Penney, and Grant were all ahead by 10% or more, while department stores were ahead only 6.5%.

(c) The textile industry has a cycle of its own of some 18 months to two years, and this cycle is due to turn down at some point in 1956, although perhaps not in the first half.

Everything considered, a forecast of department store sales 4% higher for the February-July period as against last year seems reasonable with the better rates of increase probably falling in the earlier months in view of the extra day in February and the earlier date of Easter.

(2) **Gross Margin.** — On gross margin the modest improvement achieved in 1955 should be maintained or even enhanced a little. Competition will hold a close ceiling on initial markon. Hence any pick-up will have to come from lower markdowns, a possibility that should be aided by the slight stiffening of retail prices.

(3) **Total Expense.**—In the expense area, department stores will still be contending with an advancing hourly wage rate, a situation which has persisted throughout the postwar period and has thus far kept most of the expense control activities rather steadily behind the 8-ball. For the first half of 1956 this pressure may be alleviated somewhat by the firming of retail prices just referred to, which will be conducive to a higher average salescheck. Perhaps, then, we might look for expense ratios in the spring season no higher than last year and conceivably down by one- or two-tenths of a percent.

(4) **Net Earnings.** — A better gross margin percentage and a possibly decreased expense percentage mean fractionally better earnings as a percentage of sales, probably not so much of an advance as the spring season of 1955 showed over the spring season of 1954 but nevertheless something on the plus side. No change in corporation taxes seems likely. Hence dollar earnings after taxes, if the expected sales improvement materializes, should show a definite advance over 1955 and make this the most profitable spring season experienced in the department store business since the year 1948.

Now all this is not to say that the business cycle is permanently tamed, that our economy will always get by with these rolling-type readjustments, that there is no longer any danger of a concurrent downturn in housing, spending for consumer durables, inventory accumulation, and business spending for plant and equipment. On the contrary, let me be quick to say that our long period of rolling readjustments in a generally high level of prosperity has left us with some dangerous strains in the economy, notably the agricultural situation, the consumer credit and home mortgage situations, and perhaps also the disorganized condition of distribution in the consumer durable goods field. In addition it is fair to say that more and more in recent months the pattern of events has become reminiscent of the old-fashioned business cycle. We are on a pretty good path, but we are not definitely and certainly out of the woods; and the time to be afraid is when nobody is any longer crying "Wolf!" So all that I am saying is that we quite probably are **not** going to encounter the big bad business cycle wolf in 1956, but don't let yourselves become too sure that the wolf no longer exists.

2 *Business Week*, November 12, 1955, p. 149.

3 December sales, however, were apparently more favorable.

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temporary leveling off period. However, this stability will be confined only to sales figures. A shifting trend both in geographical area and in composition of shipments will highlight the 1956 U. S. export scene.

With the White House goal of a $500 billion gross national product assured by 1965, there is little doubt that U. S. commercial exports will rise to $17.5 billion within the next 10 years. This long-term forecast is based on the historical average since the end of World War I whereby non-military shipments have held close to 3½% of the combined output of goods and services. In fact, this prediction is even on the conservative side because in prosperous years, as in 1955, the percentage reached 3.7% of gross national product.

Therefore, it is not too early for you to lay the groundwork now to get your share of this expanding trade by renewing old relationships and developing new markets for both the short and long haul. The New York exporter, particularly, must be alert to this growth and start to make his plans immediately. He must be prepared not only to win new markets, but to fight for old ones.

A survey of the waterfront area made last year showed that shipping and forwarding companies, as well as exporters, expected to lose 19% of New York harbor trade to the Great Lakes cities once the St. Lawrence Seaway was operating in full swing. This is difficult to believe because it has been proven time and again that United States exporters want regular and dependable delivery schedules. They will not wait six months for a body of water to become navigable because of the winter freeze-over. In many parts of the United States, particularly in the Northwest, exporters will send shipments as much as 1,000 miles overland in preference to 200 miles to a nearer port because of greater frequency of sailings.

Last year commercial shipping traffic in the Port of New York reached its highest level in history when 25,230 ships moved in and out of the harbor. However, New York is not getting its share of this country's expanding export trade. In 1955 tonnage shipped out of New York increased less than 5% while total United States exports jumped 10%. On the other hand, customs receipts in New York skyrocketed 33% against a 20% rise for the entire nation. Nevertheless, this should be your tip-off that the New York port area cannot afford to wait to improve maritime facilities on a large scale. Newark, Philadelphia, Hampton Roads, Miami, New Orleans, and the Great Lakes ports expected to benefit from the St. Lawrence Seaway will allocate more money for improvements in the next two years than was spent altogether since 1950.

Realizing the full potential of the growth of U. S. overseas trade between now and 1965, as well as that of the foreign commerce of all nations, which is up nearly 400% since 1937, it seems advisable to take a quick look at what will probably be the 50 leading markets for American exporters during the next 10 years. Of these 50 countries, U. S. sales in 1955 increased in 47, with Brazil, Colombia and Japan the only nations showing a drop in purchases.

Rising inflation throughout Western Europe, with its necessary counter credit restrictions, undoubtedly will be the most important single factor influencing American exports in 1956. Although these controls will be of an indirect nature, such as higher consumer purchase taxes and interest charges, they definitely will force some reduction in U. S. shipments to Western Europeans. However, a return to such direct restrictions as limitation of dollar allocations, or increased tariffs and quotas, which marked the years from 1949 through 1953, is not foreseen.

The shift in U. S. orders from Europe will be centered around the growing need for more raw materials in order that the Governments now faced with inflationary pressures can emphasize their own export programs. Sales of consumer and manufactured goods, including those of steel products, will be down.

Another reason American exporters will have to look for increased markets outside of Europe is the probability of a slower rate of industrial activity there. It is highly questionable that the average 9% gain in production for the past two years can be again attained in 1956.

Present indications, therefore, point to an overall drop in exports to Western Europe amounting to roughly 3%. On this basis commercial sales to that area will fall to $3.6 billion. However, the decline will come to less than one-half of last year's increase of $300 million.

Austria will continue to enjoy a moderate rise in trade with U. S., with American exports up about 3% in 1956. However, commercial relations with the Iron Curtain countries will be stepped up as a result of the State Treaty negotiated last year. Russia will replace America as a supplier of phosphates and coal, while Austria will liberalize import controls on Western European goods.

The outflow of American investments to Belgium will show a sharp gain next year. Exports to U. S., which were up 25% in 1955, will continue to climb. European competition could become critical for Belgium but intense promotion efforts in America will maintain present markets. World demand for steel will keep the boom going and overall industrial output—up 14% since 1954—will dip only slightly. All these favorable aspects of the Belgian economy mean your sales to this nation should hold steady.

With controls now relaxed on dollar imports, Denmark will be a growing market for both American and European goods. However, criticism of Washington's surplus farm program will encourage Denmark to lean toward sources outside the U. S. wherever possible. The Danish krone will strengthen further as exports increase and gold and exchange holdings improve. Tourist trade —up 15% in 1955—will be still greater. Denmark should become one of the leading Western European markets for consumer goods by 1960.

A less spectacular rate of production in France than the 10% upturn in 1955 is certain. But progress will continue, with textile industry prospects especially good. After more than three years of complete price stabliity, inflation will be a major problem. Steel exports, which account for a large share of foreign exchange, will be reduced because of rising prices. Dollar inflow exceeds the current heavy trade deficit as gold and exchange reserves now rival those of the sterling area.

The French franc remains way over-valued, with a complicated system of subsidies and import taxes forestalling official devaluation. Foreign aid to France will dip and the import surplus will widen in 1956. French subsidies in the form of "dumping" duties as an alternative to devaluation will invite more sanctions in addition to those imposed by Belgium to offset French price cutting. Political instability in France will be responsible for a wider budget deficit, a weakening franc, a higher rate for the free price of gold and extreme caution on the part of American shippers in selling to Frenchmen during the year.

In all probability West Germany will face a leveling off process during 1956. Production is up in all lines. Industrial and agricultural output will rise again, but much slower. The economy is beginning to show signs of strain as the labor shortage worsens and high wage demands scare off capital investment. Inflation and tight credit conditions will be the main worries. Gold and exchange holdings will dip slightly as imports rise and exports remain steady. Installment buying will make large strides in 1956, offering consumer goods exporters in U. S, a much broader market. German credit terms to Latin America will be restricted somewhat. Metal-working makers had been extending unheard of credit terms in an all-out effort to underbid U. S. suppliers. On one recent sale, a top German company offered no down payment with 10 years to pay.

Greece's production rate, which is 2½ times as great as in 1948 and shows the second largest jump in output throughout Western Europe, is bound to slow up. American exporters will continue to ship on letter of credit instead of draft basis well into 1957, although some improvement in the economy is likely.

A marked deterioration in Ireland's trade balance reflects last year's poor crops. Imports in 1955 were up 400% more than exports. Despite the new Export Board established by the Irish Government to promote foreign expansion of domestic products, little real improvement in the economy can be anticipated until 1957. Your sales to Ireland will be down this year but this is one of the long-range markets that certainly deserves your attention. Inventories are low and the demand for consumer goods is enormous, as the per capita household appliance ownership in Ireland is close to the lowest in Western Europe.

Tourist spending in Italy will be the greatest on record this year. Farm output is gaining while exports of fruits, vegetables and wines are booming. Exports of business machines and ships will continue to climb, but overall profit margins will be pared as credit becomes tighter. A new law to encourage foreign investment will be disappointing. Sterling exports, along with U. S. triangular trade transactions in particular, will benefit from Italy's decision finally to join the European exchange arbitrage system. Italian commercial banks can now deal freely and multilaterally in most West European currencies.

Netherland's prospects for an excellent financial year are bullish. The Dutch will keep their strong position in foreign markets, dispite stiff competition. A shortage of labor will lead to wage increases Gold and exchange reserves will climb further, although the trade deficit worsens. Extreme dollar liberalization has not been too healthy for the economy, so you can expect some tightening of controls on dollar goods in 1956. However, the American-minded consumer in Holland offers an excellent market for the U. S. exporter over the next 10 years.

Norway's three-year trade agreement with the Soviet Union will provide for expanding trade with Eastern Europe. Heavy Norwegian exports to Moscow will be required to pay off clearing debts to Russians. But the slowly improving economy will not offer a more optimistic market for the U. S. and Western European exporters for several years.

After many postwar years of strict import licensing, Portugal is liberalizing controls on American goods. Inventories are low and an incredible backlog exists for all kinds of equipment. The nation's fleet modernization program will eventually mean larger earnings from fishing and tourism.

American aid to Spain amounting to nearly $300 million to date has been slow in affecting the country. However, over the long-term it will be the vital factor in expansion. Already there are signs that some of the principal bottlenecks are disappearing. Increasing tourist receipts also are important to the economy and you can count on gradual strengthening in the peseta. European and U. S. manufacturers will compete intensely for this most promising capital goods market in the next few years.

Sweden's latest series of rigid credit controls has not helped to stop the rising pace of inflation. For instance, the 10% purchase tax on auto sales has not been successful as new car registrations continue to climb. Consumer installment buying is getting a foothold. Electrical appliance dealers have a relatively untapped market to cultivate in Sweden. The U. S. will reduce restrictions on Swedish hardboard in the hope that farm surpluses can be disposed of in Sweden at bargain prices. But Stockholm will not buy large quantities because half of the stocks must go in American ships. Although gold and exchange reserves are up this year, austerity will spread.

In Switzerland, capacity operations are prevalent throughout the nation. The backlog of orders is greater than any time in recent years. If the labor shortage can be overcome, the outlook will continue cheerful. Recruiting of foreign workers from Italy and West Germany is necessary, with the probability that another 200,000 will arrive in 1956. Installment financing is expanding rapidly. Swiss import duties on dollar goods will be raised in retaliation for the watch tariff hike and anti-trust accusations by Washington. However, purchases here of Swiss machinery and specialty equipment will increase as the Administration has just lowered duties on a few items.

Turkey's economic crisis shows little improvement. Exporters in U. S. are again being warned to be most cautious in selling. Ankara estimates it will be at least two years before the situation is in control. Although Turkey has pushed her development way beyond capacity resources, more aid from Washington will be forthcoming.

The world can look for material improvement in the United Kingdom's balance of payments position in 1956. A steady dip of $860 million in gold and dollar holdings from the 1952 peak will end. Further credit restraints are inevitable as a mass demand exists for appliances, television sets and cars. London will not devalue the pound officially while sterling will strengthen during the year. Currency convertibility will have to be postponed another year because of England's exchange crisis. The latest export drive will take hold, although inflation will hamper results. Output will rise another 3% and trade with Eastern Europe will be up noticeably while a sharp drop in purchases from the U. S. is probable.

Yugoslavia is turning toward consumer goods industries and agriculture as heavy equipment production goals appear temporarily to have been reached. As austerity is eased, there is no doubt that the Yugoslavs will want more of the amenities of life and will open up their stores to American items. Meanwhile, do not count on any weakening of economic ties with the Soviet bloc.

To offset the dip in shipments to Western Europe, American exporters can expect to recover the 3% loss suffered during 1955 in Latin American sales. Overall exports to Central and South America should rebound to the 1954 figure of $3.4 billion. Coffee will be the key to a better year. The American consumer will drink slightly more of this beverage in 1956 than last year because of reduced prices. Moreover, low inventories in the U. S. resulting from political disturbances and pending exchange reforms in Brazil and Colombia are behind a steady rise in coffee sales in the past few months. However, if forward prices are pushed still lower when Brazil finally devalues the cruzeiro, the overall gain in coffee shipments here will be negligible.

At the same time the Latin Republics are bound to earn more dollars in 1956 because of substantially greater exports of metals. Petroleum once again will be the second important question mark as expanding consumer needs for oil will absorb the bulk of any newly-acquired exchange from coffee and metal sales. Four of the largest and most important Republics — Argentina, Brazil, Chile, and Venezuela — will account for practically all the rise in U. S. exports to Latin America.

But U. S. manufacturers will not keep their share of the Latin American export market, particularly for machinery, without a struggle. Intense competition will continue to come from Western Germany, which is fighting to regain her prewar rank as the world's leading exporter of machinery. The U. S. now holds that position, with Britain in second place, but both countries are losing ground to Germany's drive. In Brazil, for instance, German machinery exports have risen in five years from one-seventh to one-half as large as U. S. exports.

Establishment of a single Argentine exchange rate of 18 pesos per U. S. dollar ($0.0555) is welcomed here as a significant first step towards reorganization of the chaotic Argentine economy. However, traders do not believe the new rate can be sustained for any extended period. A further official devaluation is likely after current studies of the entire trade and economic situation are completed. Although the New Government also has twice depreciated the "official free" rate, it will not materially alter Argentina's exchange earnings. Income from wool, hides and dairy products will increase only slightly. A decision to seek the help of foreign capital in development of Argentine petroleum resources will follow other reforms. Despite rejection of the oil exploration deal negotiated by ex-President Peron, analysts here consider this inevitable.

It has been many years since the long-term outlook has been as favorable for American exporters in Argentina as now. Although the stepped-up trade will be a gradual process, it is not too early to make your plans and to revive old business relationships. A $100 million loan from the U. S. is expected once all indications of the current political maneuvering disappear. Argentina is fortunate in having as her economic advisor, Dr. Raul Prebisch, head of the United Nations Economic Commission for Latin America. He will see that austerity and tight exchange allowances are carried out for at least two years.

Bolivia's tin and lead production may rise if hopes for fewer labor difficulties are fulfilled. Although the currency is unlikely to drop in value much below the November, 1955 low, new ex-

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change regulations and an official devaluation are in the offing. The economy will make slow improvement as demand for lead is high and prices are on the way upward. Bolivia will enter into an agreement with foreign debtors and thus qualify for a loan from the U. S. However, hopes are dim for increased exports to Bolivia for the next few years as the country is close to bankruptcy and is faced with the severest inflation in all Latin America.

Once the Brazilian exchange reform, with the necessary devaluation, is approved by Congress, you can count on more liberal authorization on import licenses by the Banco do Brazil. U. S. shipments to Brazil next year will recover at least one-half of the 30% drop registered in 1955. That would place total exports to Brazil at approximately $390 million, compared with $340 million this year. However, huge coffee surpluses will be the country's prime worry. New markets must be developed in Europe, while trade with the Iron Curtain countries will increase. The multilateral trade pool with the Western European nations will help exports to that area.

Devaluation of the Brazilian cruzeiro to the free market rate is certain. Chances are the cruzeiro will weaken to around 80 to the dollar by midyear. More development loans, especially heavy equipment for power and transport, will be forthcoming as the new Chief Executive has close friends in both the Export-Import Bank and World Bank. But it will be at least five years before Brazil pulls herself out of the present plight and your shipments become normal once again.

American exports to Chile should improve gradually in 1956 as the present low status of copper inventories throughout the world means continued high demand for the metal. Copper quotations will remain on the firm side, even though they will not maintain the top price reached earlier this year.

Revenues from copper alone should exceed $20 million if the country does not suffer more than the average number of work days lost to labor strife. Here lies the main root of trouble in Chile's economy. With new uses constantly being found for copper, Chile could become a top market for you once inflation is halted, thus permitting a stable wage formula to prevent strikes. The Government recently has enlisted the aid of foreign financial experts and there is no doubt the economic reform to be drawn up will recommend another devaluation before long.

Colombia's exchange situation is expected to get worse before improving. Exporters will continue to be cautious while many will tighten terms and place ceilings on shipments. Heavy world coffee supplies will add an extra burden on Colombia, whose prices for the bean will have to drop in order to compete more advantageously with other types. The present backlog of approximately $150 million to U. S. exporters will not be liquidated in 1956. Nor is an official devaluation of peso anticipated since high import taxes have the same effect. A single cheerful note is the expanding foreign private investment in Colombia, despite the growing political unrest in the Republic.

Import curbs probably will be tightened in Ecuador this year. Exporters can count on a drop in sales to this Republic as the Government begins to feel the squeeze from reduced exchange earnings. In 1955 the gain in purchases from the U. S. was roughly 7%. Collection delays—which are up to two months for the first time in over a year—will increase. For the long-term, however, American businessmen have great confidence that this well-diversified economy will be an expanding market.

German and U. S. investors who have built plants in Peru during past few years find their investments paying off nicely. As a result, they have been taking heavy remittances from earnings out of the free market, thus causing the sol to weaken. However, there is little doubt that the currency will strengthen before long and payments to American exporters will be accelerated. Another 5% gain in U. S. sales to Peru is likely. The investment climate for foreign capital will remain most attractive. Peru unquestionably is one of your top three most promising Latin American markets for the next few years because of her unmatched stability resulting from the free enterprise system.

Uruguay's trade deficit widens and the entire economy appears to be headed for another crisis. Effects of adverse weather conditions on Uruguay's crops are far more serious than first calculated. A sharp reduction in export of the major dollar earners—wool, meat, hides and skins — leaves the nation helpless. American aid is the only solution and undoubtedly will result from President Batlles Berres recent trip to the U. S. The peso will be devalued to keep in line with Argentine currency while further tightening of import curbs are likely.

It is now an old story to say "dollars are plentiful" in Venezuela. But the construction program can only be described as colossal, with no end in sight for the pouring of huge dollar earnings from oil into development of the economy. Washington's orders to U. S. petroleum importers to reduce voluntarily Middle Eastern purchases will benefit Venezuela. American and European exports to Caracas will be allowed to expand in order to keep pace with the nation's industrial expansion. You can count on important growth of installment sales of consumer and agricultural hard goods for the next several years.

In Central America, greatest change among the 10 Republics in the next 10 years probably will come in Honduras. The Government of this undeveloped nation, which has vast unexploited resources, will soon start a concerted drive for private foreign investment, particularly from U. S. Honduras will sign a double taxation agreement with Washington in 1956—the first with a Latin American country. The economy will regain some of the losses suffered from floods and strikes in recent years. Exports will be up while the recent loan from the World Bank for road construction equipment will stimulate imports. Additional financial assistance from the U. S. will be forthcoming. Guatemala, too, will be a better market because of an increase in technical assistance funds from the U. S.

Costa Rican business will improve this year as the recent $9.3 million Export-Import Bank loan to finance completion of the Costa Rican portion of the Inter-American Highway will stimulate activity. Coffee crops will be smaller because of heavy rains while shipments of bananas to U. S. will earn more dollars. Nevertheless, imports will not increase despite the 20% dip in 1955.

General conditions in Cuba will continue satisfactory as textile lines show improvement and the country prospers. The sugar carry-over is smaller than a year ago but political pressure in the U. S. will probably keep Cuban sugar quotas at present levels. Over the long-term, however, new uses of sugar to make detergents and to feed cattle will help the economy. Gold and dollar reserves will remain strong while Havana will continue to expand trade with Russia. A deal for delivery of 200,000 tons of sugar to Moscow early in 1956 already has been arranged. Last year U. S. exports rose 5% to $435 million. Cuba will remain your third largest Latin American customer, showing a slight increase in purchases over the years as a result of the normal growth pattern.

The business situation in Mexico should be better this year than in 1955, which is considered one of the best years in Mexican history. Severe hurricanes and floods in 1955 will necessitate unexpected expenditures in 1956. On the positive side, the rains had the effect of filling Mexico's dams for the first time, assuring good crops. Foreign reserves will reach $400 million by April, up $195 million from 1954 total. The greatest Mexican worry is the U. S. cotton disposal program, which could easily spoil the third best market for the American exporter, next to Canada and the United Kingdom.

Discreetness in "dumping" U.S. surpluses in order not to antagonize more foreign customers must be the watchword of Washington's farm policy in 1956. Mexico, for instance, offers a rapidly expanding household appliance market that could be diverted to Japan or West Germany with the least effort by these two competitors. Aided by rising purchasing power, Mexicans will buy 40,000 refrigerators, 30,000 washing machines and 150,000 stoves in 1956.

Tension between Israel and the Arab countries is bound to have its repercussions on U. S. trade with the Middle East. A 5% drop is likely in exports to this area. But some sort of a "Marshall Plan" for the Middle East is inevitable and will boost your exports for the long-term. Iran, however, which will net over $250 million in 1956 from oil sales, will buy more American goods and is the one bright spot in that volatile part of the world, although caution still is advisable.

Egypt's trade with Russia and her satellite countries will grow. New measures to ease imports from Roumania, Hungary and Czechoslovakia are being adopted and Egypt will exchange a trade mission with Peking. These steps will help Cairo dispose of cotton supplies and give her new markets for cotton textiles. Egypt will also get financial assistance from U. S. to complete the huge Aswan dam, which in turn will boost her cotton crop production. The government is now resorting to barter trade, particularly with hard currency areas. Egyptian dealers of cotton, rice, onions, dates and other products are willing to ship to the U. S. under triangular-trade transactions and will accept Egyptian pounds or sterling in payment.

Israel's exports to dollar countries are expected to rise 10% next year, principally because of expanding outlets in U. S. and Canada for Israel-made shoes, cotton piece goods, gifts and prints. Increased reciprocal trade with Great Britain also is expected in 1956 as Israel is the only state in the Middle East that enjoys a favorable balance of trade with England. The chief worry is to keep a curb on inflation. Imports will fall as exchange is diverted to greater defense expenditures. It will be some years before U. S. exports will show an appreciable improvement to Israel unless the Middle Eastern crisis is settled, which is unlikely.

Increased shipments to Africa and the Far East will offset the 1956 decline in U. S. exports to the Middle East. Belgian Congo, for instance, is buying more each year from U. S. exporters in order to complete her vast road building, hydroelectric power and mining projects. Commodity experts in New York are impressed with the rising influence of Belgian Congo coffee beans on world markets. Increased earnings from coffee in addition to huge earnings from ores make the Congo a choice country to sell to in the next 10 years. One of the richest territories in West Africa, the Gold Coast, surely will become a better trade and investment area for the U. S. businessman as sterling ties are loosened. Output from gold, diamond and manganese mines is mounting steadily while new power projects make the Gold Coast one of the leading aluminum providers of the sterling area.

Now ranking second among the world's copper producers, Northern Rhodesia will rate more attention from U. S. and European exporters in both the short- and long-term. This market will grow rapidly, along with Southern Rhodesia and Nyasaland.

The South African economy will benefit from the recent $50 million sterling and U. S. dollar loans floated in the New York market which will help finance railway and harbor construction, as well as step up general business activity. South Africa's steady dip in gold and exchange reserves in 1955 means import quotas will remain about the same. In 1955 U. S. exports to South Africa rose 20%. There is a growing demand for farm equipment, as agricultural prosperity features the current progress. More curbs to halt inflation will be required. However, surveys show that South Africa will record a tremendous jump in national income during the next 10 years as a result of a number of expansive power and mining projects. This means the appearance of an entirely new consumer durables market for development by the American exporter.

In the Far East, rivalry for economic leadership between India and Communist China will mark the long-range plans for the U. S. shipper. England will continue to pressure the White House into easing the embargo on Red Chinese trade. Indications point to some success this year, with a gradual relaxation of stringent controls over a period of time.

Australia's trade deficit will narrow in 1956. Higher duties and tighter import controls recently imposed will divert more trade to the sterling area. Creation of an export guarantee scheme plus other incentives to shippers will be introduced. Canberra will rely heavily on credit restrictions and deflation to limit imports further. Therefore, you must be prepared for a dip in exports to Australia this year.

New foreign capital ventures in India, especially in the steel industry, are of long-term nature and will not affect the 1956 outlook. Indian production gains since 1945 are the greatest in the world and the present rate will be maintained. The second five-year plan, which runs to 1961, will place 30% in industrial investment and put less emphasis on agriculture. Recent trade fairs will boost exports to all areas but commercial relations with Eastern Europe will show the largest increase. U. S. foreign aid will not dip while development loans from Washington will be granted.

A new trend for the better definitely appears in the Indonesian trade outlook. After undergoing a tremendous number of major political and economic changes, there is a good possibility that the nation will find itself and begin the long-delayed recovery. Importers are satisfied with the new simplified license procedure. Applications are being handled promptly, with a considerable larger percentage being approved. Spiralling inflation has been stopped. Export duties have been abolished or reduced. You can count on greater export sales by the Indonesians in 1956 while Government officials are likely to ease import requirements. Moreover, prices for the nation's principal exports are up to help boost income.

Japan's outlook is good. Textile production will increase in 1956 as a result of sharply rising consumer demand. Both imports and exports will gain with the greatest rise in trade with Latin America and the South East Asian countries. Commerce with the Communist nations will expand only slightly. Although U. S. military procurements in Japan will decrease, the favorable balance of payments will stay in the black, amounting to some $300 million. Gold and exchange reserves at $1.4 billion will continue to cover currency in circulation by 100% and the free rate for yen will strengthen. Tokyo's economic gains will aid Washington in its stand to oppose cotton textile import quotas.

The full force of the Korean aid program has been held back due to political differences. Amount of assistance to Korea in 1956 will double the $90 million received this year. Washington looks for a substantial jump of about 25% in private shipments to Korea.

Devaluation of the rupe in 1955 will help Pakistan's jute and burlap exports more than originally anticipated. A new export promotion scheme to operate through September, 1957 will also boost sales. Better commercial relations with India will have a tremendous impact on the Pakistani economy in general. Small but steady gains in your sales to Pakistan are possible in the next few years.

Prospects for immediate improvement in the Philippines exchange position are not very encouraging. Rumors to devalue the peso must be discounted. American shipment scarcely will be influenced this year by the new duties effective as of the first of 1956. But as the rates are automatically increased by agreement in succeeding years, U. S.-Philippine trade will be downward. Stability is the keynote of the Magsaysay regime. The Philippines will be one of the main targets of American private capital in the world now that the 17% remittance tax has been abolished. Purchase of heavy goods will expand in 1956 while import controls on luxury and staple items will be made more rigid. Manila's trade deficit will improve slightly as greater copra and sugar exports can be expected and new markets in the Far East will be sought.

A more realistic allocation of dollar exchange by the Thailand Government can be expected in 1956. Reports from Bangkok indicate a slight increase in purchases from U. S. is planned. However, essential items will be given absolute priority.

America's best market—Canada — will contract slightly now that Canadian currency has slipped to about par with the U. S. dollar. Although this will make it more difficult to sell to Canadians, another spurt in the outflow of American private investment to Canada in 1956 will bring additional dollars and once again force a slight premium on Canadian currency later in the year. Widespread recovery and industrial gains of 1955 will continue well into 1956, with an increase in output of 8% foreseen for the entire year. However, the widening trade deficit with the U. S. and the effect of America's farm surplus disposal program make Ottawa most uneasy. As long as Canada complains about the crop dumping policy of Washington, certainly you cannot expect any rise in your exports. It must not be overlooked that the Canadians also have a billion-bushel surplus of wheat, sales of which have been stymied due to U. S. gifts abroad.

A study of the needs of the 50 markets analyzed above reveals that in contrast to last year, when most of the 10% U. S. export increase was in metals, machinery, vehicles, coal, steel and chemicals, the items which will show the largest gains in 1956 will be raw materials, producers goods, farm machinery, oil producing equipment and pipeline. Overseas sales of consumer goods and passenger autos will be substantially lower. Of the 50 countries, 33 will be better customers in 1956 than last year, compared with the 47 which expanded purchases from the U. S. in 1955. However, with foreign countries able to earn more dollars to spend in America because of the accelerated import demand here to keep pace with the growing economy, the New York exporter can look forward to just as good profits this year as in 1955.

Continued from first page

How Long Can We Stand Prosperity

time high. The only depressed area was in agriculture.

Those who are attempting to analyze business activity, therefore, are no longer confronted with the question of how much higher the economy can go. "It has gone about as far as it can go." They now have to answer two questions. Can the economy remain at this level and, if it declines, how far will it fall? I do not wish to give the impression that it is not possible for the economy to grow because obviously that is not true. The point I am making is that the slack has been taken up and further growth is dependent upon increased productivity, increased capital investment, and the employment of the workers entering the labor force for the first time. Statistically, it is difficult to give an accurate measure of the rate of growth needed to accomplish these various objectives, but it is probable that an increase of about 4% per year in Gross National Product at present prices would meet this requirement. It could, therefore, be expected that the Gross National Product would increase to about $415 billion at the end of 1956. This might measure maximum capacity at the end of next year. I need only to remind you that Gross National Product increased at a rate almost twice that rate from the third quarter, 1954 to the third quarter, 1955. Thus, the rate of increase will slow down perceptibly in the year ahead. It is equally accurate to say that signs of a slowdown in the rate of increase are already apparent. If this rate of growth can be maintained, it will be a significant achievement. Great effort to achieve it will be made by the government by employing as far as is possible the techniques of monetary and fiscal policy. The governmental authorities will attempt to achieve this goal by stimulating construction, expanding public works, and changing the rates of taxation. I do not mean that these policies will be pursued for narrow, partisan reasons. Whether the policies will be effective or not, the people of the United States, regardless of party, concur in the desirability of utilizing them to achieve the goal of a high and stable rate of growth.

Ten years ago economic discussion revolved about the question of whether "full employment" of resources and manpower could be achieved. Now the discussion is primarily about the stresses and strains of "full employment." What are the problems of a "full employment" economy and how should we deal with them?

One of the most important is the problem of inflation. When capacity operation has been achieved, any further increase in purchasing power is likely to result in an increase in prices rather than an expansion in output. Over the last six months there has been a tendency for prices to increase. The cost of living is slowly but steadily rising. The increase is measured in tenths of a point, however. The wholesale price index has been relatively stable over the last year but that is because a sharp decline in agricultural prices has offset an increase in prices of industrial commodities. The increases in the prices of industrial commodities have come about primarily because the demand for steel, non-ferrous metals, lumber, and other industrial commodities has been great. There are, moreover, indications that further increases in prices will take place in the current month. The increase in industrial prices, while not the only determining factor, explains more clearly than anything else the reason for the "tight" money policy being followed by the Federal Reserve System.

Much has been made in the past several months of the "tight" money policy. It has had severe critics but too often these critics have objected because monetary policy has interferred with their own business plans. Too often the criticism has been voiced by special groups. The monetary authorities cannot by the very nature of monetary controls deal with specific problems. They must examine the broad picture and regulate the supply of credit accordingly. If credit is expanding too rapidly relative to the level of output, it means that prices will increase. Thus, one of the best guides to the soundness of credit policy is the trend of prices. It is a mistake, of course, to reduce monetary policy to such a simple formula, but a sound monetary policy would prevent a rapid rise or fall in prices. In general, therefore, it would be correct to say that the monetary authorities have performed their function with more than average skill. The Federal Reserve Board, as well as the other agencies of the government influencing economic trends, has maintained about the right volume of credit. There may be room to criticize certain technical maneuvers but these fall properly within the province of money market techniques.

It was pointed out earlier that the critics of monetary policy frequently were objecting to it because of the harm — if I may use that word—that it was doing to their specific industry. This, I think, illustrates clearly a problem which confronts all of us at a high level of employment. It is, of course, true that a monetary policy could be followed that would permit everyone to attempt to carry out his objectives but that would lead to disastrous inflation. One of the problems of "full employment" then is to secure an understanding and, therefore, acceptance of the policies and objectives of the monetary and fiscal authorities. At this level of business activity, businessmen and others must recognize that over-all considerations may result in policy decisions which limit the rate of growth of all industries. It must be realized by them that the burden of regulation and control falls equally on all sectors of the economy since the objective is to permit expansion without inflation.

The opinion expressed in the preceding paragraph is not meant to be a plea for businessmen and others to accept uncritically every decision of the monetary authority. The Federal Reserve System certainly does not feel that it alone knows what is best for the economy and that it is impervious to criticism. The point I am making is that in an economy where monetary and fiscal powers are used to achieve "full employment," businessmen, labor leaders, and farmers must understand these policies, the manner in which they are utilized to achieve certain goals, and the objectives sought. A failure to understand is the greatest danger which now confronts us, because it could lead to inflation.

The cautions about the dangers of inflation need to be reinforced with caution about another opinion which is widely expressed. Many people believe that we are in a period of permanent inflation, that inflation has become a way of life. The acceptance of this idea is dangerous for many reasons. In the first place, a proper monetary and fiscal policy would not permit inflation to continue unchecked. In the second place, it might lead to business decisions taken, not on the basis of business judgments, but on the expectation that inflation will make any decision monetarily a sound one. Finally, I think it is important to point out that nothing, including inflation, is permanent.

A second problem of "full employment" is the problem of trying to maintain it. In an earlier paragraph I indicated that, in order to provide for some expansion, capital investment would be necessary, even at a level of "full employment." But the problem of financing this expansion may be difficult. Likewise, there are difficulties in securing material for expansion. At the present time, for example, the demand for steel from the automobile companies is so great that it would be difficult to secure steel to expand a factory or to add new machines. There is also a question of maintaining the amount of purchasing power sufficient to maintain "full employment." It is true that disposable personal income could be increased through tax relief, but a budgetary deficit under conditions of "full employment" is extremely unwise. No matter how pleasant a tax reduction would be next year, it would be unwise from an economic point of view as things stand now. This is a weapon which should be held in reserve.

These points cover familiar ground and they are applicable to this as well as to any other period of "full employment." It is necessary to examine the specific factors in the economy which have led to the current period of "full employment" and to consider whether or not they can be expected to maintain this high level. Likewise, it is important to decide whether increases in some sectors will offset decreases in others. The current recovery has come about as the result of a rapid expansion in the sale of automobiles, a high level of housing starts, inventory accumulation, and increasing capital investments by business. It might be well to consider in turn each one of these.

Domestic sales of automobiles reached an all-time high of almost 7.5 million units in 1955. Output just fell short of eight million units. This represents an increase of more than 40% over the rate prevailing in 1954, and it is 20% above the previous all-time high reached in 1950. The increase in car sales was financed by a spectacular increase in consumer credit. It is generally conceded that the increase in automobile sales was one of the most important contributors to the spectacular gain in industrial output.

It is small wonder, therefore, that many analysts are beginning to question whether such a rate of car sales can be maintained in 1956. They are not forecasting that the rate will fall back to the 1954 level, but they are forecasting a decline in sales to 6.5 million to seven million units. The reasons for expecting a decline are numerous. Many automobile dealers will tell you that in 1955 they borrowed sales from 1956. It is also believed that buyers will pay off instalment debts on cars they now own rather than buy new ones. Finally, it is argued that this year's models are not different enough from last year's to develop the psychological drive for a "new" car. In part, these dire forecasts have been borne out by actual experience, and the dealers will tell you that consumer acceptances of automobiles in the last two months of 1955 was not up to expectations. This is true in spite of a tremendous sales campaign. While it is not conclusive, those of you who are interested in selling and who have stated that new sales techniques can be used to sell our way out of any depression might well reconsider that argument on the basis of the recent volume of automobile sales. In spite of your best efforts and those of your advertising firms, cars are not moving into the hands of consumers in as great a volume as is necessary to prevent a slowdown in the automobile business.

The question is, will automobile sales be maintained at or near the current level and I think the answer is definitely no. Without presenting the statistical argument for this point, it is probably valid to forecast that automobile sales will decline to a level of 6.5 million units to 6.75 million units. A decline of this amount would mean a contraction of about $3 billion according to Gross National Product data. It will be necessary, therefore, in order to maintain a high level of employment, to find an offset for that $3 billion decline in Gross National Product.

Housing in 1955 received a great stimulus as the result of the Housing Act of 1954. Early in 1955 housing starts reached an annual rate of 1.5 million but this rate has subsequently been reduced because credit has been limited. Experts in the field believe that there will be a further decline next year. Total housing starts are expected to be down about 10%. Because the houses now being built are larger and better equipped, it is believed that the dollar volume will be off about 5%. Other types of construction are expected to advance so that the net effect of construction expenditures in 1956 will be a slight increase. According to the Department of Commerce figures, the increases may be about $2 billion, and F. W. Dodge estimates tend to concur.

There is a popular belief that the Administration will do all in its power to maintain a high level of industrial activity in an election year and it will, therefore, modify housing credit terms to stimulate a renewed boom in residential construction. Most of the measures to curb housing credits have been taken by the FHA, the VA, and the Home Loan Banks. While statements critical of mortgage warehousing have been attributed to Federal Reserve officials, it is incorrect to say that they have as such limited housing credit. It must, of course, be pointed out that more statements about housing credit have apparently been made by them than about any other sector of the economy. If a relaxation of housing curbs does come, it is fair to wonder whether or not it will stimulate a great demand for housing. Family formation has been reinforced by the movement of families from farms into the cities where they provide additional demand for homes and there has been some demolition of homes in connection with the building of new throughways. These trends have justified the current demand for housing, and it is probable that they will continue for some time. But a new and higher level of housing starts cannot in all probability be maintained for long. It is, therefore, doubtful whether the government can apply to housing the same type of stimulus that it applied in 1954.

Surveys indicate that plant and equipment expenditures by business enterprises will expand in the next year by an amount approximately equal to $3 billion. More accurate information will, of course, be available when the SEC-Commerce survey is released in March. Anyone who reads the newspapers knows that business is planning to expand further, and hardly a day goes by that some company does not announce plans to spend millions of dollars to modernize old facilities or to build new ones.

Another reason why the economy is operating at such a high level is that businessmen have been rebuilding inventories. This accumulation has in part been forced by the need for more goods to support the higher level of industry, but it has also been necessary to accumulate stocks of scarce commodities. According to the newspapers, even the government is having trouble getting copper to make pennies, and is reported to have borrowed it from the stock-pile of strategic war commodities. It is probable that inventory accumulation will cease to be an important factor in the economy in the next year, and the decline will probably be about equal to the expansion in plant and equipment expenditures.

In the speech which I gave you in 1953, I said that the decline in business would continue until it was offset by increases in military and other governmental expenditures either directly or indirectly. I was half right in that the government stimulated housing expenditures, but my forecast of an increase in military expenditures proved to be incorrect. I now will reiterate the forecast of an increase in military expenditures, not because I feel that if I reiterate a forecast often enough it will prove true, but because the international situation almost compels an increase in military expenditures. In spite of the desire of the government to balance the budget, military expenditures for guided missiles, new types of aircraft, and atomic weapons are almost certain to increase. The Geneva thaw in the cold war has ended.

Moreover, we are probably embarking upon a long-range program of economic aid to foreign countries in competition with the Soviet Union. Apparently, both the Eastern nations and the Western powers are going to appropriate some portion of their physical outputs to aid in the development of backward countries. This is a long-term program and it unquestionably will lead to an increase in governmental expenditures. It will take time for the American program to be formulated, to secure Congressional approval, and to be under-

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Directors Elected

Medley G. B. Whelpley and Vincent Cullen have been elected directors of Knickerbocker Shares, Inc., distributors of Knickerbocker Fund and Capital Venture Fund. Mr. Whelpley is a trustee of American Surety Co. of New York, and a director of Kennecott Copper and U. S. Rubber Co.

Mr. Cullen, President of The Treaty Management Corp. is a trustee of East Brooklyn Savings Bank and a director of the Insurance Society of New York Inc.

William D. Pettit, a director of Knickerbocker Shares, Inc. has been advanced to the post of Executive Vice-President. He is a Vice-President and director of Capital Venture Fund, and a partner of Karl D. Pettit & Co.

Mutual Funds

By ROBERT R. RICH

New International Fund Started

Proposing to take advantage of more rapid economic growth of the free world outside the United States, International Investors Incorporated is in operation on a national scale according to an announcement by John C. van Eck, Jr., President of the new mutual fund, and head of Van Eck Management Corp., its investment advisor.

In announcing activation of the new company, one of the few funds with investments primarily in leading worldwide securities, Mr. van Eck disclosed plans "to specialize in selected 'blue chip' foreign investments in that half of the free world's economy that lies outside the United States.

"With a greater overall postwar rate of economic growth, greater security values than in the United States, and with an improving world political climate, I believe that many foreign securities offer attractive opportunities for growth. In my opinion, we are entering a new phase of successful private foreign portfolio investment," Mr. van Eck stated.

"International Investors is designed to offer American investors a practical, informed, carefully-supervised, and diversified way of participating in this growth abroad. It is important to note that International Investors qualifies under Federal tax law permitting foreign withholding taxes to be passed on to U. S. shareholders as income tax credits," Mr. van Eck pointed out.

He emphasized as part of the reason for the formation of International Investors, the more rapid rate of economic expansion abroad than in the United States, citing an 11% average annual increase in petroleum consumption, compared with 5% in the United States, between 1948 and 1955; a gain in number of motor vehicles in use during the same period of 11% annually, compared with 6% in the United States; and an overall industrial foreign annual rate of growth of 7.8% in the same seven years, compared with a U. S. increase of approximately 4%.

"Also favorable to growth prospects of companies in the free world outside the U. S., are the higher profit margins that frequently prevail abroad," Mr. van Eck pointed out, citing the substantially higher ratio of 1954 net income to sales from foreign operations of such companies as American Radiator, whose domestic earnings on sales were 5.4%, against 10.8% for their foreign subsidiaries; Colgate-Palmolive, 3.1% compared with 6%; and Olin Mathieson Chemical, 7.2% compared with 13.7% on foreign operations.

"It is our belief," Mr. van Eck said, "that many other American investors would welcome the opportunity to participate in this growth and profit situation, but either feel unqualified to select investments properly, or lack the means to achieve satisfactory diversification."

Mr. van Eck cited five factors which, he said, underlie its management's belief that selected foreign securities offer significantly attractive opportunities for long term income and capital appreciation:

(1) The long-term economic growth abroad will continue to be rapid, especially in certain areas;

(2) The greater investment values now often obtainable abroad in terms of lower price-earnings ratios and higher yields will become increasingly recognized by American investors as confidence develops;

(3) The political outlook abroad will continue to improve gradually (lower taxes, sounder monetary policies, more favorable attitudes toward American investors);

(4) There will be a gradual integration of the Free World's economy by progress toward convertibility of major currencies and by the removal of many of the remaining trade restrictions thereby leading to an era of expanding world trade; and

(5) The United States will become increasingly dependent on certain foreign raw materials.

The fund, he pointed out, will also give investors an opportunity to invest in selected foreign companies which have wholly-owned U. S. subsidiaries.

American Economy To Hold Gains Made In 1955, Bullock Reports

The American economy this year will be at least as good as last year, and may possibly edge ahead of 1955's all-time highs in some areas, according to "Perspective," the monthly publication of the Investment Management Department of Calvin Bullock.

Gross National Product is seen as rising to $403.2 billion for the year as compared to $387.2 billion for 1955, according to the forecast which noted that the 1956 Gross National Product total included rises in personal consumption, private investment, and government spending.

Corporate profits, the article reported, may not materially differ from the $21.5 billion reached in 1955.

The sole soft spot in "Prospective's" picture of the 1956 economy is the expected decline in consumers' purchases of durables, seen as falling to $33.8 billion from the total of $35.3 billion of last year.

To offset this, purchasers of nondurables, and expenditures for services are all seen as rising. Savings are also expected to rise, up to $21.1 billion from the $17.1 billion in 1955.

Other forecast highlights included:

Government spending, encompassing national security, Federal non-defense purposes, and state and local services and facilities, will hit $79.7 billion compared with 1955's $75.9 billion.

There will be a "fairly substantial" rise this year in private investments in plants, inventories and general construction. However, there maybe a certain amount of "froth" in industry's expansion plans which an adverse breeze could blow away.

Inventory accumulation will be at a $6 billion annual rate for the first and second quarters of 1956.

Consumer prices will stabilize at about current levels, with business later this year possibly absorbing increased labor costs, equal to or slightly in excess of savings from greater labor productivity.

Indications show this year's supply of savings will be more nearly adequate compared to credit requirements. First half of 1956, however, will probably see a continued strong demand for short-term funds to finance higher inventories and receivables and to supply cash for the seasonally heavy tax payments.

The decline in housing starts throughout last year points to reduced spending on residential construction this year, approximately $14.1, well under last year's $16.5. Restrictions on mortgage credit rather than a filling of housing demands have beeen principal restrictive factor, "Perspective" states.

Affiliated Fund Assets Now At $345 Million

Affiliated Fund, New York's largest investment company, reports net assets of $345,692,494 on Jan. 31, 1956, equivalent to $5.86 per share on 59,016,350 shares outstanding on that date and comparing with $5.68 a share on Oct. 31, 1955, after adjustment for payment of a 31-cent capital gain distribution to shareholders of record November 1, 1955.

Net income for the quarter was $3,726,019 and a net profit from sales of securities $2,007,214. Common stocks account for 89% of assets, the fund reports.

Philadelphia Fund net asset value per-share rose to $18.31 from $15.82 at the 1954 year-end —a 20.4% increase after adding back capital gain distributions paid during 1955 of 73¢ per share.

The fund's investment position at the year-end: About 85% of total net assets in common stocks and 15% in bonds, preferred stocks and cash—about the same proportions as a year ago. The effect of the sharp rise in the prices of many of the stocks owned was offset by additions to holdings of bonds and cash.

The "President's Letter" comments as follows: "The recent large proportions in equities have reflected the Investment Committee's belief that the existing and anticipated general economic situation warranted a strongly aggressive position. Defensive holdings will be increased substantially whenever, in the Committee's judgment, conditions appear to call for greater caution."

Wisconsin Fund

New assets on Dec. 31, 1955, of Wisconsin Fund, Inc., a mutual fund, reached an all-time high of $10,644,941 or $5.84 a share as compared with $7,930,260 or $5.19 a year earlier, as indicated in the fund's annual report. During the year, four quarterly dividend payments were paid from investment income which totaled 19 cents a share compared with 18 cents in 1954.

Keystone Begins Living Trust Investor Service

Mr. S. L. Sholley, President of Keystone Custodian Funds, Inc., has announced the establishment of a new service—the Keystone Level Payment Living Trust—designed to help Keystone shareholders to bridge the gap of probate procedures and to provide level payments from an investment estate to beneficiaries.

The trust is revocable, and the settlor acts as his own Trustee during his lifetime and uses the Keystone Open Account Plan for periodic investing as a means of building capital to support the designated payments to his beneficiaries upon death.

"The trust does not reduce estate taxes" Mr. Sholley said, "but it does segregate the capital in trust from the balance of the investor's estate, thus saving administrative costs and avoiding the delay and publicity of probate procedure."

In establishing a Level Payment Living Trust, the settlor predetermines the amount of monthly or quarterly payments he feels will be necessary for the support of his widow or other beneficiaries—and in effect on a conservative basis sets himself a goal of approximately $30,000 of capital for each $100 a month payments. In addition to building the trust through periodic investing during his lifetime, the settlor may therefore also direct that insurance proceeds and other liquid assets remaining in his estate after settlement be added to the trust in order to achieve this goal.

Payments are made from accumulated net investment income and, when necessary, are completed by the use of capital. Where payments are consistently in excess of available income, therefore, the withdrawal of capital must be expected to exhaust the trust over a period of time. The length of time payments may be expected to continue will thus depend upon the amount of capital originally placed in trust, the subsequent fluctuations in security value and income earnings, and the size of the payment requsted.

"Obviously no one likes to invade capital if it can be prevented," Mr. Sholley stated, "and settlors may be expected to do everything possible to see to it that when payments begin to beneficiaries, an adequate amount of capital will have been accumulated to support them for an indefinite period of time.

"But when the amount of capital available to widows and dependents is limited and they are without other immediate sources of income, they will in any event be forced to draw upon it to meet their minimum living needs. Even under these circumstances, the Keystone Level Payment Living Trust enables the settlor to provide for an orderly liquidation of the estate—and possibly to extend the period of time during which his beneficiaries must adjust to changes in their standard of living and to find other sources of income on which to live when the estate has finaly been exhausted."

Personal Progress

ROBERT E. SMITH, previously associated with the Tricontinental-Broad Street group of companies, has been appointed Regional Manager of Distributors Group, Inc., sponsors of the mutual funds of Group Securities, Inc. Mr. Smith's territory will include the States of Ohio, Indiana, Kentucky, West Virginia, as well as Western Pennsylvania.

Mr. Smith, a native of Ohio, is a graduate of the University of Michigan, former Vice-President of the Alpha Delta Phi Alumni Club of New York and served as a Major in the Air Force, prior to which he was associated with the National City Bank of New York. Mr. Smith will make his headquarters at 19801 Winslow Road, Cleveland.

The appointment of Alexander Fraser to the Advisory Board of the Investment Company of America was announced.

Mr. Fraser is a Director and member of the Executive Committee of the Mercantile Trust Company of St. Louis and a Director of the Mercantile-Commerce National Bank in St. Louis: He was formerly Chairman of the Executive Committee and prior to that President of Shell Oil Co.

In addition, Mr. Charles H. Schimpff, Vice-President of the company, has assumed the office of Treasurer and Mr. David A. Gibb has been elected Secretary.

Three Factors Now Point To Business

Rising population, increased productivity and expansion of real income all point to a promising long-term outlook for the nation's economy, A. Moyer Kulp, Vice President of the $490,000,000 Wellington Fund, stated in Pittsburgh.

Mr. Kulp told more than 100 investment dealers and securities salesmen attending Wellington's Sales Clinic that patience as well as confidence probably will be needed; because long-term growth is a gradual development and quite different from the explosive inflation and war booms experienced in World War II and the Korean War.

Discussing stock market trends, the Wellington Fund executive said the long sustained rise in the common stock market during the past several years is believed to have brought many previously lagging stock values fully in line with the level of business activity, corporation earnings and dividends.

"If the stock market is now in balance with the economy, it should be more sensitive to future developments — both favorable and unfavorable. Therefore, one should be certain that common stocks held are reasonably priced and in the most favorably situated companies from both the short-term and long-term standpoint. A prudent stockholder would not be justified in carrying more common stock than his investment objective called for," Mr. Kulp stated.

Mr. Kulp's address was the highlight of a day-long session at the Hotel Wm. Penn at which officials of Wellington Fund discussed effective selling techniques and outlined various new Wellington services for dealers and salesmen.

A. Bruce Brower, Pittsburgh district representative and Milton Fox-Martin, manager of dealer relations of Wellington Fund, were in charge of the day's program.

Science Fund Sales

Science & Nuclear Fund reports gross sales of $880,000 for its first eight months ended Dec. 31, 1955. The Fund was launched last May with assets of $111,000, or $10 a share, and closed 1955 with total net assets of $941,000 or $10.76 a share.

In this period, shareholders increased to upwards of 500 as compared with less than a score initially.

With Taylor & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Clifford Blackburn has joined the staff of Taylor & Co., 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Blackburn was previously with Waddell & Reed, Inc.

Fidelity Fund Assets at Peak

In 1955 the number of Fidelity Fund shareholders, shares outstanding and total net assets all reached new highs continuing the trend which has characterized the history of the fund.

Fidelity Fund shareholders also received the highest dividends per share from net income in the fund's 26-year history. The dividends from investment income totaled $0.53 per share compared with $0.48½ in 1954 and $0.45 two years ago.

As of Dec. 31, 1955, Fidelity Fund reported net asset value of $217,596,660, an increase of 33% over the net asset value of $163,686,953 at the end of 1954. This is a new high in the net asset value of Fidelity Fund.

Net asset value per share as of Dec. 31, 1955, was $14.80, compared with $12.99 on Dec. 31, 1954. A distribution of $0.31¼ per share from long-term capital gains realized in 1954 was distributed on Feb. 1, 1955.

Century Shares Trust, oldest and largest mutual investment company specializing in insurance company and bank stocks, reports total net assets of $55,117,390 at the close of its 28th year on Dec. 31, 1955, amounting to $26.26 per share on 2,099,253 outstanding shares. These figures compare with net assets of $51,384,473 at the end of 1954, equal to $24.94 per share on the 2,062,592 shares then outstanding. During the year the number of shareholders increased by more than 11%, from 6,230 to 6,920.

In their annual report to shareholders, the trustees review the growth of the insurance and banking industries in the 10 years since the end of World War II, and point out that:

"The impressive growth was accompanied by higher prices for insurance and bank stocks. This was reflected in the net asset value of shares of Century Shares Trust which, on the basis of present shares, has risen from $11.63 per share on Dec. 31, 1945. Including the capital gains distributions of $1.76⅓ per share paid in the 10-year period there was a total appreciation of $16.39⅓ per share, or 141%."

The report also observes that operating expenses of the Trust in 1955 amounted to 36/100 of 1% of average net assets, compared with 39/100 of 1% for 1954, and notes that this is among the lowest expense ratios in the investment company field.

The year-end diversification of the Trust's investments showed approximately 53% in the fire and casualty insurance field, 35% in life insurance company stocks and 10% in bank stocks.

Massachusetts Life Fund's shares outstanding, total net assets, and net asset value all reached new highs in 1955. As of Dec. 31, 1955, the fund reported total net assets of $27,121,953, a more than 26% increase over the previous year's figure of $21,447,280. Net asset value per share at year-end on 709,054 shares outstanding was $38.25, compared with $35 on 612,723 shares a year ago.

The Investment Company of America completed a record year during 1955, President Jonathan B. Lovelace said in his 22nd annual report to shareholders.

Total net assets increased 57%, reaching $76,456,174, compared with $48,807,564 at the end of 1954. Number of shares outstanding rose from 5,857,142 to 8,117,926, and the number of shareholders increased from 15,345, to 28,461. Net investment income and net asset value per share also reached new highs.

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How Long Can We Stand Prosperity

taken, but it will provide an impetus to Federal expenditures.

Governmental expenditures at the state and local level, as well as highway, schools and other public works expenditures, will undoubtedly show the same rate of increase that has characterized them over the last several years. We have a tendency to exaggerate the amount of money that is likely to be spent for programs of this nature. As a result, highway programs are formulated in terms of $101 billion and school programs in billions of dollars. Actually, there has been and will continue to be a small but steady increase in expenditures of this type.

The only area which has not been examined in detail has been the area of consumer spending with the exception of the statements I have made about the market for automobiles. The personal income is now at a level only slightly short of $310 billion a year and taxes take about $36 billion. Disposable personal income is, therefore, about $274 billion and savings probably amount about to $16 billion. Spending, therefore, may be currently at a rate of about $258 billion. If the conclusions reached earlier are valid, it probably means than personal income will be maintained at least in the first half of 1956 at about current levels and may rise slightly. Congressional action will delay any tax cut until the middle of the year, and it would be unwise to cut taxes at all in view of the high level of business activity. Disposable personal income probably will not rise, therefore, and individuals are likely to use part of their funds to reduce their debts. The sale of durable goods can be expected to decline moderately. Expenditures for non-durable goods may show a small rise and the steady increase in expenditures for services will be maintained in 1956.

This analysis leads to the conclusions that business activity is likely to be maintained at a level close to the current one, but it seems improbable that it will grow sufficiently to take care of the expansion in the population and the increase in productivity. This analysis also emphasizes the fact that, since there is no sector in which a substantial impetus can be found, it is possible to conclude that the economy becomes more vulnerable to sudden downward pressures.

Thus far, the probable developments in the next year have been considered, but I would like to draw your attention to the fact that there are certain underlying factors in the economy which are unfavorable or which may become unfavorable. These are the factors which cause me to believe that we are probably close to a turning point in the level of industrial activity. Capital expenditures are now proceeding at a very rapid rate. Business is expanding its capacity to a level at which the output of goods could far exceed possible consumer demand. I am well aware of the technical economic problems, but what happens when we have reached a condition of over-investment? Business will probably reduce capital expenditures under those circumstances. It has frequently been stated that business men make long-term capital commitments, but it has been shown over the past year that investment intentions can change. At the beginning of last year it was anticipated that plant and equipment expenditures would decline. But the willingness of consumers to buy caused business men to revise upward capital expenditure estimates each quarter. Exactly the reverse might happen this year, certainly, there is a time not too far in the future when capital expenditures will be curtailed for a temporary period of readjustment.

It is now popularly believed that we could never have another depression similar to 1929-1933. We depend upon "built-in" stabilizers to offset income lost due to unemployment and lower prices. We stress the success achieved with cyclically balanced budgets and monetary and fiscal powers. There have been other times in the past when people have believed that by various techniques "good" times had been made permanent and it has been found that they were wrong. It is true that we have a greater degree of economic knowledge and understanding about the process of industry than we have ever had. Men in business, banking, and industry study economic trends. Students of economics will be quick to caution that we do not know enough about the economic process to be sure of successfully managing them. We do not know so much about the behavior of business men and consumers as we need to know. It is possible that capital investment could cease, or individuals could stop buying for some reason we do not envisage. It may be that the "built-in" stabilizers are relatively less effective than they were when the economy operated in a somewhat lower level. Agricultural support prices have been reduced. Unemployment insurance payments are probably relatively smaller in relation to income earned from working than they were originally. It may be that the depression in agriculture will spread inevitably to the rest of the economy. It may be that economic disturbances in other countries of the world will be transmitted via a decline in imports and exports to the United States. It would be possible to go on listing areas in which weaknesses may appear. Currently, these dangers appear insignificant but they could become much more important.

I have tried to say that business activity in the first part of this year will be subject to differing pressures which will maintain it at or close to current levels. It is possible that depressing factors will lead to a moderate downturn in the last half of 1956. In either event, it seems unlikely that a rate of growth sufficient to maintain full employment will be achieved. Brief reference was made to some of the problems associated with "full employment" and the methods of curbing inflationary forces associated with a high level of operation. From a longer run point of view, it seems probable that we are at or close to a major turning point in the business cycle. While the turning point may not be reached in the current year, it would be wise to study trends in private investment in order to determine whether they are likely to lead to a downturn in industrial activity in the near future.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Alabama Power Co. (3/15)
Feb. 17 filed $14,000,000 of first mortgage bonds due March 1, 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); 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 up to 11 a.m. (EST) on March 15 at office of Southern Services, Inc., Room 1600, 250 Park 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 Frontier Corp., Memphis, Tenn.
Feb. 15 filed 175,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—Together with other funds, to purchase 1,000,000 shares of common stock (par $1) of American Frontier Life Insurance Co. **Underwriter**—None.

American Insurors' Development Co.
Feb. 10 filed 400,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To expand service business. **Office**—Birmingham, Ala. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala.

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.

★ Ashland Oil & Refining Co., Ashland, Ky.
Feb. 20 filed 100,000 shares of cumulative convertible 2nd pfd. stock, $1.50 series of 1952 (no par) to be issued upon exercise of stock options offered to officers and employees of company and its American and Canadian subsidiaries. **Price**—For initial grant of options is $24.28; and the alternative subscription price is $28.56, or 100% of the fair market price at the time the shares are allotted and transferred to the subscriber, whichever is greater.

★ Atlas Credit Corp., Philadelphia, Pa.
Feb. 13 (letter of notification) 80,000 stock purchase warrants exercisable on or after Jan. 2, 1956, and to expire Jan. 2, 1958. **Price**—50 cents per share. **Proceeds**—To selling warrant holders. **Office**—2411 North Broad St., Philadelphia, Pa. **Underwriter**—None.

Atlas Investment Co., Las Vegas, Nev.
Jan. 9 filed 20,800 shares of class B common voting stock, of which 12,000 shares are to be offered for public sale at $50 per share and 8,800 shares are to be offered in exchange for preferred stock. **Proceeds**—For payment of bank loans, and for capital and surplus. **Underwriters**—Rex Laub and Max Laub, of Tremonton, Utah, and M. D. Close Mortgage & Loan Co. and Jack Hemingway Investment Co., of Las Vegas, Nev.

★ Atomic, Electronic & Chemical Fund, Inc. (3/19-23)
Feb. 17 filed 400,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment. **Office**—Englewood, N. J. **Underwriter**—Lee Higginson Corp., New York.

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.

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 up to 11 a.m. (EST) 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.

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.

★ Budd Co., Philadelphia, Pa. (3/13)
Feb. 20 filed 395,096 shares of common stock (par $5) to be offered for subscription by common stockholders of record about March 12, 1956 in the ratio of one new share for each 10 shares held; rights to subscribe on March 27. **Price**—To be supplied by amendment. **Prcoeeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

● Carolina Telephone & Telegraph Co.
Feb. 1 filed 66,640 shares of common stock (par $100) being 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, sold its 52,762 rights (36,162 at competitive bidding to R. S. Dickson & Co. who offered the 14,464 shares to the public today, Feb. 23, at $145 per share; and 16,600 privately). **Price**—$125 per share to stockholders. **Proceeds**—To reduce bank loans. **Underwriter**—None.

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. (2/24)
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, Texas. **Underwriters**—Blair & Co. Incorporated, New York; and First California Co., San Francisco, Calif.

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 (3/1)
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.
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. **Offering**—Expected momentarily.

★ Cooperative Grange League Federation Exchange, Inc.
Feb. 15 filed $2,000,000 of 4% subordinated debentures; 7,500 shares of 4% cumulative preferred stock (par $100) and 100,000 shares of common stock. **Price**—Of debentures, 100% of principal amount; of preferred, $100 per share; and of common, $5 per share. **Proceeds**—To finance construction of a new petroleum terminal at Albany, N. Y., estimated to most $465,000, and to provide funds to cover redemptions of outstanding common stock, estimated at not more than $400,000; to repurchase outstanding shares of preferred stock and to provide funds to be advanced to a subsidiary for similar repurchase of its preferred stock, and for working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

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) of which 2,499 shares are to be offered to officers and employees. **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.

★ Crucible Steel Co. of America (3/8)
Feb. 16 filed 164,117 shares of common stock (par $25) to be offered for subscription by common stockholders of record March 7, 1956, at the rate of one new share for each 10 shares held; rights to expire on March 21, 1956. **Price**—To be supplied by amendment. **Proceeds**—For modernization and expansion program and general corporate purposes. **Underwriter**—The First Boston Corp., New York.

● Cuba (Republic of) (2/27-3/2)
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.
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. **Offering**—Expected momentarily.

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.

★ Eagle-Picher Co., Cincinnati, Ohio
Feb. 13 (letter of notification) 8,000 shares of common stock (par $10) to be offered under the Employees' Stock Purchase Plan. **Price**—At the average market price (which was $37.50 per share on the New York Stock Exchange on Feb. 9, 1956); not to exceed an aggregate of $300,000. **Proceeds**—To purchase stock. **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.

● **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. The exchange period under each of the proposals will expire on March 9. Statement expected to become effective on Feb. 27.

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.

★ **Fruehauf Trailer Co. (3/8)**
Feb. 20 filed $37,500,000 of convertible subordinated debentures due March 1, 1976, and $10,000,000 of sinking fund debentures due March 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and working capital. **Underwriter**—Lehman Brothers, New York.

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 8⅓ cents accrued dividend to Feb. 29, 1956, for each old share; offer to expire on Feb. 24. Unexchanged new preferred stock to be offered publicly. **Price**—$20.50 per share. **Proceeds**—To repay bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Uranium Corp. (N. J.), New York
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President.

Glasscock (C. G.) Tidelands Oil Co.
Jan. 18 filed 350,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from private sale of $3,000,000 notes to insurance company, to repay advances to company, to pay for cost of new drilling platform and for cost of other captal expenditures and for working capital. **Office**—Corpus Christi, Tex. **Underwriters**—First California Co., San Francisco, Calif.; William R.

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NEW ISSUE CALENDAR

February 23 (Thursday)

Illinois Central RR.________________Equip. Trust Ctfs.
(Bids noon CST) $9,900,000

February 24 (Friday)

Coastal States Producing Co.____Debentures & Common
(Blair & Co. Incorporated) $2,500,000 debentures and 100,000 shares of stock

Trane Co. ________________________Common
(Smith, Barney & Co.) 120,000 shares

February 27 (Monday)

Aluminum Co. of America______________Common
(The First Boston Corp.) 150,000 shares

Cuba (Republic of)__________________Bonds
(Allen & Co.) $2,000,000

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

Long Island Arena, Inc.________________Common
(Dunne & Co.) $787,500

Nevada Natural Gas Pipe Line Co.___ Debs. & Com.
(First California Co.) $2,020,000

Ritter Finance Co., Inc.____Debens. & Class B Com.
(Stroud & Co., Inc.) $1,000,000 debentures and 125,000 shares of stock

February 28 (Tuesday)

Duro-Test Corp. ______________________Preferred
(Offered to common stockholders—underwritten by Auchincloss, Parker & Redpath) $1,068,950

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

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

February 29 (Wednesday)

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

Consolidated Cigar Corp._______________Common
(Eastman, Dillon & Co.) 90,000 shares

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

Willcox & Gibbs Sewing Machine Co.____Common
(Offering to stockholders—no underwriter) $157,300

March 5 (Monday)

Piasecki Aircraft Corp.________________Debentures
(Emanuel, Deetjen & Co.)

Washington Gas Light Co._______________Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and Johnston, Lemon & Co.) 148,917 shares

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 11 a.m. EST) $35,000,000

Pacific Coast Aggregates, Inc.____________Common
(Blyth & Co., Inc. and Schwabacher & Co.) 450,000 shares

Van Waters & Rogers, Inc.______________Common
(Blyth & Co., Inc.) 63,560 shares

March 7 (Wednesday)

Houston Lighting & Power Co.____________Bonds
(Bids 11:30 a.m. EST) $30,000,000

March 8 (Thursday)

Crucible Steel Co. of America____________Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) 164,117 shares

Fruehauf Trailer Co.__________________Debentures
(Lehman Brothers) $47,500,000

Oklahoma Gas & Electric Co.____________Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane) 298,473 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

Budd Co. ____________________________Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 395,096 shares

Higbie Manufacturing Co.________________Common
(Shearson, Hammill & Co.) 60,000 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 11 a.m. EST) $14,000,000

Parker Petroleum Co., Inc.___Preferred & Common
(D. A. Lomasney & Co.) $1,500,000 preferred and 150,000 shares of common stock

March 19 (Monday)

Atomic, Electronic & Chemical Fund, Inc.___Com.
(Lee Higginson Corp.) 400,000 shares

Western Greyhound Racing, Inc.__________Common
(M. J. Reiter Co.) $2,250,000

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

Pacific Gas & Electric Co.________________Bonds
(Bids to be invited) $25,000,000

Pennsylvania Electric Co.________________Bonds
(Bids to be invited) $25,000,000

Pennsylvania Electric Co._______________Preferred
(Bids to be invited) $3,000,000

March 22 (Thursday)

Rotary Electric Steel Co.________________Common
(Offering to stockholders—to be underwritten by W. E. Hutton & Co.) 69,670 shares

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 2 (Monday)

El Paso Electric Co.______________________Common
(Offering to stockholders—Dealer Manager may be Stone & Webster Securities Corp.) 56,025 shares

April 3 (Tuesday)

Florida Power & Light Co.__________________Bonds
(Bids to be invited) $15,000,000

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

May 7 (Monday)

Duke Power Co.___________________________Bonds
(Bids to be invited) $30,000,000

May 8 (Tuesday)

El Paso Electric Co._____________________Preferred
(Bids to be invited) $2,000,000

May 10 (Thursday)

Duke Power Co.___________________________Common
(Offering to stockholders—no underwriter) 367,478 shares

September 25 (Tuesday)

Virginia Electric & Power Co._______________Bonds
(Bids to be invited) $20,000,000

October 2 (Tuesday)

Columbia Gas System, Inc.______________Debentures
(Bids to be invited) $30,000,000

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Staats & Co., Los Angeles, Calif.; and Eastman, Dillon & Co., New York. **Offering**—Expected today (Feb. 23).

Golden Dawn Uranium Corp., Buena Vista, Colo.
Dec. 27 (letter of notification) 3,000,000 shares of capital stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Underwriter** — Bel-Air Securities Co., Provo, Utah.

Good Luck Glove Co., Carbondale, Ill.
Jan. 30 filed $550,000 of 6% 10-year convertible subordinated debentures due April 1, 1966. **Price**—100% of principal amount. **Proceeds**—To repurchase stock of company held by C. T. Houghten. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Grammes (L. F.) & Sons, Inc., Allentown, Pa.
Jan. 27 (letter of notification) 1,279 shares of common stock (no par) to be offered to present stockholders and employees. **Price**—$22 per share. **Proceeds**—To increase working capital. **Office** — Jordan & Union Sts., Allentown, Pa. **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) being 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. More than the required 128,000 shares (80% of outstanding Watervliet stock) have been deposited for exchange. The offer has been extended until March 19. **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.

★ **Higbie Manufacturing Co. (3/13)**
Feb. 16 filed 60,000 shares of common stock (par $1), of which 30,000 are to be sold for account of the company and 30,000 shares for account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and machinery and equipment. **Business**—Manufactures and sells steel tubing and fishing reels. **Office**—Rochester, Mich. **Underwriter**—Shearson, Hammill & Co., New York.

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 up to 11:30 a.m. (EST) on March 7.

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.

★ **Kelly & Clark Mining & Exploration Co.**
Feb. 14 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds** — For expenses incident to mining operations. **Office**—Basalt, Nevada. **Underwriter**—None.

★ **Knickerbocker Shares, Inc.**
Feb. 13 filed 500,000 shares of beneficial interest in the Knickerbocker Fund. **Price** — At market. **Proceeds** — For investment.

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. (2/27-3/2)**
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 nonassessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

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.

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.

★ **Massachusetts Hospital Life Insurance Co.**
Feb. 17 filed (by amendment) 300,000 additional shares of beneficial interest in the Massachusetts Life Fund and 4,000 trust certificates. **Price**—At market. **Proceeds**—For investment.

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.

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) 500,000 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.

★ **Murdock Acceptance Corp., Memphis, Tenn.**
Feb. 15 filed 50,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Equitable Securities Corp., Nashville, Tenn., and Bullington-Schas & Co., Memphis, Tenn. **Offering** — Expected in three weeks.

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. (2/27)**
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 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 at Room 1100, 231 So. La Salle St., Chicago 4, Ill.

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 at Room 1100, 231 So. La Salle St., Chicago 4, Ill.

Oak Mineral & Oil Corp., Farmington, N. M.
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

★ **Oklahoma Gas & Electric Co. (3/9)**
Feb. 15 filed 298,479 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 8 at a rate of one new share for each 10 shares held; rights to expire on March 27. Unsubscribed shares (up to 15,000) may be offered to employees. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

● **Pacific Coast Aggregates, Inc. (3/6)**
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.

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.

★ **Parker Petroleum Co., Inc., Ponca City, Okla. (3/15-16)**
Feb. 20 filed 150,000 shares of 6% cumulative convertible preferred stock (par $10) and 150,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — To repay loans, etc.; for exploration and development costs and for working capital. **Business**—A crude oil and natural gas producing company. **Underwriter**—D. A. Lomasney & Co., New York.

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.

★ **Perspective, Inc., Seattle, Wash.**
Feb. 10 (letter of notification) an undetermined number of shares of common stock. **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office** — 402 American Bldg., Seattle, Wash. **Underwriter**—None.

● **Piasecki Aircraft Corp. (3/5-9)**
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.

★ **Play Investors Corp., New York**
Feb. 16 (letter of notification) 230,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For investment. **Business**—To invest in, fund, subscribe to, produce or otherwise partially participate in, theatrical and entertainment performances and associated or allied enterprises. **Office**—150 East 35th St., New York 16, N. Y. **Underwriter**—None.

★ **Professional Acceptance Corp., Amarillo, Texas**
Feb. 13 (letter of notification) 4,000 shares of series C common non-voting stock. **Price** — At par ($50 per share). **Proceeds** — For working capital. **Office** — 227 Paramount Bldg., Amarillo, Tex. **Underwriter**—None.

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.

★ **R. and P. Minerals, Inc., Reno, Nev.**
Feb. 14 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—573 Mill St., Reno, Nev. **Underwriter**—Utility Investments, Inc., Reno, Nev.

● **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. **Offering**—Expected today (Feb. 23).

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.

★ **Regan Bros. Co., Minneapolis, Minn.**
Feb. 17 filed $500,000 of 6% sinking fund first mortgage bonds due 1976. **Price**—100% of principal amount. **Proceeds**—To purchase 36,128 shares of capital stock at a price of $10 per share from stockholders retiring from the company, and for working capital. **Business**—Manufactures and sells at wholesale bread products. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

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 $900,000 of 5¾% subordinated sinking fund debentures due 1971 and 125,000 shares of class B (non-voting) common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To make loans and 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.

★ **Rotary Electric Steel Co. (3/22)**
Feb. 16 filed 69,670 shares of common stock (par $10) to be offered for subscription by stockholders of record March 21, 1956 on the basis of one new share for each 10 shares held; rights to expire on April 4. **Price**—To be fixed on or about March 21. **Proceeds**—For general corporate purposes. **Underwriter**—W. E. Hutton & Co., Cincinnati, O.

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.**
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. **Offering** — Postponed indefinitely.

● **St. Louis Steel Casting, Inc., St. Louis (2/28)**
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.

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.
Wyo. **Underwriter**—Valley State Brokerage, Inc., 2520 South State St., Salt Lake City, Utah.

● **Slick Airways, Inc., Burbank, Calif. (2/28)**
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. 24, 1956; rights to expire on March 13. **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.**
Feb. 2 filed 83,030 shares of common stock (no par) being 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**—$28.50 per share. **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—Smith, Barney & Co., New York.

● **Southern Oxygen Co., Bladensburg, Md.**
Feb. 1 filed $2,650,000 of 6% convertible subordinated debentures due April 1, 1966, of which $1,400,000 principal amount are being offered in exchange for presently outstanding 6% convertible subordinated debentures due 1962, par for par; the offer to expire on March 16. 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**—100% of principal amount. **Proceeds**—To redeem old debentures, to purchase prop-

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erty and equipment for new construction and working capital. **Underwriters**—Johnson, 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 Investment Co., Amarillo, Texas**
Feb. 13 (letter of notification) 10,000 shares of common stock to be offered to employees. **Price**—To be 95% of the market price or of the book value, whichever is higher at date of sale. The estimated or approximate price will be $12.05 per share. **Proceeds**—For working capital. **Underwriter**—None.

Southwestern Public Service Co. (2/29)
Feb. 3 filed $10,000,000 of first mortgage bonds due 1981 and 120,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Spokane Natural Gas Co. (2/28)
Feb. 2 filed $3,505,000 of subordinate interim notes due Jan. 31, 1962 and 70,100 shares of common stock (par $1) to be offered in units of $50 of notes and one share of stock which will not be separately transferable until May 31, 1956. **Price** — To be supplied by amendment. **Proceeds**—Together with funds from bank loan of $6,-275,000, for construction program. **Underwriter**—White, Weld & Co., New York.

Spurr Mining Corp.
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

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. Statement to be withdrawn.

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.

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.

★ **Telechrome Manufacturing Co.**
Feb. 15 (letter of notification) 99,800 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Business**—Electronic apparatus. **Office** — 84 East Merrick Road, Amityville, L. I., N. Y. **Underwriter**—All States Securities Dealers, Inc., New York.

• **Tenison Drilling Co., Inc., Billings, Mont.**
Dec. 12 filed 400,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—For drilling test costs, payment of notes and accounts payable and loans and for general working capital. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo. Statement effective Feb. 15.

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**—To be received up to 11:30 a.m. (EST) on Feb. 28 at Room 2033, Two Rector St., New York 6, N. Y.

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. (2/24)**
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.

★ **Tremont Motel Corp.**
Feb. 16 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For purchase of property and construction of additional motor courts; and for working capital. **Office**—744 Broad St., Newark, N. J. **Underwriter**—Berry & Co., Plainfield, N. J.

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.

★ **Uranium Exploration Co., Salt Lake City, Utah**
Feb. 13 (letter of notification) 77,875 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—538 East 21st South St., Salt Lake City, Utah. **Underwriter** — Pioneer Investments, Salt Lake City, Utah.

★ **Uranium Exploration & Copper Co. of Nevada**
Feb. 14 (letter of notification) 200,000 shares of capital stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—For mining expenses. **Office**—300 Fremont St., Suite 108, Las Vegas, Nev. **Underwriter**—None.

★ **Utahcan, Inc., Spokane, Wash.**
Feb. 13 (letter of notification) 1,000,000 shares of common capital stock (par 10 cents). **Price** — 25 cents per share. **Proceeds** — For mining expenses. **Office** — 1825 E. Sprague Ave., Spokane, Wash. **Underwriter**—None.

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. (3/6)**
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.**
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, Philadelphia, Pa.

★ **Washington Gas Light Co. (3/5)**
Feb. 15 filed a minimum of 148,917 shares of common stock (no par) to be offered for subscription by common stockholders of record March 2, 1956, at rate of one new share for each eight shares held; rights to expire on March 20. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters** — The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C.

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. (3/19-23)**
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 Securities Corp. of New Mexico**
Feb. 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To start a dealer or brokerage business. **Office**—921 Sims Bldg., Albuquerque, N. M. **Underwriter**—None.

★ **Whitaker Cable Corp., No. Kansas City, Mo.**
Feb. 13 (letter of notification) 23,300 shares of common stock (par $1) to be offered under the employees' stock option plan. **Price**—At market (estimated at approximately $12.87½ per share). **Proceeds**—For general corporate purposes. **Office**—13th and Burlington St., No. Kansas City, Mo. **Underwriter**—None.

★ **White Sage Uranium Corp.**
Feb. 13 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—547 East 21st South St., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Salt Lake City, Utah.

★ **Willcox & Gibbs Sewing Machine Co. (3/1)**
Feb. 16 (letter of notification) 22,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 27, 1956 on the basis of one new share for each 10 shares held; rights to expire on March 23. **Price**—$7.15 per share. **Proceeds**—For general corporate purposes. **Office** — 214 West 39th St., New York. **Underwriter**—None.

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.

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

★ **Air-Vue Products Corp., Miami, Fla.**
Feb. 20 it was reported early registration is expected of 150,000 shares of common stock. **Price**—Around $4.25 per share. **Proceeds** — For expansion program. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

★ **American Alloys Corp., Kansas City, Mo.**
Feb. 21 stockholders were to vote to increase authorized common stock from 600,000 shares (374,500 outstanding) to 1,000,000 shares (par 25¢) and to create an authorized issue of 200,000 shares of preferred stock (par $5). **Proceeds**—From sale of any new securities to be used to increase plant capacity, retire debt and for working capital. **Underwriter**—Previous financing was handled by S. D. Fuller & Co., New York.

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., Washington, D. C.**
Feb. 21 the Bank offered to its stockholders of record Feb. 10 the right to subscribe on or before March 13 for 124,666⅔ shares of its capital stock (par $10) on the basis of one new share for each three shares held. **Price**—$43.50 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—Alex. Brown & Sons; Auchincloss, Parker & Redpath; and Folger, Nolan-W. B. Hibbs & Co., Inc.

American Shopping Centers, Inc.
Jan. 23 it was announced company will soon offer publicly some new securities in the approximate amount of $6,000,000. **Proceeds**—To acquire shopping centers. **Office**—Minneapolis, Minn. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Automatic Washer Corp.
Dec. 5 it was reported company plans early registration of 250,000 shares of common stock (par $1.50). **Underwriter**—Cohen, Simonson & Co., New York.

★ **Baltimore & Ohio RR.**
Feb. 16 company sought ICC authority to issue up to $54,710,000 of convertible 4½% debentures, series A, due Feb. 1, 2010, which it proposes to offer in exchange to holders of its outstanding convertible 4½% income bonds on a par-for-par basis.

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.

★ **California Oregon Power Co.**
Feb. 13 it was reported company plans to issue and sell in April or May $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

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.

★ **Columbia Gas System, Inc. (10/2)**
Feb. 15 it was announced company may issue and sell $30,000,000 of debentures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Oct. 2.

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.

★ **Duke Power Co. (5/7)**
Feb. 15 it was announced company plans to issue and sell this Spring $30,000,000 of first and refunding 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.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received on May 7.

★ **Duke Power Co. (5/10)**
Feb. 15 it was announced company proposes to offer to its common stockholders this Spring (probably to holders of record May 10, 1956) additional common stock on a 1-for-25 basis; rights to expire on May 25. This would involve 367,478 shares. **Proceeds** — About $9,000,000, to be used for construction program. **Underwriter**—None.

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.

★ **El Paso Electric Co. (4/5)**
Feb. 16 it was reported company plans to offer to its common stockholders of record April 4 the right to subscribe on or before April 25 for 56,025 additional shares of common stock on a 1-for-15 basis. **Dealer-Manager**—Probably Stone & Webster Securities Corp. **Registration**—Expected March 15.

★ **El Paso Electric Co. (5/8)**
Feb. 16 it was reported company plans to issue and sell 20,000 shares of cumulative preferred stock (no par). **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Blair & Co. Incorporated; Equitable Securities Corp.; Union Securities Corp.; Kidder, Peabody & Co., White, Weld & Co., and Shields & Co. (jointly). **Bids**—Expected to be received on May 8. **Registration**—Tentatively expected April 10.

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.; The First Boston Corp.

★ **Florida Power & Light Co. (4/3)**
Feb. 13, McGregor Smith, Chairman, announced that company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc., and Lehman Brothers (jointly); White, Weld & Co.; The First Boston Corp. **Bids**—Expected to be received on April 3. **Registration**—Scheduled for March 2.

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.

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.

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). **Under-**

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writer—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.

★ Natural Gas Pipe Line Co. of America
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

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 Illinois Gas Co.
Feb. 20 it was reported company plans to issue and sell late in March $10,000,000 to $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Blyth & Co., Inc.

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.

★ Pacific Gas & Electric Co. (3/20)
Feb. 15, the directors authorized the sale of $25,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received on March 20.

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.

★ Pennsylvania RR.
Feb. 14 it was reported company may receive bids about the middle of March for about $7,500,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Portland Gas & Coke Co.
Feb. 14 it was reported company plans issue and sale of $16,500,000 first mortgage bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.

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.

★ Sierra Pacific Power Co.
Feb. 16 it was reported company is planning to offer 78,220 additional shares of common stock to its common stockholders on a 1-for-8 basis and 80,500 shares of new cumulative preferred stock (par $50) first in exchange for outstanding 6% preferred stock (which is callable at 115). **Underwriters**—May be Stone & Webster Securities Corp. and Dean Witter & Co. if exemption from competitive bidding is obtained.

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).

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**—$418.75 per unit. **Proceeds**—For expansion and working capital. **Office** — 404 Logan Street, Adrian, Mich. **Underwriter**—Golkin & Co., New York. **Registration**—Expected in very near future.

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.

★ Union Electric Co. of Missouri
Feb. 15 it was reported company may offer in May $35,000,000 of first mortgage and collateral trust bonds. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly).

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

Just when the rank and file were about convinced that the investment market could look forward to at least a period of tranquility in so far as monetary prospects are concerned events across the ocean turn up to ruffle things anew.

The underwriting fraternity had just about reached the conclusion that it might expect some slight easing in basic money rates and the seasoned market, along with yields on new issues, had commenced to reflect such observations, when the Bank of England announced the markup in its rediscount rate.

Consensus among observers here is that the British central bank's move is an outgrowth of its own isolated economic situation and that accordingly, it is not likely to have any reverberations over here.

Nevertheless, the effect of the boost in basic British money rates, prompted by the government's determination to curb inflation tendencies and stiffen the pound sterling, was to create a bit more cautious air in domestic monetary circles.

If it did nothing more, it served to chill the hopes, recently expressed, that there was a possibility the Federal Reserve might permit a slight lowering of rediscount rates which have been marked up several times in recent months.

For the moment, at any rate, such ideas seem to have cooled out and there has been a bit of irregularity in the market for Treasury loans and gilt-edge corporate paper.

The Week Ahead

The holiday cut into activity in the new issue market this week. But the approaching period holds promise of a bit more activity. Several medium-sized undertakings are on tap.

Monday brings to market $7 million bonds of Kansas Gas & Electric, plus 200,000 shares of common stock. Tuesday, Texas Electric Service Co. will open bids for $10 million of bonds.

Wednesday Northern States Power Co. of Minn., opens bids for 100,000 shares of preferred and for "standby" rights on 670,920 shares of common to be offered first to shareholders. Southwestern Public Service Co., the same day will offer $10 million of bonds via negotiation, along with 120,000 shares of preferred. On Thursday bankers will offer 90,000 shares of Consolidated Cigar preferred.

Larger Offerings Due

The following week brings up several undertakings of a bit more substantial proportions. West Coast Transmission Co., Ltd., through its bankers will offer publicly $20,500,000 of debentures together with 615,000 shares of capital stock (in units).

On March 6, the Bell Telephone Co. of Pennsylvania will open bids for $35 million of debentures, and the day following Houston Light & Power Co. will look over tenders for its projected $30 million of new bonds.

Fruehauf Trailer

One of the largest pieces of industrial financing to take shape in recent months went into registration this week when Fruehauf Trailer Co. filed to cover a total of $47.5 million of new debentures.

The registration covers $37.5 million of convertible subordinated, 20-year debentures and $10 million of 20-year sinking fund debentures.

Proceeds, it was explained will put the company in funds for carrying out its expansion program and will provide additional working capital needed in the business.

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The State of Trade and Industry

Motors is the lone firm reveling in stepped-up activity, being 6.5% better the past week than the corresponding week last year.

Packard, meanwhile, will not reopen its gates on Monday of this week as was previously anticipated. No word has been released as to when operations will resume. Studebaker, therefore, was responsible for last week's entire S-P turnout of 2,600 cars.

Steel Production Set This Week at 98.5% of Capacity

Strong steel demand is shaping up for the second half of this year, "Steel" magazine reported on Monday of this week.

The national metalworking weekly said that with some automakers planning to introduce 1957 models in August and September, demand for the new could make the auto industry clamor for steel.

"Steel" pointed out that even though the auto industry—the largest single user has lessened its pressure for steel, the over-all demand currently exceeds supply, with steel mills producing ingots and castings at 100% of capacity in the week ended Feb. 19.

The construction industry, second largest user of steel, is making more than seasonal gains in booking new business, according to this trade paper. Much of this work will be put into place in the last half of this year. Some structural steel fabricators are booking business into 1957 and are predicting their product will be in tight supply for the next 18 months.

Contributing to the construction boom is the steel industry which plans to spend its greatest annual outlay in history for modernization and expansion this year.

"Steel" reported enough railroad freight cars are on order to keep production of them going through the last half. Shipbuilders, whose business has been slow, are booking some orders and their steel needs will show up on second-half order books. Adding tightness to the second-half steel market may be a reduced supply, "Steel" added.

It pointed out summer vacation schedules in mills customarily cut output in the last half. Also a threat to production in that period is the possibility of a steelworkers' strike growing out of labor contract negotiations at midyear.

Stimulating current demand is the likelihood of further increases in steel prices, the publication said. Inventories are not high, so consumers are inclined to continue to lay in steel tonnage if they can get it.

Steel prices remained steady this week and kept "Steel's" base-price composite on finished steel at $127.91 a net ton.

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 98.5% of capacity for the week beginning Feb. 20, 1956, equivalent to 2,425,000 tons of ingot and steel for castings as compared with 98.8% of capacity, and 2,433,000 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 100.4% and production 2,472,000 tons. A year ago the actual weekly production was placed at 2,191,000 tons or 90.8%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Continues to Register Mild Declines

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 18, 1956, was estimated at 11,321,000,000 kwh., a decrease below the week ended Feb. 11, 1956, according to the Edison Electric Institute.

This week's output fell 22,000,000 kwh. below that of the previous week; it increased 1,409,000,000 kwh. or 14.2% above the comparable 1955 week and 2,770,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Feb. 11, Increase Slightly Above the Preceding Week

Loadings of revenue freight for the week ended Feb. 11, 1956 increased 3,339 cars or 0.5% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 11, 1956, totaled 684,328 cars, an increase of 45,540 cars, or 7.1% above the corresponding 1955 week, and an increase of 60,622 cars, or 9.7% above the corresponding week in 1954.

U. S. Car Output Declined 5.2% the Past Week And Was 25.5% Under Similar Period in 1955

Car output for the latest week ended Feb. 17, 1956, according to "Ward's Automotive Reports," was off 5.2% from that of the previous week and 25.5% below the corresponding week in 1955.

Last week the industry assembled an estimated 129,210 cars, compared with 136,308 (revised) in the previous week. The past week's production total of cars and trucks amounted to 153,507 units, or a decrease of 7,460 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 7,098 cars, while truck output was lower by 362 vehicles during the week. In the corresponding week last year 173,482 cars and 14,953 trucks were assembled.

Last week the agency reported there were 24,297 trucks made in the United States. This compared with 24,659 in the previous week and 14,953 a year ago.

Canadian output last week was placed at 5,950 cars and 1,252 trucks. In the previous week Dominion plants built 3,072 cars and 1,071 trucks, and for the comparable 1955 week, 7,432 cars and 777 trucks.

Business Failures Show Moderate Rise

Commercial and industrial failures rose to 252 in the week ended Feb. 16 from 236 in the preceding week, Dun & Bradstreet, Inc., reports. The toll was well above the 205 of the similar week last year and the 215 of the comparable 1954 week. However, failures remained 14% below the prewar level of 293 in the similar week of 1939.

Among failures with liabilities of $5,000 or more, there was a slight rise to 209 from 205 a week ago and 187 last year. Small failures with liabilities under $5,000, climbed to 43 from 31 in the previous week and 18 in the corresponding 1955 week. Eleven businesses failed with liabilities in excess of $100,000 reflecting a noticeable drop from the 36 in this size group last week.

Wholesale Food Price Index Turns Upward In Latest Week

Following the previous week's downward movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., resumed its upward trend to stand at $5.94 on Feb. 14, as against $5.90 a week earlier. The current figure marks a decline of 11.2% from $6.69 last year and compares with $7.11 two years ago, or a drop of 16.5%.

Higher in wholesale cost last week were wheat, hams, butter, sugar, coffee, cottonseed oil, eggs, potatoes and steers. Lower in price were flour, corn, rye, oats, lard, cocoa and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Advanced Slightly In Latest Week to Reach Highest Level in Several Years

Continuing in a narrow range, the Dun & Bradstreet daily wholesale commodity price index rose slightly the past week to reach the highest level in several years. The index closed at 281.24 on Feb. 14, compared with 280.62 a week previous, and 277.46 on the corresponding date a year ago.

Grain price movements continued irregular with wheat scoring further advances while other grains finished mostly lower for the week.

The uptrend in wheat was largely influenced by the action of the Senate Agriculture Committee in approving a farm bill including a "soil bank" feature and a return to high and rigid price supports, together with a growing tightness in "free" wheat in the Chicago market.

Additional precipitation was reported in the Winter wheat areas of the Southwest and snow covering was said to be pretty general. Corn weakened under ample offerings, following the announcement that the 1956 support price would be cut 18 cents to $1.40 per bushel.

Coffee continued to trend upward. Prices rose sharply following news that a large distributor had advanced wholesale prices of their roasted coffee by another 3 cents, making a total gain of 5 cents a pound in a week.

Cocoa prices were down moderately for the week but developed some firmness at the close aided by seasonal demand for Easter trade requirements. Lard prices were somewhat stronger; export business was the best in some time with sales to Austria and other countries reaching 26,500 tons. Livestock prices generally were steady to slightly firmer for the week. The agriculture Department reported over the week-end that the number of livestock and poultry on farms on Jan. 1 increased 2% in 1955 over 1954, but that the aggregate value declined 4%.

Spot cotton prices in the domestic market continued to move higher for the third successive week. Strengthening influences were attributed to the dwindling certified stock, a continued tightening of "free" cotton supply and the prospect of further acreage curtailment this year via the "soil bank." Reported sales in the 14 spot markets last week totalled 375,500 bales, the largest weekly volume of the current season. They compared with 283,600 bales a week earlier and 176,500 bales in the corresponding week last year. Loan entries of 1955-crop cotton in the week ended Feb. 3 were down sharply and totalled 116,500 bales, compared with 189,800 bales in the preceding week.

Trade Volume Showed a Slight Increase the Past Week And Was Moderately Higher Than 1955 Period

There was a slight increase in retail trade in the period ended on Wednesday of last week and the total dollar volume was moderately above the level of the corresponding period last year.

Continued reduced-price sales encouraged consumer spending in Winter merchandise and a slight rise was reported in purchases of Spring apparel.

While volume in new automobiles equalled that of the previous week, an upsurge in the buying of used cars occurred.

The total dollar volume of retail trade in the week was 2 to 6% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England 0 to +4; East and Middle West +3 to +7; South and Pacific Coast +2 to +6; Northwest and Southwest +1 to +5%.

Wholesale orders in the week expanded somewhat and the total dollar volume moderately exceeded that of the similar 1955 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 11, 1956, increased 5% above those of the like period of last year. In the preceding week, Feb. 4, 1956, an increase of 5% was reported. For the four weeks ended Feb. 11, 1956, an increase of 5% was recorded. For the period Jan. 1, 1956 to Feb. 11, 1956 a gain of 2% was registered above that of 1955.

Retail trade in New York City last week registered a mild advance as inclement weather in the latter part of the period served to cut into the heavy gains made on Lincoln's Birthday. Trade observers estimated last week's gain would not exceed 1 or 2%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 11, 1956, increased 1% above those of the like period last year. In the preceding week, Feb. 4, 1956, an increase of 8% was recorded. For the four week's ending Feb. 11, 1956, an increase of 6% was registered. For the period Jan. 1, 1956 to Feb. 11, 1956 the index recorded a rise of 2% above that of the corresponding period in 1955.

Tenn. Gas Transmiss'n Preferred Shrs. Offered

An underwriting group jointly headed by Stone & Webster Securities Corporation and White, Weld & Co. on Feb. 21 offered publicly 400,000 shares of Tennessee Gas Transmission Co. 4.50% cumulative convertible second preferred stock at par ($100 per share).

Each share of second preferred stock is convertible into 2.85 shares of common stock through March 1, 1961 and into 2.65 shares of common stock if converted thereafter through March 1, 1966.

This second preferred stock will be redeemable plus accrued and unpaid dividends—in whole or in part at prices ranging from $104.50 per share if redeemed prior to March 1, 1961, through $100 per share if redeemed on or after March 1, 1976.

A major portion of the proceeds from this sale will be applied to the payment of outstanding short-term notes, and the balance will be added to the company's general funds.

Tennessee Gas owns and operates a pipe line system for transmitting and selling of natural gas for resale. Its principal customers are companies comprising the systems of the Columbia Gas System, Inc., and Consolidated Natural Gas Company, which account for 56% of the company's deliveries of gas in 1955. The present pipe line system — approximately 8,962 miles in length —begins in the Rio Grande Valley of Texas, and extends in a northerly direction through the Appalachian area and then easterly through New York, including the New York metropolitan area, and into several New England states.

The company is presently engaged in an expansion program which will substantially increase the capacity of its line. The estimated remaining cost of its authorized program is $58,000,000. In addition the company has an application pending before the Federal Power Commission for authorization to increase further daily system delivery capacity, at an estimated cost of $24,319,000 in order to meet delivery requirements for the winter of 1956-57. Tennessee Gas has also applied to the FPC for authority to install added compressor capacity and other facilities on the pipe line system south of Portland, Tenn., to make proposed deliveries to Midwestern Gas Transmission Company, at an estimated cost of $18,615,000. Midwestern Gas has filed an application with the FPC to construct a natural gas pipe line system to extend from a point on the International Boundary between Minnesota and Manitoba, where it is to connect with the Trans-Canada pipe line, across Minnesota, Wisconsin, Illinois, Indiana, Kentucky and Tennessee to a point on Tennessee Gas's present pipe line system near Portland, Tenn. The midwestern system calls for 2,067 miles of pipe line, at a cost of approximately $103,400,000.

For the 12 months ended Dec. 31, 1955, Tennessee Gas had an operating revenue of $200,412,664, and a net income of $30,316,277, compared with $142,995,640 operating revenue, and $20,627,692 net income for 1954.

Hornblower & Weeks Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas J. Foley has been added to the staff of Hornblower & Weeks, 134 So. La Salle Street.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank P. Riccio has become connected with Palmer, Pollacchi & Co., 84 State Street.

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. 26	§96.5	*98.8	100.4	90.8
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 26	§2,425,000	*2,433,000	2,472,000	2,191,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 10	7,045,750	7,081,200	7,013,850	6,719,350
Crude runs to stills—daily average (bbls.)	Feb. 10	8,016,000	8,068,000	7,949,000	7,384,000
Gasoline output (bbls.)	Feb. 10	‡25,899,000	26,139,000	26,847,000	25,208,000
Kerosene output (bbls.)	Feb. 10	2,564,000	2,814,000	2,448,000	2,608,000
Distillate fuel oil output (bbls.)	Feb. 10	13,437,000	13,535,000	13,541,000	12,561,000
Residual fuel oil output (bbls.)	Feb. 10	9,171,000	9,341,000	9,179,000	8,663,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 10	187,618,000	182,656,000	171,906,000	174,203,000
Kerosene (bbls.) at	Feb. 10	20,069,000	20,357,000	24,434,000	21,438,000
Distillate fuel oil (bbls.) at	Feb. 10	80,569,000	84,230,000	101,074,000	76,158,000
Residual fuel oil (bbls.) at	Feb. 10	37,727,000	38,570,000	39,325,000	46,689,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 11	684,328	680,989	710,338	638,788
Revenue freight received from connections (no. of cars)	Feb. 11	676,609	671,244	661,944	621,059
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 16	$268,250,000	$539,907,000	$608,230,000	$193,862,000
Private construction	Feb. 16	150,052,000	399,292,000	435,424,000	130,168,000
Public construction	Feb. 16	118,198,000	140,615,000	172,806,000	63,694,000
State and municipal	Feb. 16	83,946,000	107,774,000	132,233,000	42,901,000
Federal	Feb. 16	34,252,000	32,841,000	40,573,000	20,793,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 11	10,190,000	*9,755,000	10,635,000	8,690,000
Pennsylvania anthracite (tons)	Feb. 11	585,000	623,000	615,000	654,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 11	97	90	104	92
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 18	11,321,000	11,343,000	11,521,000	9,912,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 16	252	236	269	205
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 14	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Feb. 14	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Feb. 14	$49.00	$49.50	$53.17	$36.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 15	42.700c	44.575c	44.675c	32.700c
Export refinery at	Feb. 15	45.275c	43.775c	45.750c	38.175c
Straits tin (New York) at	Feb. 15	100.250c	99.625c	105.375c	90.125c
Lead (New York) at	Feb. 15	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	Feb. 15	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	Feb. 15	13.500c	13.500c	13.500c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 21	95.86	96.20	96.04	96.55
Average corporate	Feb. 21	108.16	107.98	107.62	109.42
Aaa	Feb. 21	111.81	111.62	111.25	112.93
Aa	Feb. 21	110.34	110.15	109.60	110.88
A	Feb. 21	108.16	107.80	107.62	109.97
Baa	Feb. 21	102.96	102.80	102.46	104.48
Railroad Group	Feb. 21	106.39	106.39	106.04	107.80
Public Utilities Group	Feb. 21	108.52	108.34	108.16	110.15
Industrials Group	Feb. 21	109.60	109.42	109.06	110.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 21	2.81	2.78	2.80	2.75
Average corporate	Feb. 21	3.27	3.28	3.30	3.20
Aaa	Feb. 21	3.07	3.08	3.10	3.01
Aa	Feb. 21	3.15	3.16	3.19	3.12
A	Feb. 21	3.27	3.29	3.30	3.17
Baa	Feb. 21	3.57	3.58	3.60	3.48
Railroad Group	Feb. 21	3.37	3.37	3.39	3.29
Public Utilities Group	Feb. 21	3.25	3.26	3.27	3.16
Industrials Group	Feb. 21	3.19	3.20	3.22	3.13
MOODY'S COMMODITY INDEX	Feb. 21	403.9	406.8	403.1	404.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 11	246,870	405,935	261,871	246,171
Production (tons)	Feb. 11	283,585	291,570	296,030	261,128
Percentage of activity	Feb. 11	100	101	103	95
Unfilled orders (tons) at end of period	Feb. 11	613,937	651,772	622,501	433,801
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 17	107.11	107.08	107.54	107.27
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. 28	1,351,389	1,450,274	931,198	1,675,172
Dollar value	Jan. 28	$71,393,463	$75,474,442	$48,092,580	$90,292,919
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 28	1,011,115	1,049,864	782,941	1,433,599
Customers' short sales	Jan. 28	5,779	4,229	2,904	10,962
Customers' other sales	Jan. 28	1,005,336	1,045,635	780,037	1,422,637
Dollar value	Jan. 28	$53,007,826	$53,324,873	$36,325,614	$69,607,364
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 28	229,500	266,490	213,860	356,670
Short sales	Jan. 28				
Other sales	Jan. 28	229,500	266,490	213,860	356,670
Round-lot purchases by dealers—					
Number of shares	Jan. 28	601,000	604,600	338,910	615,250
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. 28	432,780	373,180	227,070	677,590
Other sales	Jan. 28	10,710,570	11,529,320	8,954,210	16,794,760
Total sales	Jan. 28	11,143,350	11,902,500	9,181,280	17,472,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 28	1,485,280	1,418,910	1,143,820	2,130,770
Short sales	Jan. 28	236,340	212,650	119,360	346,860
Other sales	Jan. 28	1,260,500	1,419,160	1,034,450	1,905,020
Total sales	Jan. 28	1,496,840	1,631,810	1,153,810	2,251,880
Other transactions initiated on the floor—					
Total purchases	Jan. 28	294,340	267,550	227,820	547,540
Short sales	Jan. 28	23,500	23,740	5,800	38,300
Other sales	Jan. 28	255,910	340,510	201,090	557,270
Total sales	Jan. 28	279,410	364,250	206,890	595,570
Other transactions initiated off the floor—					
Total purchases	Jan. 28	445,042	565,580	431,610	690,535
Short sales	Jan. 28	55,120	55,920	53,610	101,130
Other sales	Jan. 28	464,485	599,217	367,425	764,465
Total sales	Jan. 28	519,605	655,137	421,035	865,595
Total round-lot transactions for account of members—					
Total purchases	Jan. 28	2,224,662	2,252,040	1,803,250	3,368,845
Short sales	Jan. 28	314,960	292,310	178,770	486,290
Other sales	Jan. 28	1,980,895	2,358,887	1,602,965	3,226,755
Total sales	Jan. 28	2,295,855	2,651,197	1,781,735	3,713,045
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 14	112.1	*111.9	111.5	110.3
Farm products	Feb. 14	86.0	*84.7	83.9	93.4
Processed foods	Feb. 14	98.8	*98.7	98.1	103.2
Meats	Feb. 14	72.4	72.2	71.3	85.4
All commodities other than farm and foods	Feb. 14	120.1	*120.2	119.9	115.4

*Revised figure. ‡Includes 725,000 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 RAILWAY CAR INSTITUTE— Month of January:			
Orders for new freight cars	1,818	42,278	5,087
New freight cars delivered	4,199	3,796	2,008
AMERICAN ZINC INSTITUTE INC.—Month of December:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	92,578	*87,616	85,164
Shipments (tons of 2,000 pounds)	89,657	*93,426	95,523
Stocks at end of period (tons)	40,979	*38,058	124,277
Unfilled orders at end of period (tons)	72,908	64,560	45,862
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of January (in millions):			
Total new construction	$2,849	$3,177	$2,815
Private construction	2,126	2,410	2,073
Residential building (non-farm)	1,078	1,283	1,122
New dwelling units	975	1,160	1,030
Additions and alterations	73	92	71
Non-housekeeping	30	31	21
Non-residential building (non-farm)	654	683	543
Industrial	228	226	186
Commercial	249	269	189
Office buildings and warehouses	104	107	84
Stores, restaurants and garages	145	162	105
Other non-residential building	177	188	168
Religious	58	63	55
Educational	41	43	42
Social and recreational	18	20	18
Hospital and institutional	26	27	28
Miscellaneous	34	35	25
Farm construction	83	83	92
Public utilities	303	351	302
Railroad	27	29	20
Telephone and telegraph	55	55	50
Other public utilities	221	267	232
All other private	8	10	14
Public construction	723	767	742
Residential building	19	20	22
Non-residential building	290	287	342
Industrial	30	31	90
Educational	190	186	182
Hospital and institutional	23	20	25
Other non-residential building	47	50	45
Military facilities	97	106	78
Highways	165	206	155
Sewer and water	79	80	76
Miscellaneous public service enterprises	25	21	13
Conservation and development	38	43	45
All other public	10	10	11
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$16,985,356	$18,640,846	$14,350,014
Middle Atlantic	88,137,540	67,337,029	93,469,598
South Atlantic	33,361,776	27,425,666	42,800,847
East Central	78,804,553	70,988,203	62,440,862
South Central	90,327,695	59,894,159	78,039,103
West Central	16,227,585	21,888,227	27,038,879
Mountain	19,455,956	16,435,783	18,521,497
Pacific	88,083,197	66,582,711	69,917,725
Total United States	$431,383,658	$345,192,618	$406,628,525
New York City	61,735,949	45,121,585	49,423,105
Outside New York City	369,647,709	304,071,033	357,205,420
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of January	13,363	*11,539	13,181
COAL OUTPUT (BUREAU OF MINES)—Month of January:			
Bituminous coal and lignite (net tons)	44,750,000	45,270,000	36,580,000
Pennsylvania anthracite (net tons)	2,498,000	2,383,000	2,333,000
COKE (BUREAU OF MINES)—Month of Dec.:			
Production (net tons)	6,865,032	*6,545,862	5,623,100
Oven coke (net tons)	6,639,821	*6,356,571	5,579,900
Beehive coke (net tons)	225,211	*189,291	43,200
Oven coke stock at end of month (net tons)	1,697,200	*1,747,536	2,941,571
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Jan. 31 (000's omitted)	$573,000	$510,000	$713,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Dec. 31:			
Total consumer credit	$36,225	$35,059	$30,125
Instalment credit	27,895	27,247	22,467
Automobile	14,312	14,172	10,396
Other consumer goods	6,435	6,057	5,668
Repair and modernization loans	1,641	1,634	1,616
Personal loans	5,507	5,384	4,787
Non-instalment credit	8,330	7,812	7,658
Single payment loans	2,776	2,757	2,420
Charge accounts	3,797	3,285	3,518
Service credit	1,757	1,770	1,720
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:			
Weekly Earnings—			
All manufacturing	$78.36	*$79.71	$73.97
Durable goods	84.05	*86.31	80.16
Nondurable goods	69.83	*70.30	66.02
Hours—			
All manufacturing	40.6	*41.3	40.2
Durable goods	41.0	*41.9	40.9
Nondurable goods	40.2	*41.2	40.2
Hourly Earnings—			
All manufacturing	$1.93	$1.93	$1.84
Durable goods	2.05	2.06	1.96
Nondurable goods	1.75	*1.74	1.68
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Jan.:			
Seasonally adjusted	144	144	132
Unadjusted	143	141	132
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of January (1947-49=100)	80.5	84.9	77.5
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of January:			
Net sales	$1,310,500	------	------
Net purchase	------	$234,829,850	$22,993,400
ZINC OXIDE (BUREAU OF MINES)—Month of December:			
Production (short tons)	15,060	15,402	12,789
Shipments (short tons)	12,433	14,549	11,630
Stocks at end of month (short tons)	16,808	14,181	15,915

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc. and associates are offering $3,645,000 of Louisville and Nashville RR. 3% equipment trust certificates, series O, maturing annually March 15, 1957 to 1971, inclusive.

The certificates are priced to yield from 2.80% to 3.05%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost not less than $4,556,250: 16 1600 hp. diesel electric road freight locomotives, and 12 1600 hp. diesel electric general purpose locomotive units or road switchers.

Associated in the offering are—Dick & Merle-Smith; R. W. Pressprich & Co.; L. F. Rothschild & Co.; Freeman & Co.; Gregory & Sons; The Illinois Co. Inc.; Wm. E. Pollock & Co. Inc.; and McMaster, Hutchinson & Co.

E. R. Bell Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Lois L. Spaun has been added to the staff of E. R. Bell Co., 4627 Wornall Road.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, February 16, 1956, a dividend of forty cents ($.40) per share was declared on the Common Stock of the Corporation, payable March 30, 1956, to Common stockholders of record at the close of business on March 9, 1956.

S. A. McCASKEY, JR.
Secretary

AMERICAN STORES COMPANY

150th Dividend

The Board of Directors on February 15, 1956 declared the regular quarterly dividend of 50c per share.

At the same time the Board of Directors declared a 5% stock dividend.

Both dividends are payable March 31, 1956 to stockholders of record on February 29, 1956.

JOHN R. PARK
Vice President and Treas.

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDENDS

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series B, a quarterly dividend of ninety-three and three-quarter cents (93¾¢) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, and a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable April 2, 1956, to the holders of such stock of record at the close of business March 2, 1956.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of sixty-two and one-half cents (62½¢) per share on the outstanding shares of the Common Stock of the Company, payable March 30, 1956, to the holders of such stock of record at the close of business March 2, 1956.

R. S. KYLE, Secretary

New York, February 21, 1956.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 899

The Board of Directors has declared Dividend No. 899 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable March 12, 1956, to stockholders of record March 1, 1956. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, Secretary.

February 3, 1956.

DIXIE CUP COMPANY

The Board of Directors of Dixie Cup Company, makers of paper drinking cups and food containers, has declared the following dividends:

5% Convertible Preferred Stock, Series A—Dividend No. 10 (quarterly)—62½c per share—payable April 10, 1956 to stockholders of record March 9, 1956.

Common Stock—Dividend No. 93 (quarterly)—45c per share—payable March 25, 1956 to stockholders of record March 9, 1956.

H. R. WECKERLEY, Secretary

Dated: February 20, 1956.

CALIFORNIA-PACIFIC UTILITIES COMPANY

Quarterly dividends payable March 15 to shareholders of record March 1, 1956, have been declared at the following rates per share:

5% Preferred	25¢
5% Convertible Pfd.	25¢
5.40% Convertible Pfd.	27¢
5½% Convertible Pfd.	27½¢
Common	37½¢

D. J. Ley, VICE-PRES. & TREAS.

February 17, 1956

DSC DETROIT STEEL CORPORATION

COMMON STOCK DIVIDEND NO. 104

On January 27, 1956, the Board of Directors voted a Common Stock dividend of $.25 a share.

PREFERRED STOCK DIVIDEND

At the same time a dividend of $1.50 a share was declared on the 6% Preferred Stock.

Both dividends will be paid in cash March 20, 1956, to holders of record March 1, 1956.

R. A. YODER
Secretary-Treasurer

January 27, 1956

DIAMOND ALKALI CHEMICALS

Dividend Number 17 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on Feb. 16, 1956, declared a dividend of $1.10 per share for the quarter ending Mar. 15, 1956, payable Mar. 15, 1956, to holders of 4.40% Cumulative Preferred Stock of record Feb. 28, 1956, and a regular quarterly dividend of 37½ cents per share, payable Mar. 5, 1956, to holders of Common Capital Stock of record Feb. 28, 1956.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, Feb. 17, 1956

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22

The 164th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a Quarterly Cash Dividend of $1.00 per share, payable March 10, 1956, to stockholders of record at the close of business on February 17, 1956. Transfer books will not be closed. Checks prepared on IBM Accounting Machines will be mailed.

C. V. BOULTON, Treasurer

January 17, 1956

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 164 of fifty cents (50¢) per share on the common stock payable April 16, 1956, to stockholders of record at the close of business on March 15, 1956.

GERARD J. EGER, Secretary

KENNECOTT COPPER CORPORATION
161 East 42d Street, New York, N.Y.

February 17, 1956

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on March 26, 1956, to stockholders of record at the close of business on March 2, 1956.

PAUL B. JESSUP, Secretary

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 32 cents per share on the Common Stock of the Company, payable April 2, 1956 to stockholders of record at the close of business March 1, 1956.

D. W. JACK
Secretary

February 17, 1956

Pullman Incorporated

90th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on March 14, 1956, to stockholders of record February 29, 1956.

CHAMP CARRY
President

PULLMAN-STANDARD CAR MANUFACTURING CO. — M. W. KELLOGG — TRAILMOBILE

DIVIDEND NOTICES

CONSOL

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY** at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on March 19, 1956, to shareholders of record at the close of business on March 9, 1956. Checks will be mailed.

JOHN CORCORAN,
Vice-President & Secretary

February 20, 1956.

NATIONAL STEEL Corporation

105th Consecutive Dividend

The Board of Directors at a meeting on February 14, 1956, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable March 9, 1956, to stockholders of record February 24, 1956.

PAUL E. SHROADS
Senior Vice President & Treasurer

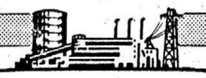
SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 153

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on March 19, 1956, to stockholders of record at the close of business February 27, 1956.

E. J. GOODWIN, Treasurer

New York, N. Y., February 16, 1956.

Public Service Electric and Gas Company
NEWARK, N. J.



QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending March 31, 1956:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred	$1.02
4.18% Cumulative Preferred	1.045
4.30% Cumulative Preferred	1.075
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before March 31, 1956 to stockholders of record March 2, 1956.

F. MILTON LUDLOW
Secretary

PUBLIC SERVICE — CROSSROADS OF THE EAST

DIVIDEND NOTICES

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable April 2, 1956, to stockholders of record at the close of business on March 9, 1956.

B. H. WINHAM
Secretary

February 21, 1956

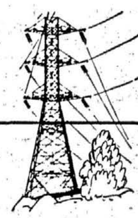
UNITED FRUIT COMPANY

227th Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable April 13, 1956, to shareholders of record March 9, 1956.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., February 13, 1956



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 187
60 cents per share.

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 36
27 cents per share.

The above dividends are payable March 31, 1956, to stockholders of record March 5. *Checks will be mailed from the Company's office in Los Angeles, March 31.* The Board of Directors has also authorized the payment of an initial dividend on the new Cumulative Preferred Stock, 4.24% Series, at the quarterly rate of 26½ cents per share, payable May 31 to stockholders of record May 5, for the period from its date of issue to and including February 29.

P. C. HALE, Treasurer

February 14, 1956

Edison

TENNESSEE GAS TRANSMISSION COMPANY
HOUSTON, TEXAS

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS

DIVIDEND NO. 34

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable April 2, 1956 to stockholders of record on March 2, 1956.

J. E. IVINS, Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—From President Eisenhower's announcement of his availability for a second term through the medium of vetoing the Gas bill, some considerable consequences of both a long- and short-term character can flow.

First, as to the President's availability. Until the doctors reported that the President was capable, many observers were doubtful that the President would run. Excluding the naive, after the doctors found the President good for five to 10 years more of an active life, seasoned observers were waiting only for the formal announcement. Curiously, the doctors did not settle on some odd figure like three to seven years, which might raise questions as to the President's capacity to serve the balance of this and a second full term if elected.

In the veto of the Gas bill, however, is the clincher that the President intends to run. This is not as is most generally supposed, merely because the President, by taking the "popular" side of a demagogic issue, showed an obvious concentration on political motivations.

Mr. Eisenhower's concentration on the political angles was intensified when it is appreciated what the President did to the Republican party in Congress by his veto of the bill.

Both Joe Martin, the Republican leader in the House, and Charley Halleck, his assistant, voted for the bill in the House. Halleck spoke for it. A majority of the Republicans in the House voted for the bill. In the Senate, 31 of the 53 votes for the Gas bill were Republican. The long-suffering Bill Knowland, as Senate Republican leader, stuck his neck way out on behalf of the Gas bill.

Ike Opposed

Few will be deluded by the President's indication that he liked the principles of the bill but fell for the strategem used in an attempt to wreck the bill in the last minute in the Senate—the horrendous public indignation of Senator Francis Case (R., S. Dak.) over the campaign gift of $2,500 from an oil man.

This is not considered intrinsically significant, for among the $30,000-plus of labor union campaign contributions in 1954 to Senator Paul Douglas (D., Ill.), who assumed leadership of the Senate opposition to the Gas bill, were two separate contributions of $2,500 each from the CIO-PAC. The CIO put terrific pressure on against the bill.

Rather, the great majority of the moron trade is expected to take it that Mr. Eisenhower accepted the opposition thesis that it was a bill to raise gas prices, so the President killed it.

In other words, the practical political effect of the Presidential veto is that it is a repudiation not merely of the majority of the Republicans in Congress, but of the Republican leadership in both Houses. Charley Halleck, for instance, is such a consistent supporter of Mr. Eisenhower that he has altered his own views sharply to conform to the White House line.

Plays Presidential Politics

This is thus the playing, not of Republican politics, but of strictly Presidential politics. For the sake of harvesting the benefit of the demagogy raised against the bill, the President appears willing not merely to make monkeys out of his Republican following, but to give the Democrats who oppose these individuals for re-election another apparent clear-cut political advantage.

It is not that this is the first instance of the White House playing it for No. 1 over the Republicans in Congress. In countless ways, in patronage, in its sponsorship of welfare and spending issues generally repugnant to the conservative wing of the party, the White House has been heedless of the welfare of his Republican members of Congress.

This is just the most spectacular expression of this brand of politics.

Fighting Party Risky

Well, what can the angered Republicans do about it? This is the retort which the White House politbureau probably would fire if asked privately. After all, Eisenhower is still immensely popular, they would say, so shut up and go along. So long as the President is in fact overwhelmingly popular, there is nothing the politically-ravished Republicans can do but sputter in their corners in silent political frustration.

However, a President who brutally sacrifices his following, if only on one major issue, does so at an eventual peril of great magnitude. One difficulty the current GOP Administration generation has is the absence of long political experience. Harry Truman was just as heedless of the moderate and conservative Democrats as Eisenhower is of his moderate or conservative Republicans. It didn't stop Truman from getting a second term.

In the end, however, it was the accumulating hatred of many Democrats which made possible the full revelation of the Internal Revenue scandals, and what looked like the discrediting of Harry Truman.

Republican Congressmen also sometimes have influence with their constituents, even those starry-eyed about the "business man's President." To "take on" or take advantage of the Republican party in Congress requires a cockiness that old hands in the political game find does not pay off very long.

Promise Broken?

From every quarter of this town comes the report that the President is said to have assured his GOP following that while he would not actively support the Gas bill, he would not veto it. Neither the oil industry nor the Democratic and Republican leadership would have been so quixotic as to have worked for the bill, it may be assumed, had they not believed they had some such assurances.

If this report is correct, then Mr. Eisenhower apparently has followed strictly in the Truman groove. For the "dope" was that with the Kerr (and like) Gas bill of 1950, Senator Robert S. Kerr (D., Okla.) consented to let the White House write amendments to the 1950 bill to make it palatable to Mr. Truman. Then after passage, Mr. Truman vetoed it.

Won't Hit Program

There are three exceedingly angry gentlemen as a consequence of the President's veto. One is Speaker Sam Rayburn. The other is Senate Democratic Leader Lyndon Johnson. The third is Bill Knowland. Friends of the three say that Mr. Eisenhower as a result of his veto can just about forget getting anywhere with his legislative program this year.

This possibility may be discounted on the grounds of their anger alone. Messrs. Johnson and Rayburn in any case would be most unlikely to give Mr. Eisenhower any more of his legislative program than they thought could be passed with advantage to the Democrats. Bill Knowland does not, as Minority Leader of the Senate, have the power to get legislation out.

In any case the session is developing more and more into a probable "do little" if not "do nothing" session. In the heat of political contest it is possible for only a comparatively small docket of legislation to pass.

Gives Ike Room

One of the short-range consequences of the **de facto** announcement of the President of his intention to seek a second term, in vetoeing the Gas bill, is that this gives him a lot of elbow room, as it were, as to how to make the announcement.

The President can do anything from openly announcing his willingness to run, to openly announcing that he would not seek a second term. Even if the President **almost** categorically says he will not take a second term, professional politicians, after the veto of the Gas bill, would not take the announcement seriously. They know he is "in business."

Something logical is a pitch in between renouncing and announcing. The President could say, in effect, that even though the doctors said he could live through a second term, he did not want to subject the office of the Presidency in such parlous times to the hazards of his health, that he hoped he would not be renominated, that there are so many able men in the United States (also a Truman line) that there was no reason the party should select him.

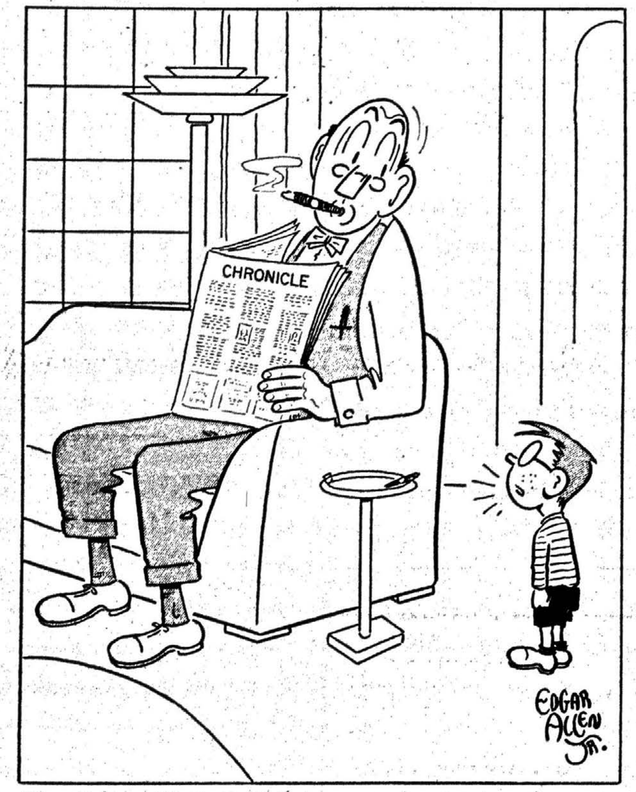
This pitch would have advantages: It would convince the moron trade that he was not ambitious. It would not promote the candidacy of a rival by a hair's breadth. All politically wise would know that the President expected to be "drafted."

Opens V.-P. Race

Another consequence of the Eisenhower "announcement" is that it touches off in earnest the drive of the "liberal" wing of the Republican party to scuttle Dick Nixon as the Vice-Presidential nominee. Having been a conservative in California against Helen Gahagan Douglas in the race for the Senate, Dick Nixon just might on his own some time become a conservative again, the "liberals" fear. Also all "liberals" who have played too close too often to too many Communists or too many Commie party lines, are scared to death he might revert to his Commie hunting that helped put Alger Hiss in the penitentiary. Their argument, of course, is not the above, but that Nixon, like the late Senator Taft, "cannot win."

[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



"Don't you think, Father, you might reduce your capital risks by averaging?—In a receding market when prices are averaged downward, a price trend reversal could possibly effect greater capital gain!"

Business Man's Bookshelf

Life Insurance Housing Projects—Robert E. Schultz—Richard D. Irwin, Inc., Homewood, Illinois (cloth), $4.00.

Successful Handling of Labor Grievances—Bertram R. Crane and Roger M. Hoffman—Central Book Company, 261 Broadway, New York 7, N. Y. (cloth), $5.95.

Upper Colorado Reclamation Project—Pro by Sen. Arthur V. Watkins, Con by Raymond Moley — American Enterprise Association, Inc., 1012 Fourteenth Street, N. W., Washington 5, D. C. (paper), $1.00 (quantity prices on request).

With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Donald H. Ennis has become affiliated with Goldman, Sachs & Co., 208 South La Salle Street. Mr. Ennis was previously with A. G. Becker & Co.

Halsey, Stuart Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard N. Strang has become connected with Halsey, Stuart & Co., Inc., 123 South La Salle Street.

Forms E. S. Atwood Co.

BROOKLYN, N. Y.—Eleanor S. Atwood is engaging in a securities business from offices at 254-56 Third Street under the firm name of Eleanor S. Atwood Co.