2

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EDITORIAL

As We See It

The "science" of economics has developed a new vocabulary during the past couple of decades. Many of its terms, and some of its concepts, still have a strange appearance to the older generation nourished on Adam Smith and the others, including Marshall, whose basic ideas then supplied the warp and woof of formerly accepted views about the economic world. The latter day saints in the field have preferred a sort of macrocosmic conception of man's business relation to man, and in doing so have been obliged to adopt a number of new terms and modifications of the definitions of old terms. They have often appeared to be devotees of sundry ratios between two or more heterogeneous aggregates, which, it has often appeared to us, are of very doubtful validity or meaning.

All this, so far as it confines itself to academic discussions among learned professors, we gladly leave to those who have the time and the inclination to dissect and pass judgment upon it. But this "new" economics has given currency to a number of new terms which have proved intriguing and misleading to nontechnical but serious minded and intelligent students of what is going on about us. "Gross National Product," more familiarly labeled GNP; "Personal Saving"; "Productivity"; "Private Domestic Investment"; "Personal Income"; "Disposable Income"; are some of the terms now bandied about by all manner of people, and from which many are very prone to

Continued on page 38

Economics in Election Year

By CARROL M. SHANKS*
President, The Prudential Insurance Co. of America

Outstanding insurance executive examines election year pressures confronting economy and specifies need to keep monetary and credit policy aimed at national instead of partisan interests. Mr. Shanks finds: (1) excessively high tax rates thwart savings formation necessary to cope with our system's inflationary bias caused by huge capital funds and natural resources pressures; (2) large consumer debt discourages new purchases, and (3) unpredictable consumer psychology is due to extent of postponeable luxuries in total consumption. Forecasts moderate advance in 1956, and deplores failure of consumers to benefit from rising productivity.

I — The Present Situation

In this early month of an election year we find ourselves at a high level of prosperity and business activity. The American economy has edged over the magic $400 billion mark. Personal income is now running around $314 billion a year. There are three million more persons with jobs than a year ago and unemployment has fallen to a very low level. Our industries are turning out more goods and services than ever before, and the real standard of living of the average American has reached an all-time high.

Carrol M. Shanks

The economic advance during the past year and a half has been surprisingly rapid, whether measured by gross national production, industrial production, retail sales, business spending on plant and equipment, personal income, or consumer spending. And during this period, inventories remained well in hand. We should note that this advancing prosperity has not depended on added injections of government spending. State and local government expenditures today are

Continued on page 40

*An address by Mr. Shanks before the Economic Club of Chicago, Chicago, Ill., Feb. 27, 1956.

Interest Rate Trend in 1956 And for the Long-Term

By ROGER F. MURRAY*
Associate Dean of the Graduate School of Business
Columbia University
Consultant, Bankers Trust Co., New York City

Money market authority sees in the next 3-6 months: (1) sustained demand for funds by real estate, state-local governments and non-financial corporations; (2) consumer credit becoming less active, and (3) no protracted bond price advance. Remainder of the year is expected to witness upward interest rate reflecting assumed increase in economic activity. Mr. Murray expects, for longer term, a non-secular interest rate range equaling peaks of 1953 and 1955 and 1954 low.

Last year the Dean's Day Homecoming Conference was held on March 12, and this same panel tried to give an appraisal of the interest rate outlook which would last for 12 months. In spite of the cooperative spirit of your Committee on advancing the date by a full two weeks, we did not quite make it. Truth to tell, our expectation of persistently rising interest rates under the pressure of a record demand for mortgage money gave out in December. The decline in the level of long-term rates during the past eight weeks has been quite modest, but obviously "persistently rising" is no longer an apt description of the behavior of interest rates.

Roger F. Murray

Entering a Period of Calm

What is happening to the tight money situation which we were getting used to and which all lenders and investors were enjoying immensely? It seems to me that three factors are primarily responsible for the change:

(1) The restrictive credit policies adopted last year were

Continued on page 53

*An address by Mr. Murray at the Dean's Day Homecoming Conference, New York University, Graduate School of Business Administration, New York City, Feb. 25, 1956.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 46.

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.)

J. WALTER LEASON

Manager, Institutional Dept.
Montgomery, Scott & Company
New York City

Masonite Corporation

Masonite Corporation was a pioneer in the hardboard industry and, in fact, the name Masonite itself is almost considered synonymous with hardboard. Although there is now some competition, Masonite Corporation still does about 75% of industry's volume. The stock is listed on the New York Stock Exchange and at a price of 37 sells at about 7.3 times latest 12 months earnings of $5.05 a share. This is a low ratio for a growth stock of Masonite's calibre.

J. Walter Leason

Company Position

The company has been considered primarily as a supplier of board in various sizes, thicknesses and finishes to the building industry. So many new industrial uses have been found in recent years that today less than half of sales come from uses in construction and in the home. It is used in furniture, boxes, office equipment, partitions, TV sets, office walls, and a host of unseen applications.

Masonite boards formerly were more expensive than plywood but today are lower in price. They compete with gypsum, which is cheaper but must be finished and this extra labor cost detracts from gypsum's advantage. Structural insulation board also is lower in price than Masonite products but it is very porous and not good for decorative purposes. Some competition is furnished by natural lumber, redwood and cedar in particular but the Masonite process has tremendous advantages. These are worth mentioning.

Masonite was the invention of William H. Mason who was an associate of Thomas A. Edison. Attracted by the waste of huge quantities of wood burned by sawmill operators, he sought a way to utilize this abundant raw material. By a process of exploding wood chips, undesirable elements such as knots and impurities are removed leaving only the cellulose fibers and lignin. These are used to form hardboard panels by sending a solution through giant presses using enormous heat and pressure. A series of further steps produce hardboard which is really wood made better—cheaper too since it can be made from sawdust, wood chips, even stumps, branches or twigs.

Uses of Masonite board have grown steadily and benefit by the company's policy of keeping the price as low as possible. It is sold in a wide variety of finishes, thicknesses and shapes under the following names: Masonite, Presdwood, Panelwood, Duolux, Pegboard, Marlite Panels, Temprtile, Leatherwood, Panelgroove and others. The material itself is so easy to work that it has become a favorite of builders and amateur decorators who can easily install complete walls, ceilings or sidings.

Production and Timberlands

The company's production is centered in its principal Laurel, Mississippi plant and a new one at Ukiah, California. In addition, Masonite has five foreign licensees located in Canada, South Africa, Australia and two in Europe. To control part of its timber supply and maintain a reserve for future pulpwood needs, the company's timberland holdings now total 351,200 acres, most of which is in Mississippi and the balance in Northern California near the respective mills. Based on recent timberland sales, at between $100 and $125 an acre, these holdings are worth $35-$44 million or a range of $25 to $32 a share.

Sales and Earnings

Sales have grown from $16.5 million in 1946 to $54 million in the fiscal year ended Aug. 31, 1955. Sales this year will probably approximate $60 million. Earnings have been erratic due to labor difficulties resulting in costly strikes, the expense and delay in getting the Ukiah, Calif. mill into profitable operation and some dumping of hardboard in domestic markets by Scandinavian producers.

Labor relations are now apparently satisfactory. In 1955, the Ukiah mill contributed its full share of profits. Penalties imposed by the Federal Government have discouraged cut price imports of hardboard. Earnings rose from $2.67 a share in the 1954 fiscal year to $4.42 in 1955. In the 12 months ended Nov. 30, 1955, earnings rose further to $5.05 and can be projected in a range of $5.25 to $6 a share for the fiscal year to end Aug. 31, 1956. Dividends in 1955 totaled $1.50 including 50 cents extra payment plus 2% in stock. Since then, the regular dividend has been increased from $1 to a $1.20 basis and, again, a year end extra dividend is expected. Some dividends have been paid each year since 1936.

Balance Sheet Aspects

Net working capital at Aug 31, 1955 was relatively strong at $18.2 million. The company's capital structure at Aug. 31, 1955 showed $6,338,485 of long-term debt and minority interests and 1,377,563 shares of common stock. Book value per share was $30.97. The market, therefore, places a premium of only 20% over the actual amount invested in the equity.

CHARLES E. STOLTZ

Senior Partner, C. E. Stoltz & Co.,
New York City

Anglo American Exploration Ltd.

Permit me to qualify the title of this article by stating this is the Canadian oil stock that "I like best." Many facts and a great deal of fiction has been written about Canadian oil properties the past several years. Fortunately, it has become less difficult to analyze the potentials of the companies now successfully operating or still in the exploration stage because time has afforded definite comparisons. Many were nothing but promotion schemes and many others with limited possibilities are now looking for foster parents or have ceased operations entirely due to insufficient funds.

Charles E. Stoltz

In a period of active business and high stock prices an investor should look for a security selling substantially below its intrinsic value—the stock of a company whose future earning power seems reasonably assured because of growth possibilities and by reason of inherent stability or special circumstances. Such a company is Anglo American Exploration Ltd. —a fully integrated oil company (production refining distribution) with substantial stock ownership in several excellent crude oil producing companies that will be discussed later in this analysis. Though the company is only three and a half years old it now ranks third in the distribution of oil and gas in Western Canada and merits comparison with the best oil companies in Canada. Anglo American Exploration Ltd. is vitally involved in the future growth of Canada and its tremendous economic potential.

Anglo American Exploration Ltd. was incorporated under the laws of the Province of Alberta on Feb. 19, 1952 to engage in the business of prospecting, acquiring and developing oil and natural gas properties in Canada. In three and a half years the company has developed oil wells which are producing or capable of producing, as follows: 32 wells in Alberta in four of which the company has a beneficial interest; 46 in Saskatchewan on behalf of itself or subsidiaries, and exploration and development operation on 21,000 acres of leases and farmouts in Alberta and Saskatchewan. The company also owns and operates a refinery at Hartell in Southern Alberta, adjacent to the prolific Turner Valley field, with a capacity of 2,500 barrels per day. Under an expansion and modernization program now under way the capacity will be increased to 4,500 barrels per day and will include the installation of a Platinum catalytic refining unit, which will raise octane of the finished product above competitive requirements. The company refines and markets the well known "Purity 99" brand of petroleum products as well as automobile accessories usually handled by service stations. The company has acquired and developed a remarkable distributing system in the past two years as evidenced by 512 outlets in the Province of Alberta; 302 in the Province of Saskatchewan; 257 of the total are company owned; 160 are company controlled. The company plans to open additional outlets at an accelerated rate during 1956.

The volume of petroleum products sold through marketing outlets has risen steadily from 33,475,000 gallons in 1949 (predecessor company) to 46,900,000 gallons in 1954. During six months ended June 30, 1955 the sales volume of 21,468,000 gallons had a market value of $4,806,000 compared to a sales volume of 19,898,000 gallons with a market value of $4,560,000 for the same six months period in 1954. Notwithstanding the highly competitive market Anglo American was

Continued on page 14

This Week's Forum Participants and Their Selections

Masonite Corporation—J. Walter Leason, Manager, Institutional Dept., Montgomery, Scott & Co., New York City. (Page 2)

Anglo American Exploration Ltd. —Charles E. Stoltz, Senior Partner, C. E. Stoltz & Co., New York City. (Page 2)

Stock Market Outlook in 1956 and Next Decade

By HAROLD X. SCHREDER*
Executive Vice-President, Distributors Group Incorporated

Investment expert expects high 1956 output, and a prosperous oncoming decade. Mr. Schreder terms stock market neither bull nor bear in its present "character change" shifting phase from market foremost leaders to less advanced, more staple type of stocks. Propelled by increasingly large capital outlays required to fill the gap between labor shortage and 50% increased output demand, the next decade is expected to witness: (1) corporate earnings, measured by Dow Jones Industrial Average stocks, to increase from present $36 per share to $50-$55, dividends from $21 to $30-35; (2) average stock's normal trend value to rise 700 or more, with possible doubling of stock prices; (3) inflationary pressures, and (4) $550 billion output with high levels of employment, income, spending and savings. Moderate tax cuts and eased credit are expected in 1956.

In a word, I could easily answer the question implied in the title of my remarks today by reversing a word and saying "Lookout" (for the stock market in 1956).


Harold X. Schreder

But what does that mean? In our delightfully ambiguous language, words mean many things, and often opposite things. Specifically, if I say to my motoring companion — "lookout"—to call his attention to the beautiful countryside, I'm a delightful "bull." If, however, I holler—"lookout!" — to warn him of an impending crash, I am screaming "bear." (Now, you all know how easy it is to be a "good forecaster"—just use a lot of multiple-meaning words and interpret them as they fit subsequent events.)

Today, time is short, so to shorten and clarify my words, I have brought along a few charts which I hope will make my position quite clear.

Those of you in the audience who know me best, know that I just "can't stand" the popular hot or cold, love or hate, **bull** or **bear** approach to thinking about the stock market. Just as people must "go on living" intelligently despite the ebb and flow of life's daily events, so must money "go on working" intelligently despite the ebb and flow of daily investment events (political—or otherwise). I like, therefore, to think of the market as gradually going through a series of **Character Changes** rather than bull and bear markets — because that is what a carefully analyzed record of the securities market shows to be true.

Today is a perfect example, in my opinion, of a stock market which is neither bull nor bear, but rather a market which is clearly in the midst of a **healthy Character Change.** This is my thesis today, so let me try to show you what I mean, and what this current character change in the market means for today's investor.

1956—Fork in the Road to Prosperity

The booming rise in the stock market and in business that began late in 1953 appears — for the present—to have come to a "fork in the road." But, how many tears should we shed? Frankly, I think that we should rejoice that we haven't gone "crazy" about the future (as in 1929)—because the Future IS SO Bright!

Certainly, as one representative of Wall Street (and I think I generally represent that vital area in our economy), I am greatly pleased that our sound government administration, our businessmen and our people generally —and certainly the nation's investors—are not going "hog wild" these days, but rather they are quite soberly and intelligently curbing their appetites for the clearly delicious future.

To get the rest of the year 1956 into proper focus—and remember actually it is only a short 10-month period on the curvilinear line between our past and future —let's just take a quick look at the powerful driving forces working in our economy and building up great strength for its prosperous future.

Our Bright Future

As I mentioned earlier, money, like machines and men, **must** work and be taken care of; otherwise they mildew, rust, and die. This scholarly audience certainly knows its American economic his-

Continued on page 34

*An address by Mr. Schreder before the Dean's Day Homecoming Conference, New York University, Graduate School of Business, New York City, Feb. 25, 1956.

INDEX

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Norwich Pharmacal Company

By IRA U. COBLEIGH

Enterprise Economist

A 1956 appraisal of a pharmaceutical company with an honored name, some well known products, and an interesting future in a new field of ethical drugs, detected by research, and protected by patents.

The pharmaceutical industry is a very special branch of the chemical field and has traditionally been made up of two divisions—proprietary and ethical drugs. The proprietary lines are far better known, since they include most of the trade-marked medically-slanted items you can buy at any drug store without benefit of a doctor's prescription. Not only can you see them on counter display, but, if you have a radio, a TV set, a daily paper or a magazine, it is virtually impossible for you to have escaped a knowledge of their many virtues—so great is the ubiquitous persistence of advertising. Products such as Vaporub, Bromo Seltzer, Bisodol, Bufferin, Ben Gay and Unguentine, for example, surely have not escaped your notice; fact is, you'll probably find at least one of them in your own medicine closet right now. Well, they're all proprietary drugs and they all seem to keep on selling year after year, usually in increasing volume as our population grows and levels of family income increase. American Home Products, Bristol-Myers and Sterling Drug come to mind as leading proprietary drug companies, with long histories of sustained earning power.

Ira U. Cobleigh

Increasingly, however, companies famed for their proprietary drugs are entering or expanding ethical drug lines—special doctor-prescribed cures, remedies or preventives, usually protected by patents. This expansion into the ethical field is generally animated by a variety of reasons—a desire on the part of management to diversify, better and broader use of existing sales outlets, higher profit ratios, freedom from competition, corporation prestige, and the basic humanitarian motives of relieving pain and restoring health. In fact, among pharmaceutical enterprises, the increased emphasis on ethicals is quite pronounced. So, indeed, it is with the company selected for special consideration today, Norwich Pharmacal Company.

Five years ago, ethical items accounted for but 15% of Norwich net sales. They now account for nearly 30%; and this percentage should continue to rise for reasons we shall shortly touch upon. But first, a little corporate background.

Norwich was built up on some solid selling, well advertised proprietaries—to wit, Pepto-Bismol, Unguentine, Amolin, Norforms and Ocusol. To these add aspirin, sun basking lotion, saccharin, cough syrups and other drugstore fare. By smart merchandising, and efficient manufacture of the foregoing product list, net sales have shown a pleasing upward curve rising steadily (and without setback) from $9.31 million in 1947 to $24.83 million for 1955. This, in itself, is pretty solid tribute to effective management. But we do not wish to dwell on the past; it's the future that intrigues us here.

Nine years ago the Eaton Laboratories division of Norwich was formed for research, production and sales of ethical drugs. This division has prospered — in fact the day may come when the tail will wag the dog. (Eaton sales were up 44% in 1954 over 1953.) The main propellant in the Eaton sales curve derives from a whole series of drugs manufactured from furfural. Now in case you don't happen to know what that is, furfural is made from agricultural wastes and by products of Quaker Oats Company, including, of all things, corncobs! When properly modified and treated, furfural is transformed into antibacterial drugs something like an antibiotic or a sulfa, but believed to create less reaction, and less rapid immunity. Altogether some 700 furan compounds are being researched by Evans in its new $1,300,000 laboratory. Furadantin was the first systemic nitrofuran (introduced 1953) and has been exceedingly well received. Furacin, another related product, is used in soluble dressings, ear and nose solutions, animal feeds, and veterinary medicine; and, in general, for treatment of wounds, burns and infection.

More importantly, however, Eaton has developed and researched a new major nitrofuran drug, already tested on animals, and about to undergo clinical testing on people. This is believed to have dramatic possibilities for treatment of at least one major disease. Optimism about this new drug is high, and entirely unofficial estimates of its sales, in 1957, have run as high as $20 million—more than total sales of Norwich, as recently as 1953.

Accurate conjecture of sales and profits from this new source (and from two other promising new drugs) is, of course, not possible at this time; but this much can be said. Norwich has pioneered in nitrofurans, and has broad patent protection on its products in this field; and thus can develop them without the incisive competition which heavily reduced the profit margins in such antibiotics as penicillin. Norwich certainly has confidence in its nitrofurans. It has stepped up the detail staff of Evans Laboratories from 100 men to 150 in the past year, and the new drug line is expected to be placed in production by the middle of this year. The introduction of a successful new wonder drug can have a dramatic effect on corporate earning power. witness what Dramamine and Banthine did for G. D. Searle, and what Thorazine did for Smith, Kline & French.

Bright as is the picture in its ethical drug section, regardless of the success of the new item above mentioned, Norwich expects to reach a $30 million sales total this year with its existing product list. Not only that, but net earnings which were $3.01 per share in 1955 are being projected at above $3.75 for this year. Since NOR policy has been to pay out around 60% of net to shareholders, a boost in dividend from $1.60 (the present rate) to above $2 does not seem an unreal possibility. Speaking of dividends, Norwich has done pretty well by its stockholders in years gone by. Cash dividends have been paid each year since 1925, and there was a 4-for-1 split in 1934 and a 2-for-1 split in 1939.

Another consideration of interest to investors is this — a relatively small capitalization. After but $2,220,000 of debt, the entire equity is represented by only 920,208 shares of common, listed NYSE (and now selling at 49¾). This compares with 1,528,000 outstanding shares for Vick Chemical, 4,368,513 for G. D. Searle, and 4,844,000 for Smith, Kline and French.

Cash position of Norwich has been consistently good, with major funds used for expansion derived from depreciation and plowed back earnings.

There is always a certain amount of investor reluctance when it comes to purchasing a stock at or near its historic high. Norwich, which sold last year at 54, and is now only 4 points lower, seems, however, to be attracting buyers not only by its upward curve in sales and earnings but because (1) it was smart enough to enter nitrofurans when nobody else was paying much attention to them; (2) NOR has good patent protection, with which to fend off competition; (3) it is spending $¾ million a year on research; and (4) in an era when the urge to merge is so strong, NOR is presently attractive, and potentially more so, for merger or consolidation with another drug organization, whose products it would complement or supplement. If there is any truth in this theory that stock prices are the slaves of earning power, then Norwich Pharmacal common may prove to be a mounting market minion.

Vincent T. Mahon Opens

HOUSTON, Texas—Vincent T. Mahon is engaging in a securities business from offices in the Rice Professional Building. Mr. Mahon was formerly with FIF Management Corporation.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—James W. Brick and Russell A. Rowan, Jr. have become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 48 East Gay Street.

The Outlook for Interest Rates —Long-Term and Short-Term

By GEORGE T. CONKLIN, JR.*

Financial Vice-President

The Guardian Life Insurance Company of America

Adjunct Professor of Finance, School of Business, New York University

Finance authority perceives in 1956, compared to the surprising 1955 year: (1) long-term market demand somewhat less heavy; (2) mortgage demand not too much lower, and credit supply greater with easing terms and substantially same interest rates; (3) unchanged corporates, state and local net demand; (4) demand exceeding long-term funds, though not by the same high margin and pressures, with no material interest rate changes; (5) a lowering in business activity rate of increase reflected in reduced short-term market pressures and bank loans, and (6) banks concentrating any buying to short terms as they became net sellers of governments. Professor Conklin assumes an excellent 1956 with consolidations and adjustments averaging out to a level ahead of last year. Asserts the non-cyclical long-term interest rate outlook should be gradually upward due to savings limitations and not lack of investment opportunities.

Last year I contrasted the prospective situation in 1955 with that of 1954, and found the two situation sharply different. Whereas the demand for long-term funds set a new record in 1954, there was a striking decline in the demand for short-term funds, a result of the business recession. This decline in the demand for short-term funds, coupled with the consequent change in Federal Reserve Policy to one of monetary ease, meant that the commercial banks could not find outlets in bank loans for their increased funds and consequently resorted to the government bond market to put their funds to work, increasing their holdings of governments by more than $5 billion. As a result 1954 generally was a year of relative ease in the money market enabling the financing of record long-term demands at gradually declining interest rates until the situation changed in the second half of the year.

G. T. Conklin, Jr.

1955 Reviewed

In contrast, the prospective 1955 situation a year ago at this time was one of certain new record demands for long-term funds, accompanied not by a decline in the demand for short-term funds as in 1954 but by a very sharp increase in such demand. Consequently the picture outlined at that time was for gradually increasing interest rates in 1955. Today, once again the basic situation has materially changed from that of a year ago at this time. But before we go into this prospective situation. let us review 1955 a little more carefully, for certainly the year 1955 will go down in money market history and theory as a most intriguing year. Had we known a year ago that in 1955

(1) The net increase in mortgages would amount to some $17 billion, an increase of $4.5 billion, or 36% over 1954;

(2) The government would offer $2.7 billion of long-term issues;

(3) Personal savings would decline;

(4) Short-term credit demands on the banks would increase by more than $16 billions, necessitating the liquidation by the banks of over $7 billions of governments, and that the policy of the Federal Reserve would become one of active restraint, then I am sure most students of the money market would have predicted a very sharp rise in long-term yields.

Actually, however, 1955 was a period of only moderately upward pressures on the long-term public bond market. Aaa corporate bond yield averages, for example, increased from about 2.87% at the low in 1954 to high of about 3.18% in 1955, and as early as February last year had already increased to 2.97% so that there was only a further increase of 21 basis points ahead in the balance of 1955. In the government market, yields increased from a low of about 2.66 in 1954 to 3% a year ago at this time, and at the year's end the 3s were still selling on approximately a 3% basis.

How then can we account for this seemingly surprising behavior of the long-term bond market in

Continued on page 38

*An address by Professor Conklin, Jr., at the Dean's Day Homecoming Conference, Graduate School of Business Administration, New York University, New York City, Feb. 25, 1956.

The State of Trade and Industry

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

The steel market is struggling to cope with changing conditions and the mills are endeavoring to avoid placing themselves in a precarious position, according to "The Iron Age," national metalworking weekly this week.

Everybody knows, states this trade weekly, that steel demand will continue strong for months into the future, but the temporary easing in automotive has clouded the picture just enough to stimulate greater pressure from other industries. This puts the mills in the uncomfortable position of accepting some orders and turning down others.

Some mills are offsetting the slightly easier cold-rolled sheet market by resuming sale of hot-rolled sheets after months of turning down such business. Others are producing light plate on sheet mills to help relieve the impossible plate market.

But, continues this trade paper, the producers cannot afford to overdo this sort of thing. One reason is that the auto business is a lot better than the so-called experts expected. Early February sales were good and indications are that heavy dealer stocks were cut by almost one third. When the figures are in, they may show current stocks of between 450,000 and 500,000 new cars. Detroit sources say this is not an unusually high number of cars for the spring selling season.

Meanwhile, unbalanced inventories have been playing havoc in some industries, particularly construction. For example, a large project halted in mid-December for lack of fabricated structurals finally got underway again last week when the delayed order was filled. More delays of this kind will happen in the months ahead. Shortages of structurals and plate will get no better as the construction season gets into full swing, declares this trade authority.

Apparently there has been no significant buildup in inventories. The mills keep a running check on steel stocks to avoid being caught by surprise as they have been in the past. But they have uncovered no danger signals to date.

The scrap market may be nearing a leveling off stage. Definite signs of strength are showing in some areas. The market is holding firm, in most centers. Steel firms, with nearly all available blast furnaces in operation, are privately worried about a possible scrap upturn later, should they not be able to maintain a high blast furnace activity to minimize dependence on scrap, concludes "The Iron Age."

Production of cars in the United States is running 16.8% behind 1955, said "Ward's Automotive Reports" on Friday last.

The to-date count this year, said the statistical agency, is 1,085,235 car completions, compared with 1,304,504 at the same period in 1955. The difference at the current rate of production is nine working days, "Ward's" noted.

The car production for February is expected to reach 557,350 units, an 8.8% decline from January's 611,190 unit total. All companies look for drops from last month's output—Chrysler 25.6%, Ford 10.7%, General Motors 1.4% and American Motors and Studebaker-Packard combined 20.8%.

Last week's car building is estimated at 124,453 units—the lowest total of the year.

Truck building, however, continues at a rapid-fire tempo. Truck companies have built 192,679 vehicles so far this year, a significant 27.5% more than the 151,114 units made during the same eight-week span in 1955.

On the past week's company scene, Chevrolet tasted its first slowdown of the year as four-day activity prevailed at plants in Flint, Mich.; Janesville, Wis.; Norwood, Ohio and Tarrytown, N. Y. The reason was to balance out January-February scheduling at desired levels. A return to a five-day operation is scheduled to take place this week.

Ford division last week scheduled three, four and five-day activity at various plants, while two Mercury facilities were down on Friday last.

Studebaker worked five days the past week, but Packard was in its fourth week of closedown. Shortage of Rambler parts caused cessation of activity on Thursday of last week and on Friday at American Motors.

In Canada, last week's production was expected to reach 6,500 cars and 1,226 trucks.

Steel Production Scheduled at a Fractionally Lower Level of 98.4% of Capacity This Week

Steel producers anticipate little trouble in booking all the tonnage they can handle in the second quarter, despite evidences

Continued on page 44

Observations . . .

By A. WILFRED MAY

A UNIQUE PROJECT

Believe it or not: Florida's new trade center, which has been in the pie-in-the-sky talking stage for over two years, is now coming to fruition in both the digging and financing phases. Financing plans, which have been brewing ever since November 1954, are now almost consummated. An issue of bonds for the flotation of which Lehman Brothers are endeavoring to put together an underwriting group, will probably reach the market before March 15.

A. Wilfred May

The phenomenon, to be known as **Interama** after the Inter-American Center Authority, the state agency charged with its development on a 1,750-acre tract between North Miami and Miami Beach, is positively unique because of its physical attributes; as well as its characteristics as a hybrid investment medium. Essentially, it is a business project enjoying a wide tax exemption. And a tax-exempt bond on a fair is probably unprecedented; the bonds floated for the New York, Chicago, and San Francisco expositions were all privately sponsored and taxable.

The ingenious financing plans are being carried out under the direction of the venerable Lehman investment banking firm. Harry A. McDonald, who was successively Chairman of two key government agencies, the Reconstruction Finance Corporation and the Securities and Exchange Commission, is acting as fiscal agent, and has been engaged as Managing Director. Ebasco Securities, Incorporated are consulting engineers.

There will be two series of bonds, affording $70 million of financing; Series A of $43 million, and Series B of $27 million. Most of the B bonds will be used to develop and fill the land. The A bonds, probably the more secure obligations, to be held in escrow until the consulting engineers can certify as to occupancy contracts, will ultimately be used for construction of buildings and facilities.

For the investor these bonds offer several unusual potentialities. The income yield will be extraordinarily high. With the price of the two bond issues expected to yield 4 and 5%, the taxable equivalent yield to a holder in the $40,000 income bracket will be 12.9% and 16.1%.

Vis-A-Vis Turnpike Finance

On criteria of safety, these bonds are to be contrasted with their more basic "traffic" turnpike issues. Under the latter's usual routine, moneys are advanced based on estimates which, although they are as careful and expert as is possible, are largely unsupported. On the other hand, under the Interama provisions, no money is advanced until the consulting engineers confirm the certainty of coverage of the committed-for charges by the rentals due under definite contracts by exhibitors. No money will be advanced on the Series A bonds until contracts have been signed with the exhibitors sufficient to pay out the bonds in five years, and providing for a four-time coverage of charges. In these respects this financing is likewise more advantageous than is characteristic of the turnpike issues, which ordinarily offer merely one-year's debt service, or perhaps a maximum of two years' charges as a reserve.

Advance Rental Arrangements

Also in its relatively assured return from space rental contracts, does this trade center project seem to offer certain advantages over the turnpike estimate techniques. The unavoidable difficulties that may crop up with the pikes is demonstrated by the situation in Ohio. There the engineers estimated a coverage of approximately 1.60% of all debt service coverage three years ahead. Yet because this involved miscalculation of truck traffic estimates, they are now collecting only .80% of requirements. This shows how any engineer's estimate with a forecast which turns out wrong by 25% or so, can throw a project into grave trouble.

Assuming that the minimum operating profit ($18 million) estimated by the engineers Ebasco Services, is realized for the first two operating years, the bond reserves will equal twice the interest charges on the bonds, plus an $8 million reserve in the general fund, to serve as a cushion for any possible revenue decline. This provision of reserves provides another contrast with turnpike financing, which usually provides reserves for merely one year's debt service, or perhaps two years of charges.

Business Criteria

The prerequisite of exhibitors' contracts, with the creation of a backlog of reserves, makes the Florida project a business proposition rather than a real estate development. And a business proposition free of taxes; to the extent of all operating revenues, including admissions, as well as land. Thus, the bankers expect to enlist the careful insurance companies among the bonds' buyers.

Freedom From Previous Fair Headaches

There are many advantages which this Florida project enjoys over previous Fairs. Foremost among these is the labor situation. Here there is a three year interval during which to build. Contrastingly, in the hurried constructing of the New York World's Fair in 1939-40, $10 million was wasted on overtime pay.

Again in contrast to the airtight arrangement here whereunder the construction is stringently geared to the leases, the New York *shindig* was overbuilt. On only two days was it filled to capacity, and some of the buildings actually had to be hidden.

Also the contemplated unprecedented length of time it will be used must be beneficial here. Whereas it will be operating 300 days per year and permanently without any foreseeable termination, all past World Fairs including New York, Chicago and San Francisco, have a mere run for two years or less. Had the New York shindig stayed open for an additional third year, it would have shown a profit; and Chicago did make a profit on a 300-day run.

All in all, a project interesting and unique as Florida's year-round sunshine!

Willard Bastian With J. F. Reilly & Co.

Willard C. Bastian has joined the trading department of J. F. Reilly & Co., Inc., 42 Broadway, New York City. Mr. Bastian was formerly with Carl M. Loeb, Rhoades & Co.

Willard Bastian

Municipal Bond Women To Hear George Spargo

George E. Spargo, General Manager and Secretary of the Triborough Bridge and Tunnel Authority, will discuss "The Projects of the Triborough Bridge and Tunnel Authority" at the March 8 meeting of The Municipal Bond Women's Club of New York, it was announced here today.

The meeting will be held in Room 1703, 15 Broad Street, starting at 5:30 p.m. Guests are invited.

Rail Stocks Currently Attractive

By HERBERT F. WYETH*

Shearson, Hammill & Co., New York City

Railroad investment expert justifies highly constructive investor view toward railroad industry by citing: (1) competitive return of rails; (2) billions invested in postwar decade placing rails in top physical condition; (3) class I rails as a whole always, including the depression, showing substantial operating profits; (4) strict mortgage debt retirement policy making it unlikely bonded debt will cause future difficulties; (5) truckers low operating margins necessitating even higher rates than 7% general increase rails soon expect to receive, and successful rediversion of freight from trucks to rails; (6) ability of carriers to offset revenue decline by lower operating costs and taxes, leaving creditable net income, and (7) favorable 1956 earnings outlook. Mr. Wyeth stresses need to judge each railroad selectively and lists some that appear attractive.

Railroading represents a wide field for both investment and speculation. Also, it is a widely misunderstood, and generally maligned, investment field. It is true that during the past couple of years railroad bonds and some categories of railroad stocks have enjoyed wider acceptance in many institutional quarters, but this acceptance has not spread out universally and for the most part it is obvious that the public has remained apathetic.

Herbert F. Wyeth

I would like to start out by stating as emphatically as possible that in my opinion a highly constructive attitude toward the future of the railroad industry is fully justified on the record. I would like to add, moreover, that whether you realize it, or whether you like it, virtually every person in the United States has a direct and important financial stake in railroad securities through life and other insurance policies and through savings banks accounts. When I say I am constructively inclined toward railroad securities I do not want to leave the impression that I consider that each and every railroad stock is attractive and represents good investment value at the present time. Nothing could be further from the truth.

Selectivity in Rails

One big trouble in the railroad investment field, and one that has probably caused the most grief, is the inclination on the part of the non-professional (and many professionals are also guilty) to bunch all railroads together as one single, and simple, investment problem. How often do you hear "The rails are a good buy" or "The rails should be sold," without any attempt to discriminate between the individual properties? I know of no other industry where such an attitude is prevalent. No one ever presumes to say, for instance, that because General Motors is an attractive stock for purchase the stock of every other automobile manufacturer should be bought. Still, that would be no more illogical than tarring every railroad stock with the same brush.

To underline the fallacy, and real danger, of any such approach to investment in railroad securities it is only necessary to cite one example from the record. Back in 1940 Santa Fe common sold at 13 and Pennsylvania at 15, with both showing about the same earnings per share. Last year Santa Fe earned $14.70 a share on a stock that had been split 2-for-1, while Pennsylvania earned $3.13 a share. Santa Fe is selling at the equivalent of 292 and Pennsylvania at about 23. I could cite many other similar examples, some just as spectacular and some more recent, but will not belabor the point. What I want to do is impress on you that selectivity has always been the key to successful investment and will continue to be. Under the circumstances, a flexible investment program is imperative and when, and where, conditions and prospects warrant such action, shifts should be made from one security to another. Do not feel that any such action puts you in the status of a "trader"—shifting securities as conditions dictate is the essence of conservative investment.

Having stressed the fact that it is impossible to look at the railroads as a single cohesive group, I will, nevertheless, spend some time in a general discussion as background for my optimism. I had hoped that by the time I spoke to you this optimism would be bolstered by inauguration of the 7% general freight rate increase that the railroads have requested. The Interstate Commerce Commission, however, has asked for some additional time to digest the testimony presented by the railroads, and by parties opposing the increases. I am confident on the record that the increases will go into effect very shortly as an offset to wage increases granted late last year. There will unquestionably be exceptions to the 7% boost, and presumably there will be some immediate downward adjustments on competitive items, but on balance the higher rates should go far toward offsetting the increased wages. The slack could readily be made up by further progress toward greater operating efficiency.

Physical Condition

The railroads have spent many billions of dollars on diesel locomotives, new freight cars, improved signaling, push-button freight classification yards, new track structure, machines for mechanizing maintenance of way operations, etc., during the postwar decade. These huge capital improvement outlays were superimposed on generally liberal maintenance expenditures. As a result, the railroad plant today is in the best physical condition in its history and efficiency year by year has been pushing forward to new peaks. These programs are still going forward and there is no question in my mind, but that the cumulative benefits of the money already spent, and expenditures planned for this year, will yield increasing dividends in still higher levels of operating efficiency. In particular there is still much money to be saved by modern yards, further mechanization of maintenance of way and accounting departments, improved signaling and communications, elimination of multiple track through installation of C.T.C., etc.

It is well to bear in mind that the railroad industry as such has always been a profitable one. There was no year, even during the depths of the depression of the middle '30s, when the Class I carriers as a whole failed to show a substantial operating profit — this is more than can be said for many of our other major industries that are today accepted as sound investment media. To a large degree the troubles of the middle 1930s stemmed from the burden of heavy debt structures and the onerous fixed charges thereon. Prior to that time railroad mortgage debt was rarely paid off or provided with sinking funds. It was merely refunded. That whole philosophy has since been changed.

The roads themselves have generally pursued aggressive debt retirement policies and on new issues the ICC has in most cases insisted on sinking funds. As a result, fixed charges, largely consisting of interest on debt, are now down to less than $385 million annually, compared with some $700 million at the outset of the depression of the 1930s. It is pertinent to note that these present charges would have been well covered in the railroads' poorest year, 1938, when there was $503.5 million available for charges.

It is true that a substantial part of the reduction in debt and fixed charges was accomplished through judicial reorganization but there are many roads (Santa Fe, Delaware & Hudson, Great Northern, Illinois Central and Southern to name a few at random) that have been able to reduce their non-equipment debt by 40% to 60%, or even more. It is difficult today to visualize any railroad that might conceivably get into difficulties over its bonded debt.

Truck Competition

I think it is safe to say that competitively the railroads have also turned the corner. This problem of competition, and particularly truck competition for high grade freight, is one of the major question marks in the investor's mind when looking at railroad securities. There can be no question but that this competition has been serious, and that the trucks have diverted a considerable amount of traffic away from railroads. I venture to say, however, that the diversion has not been so great as indicated by the bare figures on the growth of intercity truck volume. An appreciable portion of the intercity truck traffic was generated by the trucks, was not diverted from the rails, and would not have moved at all if the trucks had not been in existence. Be that as it may, the picture has altered.

With few exceptions, truckers are operating at extremely low profit margins so that they, even more than the railroads, are in need of higher rates. Secondly, and far more important, the railroads in recent years have been making much more strenuous efforts to halt the diversion, and to get back some of the freight previously lost. Selective rate cuts on individual traffic items have proven highly successful in many instances. Property improvements, and particularly mechanization of yards, have made it possible to expedite service to compete with, and in many instances outperform, truck schedules, thus eliminating the service angle in the shipper's preference for highway transport. The same thing has been accomplished in other cases by putting in service special through fast freight trains that completely bypass yards en route. Finally, there has been the establishment of the "piggy-back" service, transporting truck trailers on flat cars. This service, which by now has been adopted in one way or another by most of the major railroads in the country, has been growing by leaps and bounds. In the opinion of most railroad men the surface has not even been scratched. This is a most potent weapon in the competitive battle.

Earning Performance

I have spoken of the huge sums spent on new equipment and property improvements since the end of World War II. These expenditures stood the railroads in good stead during the readjustment year 1954. The earnings performance of the major carriers in that period went far toward dispelling the fears that had been prevalent in many quarters that the railroads are capable of making real money only in periods of peak prosperity, and that with even a minor decline in traffic the burden of fixed costs would bring about a complete collapse in earnings. Such had been the general experience in the past. In 1954, however, with a year-to-year decline of close to $1.3 billion in gross revenues, net income declined only $228.4 million. In other words, close to 80% of the revenue decline was absorbed by lower operating costs and, of course, lower Federal income taxes. The net income of $673.6 million reported in 1954 was a highly creditable performance by any normal standards. Similarly, in 1955 it is estimated that gross revenues were probably around $500 million lower than in 1953 but that net income pushed forward to a new all-time peak of perhaps $916 million. This, I submit, is one of the best testimonials to the improved status of the railroad industry.

1956 Outlook

It seems to me that the outlook for the present year is highly favorable. Earnings reports for January and February indicate that a large number of the railroads have been able to absorb increased wages without too much trouble. Freight rate increases, I am convinced, will be in effect before the middle of next month. The outlook for business, and particularly the steel industry which is very important to the railroads, is excellent. Coal consumption based both on public utility demand in this country and the export requirements will almost unquestionably continue upward. There is every indication that iron ore supplies at the beginning of the 1956 shipping season will be low so that iron ore tonnage should show some improvement over the high levels attained in 1955.

The only real soft spot in the picture is automobile production. It seems to me that so long as other industries take up the slack in steel demand occasioned by lower automobile production the railroads should not suffer — in fact, they may realize a net gain. Automobiles as such do not ordinarily move by rail whereas the other products for which the re-

*An address by Mr. Wyeth at Columbia University, New York City, Feb. 20, 1956.

leased steel will be used largely do constitute rail traffic. On top of that will come the continuing improvement in operating efficiency to which I referred earlier. Tax benefits from rapid amortization should be very little lower this year than last year, and in some instances may even be higher. On balance, then, and despite the fact that aggregate net income for the first two months may be off, it seems to me that the prospects favor a new all-time peak in railroad earnings this year. As finances are strong and few, if any, railroads face any debt maturity problems, I would also expect that these record earnings would result in a continuation of the trend towards more liberal dividend disbursements.

Diverse Competitive Factors

As I have said before, it is impossible to judge all railroads by one yardstick. In addition to that our whole economy is in a constant state of flux and conditions affecting the fortunes of the individual railroad will naturally reflect these changes. I would just like at this time to touch on a few of the factors that have led, and will continue to lead, to wide variations in the performance and prospects of the individual railroad.

I—**TERRITORY:** There has been a long-term trend toward decentralization of industry, and a shift of population, first to the southeast and then during World War II to the western sections of the country. This has meant more traffic for roads operating in the growth centers at the expense, at least in a relative sense, of the more mature sections of the country. Every indication is that this trend is continuing, and perhaps at an even accelerated pace.

II—**COMPETITION:** Different railroads operating in different sections of the country and handling different types of traffic have naturally been subject in varying degrees to pressure from competing forms of transportation. Pipelines, for instance, have been an important diversionary influence largely to those roads who originally carried a substantial tonnage of petroleum products. Barge competition has affected those roads paralleling river routes far more than it has affected inland rail carriers. Truck competition has been more severe in areas where adequate highway systems have been constructed and where the distances between major traffic points are shortest. Obviously, then, all railroads in the country have not been equally affected by competitive influence.

III—**TYPE OF TRAFFIC:** To a certain extent this point overlaps the preceding comments on competition. Consumers goods and less carload have traditionally been the most vulnerable to truck

Continued on page 43

Dealer-Broker Investment Recommendations & Literature

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

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

Capital Investment In Canada — Report submitted to Royal Commission on Canada's Economic Prospects—Investment Dealers Association of Canada, 170 Bay Street, Toronto 1, Ont., Canada.

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

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

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

Investment Outlook for 1956—Brochure—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

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

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

"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.

Liquid Petroleum Gas—Bulletin with particular reference to **Suburban Propane Gas** and **National Propane Corp.**—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

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.

Rails—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Raw Sugar Broker and His Market—J. William Craig—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

6% Portfolio—Bulletin—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

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Allied Chemical & Dye Corporation—Annual report—Allied Chemical & Dye Corporation, 61 Broadway, New York 6, New York.

Allis Chalmers Manufacturing Co. — Annual report — Allis-Chalmers Manufacturing Co., Shareholder Relations Department, 1125 South 70th Street, Milwaukee 1, Wis.

American Marietta Company—1955 Annual report—Department 9, American Marietta Company, 101 East Ontario Street, Chicago 11, Ill.

Anglo American Exploration Ltd.—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Pabco Products Inc.** and **Fibreboard Products, Inc.** and on **North Canadian Oils Limited.**

Anglo Canadian Telephone Co. — Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Associates Investment Company—1955 Annual report—Associates Investment Company, South Bend, Ind.

Automatic Canteen Company of America—Brochure—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Blaw Knox Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Capital Airlines, Inc.**

Burma Mines Ltd. — Memorandum — Glick & Co., 120 Wall Street, New York 5, N. Y.

Canadian Textile Manufacturers—Bulletin—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

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

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

Columbia Gas System, Inc.—Annual report—The Columbia Gas System, Inc., 120 East 41st Street, New York 17, N. Y.

Consolidated Electronics Industries — Memorandum — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Day Brite Lighting, Inc.—Analysis—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Delhi Taylor Oil Co.—Memorandum—White & Co., Mississippi Valley Building, St. Louis 1, Mo.

Evans Products Company—Brochure—D. M. S. Hegarty & Associates, Inc., 52 Broadway, New York 4, N. Y.

Federated Department Stores, Inc.—Brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Franklin Life Insurance Company—Bulletin—Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

General Refractories Company — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Mechanical Handling Systems Inc.**

General Telephone Corporation — Brochure of company's history with a supplement of financial information — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, New York.

Great Western Sugar — Analysis — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

Household Finance Corp.—Memorandum—Lee Higginson Corp., 231 South La Salle Street, Chicago 4, Ill.

Husky Oil Company of Wyoming—Bulletin—Oil Statistics Co., Babson Park, Mass.

Industrial Acceptance Corp. — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y.

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

Kendall Company — Analysis — Blair & Co. Incorporated, 105 South La Salle Street, Chicago 3, Ill.

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

Mercast—Analysis—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

National Distillers Products—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **American Viscose, Jones & Laughlin Steel, Delaware, Lackawanna & Western Railroad, Robert Gair Company, Texas Gulf Producing** and **Westinghouse Air Brake.**

National Malleable & Steel Castings Co. — Memorandum — Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is a memorandum on **Rexall Drug, Inc.**

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

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

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

Pembina Pipe Line Limited—Analysis—C. M. Oliver & Company, Ltd., 821 West Hastings St., Vancouver 1, B. C., Canada.

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

Purolator Products, Inc.—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Ranco Incorporated—Report—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **Central Maine Power Company.**

Richfield Oil Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is an analysis of **American Potash and Chemical Corporation.**

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

Sperry Rand Corporation — Bulletin — Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is a bulletin on **Copper Stocks.**

Union Carbide & Carbon Corporation—1955 annual report and illustrated booklet describing the products and processes of the company—Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Van Norman Industries—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Western Union Telegraph Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. In the same bulletin are reviews of **National Supply Co.** and **Blaw Knox Company.** Also available is a memorandum on **Howe Sound Co.**

Happy Birthday to Harold B. Smith

Harold B. Smith has returned to his trading desk at Pershing &

Harold B. Smith

Co., 120 Broadway, New York City, after an extended illness. Birthday greetings are in order as he will be celebrating the great day on March 9th.

Lehman-First Boston Group Offering Conn. Turnpike Bonds

Public offering of $100,000,000 State of Connecticut 2⅞% and 2.90% Expressway Revenue and Motor Fuel Tax Bonds, Greenwich Killingly Expressway, Second Series (Connecticut Turnpike) due 1961-1995, inclusive, was made Feb. 28 by a group of underwriters headed by Lehman Brothers and The First Boston Corporation. The bonds are scaled from a yield of 2.10% to a dollar price of 100. The group was awarded the issue on a bid resulting in a net interest cost of 2.8798% to the State of Connecticut. The bonds constitute the second series of $398,000,000 bonds authorized for the Connecticut Turnpike; the first series, also in the amount of $100,000,000, was sold in May, 1954.

Net proceeds from the sale of the present series will be applied toward financing costs in connection with the approximately 129-mile Greenwich-Killingly Expressway. The turnpike will traverse the State of Connecticut, extending from the New York State line near Greenwich, Conn., through heavily traveled areas to the Rhode Island line at Killingly.

The turnpike, which for a substantial part of the route will parallel Long Island Sound, is designed to relieve the heavily congested Route U.S. 1 and the heavily traveled Merritt Parkway. The turnpike will serve the area between New York and Boston, 225 miles apart, and thus will be located in a manner similar to the heavily traveled, successful New Jersey Turnpike, which 118 miles long, serves the area between New York City and Washington, D. C., which are 220 miles apart. The turnpike will connect with the New England Thruway which is now under construction and will extend from the Bronx, New York City, to the New York-Connecticut State line. The Connecticut Turnpike is scheduled to be opened to traffic on or before Dec. 31, 1957.

In addition to toll and other revenues of the turnpike the bonds just offered are secured by the gasoline tax receipts of the State. The State has covenanted that the gasoline tax rate will not be reduced below 4c per gallon, the tax in effect prior to July 1, 1955 when it was increased to 6c per gallon until July 1, 1958, at which time the rate will revert to 4c per gallon unless extended by the General Assembly of the State.

The bonds are redeemable on or after July 1, 1961 at prices ranging from 105% to 100½%.

Interest on the bonds is exempt from present Federal income taxes under existing statutes.

Nuclear Science Impact Upon American Industry

By LAUCHLIN M. CURRIE*
Vice-President, Union Carbide Nuclear Company

Nuclear expert expects major impact of nuclear energy upon American industry to occur between now and 1980, and to affect—besides military—our economic, social and psychological thinking. Future nuclear power depicted as a must in spite of present competitive fossil fuel deposits. Report is made AEC has started five research reactors and commercial firms have financed five large reactors to produce electric power. More efficient nucleonic uses where military and not cost factors will control seen in: special land, air and sea transport units; heating industrial plants and domestic areas; operating industrial plants, and furnishing fresh water from sea water. Mr. Currie pictures increasingly numerous peaceful non-power uses in industry, agriculture and medicine of tremendous potential importance.

It is my sincere belief that nuclear energy has already had a very important impact on American industry and is destined to have even more effect. If, in the following, I appear to keep repeating the use of the word, "Impact" I can justify it only by restating my belief — (1) that the knowledge and use of nuclear energy will be one of the major factors controlling our world today and tomorrow, and (2) that its abuse may well cause such an impact as to result in a "technical knockout." Some wag wasn't so far wrong when he classified bombs as "Atomic," "Hydrogen" and "Where is Everybody."

Dr. L. M. Currie

But I shall not attempt to spend much time discussing atomic bombs. When two countries (like U. S. & U. S. S. R.) have atomic weapons whose power is expressed in millions of tons of "ordinary" high explosives, there is little room for discussion except on one point: can either nation dare — or afford — to use such weapons? The discussion of this point still has an important impact on your life and mine.

For our purposes today it is convenient to consider nuclear energy under three general headings:

I Atomic weapons
II Atomic power
III Applications of nuclear energy to peaceful uses, other than power

I
Atomic Weapons

I have just mentioned atomic weapons. I cannot — and should not—go further except to state that our defense requirements will be cared for and that in this defense program our developments in atomic power, and other peaceful uses, will have to take second place. The weapons program, therefore, will continue to have a very important—though perhaps not too apparent — effect on the whole field of nuclear energy—and on your whole future.

II
Atomic Power

Second only to the weapons program, nuclear power for industrial uses has captured the imagination of the American people. This is hardly surprising. Aladdin, Thief of Bagdad, had his lamp which — when rubbed — brought forth a powerful genie to do his bidding: in the nucleus of uranium we have a lamp—infinitesimal in size — which furnishes to us a powerful servant. If I remember correctly, Aladdin's genie was sometimes had to control; so is ours.

In a talk like this, figures are usually a bore, but I would like to give you just a few that will perhaps shock you enough for you to remember them. I have here in my fingers a candy mint —a "Life Saver"—which weights 1.4 grams—the flavor is unimportant. This same volume of uranium 235, completely fissioned in a reactor, would yield heat energy equivalent to 100,000 pounds (50 tons) of good steam coal. Engineers talk very glibly of securing (commercially) from one pound of uranium energy equivalent to one million pounds of coal. The theoretical ratio is more than twice this figure.

When one considers that the whole field of nuclear energy is but 15 years old, it is truly remarkable where we stand today. In addition to the dozens of research reactors — built or planned for use all over the world —each major nation has under way a major program for construction of production (or prototype) power reactors that will establish a base for commercial production of nuclear power. Russia and France have demonstration power reactors and are building major units.

UK is, perhaps, further advanced than any other nation in production of commercial power, for—due to their particular economic situation — they feel they must have atomic power immediately. Accordingly, UK is already under way with a program building 12-16-20 power reactors to produce 60-100MW (60-100 million watts) each. One goes "on steam" Oct. 27, 1956. By 1965 England expects to secure 6-7½% of their total electric power from nuclear units; and 40% by 1975. This 40% will replace the need for 40,000,000 tons of British coal. There is no doubt hat these British units are practical (i. e. commercial): costs of power from these units may not — to our standards—appear attractive, but British conditions are different from our own. (Water in the Imperial Valley, California, costs more than in the Hudson River Valley!).

Germany has been a late entry into the atomic power field, but don't under-estimate what her position will be within 10 years. Canada, too, is a leader in the field of nuclear energy: she just hasn't had to develop nuclear power, (nevertheless by 1980 10-15% of Canada's power may be nuclear generated). Belgium, Holland and the Scandinavian countries are neither asleep nor idle.

Though our present position in respect to fossil fuels—coal, oil and natural gas — renders the U. S. less susceptible to pressure to produce economic nuclear power, the American power industry recognizes that nuclear power will some day be absolutely vital to support and supplement (not compete with, or supplant) fossil fuels. With our growing demand for power, it is doubtful if fossil fuels—and hydroelectric power—can maintain the proper growth rate, hence nuclear power is a must.

Our U. S. Atomic Energy Commission has long taken the lead in research and development of data and prototype construction and operation of nuclear power reactors. In a major (so called five-year reactor development) program, the AEC has contracted for and started work on at least five different types of full scale reactors. These units will produce almost 500 megawatts (H) and cost around $250,000,000. These are not intended to furnish economical electric power. They are simply planned to give us the operating and materials data required for erection of optimum power units.

On the other hand, five large power companies (or groups of companies) are planning construction — at their own expense — of five large reactors to produce — at construction costs totaling another quarter of a billion—approximately 750 megawatts of electric power. These five units are all planned for completion by 1960. Their combined output—at an average cost to seven to eight mills/KWhr—will be sufficient to supply electric power requirements of all of Westchester County, or all of Nassau County, or twice the total requirements for the State of Deleware. These are, admittedly, just figures and these five units are just a start. It is estimated (by Adm. Strauss, Cleveland, Dec. 14, 1955) that nuclear power by 1975 will be 100 times this figure and that (Armour "Newsletter" December, 1955) by 1980 to 1985 25% of all U. S. power generating plants will be atomic fueled.

But production of electric power from nuclear reactors connected to vast power "grids" is but one of the important uses of nuclear energy. Actually — because of low thermal efficiencies through the turbo-generator systems — it is perhaps one of the least efficient. There are, however, many uses where strict thermal efficiencies are not the dominant factors. Such may prove to be true in the case of special nuclear-powered units for transportation — particularly for military purposes.

The nuclear-powered U. S. Submarine "Nautilus" is now a finished product and the forerunner of many more units in the development of an American nuclear-powered submarine navy. From New London to San Juan, P. R., it traveled 1,300 miles—submerged —and bettered the time on any previous submarine, submerged or surfaced. That trip represented the greatest distance, by a factor of 10, ever steamed, completely submerged, by a submarine. Since nuclear engines require no oxygen for operation, nuclear-powered submarines may remain submerged almost indefinitely. One Navy wag admitted that they would have to surface to permit the crews to re-enlist.

Six new nuclear-powered submarines will (undoubtedly) be followed by nuclear-powered surface vessels — airplane carriers, troop transports, tankers, commercial vessels—perhaps in that

Continued on page 24

*An address by Mr. Currie before the Association of American Soap and Glycerin Products, Inc.

Financial Institutions' Role in Underwriting Economic Growth

By DAVID ROCKEFELLER*
Executive Vice-President, The Chase Manhattan Bank

Bank official charts financial institutions' role in economic growth in urging sound credit principles be used in meeting growing financing needs. Mr. Rockefeller believes: (1) Americans should resume, unlike last year, the historical 8% savings trend vital to financing a dynamic economy; (2) commercial banks were never in better shape; (3) it's unlikely long-run interest rate trend is upward; (4) real 1956 Gross National Product will be $535 billion and 10% in capital investments would be required then to support employment and growth; (5) sound consumer credit growth is necessary, and (6) gold supply is adequate for credit expansion. Fact that financial institutions hold $600 billion, 20%, of all American assets is cited as indicative of changing character and importance of these institutions.

This matter of growth and the changes which go along with it are very much on our minds these days. We have just completed a decade which, in many respects, seems most extraordinary. During this period the nation's gross product, in terms of 1955 prices, has advanced from $283 billion in 1946 to $400 billion today; living standards have risen substantially and are the highest ever achieved anywhere. Furthermore, great progress has been made in almost all of the technical arts. There has been some concern expressed that we have been moving ahead at a pace that we cannot hope to maintain in the period before us. This is a natural fear, but rapid growth in the past is not in itself a reason to anticipate a slackened pace at any given future time. In point of fact, the free enterprise economy can never remain static; it thrives on change, and like all forms of healthy life, it must ever grow and move forward if it is to maintain its vigor.

David Rockefeller

In recent years, we have become increasingly conscious of the powerful and dynamic elements that act to push forward the economic life of this country. Today these elements figure in all projections of our future. I have in mind such matters as accelerated population growth; great innovations like the harnessing of atomic energy, which is only on the threshold of its ultimate potential; and the effective utilization of the resources and effort which are being put into research for new products and new ways of doing things. One need only look at the current growth of our population and the rate of technical change to conclude that we at least have it within our means to advance almost as rapidly in the coming decade as we did in the past. Should we do so, the economists tell us we can expect a gross national product of between $525 to $550 billion by 1965 (assuming no change in prices).

Financing Growth

In all these estimates of the future, however, there is one vital element in the background which is seldom discussed, but which has caused thoughtful people some concern when they hear what seem like extravagant prophecies of future expansion. I refer to the problem of financing economic growth. Is it possible, they ask, to generate enough savings to permit growth to continue at so rapid a rate, and how will these savings be channeled into productive use? It is this question which I wish to examine with you today—first to see how economic growth has been financed in the past, and then to look at changes which may be expected in the future.

None of you in this room need be reminded of the significance of finance in industrial expansion. It is a central factor in all of your calculations for the future. And so it is with the economy as a whole. The ability to finance—to locate the funds, the savings—has been an ultimate limiting factor on the economic growth not only of our nation, but of all nations from the period of the industrial revolution. Since the turn of the century, it is estimated that around $1¾ trillion have been invested here in the United States. The result, after allowance for depreciation and obsolescence, is a national stock of capital which has increased more than fourfold since 1900 and in terms of today's prices is valued at close to $1,100 billion, or $1 1/10 trillion.

It is interesting to note what this huge sum has gone into. About 28% of it, or $305 billion, represents the homes we live in. Housing is one of the main outlets for people's savings, and interestingly enough the proportion invested in homes today is not radically different from what it was at the turn of the 20th Century. On the other hand, going back to the period between 1800 and the Civil War, before the industrialization of America got under way, some 35% of our total investment went into new homes. That was an era typified by the fine old houses you see in such places as Nantucket and the small towns of New England. It was a time when the varied industrial products of today were not available.

In more recent decades, consumers have tended to concentrate a larger portion of their savings in the type of products for which many of you gentlemen here are responsible—the automobiles, appliances and other durable goods which make for a richer, easier life for the individual. Today the total stock of consumer durables is valued at about $150 billion, and the yearly investment made in them by consumers is as great as the annual capital outlays made by business.

Still another rapidly growing sector of investment relates to property owned by government as, for example, schools, roads, sewer systems, parks and other facilities built by state and local governments. Today these facilities which provide essential services to the public are valued at more than $110 billion.

The final and in some respects the most significant element of our stock of invested wealth is that which is represented by capital goods—i.e., by those basic facilities for the production and distribution of goods and services. This is the seed corn from which all other products must grow. As the London "Economist" puts it: "if our children are going to produce twice as much as we do, they are not going to do it by working harder than we do, or by being cleverer than we are, but by having twice as many inanimate slaves to assist them. The way to plenty is to build up the national capital of machines, of buildings to house them in, of power to drive them, and of communications between them." This is a path we in the United States have long followed and today our business facilities are valued at $375 billion—a huge figure indeed, representing one-third of our total invested wealth. And to it, of course, must be added our inventories of goods and gold, which together are valued at another $140 billion.

How then has our economy in the past generated the funds for these tremendous stocks of capital? Looking back, it is apparent that a major proportion of the funds have come through the direct reinvestment of corporate profits and individual savings. The businessmen over the years have poured back half their profits into their businesses; home owners, through saving, have gained a sizable equity in their homes, and more recently in their cars as well. All told, about two-thirds of our total investment has been financed directly by the individuals or organizations making the investments. But that has left another third to be arranged in some other way, and, as you know, this additional margin has been of crucial importance.

Without *external* financing, substantial and rapid growth in our economy could not have been achieved. It has been necessary for the expansion of business and, by the same token, the ownership of homes and automobiles could not have become as widespread as it has without outside credit. External financing is only possible, however, in a country where there are banks and other financial institutions organized to facilitate the complex transfer of funds from savers, on the one hand, to investors or users of the funds on the other. One comes to realize just how significant this contribution has been when one sees what a slow and difficult process growth becomes in some of the underdeveloped countries which have only rudimentary financial institutions. People who have had experience in trying to raise living standards in the underdeveloped areas have come to regard a good banking system and a capital market as being quite as essential in achieving their objectives as good power and transportation facilities. Without them, savings cannot be channeled into productive uses and a rise in living standards is sharply limited.

Financing Sources

When we look more closely at the relationship of finance to economic growth in the United States, it is clear that the character and role of our financial institutions have undergone a considerable modification over the years. In the 19th Century and the first decade of the 20th Century, investment banking houses played a dominant financial role in industrial expansion. Frequently it was the investment bankers who took the initiative in the formation of new companies and they often exercised a significant influence on management as well. One has only to recall the part played by the elder J. P. Morgan, by George F. Baker, or Otto Kahn, to mention but a few conspicuous names, to realize what an important role the investment bankers of that day had in the growth of some of our great industries such as the railroads, steel and electric power.

In the past two or three decades, investment banking firms have become less active as instigators of new enterprise, and while they continue to fulfill a vital role as financial advisors to industry, the percentage of new capital they have been called upon to raise for industry by offering stock and bond issues to the general public has been considerably smaller than in the period prior to 1929. Instead, to the extent that industry has been unable to finance its own capital requirements through depreciation allowances and by ploughing back profits, it has looked to a greater extent for assistance from other types of financial institutions which accumulate public savings. These institutions have been able to supply huge sums of capital to industry because of the extraordinary growth of their assets in the past half century. From total assets of less than $20 billion in 1900, all types of financial institutions have grown to a point where they command some $600 billion in assets today. The assets of commercial banks, for example, have increased from $10 billion to $204 billion; assets held by the trust departments of banks in their fiduciary capacities have increased from $3 billion to around $90 billion; mutual savings banks have grown from $2½ billion to $31 billion; and, of course, we have had the extraordinary expansion of life insurance companies and savings and loan associations. Life insurance companies have come close to doubling their size every decade and have increased their assets from $1.7 billion in 1900 to $90 billion today. The great growth in savings and loan associations, on the other hand, has come in more recent years; since 1945, they have expanded fourfold and now command assets of $38 billion.

Today the $600 billion held by financial institutions represents more than 20% of all *assets* in the American economy. This is a measure of the extent to which these institutions have been able to contribute to the economic growth of the United States by the productive investment of their funds. Their task has been, on the one hand, to mobilize the savings of people of all income groups and, on the other hand, to determine how these savings could be most effectively utilized. This task itself has required initiative, skill, and the hand of the innovator—both to increase the volume of savings, and to put such savings to the most productive use.

Today there are some 21 different types of financial institutions through which capital is channeled. It is interesting to note that more than half did not exist in any developed form a half century ago. The heyday in the development of new types of financial institutions lay in the decade of the 'Twenties for private institutions and the 'Thirties for those of government. Investment companies, sales finance companies and private pension trusts, which have been playing an increasingly important role in the capital market during the past two decades, had their first big period of growth in the 'Twenties. It was, of course, during the 'Thirties that the whole complex of Federal lending institutions was created. Their original purpose was to combat the depression, but many of them have continued as an important part of our social and financial fabric.

Since the 'Thirties, little in the way of new types of financial institutions has been developed. But existing institutions have forged new methods to deal with our changing economy and our growing role in the economy of the world. To give but a few examples, there is the wide development of term loans by commercial banks and insurance companies, the direct placement of securities by investment and brokerage firms, lease-back arrangements on the part of industry to insurance companies and pension funds, and a host of changes that have revolutionized the handling of mortgages on housing. An entire story could be told about each of these, as well as about others that time does not permit me to mention. I do want to comment, however, on one trend to which financial institutions have contributed: namely, the rise of credit for use by the consumer.

As I have already indicated, the annual investment in autos, houses, appliances and the like has been as great in recent years as has been the investment by business in new plant and machinery. Indeed, in 1955 consumer investment was actually larger than that of business. It is a significant fact, moreover, that with the exception of 1951, such investment has shown an uninterrupted trend upward. In this sense, consumer investment in the postwar period has helped maintain the pace of economic expansion.

Consumer Debt

No matter how one looks at it, investment by consumers has become a powerful influence in our economy. Through it, individuals in our American society are able to enjoy the fruits of modern technology. This investment, on its present scale, moreover, would be impossible without the help of external financing, particularly consumer credit and residential mortgage debt. As you know, some $36 billion of consumer credit is now outstanding, while mortgage debt on homes amounts to $89 billion.

There has been some concern expressed over this huge volume of consumer debt. I must confess that in 1955 the total rose at a rate which I did not feel could be sustained. Yet we must not forget that a gradual further increase in consumer debt is inevitable if Americans are to attain a steadily higher standard of living. Our problem with such debt is not one of holding the total to some preconceived level. Rather, it is to be certain that sound principles are followed in the expansion of consumer debt, so that in the event of adversity neither borrowers nor lenders will suffer unduly. I am afraid that practices adopted by some lenders in 1955—particularly as to maturity and down payments—might not meet this test. As yet the volume of questionable credit does not appear great; but all institutions concerned with it have a special obligation to watch the situation carefully and to see that this remains the case.

Sound Credit

As a matter of fact, financial institutions carry a sobering responsibility in that they have the power to affect economic growth in an adverse manner, as well as positively. Through over-extension of credit, they may lay the basis for a downswing in which all business suffers and economic growth grinds to a halt. This is an influence held in particular by the commercial banking system, since banks not only channel other people's savings into investment, but also have the ability to create new credit. Looking back historically, no one can deny that the great depression was intensified by unsound credit practices which preceded it. There were other factors at work, too, but the 1929 crash of the stock market served to set off the start of the downward spiral. Subsequent developments stunted the growth of the nation for a decade. Fortunately, we learned a lot from that experience, and I hope that we will never again let down our guard against credit excesses.

Assuming that we are not headed for a major economic downswing, what, then, will be the task of finance in the economic growth of the future? This will, of course, depend on a number of unknown factors. One hears all sorts of conflicting predictions about the outlook ahead—that a shortage of savings looms on the horizon; that we are in for steady inflation (or will it perhaps be deflation?); that interest

*An address by Mr. Rockefeller before the Economic Club of Detroit, Feb. 27, 1956.

rates are bound to rise; and so forth. While no one can say with certainty where the truth lies, it is, I think, possible to form intelligent judgments based on a look at current trends in the light of the past.

Future Credit Needs

First, the facts before us make it clear that the credit needs of our economy will expand very greatly in the next decade. If by 1965 we are to realize a gross national product of $535 billion, or more, we must be prepared to see both business investment and consumer investment rise very substantially. Indeed the staff of the Joint Congressional Committee on the Economic Report, which has taken a careful look ahead, sets the annual rate of business investment at $65 billion a decade hence. That is a rise of almost 50%, and it makes no allowance for the probability of higher prices. Consumer investment — autos, houses, appliances and the like—is placed at $66 billion a year. This is only about a third over 1955, and it may turn out to be unduly conservative. Finally, we must plan on heavier investment by government, particularly by state and local governments in public facilities. Here the total might run as high as $17 billion a year, or an advance of 55% over the current level.

All in all, it looks as though a rise in total investment of 40% or more may be needed in 10 years. One may wonder how an increase on this scale can be financed. First, business in an expanding economy can count on greater profits, and, above all, on a large increase in the cash-throw-off from depreciation and depletion. I suspect that each of you has seen your depreciation account increase enormously in the past decade. What isn't always appreciated is the fact that this has happened in all lines of business, and that last year fully one-third of the cash needs of United States corporations were met from this source. The amount will increase further in the decade ahead, and corporate depreciation allowances in 1965 may be 1½ times what they are today. Even so, and even if increased profits permit industry to plough back more, the amount of *external* financing required to meet investment demands also will be considerably greater in absolute terms than it is today.

Let me cite only one industry which our Bank has recently studied rather carefully—the petroleum industry. That industry in the past five years has made capital expenditures in the United States of $24 billion, of which some $20 billion was generated internally. But in the next 10 years we estimate that United States petroleum companies, not counting investments outside the United States, must spend in capital outlays $73½ billion, and of this they will be required to go to the capital markets and other outside sources for at least $10½ billion. These are huge figures indeed.

All in all, we estimate that business, homeowners, and state and local governments may need to borrow as much as $35 billion in 1965, providing that our economy continues to run at relatively high levels of employment. Where will all this outside money come from? Ultimately it must come from two sources: the savings of individuals, and the creation of new money by the banking system. The critical item, of course, is the savings of individuals.

Last year, Americans as individuals saved about $17 billion—far short of the needs for 1965. This total was the smallest since 1950 and represented only 6% of their income after taxes. Savings at this rate, if extended into the future, would probably prove too low. Rather, savings on the order of 8% of income after taxes appear necessary if economic growth is to move ahead as we desire.

Stable Savings

Fortunately, I do not think we need despair of achieving this level, although the financial community may have to exercise some ingenuity to bring it about. Let us look for a moment at the past history of savings in the United States. A recent study gives us for the first time adequate information on this matter. It shows that if one ignores abnormal periods of war and serious depression, Americans have tended to save about the same proportion of their incomes year in and year out. That proportion interestingly enough is 8%—just what seems to be required for the future! Thus, it appears highly probable that savings in 1955 were abnormally low; indeed, even in the first two months of 1956, there is evidence that consumers have begun to save more than they did in the past year.

Nevertheless, businessmen and economists will need to be flexible in their thinking on this matter of savings. You recall that it became fashionable in the 30's to discourage thrift and to say that what was needed was greater consumption. There may have been an element of truth in this during a period of serious unemployment, but the fact is that adequate savings in normal times are essential to a proper balance in our economy—a balance between investment for growth, on the one hand, and consumption on the other. Neither side of this equation can be ignored.

More Savings Needed

Our financial institutions have a great responsibility in helping us achieve this balance between investment and consumption. To do so in the next decade, they must seek to encourage and expand savings. Certainly one source that can be counted on in this regard is the fast-growing life insurance industry. Moreover, we should be able to look for a larger volume of savings flowing into mutual savings banks and pension funds. All told, the net increment in pesnion funds may amount to $5 to $6 billion in 1965, compared with $3 billion today. Then again we can expect a growth of savings due to the increased number of families moving into the middle income brackets, since they can be expected to save more than families in lower brackets. On this score, however, our financial institutions face something of a problem. New families coming into this group often tend to spend heavily. More needs to be done to persuade them of the long-run advantages of saving and investment as opposed to all-out consumption.

On balance the task of maintaining adequate savings in the decade ahead seems perfectly manageable. Personal savings on the order of $30 billion a year may be needed by 1965 to support the growth of the economy. If savings return to an 8% rate in relation to disposable income, our goal can be realized. In any event, we must not forget that the commercial banks will also make a contribution throughout this whole period through the creation of new credit. It is the special function of these banks to create new deposits — new money — to help meet the credit needs of an expanding economy. If banks failed to do this, the economy would be confined in the straitjacket of a rigid money supply. The problem is to see that the increase in bank credit is actually geared to economic growth and does not exceed it, thereby causing price inflation. That is the job entrusted to the Federal Reserve System, which has the power to control the rate at which bank credit can expand.

Gold Supply

There is nothing in the picture today that should prevent banks from creating additional credit as it becomes necessary. In many respects, our commercial banks are in the best shape in their history — reserves are strong, management is experienced, and portfolios are sound. Banks will need more capital over the next decade, but much of this can be generated internally. Then, too, the nation's gold supply, which is the ultimate basis for bank reserves, appears fully adequate. Under present laws, our gold supply could support a doubling of bank deposits to $400 billion. Nothing like this will, of course, be needed. Bank deposits may have to grow to around $250 billion in 1965 as compared with $187 billion today.

Long Run Interest Rates

All these matters, of course, have a bearing on interest rates. Fundamentally, rates are determined by the interaction between capital needs on the one hand, and the supply of savings and bank credit on the other. Looking to the period ahead, and the amount of savings that are likely to be generated, I find it hard to foresee any long-run upward trend in interest rates. Nor do I think it likely that there will be a return to the abnormally low levels of the 30's and early 40's. It would take a major upheaval to cause drastic fluctuations in rates. With improved knowledge and ability to influence the business cycle, and with the Federal Reserve System in a position to adjust the availability of bank credit, drastic changes in rates in this country seem improbable in the foreseeable future.

As we look at the complex process of economic growth, there is no question but that our financial institutions have a significant and active role to play. Growth is a team effort, requiring the combined talents of the scientists, the producers, the distributors, and the specialists of finance. None, including the men of finance, can play merely a passive role. Finance must anticipate needs and move to meet them—on the investment side, as well as with savings. That is what commercial banks have tried to do with the development of different types of medium-term loans and in other specialized fields. Our own Bank, for example, in the past two years has retained an expert on atomic energy to anticipate financial needs in this important new field. And we recently joined with four other banks, including the National Bank of Detroit, to form the American Overseas Finance Corporation — a new type of organization designed to help finance exports of machinery and other capital items. This area of international finance, incidentally, is one where we have only scratched the surface. Much more needs to be done—new institutions, new lending techniques—if American industry is to be in a position to contribute adequately to growth throughout the free world.

There is a great job to be tackled in the years ahead! And not all of the romance, the inventing, the pushing into new frontiers will fall to those of you who center on the production and distribution lines. The men of finance also have a unique opportunity in this era we live in. I have the faith that they will not let it slip by — that they will leave their mark on the growth of America and the free world even more in the future than in the past. I am confident the generations of tomorrow, looking back on these days, will observe that the contribution of finance was both a positive and an essential one.

Laird & Co. Corp. To Be Formed

WILMINGTON, Del.—Laird & Company Corp., members of the New York Stock Exchange, will be formed as of March 1st. Officers of the firm, which is located in the Nemours Building, will be George T. Weymouth, Chairman of the Board; Martin Fenton, President; E. Carroll Stollenwerck, Vice-President, Secretary and Treasurer; O. Chester Jones, Henry H. Silliman, Walter G. Guy, Benjamin B. McAlpin, Alfred J. Nobel, member of the Exchange, Hugh C. Wallace, Ralph W. H. Geer, and Edward L. Winpenny, Jr., Vice-Presidents; and James F. Donegan, Assistant Treasurer and Comptroller.

The partnership of Laird & Co. will be dissolved.

Thos. Watson Partner In Bartow Leeds & Co.

Thomas Watson, a member of Bartow Leeds & Co., 57 William Street, New York City, since January, 1953, will be admitted as a general partner effective March 1, 1956, the company announces. He will be manager of the municipal department.

Prior to joining Bartow Leeds, Mr. Watson was associated with C. F. Childs & Co., Inc.

Ronald Killie With Nesbitt, Thomson Co.

Ronald Killie has become associated with Nesbitt, Thomson and Company, Inc., 25 Broad Street, New York City. Mr. Killie was formerly with the First National City Bank and prior thereto with Dominion Securities Corporation.

Long-Run Interest Rate Trend And Currency Inflation

By NORRIS O. JOHNSON*

Vice-President, The First National City Bank of New York

Mr. Johnson describes Governmental pursuit of currency inflation to keep interest rates down and predicts unintended higher money rates, than would prevail under stable currency, in next 20 years. Referring to countries unsuccessful in keeping interest rates low, New York banker attributes depleted savings to growth of social security and high, progressive income taxes, and increased borrowing to: (1) encouragement of consumer credit growth; (2) rising prices and faith in Government's ability to forestall deflation instigating flight into equities and real estate, and (3) favorable tax treatment accorded interest charges on bonds. Mr. Johnson recommends lowering of income taxes on interest and other forms of income

People recently have been speculating on the possibilities of a reduction in the Federal Reserve's discount rate, to intensify pressures on banks to lend more freely. And it is safe to say that, if business falters for want of credit, or for any other reason, the Federal Reserve will act to add to the credit supply. On the other hand, should upward price pressures become an object of public concern, the authorities may feel bound to charge a little more for their money. But I did not come here to tell you which way the cat will jump, but rather to guess about the general direction she is pursuing. In other words, what is the longer drift of money rates?

Norris Oliver Johnson

It is not wise to become so engrossed in the details of day-to-day operations that we lose the longer perspective. We need to have in the back of the mind at least some conceptions of the basic forces operating on the cost of borrowed money. The longer drift is of concern to all classes of financial institutions deliberating on the proper length of portfolio commitments. It is also of concern to industrial and public utility corporations looking forward to growing business and working out plant expansion programs.

From early June, 1953, up to August of 1954 the Treasury 30-year 3¼s moved from a price of 98½ to 112. Then in the next 12 months running up to August, 1955, these bonds receded as low as 103¾. I doubt that the rate of change in bond prices and yields is going to be as great as a normal thing in the future as it was during 1953 and 1954. But the clear fact we all recognize is that flexible credit policies, dedicated toward steadying the general economy and general prices, intensify bond price and yield movements beyond the proportions we had experienced for a great many years. A few weeks difference in the timing of bond flotations by corporate borrowers, or of long-term purchases and sales by institutional investors, can make or save a lot of money. But looking beyond these cyclical swings, what is the underlying drift in the value of borrowed money?

The long-prevailing theory has been that money rates are in a declining drift as the efficiency of capital rises and as the increased well-being of people gives them more capacity to save. These forces seemed to be at work during the 19th century in the United Kingdom, in the United States, and in other comparatively well ordered countries.

*An address by Mr. Johnson at the Real Estate and Finance Conference, Brooklyn, N. Y., Feb. 24, 1956.

Gold Suspension Motives

As though to settle all doubts about the trend of rates another force went to work beginning with the departure of the United Kingdom from the gold standard in September of 1931. This was the use of the powers of central banks — free from the restraints of the gold standard—to increase supplies of credit and artificially to manage and depress interest rates. As recently as 10 years ago some theorists of the Keynesian school of thought were still speculating about the possibilities that interest rates might eventually be driven down to zero.

In my view these ideas of a declining drift in money rates need fresh examination. Fiscal and monetary authorities naturally like low money rates as a matter of convenience in managing swollen public debts and as a matter of public policy under the theory—quite mistaken—that it is the people who are poor that borrow and the people who are rich that lend. The natural trend is toward higher rates for borrowed money in an economy where income taxes are high and progressive, where deflations to the benefit of creditors are rarely if ever permitted, and where the lender of money at interest is up against a "heads you win, tails I lose" proposition.

Currency Inflation Principle

I would suggest the principle that government policies of inflating the currency to keep interest rates down eventually result in higher interest rates than would prevail under a stable currency.

Let me cite a few facts.

Every nation that made a fetish of maintaining artificially low money rates during the Great Depression and World War II tried to keep the low rates after the war but sooner or later had to give in. Canada broke loose from 1½% in 1949 and now is at 2¾%. We broke loose from ½% in 1946 and now stand at 2½%. The United Kingdom, which had a 2% discount rate (with one brief exception) from 1932 to 1950, today has a 5½% discount rate. New Zealand, which had a 1½% discount rate from 1941 to 1953, today charges 7%.

General scales of interest rates have risen in a roughly corresponding fashion.

In the United States average yields on short-term open market paper, such as U. S. Treasury bills, have risen in eight of the last nine years. Bond prices have drifted lower, though the authorities resisted the movement by supporting Treasury bonds at premiums above par as late as March of 1951. Interest rates offered by savings institutions have risen from 1 to 3%.

Many of these rates, by historic standards, are still low. The monetary authorities have resisted the movement, the Federal Reserve by cushioning periods of pressure on the credit supply and the Treasury by limiting its offerings of long-term bonds. The pension fund movement fortuitously has added an element of forced saving into the economy and enlarged the market for bonds. Nevertheless, the interest rate worm has turned. It is appropriate to ask the question, what has been going on?

Keynesian Theory

In the Keynesian theory people are supposed to save regardless of rate. What we see is an active competition for savings deposits, which suggests that customers are more anxious to borrow than to lend. This is a natural outgrowth of the kind of world we have been living in. Let me spell that out a bit.

Statistics for total savings are of poor quality. People's savings are affected by changes in capital values of equities they own, as well as by appropriations from current income. It is well known that savings in real estate or stock equities have done better on the whole than savings put in bonds.

In a world where government and employers offer such large supports of "social security" the impulse to save is weakened even though resources for saving may be larger. We have the growth in consumer credit — which mortgages future income—as one index of a tendency among people to spend first and save afterwards instead of the other way around. This adds to demand for borrowed money and reduces supply below what it would be in the absence of this tendency.

Moreover, in a world where prices rise, and rarely fall, savings favor equities. The growth in mutual funds is an illustration. An equity in a well-located home has also been a bonanza investment for many people. When people buy homes they add to demands on the mortgage market. When building costs rise those demands are all the bigger. The interest and taxes are deductible from taxable income. Rising wages ease the burden of servicing the mortgages, while the home, well maintained, may increase in value.

In industry, the deductibility of interest from taxable income has favored bond issues over stock issues, adding to demands for borrowed money. Corporations borrowing susbtantially for new plant and equipment, and realizing a good return on new capacity, have been able to reward shareholders most generously.

All is merry until we have a deflation of equity values. We have had them in the past and I have always assumed we would have more in the future. But government policy is indulgent toward the debtor, even at the cost of chronic price inflation. More and more people dismiss the idea that government will allow values at any time to be radically deflated. And this confidence — until it is disillusioned — adds to demand for equity forms of saving.

The inflationary price drift subtracts from the value of the dollar saved and lent and adds to the quest for a higher return. The income tax where applicable makes it all the worse. Hence interest rates on bonds and savings deposits have had to rise to maintain competitive positions.

Where all this is coming out I shall have to leave to your good judgment. We have held the dollar steady in buying power over consumers' goods since 1953. An extension of that record can help stabilize money rates. A lowering of income tax rates applicable to interest as well as to other forms of income would be likewise helpful. But I hold firmly to the view that money is going to command better rates over the next 20 years than it did over the last 20.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent was a fascinated spectator at the ceremonies at the District of Columbia building (the Washington City Hall) for the arrival of the President of Italy. Just as in the days before World War II when France and Britain were the ones who were forever giving away money to the other European states ("global" leaders or at least some kind of leaders they were called) Washington now seems to be spending a lot of its time receiving this and that foreign crown and giving, or attempting to give, him the old world pageantry of reception.

Carlisle Bargeron

Invariably the word goes out that the thousands of government employes be given time off to form a cheering crowd and New Yorkers can get an impression of what a welcoming this is when they consider what it is to let all the workers of the financial center off to cheer this or that personality.

But our arriving celebrities must be disappointed at our military turn out. This is because of the changes which modern warfare has brought about. Some of it may be due, too, to the increasing visits of celebrities. But no longer is there the pageantry of marching infantrymen and the rolling of tanks. Nobody marches any more. The troops in full dress attire arrive upon the scene in busses and then are scattered around at 20 feet apart. They go through all the usual panoply of "Present Arms," "Parade Rest," "Attention," to the blare of gusty lieutenants and sergeants, but spread over an area of three blocks, 20 feet apart, at the center of reception, they don't seem impressive.

Nevertheless, at the reception of the Italian President, the drum and bugle corps of the Air Force, really stood out. Attired in air force blue they wore natty white spats. After they had done their capers before the visiting foreign dignitary, they relaxed and walked off in loose single file to waiting busses.

It so happens that a House sub-committee has been investigating our aircraft industry and its revelations are an interesting commentary on this country's economy. The industry, I believe, is about the third largest in this country. It employs hundreds of thousands of workers; its spending runs into the billions of dollars annually. It has a tremendous political influence; men are elected and defeated for public office on the question of where they stand with the industry, whether they are "air-minded" or not.

In spite of the billions the government is spending on aircraft and its components of guided missiles and the like, there is always a formidable demand in Congress that more billions be spent.

The aircraft builders that have already been heard by the sub-committee do practically all of their business with the government; the government is their sole customer. They are in business because of the cold war. They built B-29's and B-36's and now they are building B-52's. Onward and upward with the sciences.

The matter that seems to concern the House sub-committee is that their officials, those of the companies so far investigated, are riding high. They pay themselves big salaries and bonuses and charge the government for all sorts of free entertainment. They spend millions of dollars a year in magazine advertising when their sole customer is the U. S. Government. It is hard to get to the bar at the National Press Club at noon because of aircraft public relations men.

The committee seems also to be interested in the number of retired generals and admirals, all relatively young men, whom the industry has taken on as "consultants" at from $25,000 to $65,000 a year.

That the industry is quite a gravy train there is no doubt, but what impresses this correspondent more is that such an important industry, one so vital to our present prosperity, is dependent upon government spending, the making of planes and missiles and destroying them and making more and more of the improved same.

You can't escape the impression that it would be an awful thing for Russia to pull the rug from under us by really calling off the cold war, by literally burning its arms and permitting delegations of clergymen to come over and see that they had nothing to conceal.

To say the least, it might take the spats off the Air Force drum and bugle corps and for the life of me I have never seen the need of a drum and bugle corps, in war or in peace. Drum and bugle corps are one thing I have against the American Legion, as public spirited as they are.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

D. H. Coddington, member of the New York Stock Exchange, on Feb. 29 will retire from partnership in Hooker & Fay.

On Feb. 29, Ronald M. Belin, member of the Exchange, will retire from partnership in Kaufmann, Alsberg & Co.

Joseph M. Fitzgerald will retire from partnership in John J. O'Brien & Co. March 1.

W. B. Zener Co. Formed

William B. Zener & Co., Inc. has been formed with offices at 40 Exchange Place, New York City to engage in a securities business.

Joins Illinois Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James D. Jarvis is now connected with the Illinois Company, Incorporated, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

William A. Dailey Now With Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William A. Dailey has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Dailey was formerly with White, Weld & Co. and prior thereto was an officer of Harold E. Wood & Co. of St. Paul.

The Business Outlook—1956

By EZRA SOLOMON*
Associate Professor of Finance
School of Business, University of Chicago

Finance Professor envisions a 1956 Gross National Product of $400 billion. In not anticipating the extraordinary 1955 growth rate, Professor Solomon expects, with continued capacity operation, a 3 or 3½% 1956 real rate of increase with these changes in the economy's composition: (1) decline in business inventory accumulation and short-term consumer credit; (2) over-all sales level to remain the same; (3) Federal, State and local purchase to rise moderately; (4) reduction of inflationary threat; (5) Federal cash surplus to reduce taxes by about $2 billion; (6) significantly sustained high level of business expenditures for construction and equipment; (7) housing dollar volume to decline from $16½ to $15½ billion, and (8) rate of disposable income spent on consumer durable goods to equal 1955, an increase of $2½ billion in spite of auto decline. Unlike 1929, increasing demand is found to exceed supply, necessitating increased plant and equipment, and labor productivity.

At this time last year, there was little doubt about the direction in which gross national product was going to move in 1955. There was, however, considerable doubt about the strength and duration of the movement. It turns out that even the optimists underestimated the tremendous levels of demand we have just experienced.


Prof. Ezra Solomon

Today, we have the opposite situation. We enter 1956 with gross national production very close to a $400 billion rate. Few people expect this level to change by very much in 1956. But there is definite disagreement about whether this change will be up or down. These doubts are expressed very well in a recent paragraph in *Business Week* (January 14, p. 17): "It may be that we have passed the peak of the boom without knowing it. However, this could be that cherished plateau. Or it might be a breather before a resumption of the boom."

It is clear that we cannot expect the level of activity to keep increasing at the rate we have experienced in the last five quarters. Between the third quarter of 1954 and the fourth quarter of 1955, gross national product rose by over $38 billion, equal to a rate of about 9% per annum even after we remove the effects of slightly higher prices. This is about three times our normal rate of growth. Since we are now operating close to capacity, we can hope at best to go back to a 3 or 3½% rate of real growth.

Now there are several factors which suggest that demand in 1956 will not be strong enough to support a 3 or 3½% growth of GNP above the $398 billion rate recorded in the last quarter of 1955. Of the $38 billion rise in GNP since the third quarter of 1954, nearly one-half is the result of increased expenditures based on business inventory accumulation and on increases in short-term consumer credit. For reasons which I will discuss later, demand from these sources is likely to decline from their recent levels. In order simply to maintain the current level of GNP, increased demand from other sectors will have to replace the evaporation of demand from these two declining sources.

I think that these increases will be forthcoming, and that they will come particularly from increased purchases of plant, equipment and tools by business and government. Were it not for this support, we would, even now, be in the initial phase of a business downturn. As it is, we are likely to experience little change in the over-all level of activity in 1956. A number of readjustments will take place, but the total will be stable at around $400 billion.

If this analysis turns out to be correct, it will be the first time that a fairly frantic boom such as we have just experienced has not ended with a downturn in total activity. A new word will have to be found to describe the phenomenon and we will probably be talking about the "intermission" of 1956.

Having taken a quick look at the broad picture, let us turn to a more careful evaluation of changes we can expect in the individual segments of demand in 1956.

Federal Government Purchases. These expenditures declined rapidly after they reached a peak in the spring of 1953. During 1955, they were stable at around $46 billion. In 1956, they are expected to rise, principally because of increased outlays for defense procurement. Even more significantly requests for new appropriations are also higher in the new budget just presented. This means that the slight rise in Federal spending will continue for some time. The increase in demand from this source is expected to be about $1 billion in calendar 1956.

The revenue and tax side of the budget is harder to forecast. At the time that the budget message was being prepared, we were in the midst of a boom that had begun to put very definite pressures on industrial prices. It was in this setting that the administration proposed that surpluses expected in fiscal 1957 be used for debt repayment rather than for tax relief. Since December it has become evident that the threat of inflation has subsided. There is no longer a real scramble for industrial materials or for labor over-time, and production activity in the automotive and residential construction industries has declined. In this setting the chances are much higher that expected cash surpluses will be used in some measure for reducing tax rates. During a leap year, for some strange reason, Congressional action is especially difficult to predict, and one can only guess. My guess is that individual tax liabilities will be cut by around $2 billion, beginning July 1.

State and Local Government Purchases. The level of state and local government purchases of goods and services has been rising steadily at a rate of $2 or $2½ billion per annum. Revenues have also been increasing. Since the backlog of needs is still very high, we can expect a continuation of the rise in these expenditures in 1956 and probably into the subsequent years.

In order to get some measure of the potential demand underlying these expenditures, one has only to look at population trends. Today there are about nine million teen-agers in the high school age group. In the under-five age group, we have 18 million children. Ten to 15 years from now, these 18 million will move into high school, and the demand for classrooms, teachers and equipment at this level will about double. All the other demands that teen-agers make on society—like recreation facilities and police facilities—will also double or more than double.

The population of motor vehicles is also rising rapidly. Today highway and parking facilities are inadequate for the 60 million vehicles now on the road. In 10 years, there will be about 80 million vehicles and only huge expenditures now can prevent the chaos this enlargement will bring.

Business Expenditures for Construction and Equipment. The demand for business construction and equipment is the greatest single factor of strength in the economy today. Demand from this source which had been declining since early 1953 began to rise in early 1955, and this rise is expected to continue. The Department of Commerce's Annual Survey of Capital Expenditure Plans for 1956 will not be published till April, but the McGraw-Hill Survey conducted late last year shows plans for a 13% rise in 1956 over average spending in 1955. Manufacturing companies plan to increase their capital spending by 30%. However, this has to be balanced against much smaller increases in capital expenditures in other sectors, for example public utilities and agriculture. Also when the plans for 1956 are compared with the high levels already being expended in the last quarter of 1955, the increases are not as dramatic.

Because increased demand from this source is the strategic bulwark against declines elsewhere, it is necessary to evaluate this sector carefully. Do the very optimistic plans reported in the survey result from the rosy glow of record profits and rising sales experienced in late 1955? If so, they are vulnerable and likely to be amended downward.

All the evidence indicates that this is not the case. While short-term factors do play a part, the prospects for increased capital expenditures appear to be based on more permanent considerations. Let us look at some of this evidence.

(1) A very high level of business capital spending for 1956 was also evident in surveys taken in early 1955, long before the short-term situation was particularly rosy. (2) The more recent year-end survey was taken after the President's illness was announced, and political uncertainties do not seem to have caused any downward revision. (3) Equipment and tool purchases are subject to a fairly long lag behind new orders. Machine tool orders reached a peak in the first half of 1951 and declined rapidly until 1954. Shipments reached a peak in the first half of 1953 and have been declining ever since. New orders began to increase again in 1954 with a more rapid increase since late 1955. Shipments will rise in 1956 and this rise will certainly continue into 1957. (4) In the past, survey data have almost always underestimated the actual size of plant and equipment outlays.

Even more significant, supporting evidence is to be found by examining the basic determinants of demand for plant and equipment. Large changes in the birth rate over the last 50 years have caused distortions within our population structure. As a result of these distortions, and also of other factors like retirement policy and the trend toward college education, the period 1950-1965 will witness the following phenomena. Between 1950 and 1965 the highly active age groups in society—those from 20-64 years of age, will increase from 87.3 million to 99 million. This is about 13%. During the same period, assuming a continuation of recent fertility rates, the total population will increase from 151 million to 190 million—an increase of about 26%.

The potential discrepancy between supply power and demand power becomes even wider if we take two other relevant factors into account. On the supply side, a continuation of the long-term trend toward a shorter work week will mean that the potential increase in man-hours available from the active age groups will rise by only 8 or 9% instead of 13%.

On the demand side, a continuation of the long-run 1½% per annum increase in per capita living standards will mean that the 26% increase in population will bring about a 50% increase in demand.

Now, society can do a lot of things to adjust the 8 or 9% increase in man hours so that it meets a 50% increase in demand. One way is through a greater participation by women and by the less active age groups in the labor force. Another way is through overtime. But by far the most important source of increased supply is through increases in productivity per manhour. This in turn means a tremendous increase in the quantity and quality of equipment per worker, not only in the factory and on the farm, but in the office and in the home. This is the principal factor underlying the present boom in plant and equipment spending,

Continued on page 53

*An address by Dr. Solomon before the Executive Program Club of Chicago, Chicago, Ill., Feb. 15, 1956.

Return to Gold Coin Standard Opposed by New York Chamber of Commerce Committee

Financial leaders base views opposing gold standard return on: (1) past three years satisfactory stable price level; (2) eminent international dollar position; (3) belief gold standard cannot achieve stable prices, limit Federal spending, prevent money market impact of hoarding and dis-hoarding, and (4) better results accomplished with prudent fiscal and flexible credit policies.

Seven of the nation's top financial leaders said Feb. 28 that return to the gold standard would not check inflationary pressures and might upset present United States monetary stability.

Such a move, cautioned the New York Chamber of Commerce Committee on Finance and Currency, would shift a "significant measure of credit control" away from Federal Reserve and Treasury authorities, "and into the hands of people swayed by rumor and mass psychology."

These views were offered in a unanimous report signed by Henry P. Davison, President, J. P. Morgan & Co., Inc.; Gerald F. Beal, President, J. Henry Schroder Banking Corp.; J. Luther Cleveland, Chairman of the Board, Guaranty Trust Co.; G. Rowland Collins, Dean, School of Business Administration, New York University; Perry E. Hall, Managing Partner, Morgan Stanley & Co.; Devereux C. Josephs, Chairman of the Board, New York Life Insurance Co.; and Roy L. Reierson, Vice-President, Bankers Trust Co.

The text of the Committee's report follows:

The Committee on Finance and Currency has carefully considered a resolution proposed on Oct. 6, 1955, by Colonel Edward J. W. Proffitt, the pertinent section of which is as follows:

> "Resolved, that the Chamber of Commerce of the State of New York . . . reaffirms its conviction that a Gold Standard is the most satisfactory monetary system . . . and expresses the belief that, as a delay in the declaration of a definite policy will make the policy more difficult, measures should be taken with promptness, looking toward the restoration of a permanent Gold Standard in the United States."

Colonel Proffitt favors a prompt return to the gold coin standard as it existed prior to 1933 except that the present monetary price of gold of $35 an ounce should be maintained.

Somewhat similar resolutions were considered by the Chamber's Committee on Finance and Currency in 1948 and again in 1952. In each of these instances an adverse report was presented to the Chamber by its Committee on Finance and Currency as then constituted.

The present Committee finds itself unable to recommend that the Chamber adopt the resolution proposed on Oct. 6, 1955 by Colonel Proffitt.

The current monetary system of the United States is tied to gold under an arrangement that is generally described as an international gold bullion standard. The monetary unit (the dollar) is defined in terms of gold; the Treasury buys and sells gold at a fixed price in transactions with foreign central banks and governments for the settlement of international balances and for other legitimate purposes; and the Federal Reserve System is required by law to maintain a reserve in gold certificates against Federal Reserve Notes in circulation and deposits.

A return to the pre-1933 gold coin standard would involve the circulation of gold coins, unlimited coinage, and the convertibility into gold coin of currency, and indirectly but in practice, of bank deposits as well.

The Committee is in accord with the basic objectives of those who seek to provide safeguards against a decline in the purchasing power of the dollar. The underlying inflationary potential in the economy should not be ignored. Obviously, continuing vigilance is required to prevent erosion in the purchasing power of the dollar.

Nevertheless, under the international gold bullion standard, the record during the past three years has been highly satisfactory. A substantial stability of the aggregate price level has prevailed. The United States dollar has consistently maintained its preeminent position among the currencies of the world. The evidence of recent years clearly indicates that the value of the dollar can be maintained without changing our present monetary arrangements.

The Committee believes, moreover, that a return to a fully convertible gold coin standard would not necessarily increase the prospects for a continued stability in the price level. Under the pre-1933 gold coin standard, the United States experienced wide fluctuations in the levels of commodity prices even during periods of peace. A gold coin standard would not in itself operate automatically to change this situation in the future. Nor would the role of credit policy by the Reserve authorities be reduced by a return to such a standard. The problems faced by the monetary authorities in the determination of an appropriate credit policy would not be made easier. In fact, under a gold coin standard, those problems could be made more difficult because of the impact of hoarding and dishoarding, domestic and foreign, upon our monetary reserves, and hence upon the money market. Under a gold coin standard, some significant measure of credit control could be shifted away from the monetary authorities into the hands of people swayed by rumor and mass psychology.

The principal argument advanced by the sponsor of the resolution of Oct. 6, 1955 is that a return to the gold coin standard is necessary to impose restraint upon Treasury expenditures and thus to help check inflation. The Committee agrees that large Treasury deficits contribute to inflationary pressures. However, it does not believe that a return to the gold coin standard is an effective device for limiting Federal spending. Nor does it believe that a gold coin standard would prove to be effective in forestalling tax reductions that could lead to budget deficits. Under a gold coin standard the power over the public purse, in terms of Federal spending and of taxation, would remain where it is today, that is, with the Congress and the Administration.

Obviously, restraint upon government spending and caution in making tax reductions are the basic prerequisites to sound fiscal and monetary policy.

Notwithstanding the continuing necessity for large outlays for national defense, the Administration and the Congress have made substantial progress toward a balanced budget and the current fiscal year seems likely to bring success in this effort. That Federal spending will need to remain at high levels for some time to come seems probable. This probability may pose continuing problems of budget balancing in the years ahead. However, it is the view of the Committee that a return to the gold coin standard will not help to achieve economy and efficiency in Federal spending and that it will not help to maintain an adequately productive tax structure.

The Committee believes further that a return to the pre-1933 gold coin standard would involve risks and uncertainties which it would be unwise to incur. Admittedly, it is difficult to evaluate these risks. However, it seems unwise to assume unknown risks in the absence of prospective benefits that are clear and sure.

One of the risks that a return to a gold coin standard would invite is the possibility of withdrawals of gold by foreign holders of dollars, of dollar balances, or of dollar securities. Under our present monetary system, foreign central banks and governments can obtain gold for legitimate purposes. Such withdrawals, however, are subject to license by the Treasury. This fact provides protection against possible raids on our gold reserves. Under the gold coin standard, any holder of dollars could take out gold for any purpose and without the approval of the monetary authorities.

Moreover, if the domestic hoarding of gold coin should assume large proportion, that, too, would be a source of significant difficulty to our monetary authorities. If domestic hoarding should prove to be insignificant in its proportions, a return to the gold coin standard would be of little practical importance.

Safeguarding the dollar against a decline in value is a complex and arduous undertaking, especially in an environment in which the "full employment" philosophy is so prevalent. The attainment of this objective requires the exercise of prudence and restraint in three important areas: fiscal policy, credit policy, and wage policy. Upward price pressures will be generated by large Treasury deficits, by a failure to apply appropriate policies of credit restraint in times of high levels of economic activity, and by wage increases that run in excess of gains in productivity. The chances of achieving substantial price stability are increased by prudent Treasury housekeeping, by the effective use of a flexible credit policy designed to prevent excesses in the use of credit, and by restraint in the granting of wage increases. If these objectives can be attained, the present monetary system is satisfactory. Should excesses develop in these important areas, however, a gold coin standard would in itself be of little help in achieving sound economic growth with a reasonably stable price level.

It is a matter of significant pertinence that as recently as March 29, 1954, both W. Randolph Burgess, then Deputy to the Secretary of the Treasury and currently its Undersecretary, and William McC. Martin, Chairman of the Board of Governors of the Federal Reserve System, stated their opposition to a bill in the United States Senate that proposed to restore the gold coin standard. There is every reason to believe that they would take the same position today.

For the preceding reasons, the Committee on Finance and Currency does not favor the adoption by the Chamber of the resolution proposed on Oct. 6, 1955 by Colonel Edward J. W. Proffitt.

Respectfully submitted,

HENRY P. DAVISON, Chairman
GERALD F. BEAL
J. LUTHER CLEVELAND
G. ROWLAND COLLINS
PERRY E. HALL
DEVEREUX C. JOSEPHS
ROY L. REIERSON

Committee on Finance and Currency

February 6, 1956
New York, N. Y.

Continued from page 2

The Security I Like Best

successful in increasing its volume of refined products over the average industry increase by 2% for the first nine months of 1955.

Anglo American enjoys the same relationship with is subsidiaries as Standard Oil of N. J. did and still does with such producing subsidiaries as Humble Oil, International Petroleum, Creole Pete, etc. The attractive speculative controlling interest of Anglo American Exploration Ltd. lies in its ownership of 1,309,435 or 16.62% of the outstanding shares of Gridoil Freehold Leases Ltd. The search for oil is an expensive business. The cost of drilling an average well is estimated at from $100,000 minimum to $250,000 depending on the depth to which it must be drilled to bring in the well. A drilling rig costs in the neighborhood of $300,000. Also, let us not forget the thousands of feet of pipe, steel casing and drillings bits, all of which are a must in drilling, and are costly. Anglo American employs engineers and other skilled technicians, not to mention top grade geologists and geophysicists. They have the necessary equipment and know-how. The income and expense are thereby controlled and maintained within the family of companies. Anglo American has an agreement with Gridoil to do all necessary drilling, excluding farmouts, and recover its costs of drilling out of first production. As additional compensation it thereafter retains free 20% of all oil produced during the life of the well. Gridoil has 522,000 acres of "freehold" leases checkerboarded throughout the prairies of Saskatchewan and Manitoba within the area referred to as the Williston Basin. In order to hold its half million acres Gridoil need only to pay 10 cents an acre or one-tenth the usual cost for delay rentals. Anglo American Exploration Ltd. in behalf of Gridoil recently drilled 54 wells, 49 of which were producers. The program for 1956 calls for the drilling of 68 additional wells in what is generally known as proven territory. Where it cost about $1.30 to produce a barrel of oil in the U. S. and $1.20 average throughout Canada, Gridoil's cost of discovery is a phenomenally low 30 cents per barrel.

Selling at $9¾ a share and listed on the American Stock Exchange, Anglo American's ownership of 1,309,534 Gridoil shares represents a market value of $12,767,956. At $9¾ a share there is no water in the Gridoil stock, and that's not a pun. There is an estimated 60,000,000 barrels of oil in the ground and due to the favorable leasehold situation it will cost less to produce than any similar situation in the U. S. or Canada. This stock sold as high as 12⅜ in 1955 and its low for the same year was 8 1/16.

Anglo American Exploration Ltd. also owns 2,514,893 or 63.43% of the outstanding stock of Canadian Williston Minerals Ltd. This company has an undivided half interest in perpetuity in all mineral rights (excluding coal), petroleum and gas in approximately 1,439,000 acres in the Province of Manitoba and Saskatchewan checkerboarded throughout the sedimentary areas of the Provinces, within what is generally recognized as the more northerly parts of the Williston Basin. Many parcels now under exploration and development could afford Anglo American's substantial income over the years. Selling at 2⅝ per share, listed on the American Stock Exchange, Anglo American's ownership of 2,514,893 shares represents a market value of $6,601,594.

Anglo American also owns all the outstanding stock of Nova Scotia Oil & Gas Co. Ltd. This company has exclusive licenses to explore for oil and gas on 1,105,000 acres in the Province of Nova Scotia. While no development work has been undertaken to date, a geological examination of the property made by an eminent Canadian geologist spoke enthusiastically of the possibilities of oil and gas in abundance. Exploration and development work will probably be undertaken during 1956. This acreage could prove highly profitable to Anglo American.

Balance Sheet: On June 30, 1955 Anglo American's total assets were $16,716,408 — $3,661,405 of which represented current assets. Liabilities (excluding funded debt) were made up entirely of current liabilities in the amount of $2,984,160. The physical assets are carried in the balance sheet at tremendously depreciated value; for example, the new office building that was dedicated on Oct. 28, 1955, is carried on the balance sheet at a cost of $1,642,259. The company was offered $3,000,000 for the building with a long-term "lease back" provision. The income from rents, over and above upkeep and taxes plus rent free to Anglo American, nets the company $250,000 a year. Likewise the refinery and equipment is carried at $1,215,754. The replacement value is estimated to be over $5,000,000 and the plant and equipment could probably be sold for better than $5,000,000. Ownership of Nova Scotia oil and gas is also carried in its balance sheet at $1.00. The company has had many opportunities to dispose of this acreage at substantial profits either for cash or royalties. The 260 service stations owned in fee have had a tremendous increase in value that cannot be shown on the balance sheet.

However, for the sake of brevity let us accept the balance sheet as is in order to arrive at a depreciated value for the Anglo American common stock. We will eliminate from the asset side of the balance sheet $2,343,498 representing the figure at which Gridoil and Canadian Williston is carried on the balance sheet. We then arrive at total assets of $14,373,910 and after deducting current liabilities we arrive at total net assets of $11,388,750. Now to this figure we must add the market value of Gridoil ($12,767,956) and Canadian Williston ($6,601,594). We then arrive at total assets of $30,758,300. It's now very easy to prove that in addition to romance and unusual growth possibilities there is a great amount of equity, both physical and collateral behind every share of Anglo American Exploration Ltd. Now to arrive at the value of Anglo we will pursue one step further. We will now deduct the entire funded debt made up of $2,000,000 in 1st Mortgage 5% Bonds due 12/31/64 and $4,200,000 5½% Convertible Debentures from the $30,758,300 of total assets and we arrive at a figure of $24,558,300 net assets applicable to 1,171,503 shares of common stock now outstanding. This gives a depreciated net asset value of approximately $21.00 a share. We have made no effort to evaluate the company's reserves of oil and gas. The tangible asset value of the stock would be infinitely higher.

Of the 1,171,503 shares of Anglo American Exploration Ltd. now outstanding 750,000 is owned for permanent investment by Anglo American Oils Ltd., a Personal Holding Company, so the floating supply is actually 421,503 shares. Incidentally, the $4,200,000 Convertible Debentures are convertible into capital stock at the rate of 48 shares per $1,000 debentures on or before 3/1/58 thereafter, 42 shares on or before 3/1/60 thereafter, 35 shares on or before 3/1/62. Conversion will certainly not dilute the present equity for the common stock, and the company does not have any option or warrants outstanding that would tend to increase the amount of common stock.

Earnings before depletion and depreciation have shown a marked improvement. The first full year of operation was 1954 when the Company showed earnings, before depletion and depreciation, of $264,592 and for the first six months of 1955 on the same basis (but also after bond interest) of $282,902 or better than double. Earnings for the latter six months of 1955 should be substantially higher.

Under the aegis of Mr. Samuel Nickle, President, Anglo American Exploration Ltd. in two years has made a record for growth and success unsurpassed in the annals of the Canadian oil industry. Anglo American, with its two major subsidiaries, affords an unusual growth potential with tremendous appreciation possibility in a fully integrated oil operation. It is the fastest growing oil company in Canada. It was recently estimated (New York "Tribune," Sunday, Nov. 27, 1955, by Stuart King, Vice-President of Merrill Pet.) that the over-all market for Canadian crude oil will rise 70% from its present level in the next five years. This will give you some idea of the pace at which Canada is moving.

For the individual who wants to make an investment in Canada and can forego dividends for several years, Anglo American Exploration, Ltd. listed on the American Stock Exchange and selling at or near $15.00 a share (which is 30% below even its net asset value) is an outstanding purchase for capital gains. In 1954 this stock sold as high as $26.00 a share. (Canadian).

Fred W. Vogell With Globe Securities

Fred W. Vogell has become associated with Globe Securities Corp., 40 Exchange Place, New York City. Mr. Vogell has recently been with Stamrowe Trading Co., Inc.

Frederick Vogell

Globe Securities Corp. has just installed a direct wire service to American Securities Company of Colorado, Denver.

With Auchincloss Co.

Auchincloss, Parker & Redpath, members of the New York Stock Exchange, announced that John S. Bauman has become associated with the firm at the mid-town office, 41 East 42nd Street, New York City. Mr. Bauman was formerly with Model, Roland & Stone.

THE MARKET . . . AND YOU

By WALLACE STREETE

The initial stock market reaction to the President's decision to run for reelection was the disappointment of the week. Industrials had been poised on the brink of an all-time high pending on the decision, but couldn't generate enough sustained strength to make the grade after the announcement.

* * *

Apparently his candidacy had been well discounted in advance, accounting for the list's surge uphill some 20-odd points in the last few weeks period, but it was a case of selling on the goods news for the timely buyers keeping the list restrained.

A 520 D-J Ceiling?

Investment sentiment continued somewhat wary, regardless of the ultimate decision, and a good body of technicians have seized on a 520 limit for the industrial average even in the face of a favorable answer. Such a level is only moderately above the peak reached as 1955 ended and certainly is no expectation of a run-away market on the top side. In such circles the good gains, particularly among the blue chips, are regarded as having generally discounted in advance the excellent earnings reports now appearing. Future progress to higher levels would depend importantly on how well profits are being maintained this year.

* * *

In the absence of any clear-cut general market trend, attention was centered on individual situations where independent progress was possible. A good share of this was concentrated on the copper stocks where, despite recent large increases, the pressure for still higher prices was strong. Anaconda, which had worked downhill some 10 points from its 1955-56 high, was able to emerge prominently on leadership. Even Magma, despite good action in recent years that carried it to an all-time high, was able to continue its push back to its best recorded price. Some of the less active issues, like Chile Copper, were able to make something of a habit of reaching new highs.

New Peak for a Steel Issue

Steels weren't able to fare quite as well as a general rule. Bethlehem and U. S. Steel were given to swaying with the general market while Allegheny-Ludlum, for one, was able to make progress in forging to new peaks. Allegheny, as a matter of fact, is one of the select minority issues that recently have sold at a higher price than it did before the big market correction set in on the President's heart attack last September. Magma has that distinction, too.

An Atomic Favorite

One of the more popular issues in drab markets was Combustion Engineering which is linked to atomic energy by virtue of its steam generation work for the electrical industry. Most earnings forecasts for 1956 results are somewhat hedged over what business generally will do in the second half of the year, but there are some who eschew any such qualifying in the case of Combustion and predict a gain of at least a quarter this year over the good 1955 results.

* * *

Oils continue in high favor, with bright prospects for the year conceded rather generally. A favorite occupation is detailing the value of Standard Oil of Jersey's principal stockholdings to prove that the market has yet to reflect the value of its large operations as well as its middle east operations which also are hardly to be deprecated.

Added Starter With the Petroleums

Filtrol, which is a sideline issue that also merits inclusion in any broad petroleum grouping because of its products for petroleum refining, was the subject of several discussions that gave it some good market moments. The stock has sold at levels that leave plenty of room for advance if the same ratios are maintained in the face of higher earnings anticipated for this year. Like the oil companies with their large depletion allowance, Filtrol holds its tax rate to around 20% less than that of manufacturing companies to give it the same tax shelter that petroleum companies enjoy. Except for its yield of less than 3%, all other technical indications point to a neglected situation, probably unknown to the bulk of investors and particularly the newer ones. Even in the dividend category the company's payout is conservative with plenty of room for higher payments in the future.

* * *

National Distillers was also a market letter discussion piece and was able to stand its ground well marketwise. It has been expanding its chemical activities. Earnings have been on the upgrade as the new line grew to account for a fourth of sales and expansion is still underway to keep the growth trend going.

* * *

Rails have been anything but wonder workers marketwise but on basic factors have still not reached the comparatively higher levels of some of the blue chips. This naturally projects a road here and there to at least statistical attention, including even Pennsylvania Railroad which has had anything but a comforting postwar history as operating costs kept climbing. But the line last year staged something of a comeback, more than doubling profit in addition to getting off this year to a flying start. Considerable attention is being paid the operating ratios of lines such as this and a two-point trim was made in this important figure last year. Each one-point decline in the operating ratio is equivalent to $10,000,000 more for operating profits, and the line is being given a good 1956 chance to equal, or come close to, making another trim comparable to that of 1955. Like other carriers, the forthcoming 7% freight increase is the pivot around which the market sentiment toward Pennsylvania revolves. Approval of this increase alone would be about equivalent to reducing the operating ratio another three points.

A Gas Bill Survivor

Phillips Petroleum was the company around which the natural gas controversy revolved originally, but the fact that the stock was able to take the veto of the bill in stride to the extent it has heightened interest in this situation. The company estimated a profit gain of 25% for 1955 and topped it off with an official projection that this year's results will be even better. Offsetting the chagrin over controlled natural gas prices is the fact that the company has been expanding actively in the petrochemical field. Profits from this operation suffer no such restraints as Federal control of natural gas. It is obvious that it will use its base materials where the greater profits lie.

[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.]

Unparalleled Opportunities In the Latin America Market

By RALPH S. STILLMAN*
President, Grace National Bank of New York

Banker and industrialist points out Latin America's vital business importance can be seen in its purchase of $3 billion worth of American goods, growth at a faster rate than elsewhere, and in that U. S. businessmen have invested there more than in any other area of the world. Mr. Stillman believes monetary and tariff barriers will disappear with rising trade and investments, and that trend from agriculture and mining to industrialization will provide still greater outlet for sales to support manufacturing and increased living standards needs. The outlook for paper and paper production is depicted warranting further PEADCO paper production investments. That America has the largest share of the market is viewed as a challenge of high stakes worth fighting for.

We have been intimately identified with the paper industry since around 1938 when we started production of paper through the bagasse process which we developed. In more recent years we have increased our ties with the United States paper industry through the Davison and Dewey and Almy chemical company divisions which are important consumers of paper goods.

Ralph S. Stillman

As you may already know, we are presently in active negotiations in several Latin American countries to establish bagasse paper plants which will use the new PEADCO process, developed through the cooperative efforts of W. R. Grace & Co., Dr. Clarence Birdseye, originator of quick-freezing and other food processing methods and Harold D. Stuck, Vice-President of John W. Bolton & Sons, Inc. This improved and simplified formula for converting the residue of sugar cane into paper provides an important speed-up in the pulping rate by reducing the time required for this operation from several hours to five or ten minutes.

I mention these facts to indicate to you that we have more than an academic interest in the activities of your association and the very important discussions which you are having here at your 79th Convention. For, whatever happens to the paper industry in the United States may very well have a similar effect in Latin America because of the close ties which the economies of the United States and Latin America enjoy.

If you would permit me to digress for a moment, I would like to discuss Latin America as an export market for American industry in general and for the America paper industry in particular. We at Grace have an abiding interest in this subject because we have been long identified with this area. Our organization was founded over a century ago in Peru and developed from a ship supply firm into trading, shipping, finance, manufacturing, transportation, chemicals, paper, mining and other fields. You can well appreciate from this list of enterprises in which we are engaged in Latin America that we consider it an attractive area for highly diversified investments and that we have faith in the future economic possibilities of these rapidly growing countries.

Latin America is the most vital area of the world to American business. Those of you who are familiar with the Latin American republics have seen with your own eyes the astonishing physical growth of some of its cities and the rising standard of living of its people.

In the past two decades over-all Latin American economic growth has more than doubled, with the greater part of the increase taking place following World War II. In fact, this area of the world is growing at a faster rate than any other and the economic progress these countries will make in the coming years will truly amaze the world. I am sure you gentlemen are familiar with the population and living standard statistics of this part of the world.

I believe the hemisphere nations are in the early stages of a really great economic development which will present to United States business and the paper industry in particular many challenging opportunities because:

(1) Improved transportation and communication are welding the American Republics into a highly integrated unit.

(2) New international financial organizations are being formed to invest private savings in foreign areas.

(3) Major business organizations of the American nations are gradually developing into international corporate mechanisms.

I could mention a good many other reasons suggesting that a period of intensive economic development is in prospect for this hemisphere.

In my opinion, our large advertising, merchandising and manufacturing firms that have not thought much about foreign markets up to now will be in with both feet within a reasonably short time. I feel, too, that many of the monetary and tariff barriers which exist in many countries of Latin America will slowly crumble under a gradual and rising tide of international investment and trade.

Last year Latin America provided us with a market for $3 billion worth of our goods. While Western Europe was a slightly better customer, Latin America remained our leading regional source of foreign supplies providing us with 30% of all our imports. Despite some severe belt-tightening in the coffee-producing countries, principally Brazil, we are having another good year in sales to Latin America. The Commerce Department has reported that during the first half of 1955 we sold $1.6 billion indicating a total of a little over $3 billion for the year. As a further indication of Latin America's importance to us let me cite the fact that U. S. businessmen have made more direct investments in Latin America than in any other area of the world—a total of $6¼ billion.

A close look at Latin American productive expansion shows that its very nature is changing. No longer is it concentrated in agriculture and mining, but has extended more and more in the field of manufacturing. In 1954 manufacturing output was 65% ahead of the 1945 level. The urge for greater industrial power is everywhere apparent in these countries. You see it in the smoke and glare of the steel mill, like Brazil's Volta Redonda or Chile's Huachipato, which are turning out about two million tons a year in all of Latin America, a tenfold increase since prewar days. You find it in the 1,000 or more textile mills that produce enough cloth to fill 90% of its needs. You hear it in the hum of the electric generators which are supplying more than four times as much power as in 1929. Yet this increase in electric power is not enough to meet demand as the continued existence of commercial power shortages testifies.

In their drive for industrialization, Latin Americans have no intention of cutting off foreign trade. Their experience has dispelled once and for all the myth of national self-sufficiency. They have discovered that new factories require imports of capital goods, fuels, chemicals, machinery and raw materials. They have found that new industries increase the national income and this, in turn, raises the standard of living and stimulates demand for imported consumer goods. From 1944 to 1954, a period of rapid industrialization, Latin American purchases of U. S. machinery increased by more than five times —rising from $153.8 million to $824.7 million. Chemical purchases more than tripled, increasing from $109.9 million to $356.7 million.

In assessing the increase in Latin American trade, the most striking single trend, at least from our viewpoint is long-term reorientation toward the United States. Steadily, for nearly four decades, Latin Americans have been turning away from Europe and relying ever more heavily on suppliers in this country. In 1913, the U. S. furnished a mere quarter of the area's imports. By 1938, however, our share had climbed to 38% and by 1947 we were supplying a peak of 66%.

But as Western Europe and Japan recuperated, our share of this market has gradually diminished. In 1950, for instance, we supplied 62% of Latin America's total imports but by 1954 our share of this lucrative market had slipped to 56.7%. Europe's share meanwhile increased from 33.8% to 36.8%. Japan's share also went from 1% to 3.6%.

You gentlemen appreciate as well as I what this competition means in Latin America. Yet you are also aware that the stakes in this market are high and that they are worth fighting for. In your own field, the United Nations Economic Commission for Latin America has estimated that per capita demand for paper and paper products, provided Latin America's growth rate is maintained, should rise from the rate of 19.4 pounds in 1954 to around 33 pounds by 1965. This would be an increase of about 70%.

Combining this estimated 70% increase in per capita paper consumption along with an anticipated 34% increase in population during this period, there would then be a 127% increase in total paper demand. To give you a more concrete idea of the growth potential of the Latin American market, allow me to cite our own experience in this field.

In 1940 when we had our first full year of paper production at Paramonga in Peru, we produced 2,285 tons of paper. In 1954 we produced 19,456 tons, an increase of 750%. We have now completed a 50% increase in our plant capacity at Paramonga through the installation of new facilities that will raise production capacity from 20,000 tons to 30,000 tons a year. Additionally we are going ahead with plans to convert our pulpmill to use of the speedier PEADCO process. We are studying bagasse paper production projects with the use of the PEADCO process in Puerto Rico, Colombia and Cuba.

As you know, our paper production at Paramonga, confined to board, kraft paper and writing paper, is aimed directly at the Peruvian market. Present studies indicate that the Peruvian market will be ready to absorb approximately twice the 1955 tonnage of paper by 1960 and three times that amount by 1965. I would not want you to think that the Peruvian market is like a sponge, ready to absorb whatever paper production may come from Paramonga. When we first went into the paper business in Peru there was an actual, if limited demand for kraft paper but beyond that we had to go out and promote a market.

We had to get out and sell the idea that proper packaging would increase sales. We had to perfect our own production and then sell the idea that, for example, multi-wall paper bags were as good or better for shipping such bulk products as sugar and cement. We had to get out and convince the grocery store owner that he could sell more if he provided paper bags instead of rolling groceries in old newspapers or merely handing them to a customer.

Our experience in the paper field in Peru illustrates, I believe, the main point I am trying to make about this tremendous market in Latin America that is now developing before us. To win this big market, I think we are going to have to do two things. First, we are going to have to take a long-range view of the Latin American market. And secondly, we are going to have to get out and sell.

When I speak of taking the long-range view, I have this specifically in mind; a sympathetic attitude toward the pressing economic problems of Latin America today with the thought that by doing so we will have established a reservoir of good will that will pay us great dividends in the more prosperous years ahead.

When I speak of getting out and selling, I mean we are going to have to adapt our domestic selling techniques—the best in the world —to the Latin American market. We are going to have to extend longer credit terms. We are going to have to supply better services to our customers. In short, we are going to have to get out and hustle.

This is an unparalleled opportunity for American business. I would call it a challenge because the opportunities are tremendous. This is indeed the Era of the Americas and it is up to us to make the most of it.

*An address by Mr. Stillman before the 19th Annual Convention of the American Paper and Pulp Association, New York City, Feb. 21, 1956.

Incongruities of "Welfare State" Policies

Guaranty Trust's "Survey" illustrates incongruities of the "welfare state" in various areas of governmental intervention.

"The evils, contradictions and absurdities of the 'welfare state' are the results of narrow and superficial economic thinking," declares the March issue of "The Guaranty Survey," monthly review of business and financial conditions of the Guaranty Trust Company of New York.

Such thinking "concerns itself with a single, seemingly desirable end and not with the innumerable effects that flow from the means adopted toward that end," the "Survey" continues. "The record abounds in illustrations of means that have been directed at certain ends and have produced quite different ones. For example, in the effort to insure 'fair' prices for farm products, the United States Government offered nonrecourse 'loans' on so-called basic commodities at 90% of parity, and on some other farm commodities at varying rates. To prevent overproduction, farmers were required to accept acreage restrictions and, under some conditions, marketing quotas in order to qualify for the loans."

"The unintended result was that production of the price-fixed crops continued to increase despite the restrictions. Even though the Government gave away vast quantities of farm products, its holdings continued to grow until, in President Eisenhower's words, 'farmers, the intended beneficiaries of the support program, today find themselves in ever-growing danger from the mounting accumulations. Were it not for the Government's bulging stocks, farmers would be getting far more for their products today.'

"To protect tenants against high housing costs, governments have established rent controls. The unintended result is that new building and even normal maintenance have been discouraged, housing shortages have persisted, people have been forced to live in antiquated structures and, in some countries, comfortable living quarters have become almost unobtainable at any price.

"To improve housing standards, the United States Government has provided subsidies in the form of public housing projects and loan guarantees. The unintended result is that the construction industry has been overloaded. Building costs have risen to unprecedented heights. Housing intended for middle- and low-income families has been placed beyond the financial reach of such families. Consumers' incomes have been diverted from other avenues of expenditure into housing. 'Windfall' profits of builders have given rise to public scandals.

"To improve wage-earners' standards of living, the Government has enacted minimum-wage laws and encouraged large-scale unionization of workers. As a result, marginal workers have been rendered unemployable. Costs of production have been rigidified and employers virtually forced to economize by abolishing jobs instead of reducing wage rates in slack periods. The strike has been used increasingly as a weapon against the general public and even against the Government, rather than against the employer. Major strikes have, in fact, assumed the proportions of national emergencies, forcing the Government into the position of virtual arbitrator between the contracting parties. The wage demands of powerful unions, by pushing prices and cost of living sharply upward, have become perhaps the most potent instrument of inflation in our economy. Meanwhile, the general level of real wages has continued to rise with productivity, as it always has done, irrespective of legislation and unionization.

"In the endeavor to protect against the hazards of unemployment, old age, sickness, and other personal misfortunes, governments all over the world have assumed the responsibility of maintaining high levels of business activity and of providing financial aid to individuals under certain conditions.

"Both the intended and the unintended results vary with the degrees and types of control adopted and the economic positions of countries. As for the unintended results, two are beyond question: the suppression of economic freedom and the bias toward inflation. In some countries, freedom of enterprise and freedom of contract have all but disappeared. Persons dependent upon fixed incomes have been impoverished. Beneath the 'pegged' exchange rates and the other regulated values is an all-pervading instability that makes a mockery of all devices for economic security."

Securities Salesman's Corner

By JOHN DUTTON

Invest in America Week

"Invest in America For More and Better Jobs" is the theme for this year's Invest in America Week to be celebrated April 29-May 5 in cities in all sections of the country. The Week is sponsored by the National Invest-in-America Committee headquartered in Philadelphia.

The Committee on Education of the Investment Bankers Association of America has published a special Invest-in-America edition of the IBA educational bulletin which will tell you how to organize an Invest-in-America Week in your community. Last year there were observances in the following cities: Atlanta; Charlotte; Denver; Detroit; Houston; Kansas City; Lincoln; Los Angeles; New York; Oklahoma City; Omaha; Philadelphia; Pittsburgh; Providence; Richmond; San Francisco; St. Louis; Topeka and Washington, D. C. Write to Erwin W. Boehmler, Educational Director, Investment Bankers Association of America, 425 13th St., N. W. Washington 4, D. C., for your copy of this bulletin.

Investment brokers, dealers, commercial bankers, savings and loan associations, and your local newspapers, radio stations, privately owned public utilities and business firms in your city can all band together on this one. If privately financed and privately owned American business is not sold as something desirable to the public, something else will be bought by the people, and there are many organizations in this country which are selling something else day in and day out. They are not too lazy, nor too busy, nor too self-centered. They are dedicated, clever and persevering in their efforts to constantly unsell the American people on free enterprise and on capitalism.

If those of us in the Investment Business are negligent of our own welfare and the welfare of our country, then whom shall we blame if our younger generation of citizens who are receiving subtle doses of socialism, paternalism, leftwing ideologies, and Keynesian economics in our schools and colleges, over the radio, in the press, and from the lips of demagogic politicians, someday vote themselves into political strait-jackets, economic serfdom, and a managed existence with the right of self-determination sacrificed for a mirage of vacuous security?

Those Who Know Should Show the Way to Freedom

Unless the people who are qualified to tell the story of free enterprise do this job others who are not so well qualified will confuse and misdirect. There is no story in all of human history that is more inspiring than man's upward climb from the darkness and misery of his lowly estate as a serf and a ward of the all powerful state. The progress of the past two hundred years has come only through a denial by the people of the right of a few powerful men to control and regulate their ECONOMIC ACTIVITY. When capitalism came to the world darkness and despotism fled. When freedom of choice came to mankind he began to throw off the shackles of fear and despair. Nowhere on earth has a free economic system failed to help the people to live better and the freer it has been the better the standard of living. Those who would tear down private enterprise would also enslave and despoil not only man's heritage and material well being but also his civil and religious liberties, so long denied, and only so recently achieved by mankind in this country and other nations of the free world.

In the war of ideas those who believe in freedom must either sell our brand of capitalism or lose this battle. If we lose it we will have lost everything we now cherish. No good American can possibly excuse himself if by his laziness and indifference further gains are made by those who would replace free enterprise with governmental controls. Those who have something as precious as our free enterprise system of capitalism to protect should go into this battle whenever they have an opportunity, day or night, again and again, as long as they have breath in their body, feet to stand upon, and a voice to speak.

Every city in America should have an "Invest in American Week" this year, and those in the Investment Business should lead the way! How about you, and you, and you?

Educational Cost Reduction And More Efficiency

By ROGER W. BABSON

Noted New England financier advocates fewer teachers with bigger "hearts" at higher salaries; better schools, libraries and equipment; more self-education, and greater freedom for school principals and superintendents. Mr. Babson stresses "how to live" courses and instilling desire to seek knowledge in children as step towards better education.

I now see no way to cut costs of operating primary and grammar schools. I believe, however, that high schools and colleges will become more efficiently and economically operated. The self-service supermarket will show the way.

Roger W. Babson

Some educational experts are urging cities and towns to spend less on buildings, libraries, and equipment and devote more of the total allotment to teachers' salaries. This may be good politics, but it is not in the students' interest. I favor building better schools with better libraries and equipment, but having **fewer teachers. Then pay better salaries to these fewer teachers.**

The most vital field for a "Do-It-Yourself" campaign is that of education. A parent can buy a set of encyclopedias for $100 which contain more information than is contained in the heads of all the teachers in your community. Moreover, the training and discipline of self-education is even more valuable than all the facts that can be learned. Hence, I forecast that the next great movement in education for those above 13 years of age will be teaching students to learn without teachers. I wish that some city would put the managers of its self-service supermarkets on their school boards.

What Does Your School Board Know?

To begin with, you probably don't know who are on your local school board. If not, send to your Superintendent of Schools and ask for a list of the members and the business in which each is engaged and the number of children which each has in the schools. You may be surprised to find how poorly chosen these men and women are for this work.

In too many cities, school board members are interested in getting income for themselves or friends as doctors, builders, insurance agents, bank officials, storekeepers, etc. These school committee members naturally take the advice of the Superintendent of Schools who is an honest man but is guided by the colleges which determine what shall be taught and how. The Superintendents and School Principals are too often judged by the number of students they pass along to the colleges, and promoted accordingly. They are fine men and women; they deserve much better pay, but they have very little freedom.

What Is Education?

I have just been reading reports of the recent Conference on Education held in Washington. The great demand there was for Federal aid without Federal interference. Very little discussion was devoted to what should be taught our children and how. No time was given to discussing lowering the cost or raising the efficiency of schools. The great need today is to tackle the educational problem as we have T.B. and polio and cancer.

I have in mind a family of four grown-up brothers all of whom attended the same schools and had the same teachers. Yet three of the men are today useful in their communities and hold good positions. One of the boys was a "delinquent" and is now a ne'er-do-well supported by the first three. The question the mother asks is: Did the schools have any effect on the character or "life" of these boys?

Traveling to the Moon

The books most popular with the youth of today are books on "space travel"—that is, going to other planets. It is said that Washington is having more inquiries about the earth "satellites" which are to be released than about any other subject. Why is it that young people are so much more interested in other worlds than in learning about their own world and how to live in it? Something is wrong somewhere. Education should teach **how to live.** It should help parents mold character.

Teachers should be spiritually minded in order to be efficient. Although they should be paid better salaries, yet this salary should not be based upon the degrees which they have received. Looking back over my school life, it was the teachers with the biggest hearts who won my interest and awakened a desire for knowledge and service.

To get back to my main appeal: One sure way to increase the efficiency and reduce the cost of our schools and truly help our children is to teach children where to find their own answers to questions and awaken in them a desire for more knowledge. We need teachers born with a love for children and trained as helpful librarians.

Form Penick & McClure In Dallas, Texas

DALLAS, Texas — Penick and McClure, Inc., has been formed with offices in the Kirby Building to engage in a securities business. Officers are Thomas J. Penick, President and Treasurer and Fred L. McClure, Jr., Vice-President and Secretary. Mr. McClure was formerly an officer of Hudson, Stayart & Co., Inc., for which Mr. Penick was trading manager.

C. W. Fieth Opens

KANSAS CITY, Mo.—Clarence W. Fieth has opened offices at 1218 West 61st Street.

Hardy F. Glass Opens

Hardy F. Glass has opened offices at 55 Liberty Street, New York City to engage in a securities business.

Gold Shares as Investments

By FOREST WATSON
President, Watson-Lamoreux Inc., Seattle, Wash.

Securities dealer describes monetary system as indefinitely inflationary. Recommends including gold mining shares in investment portfolio in preference to bank deposits, bonds, or paper currency due to gold's: (1) universal acceptability; (2) deflated price; (3) ultimate salvation of the economy, and (4) inevitable price increase. Mr. Watson finds substantiation of his view that gold is a possible source of financial weakness in our economy.

INTRODUCTION

In every historical period of paper money inflation, the money unit of the nation involved has lost its value in terms of goods and services.

Forest Watson

The experience of our country today is no exception with our dollar worth about 52 cents in terms of so-called purchasing power as vs 1939, and according to our Bureau of Labor Statistics it required $1.78 in 1939 to purchase as much as $1 bought in 1900! This has hurt the hard-working thrifty saver of the money unit and temporarily benefited in terms of money units, the owners of certain kinds of property and goods, and the producers of certain kinds of services.

It is not the purpose of this study to become involved in the complex issues concerned with our managed paper money and credit system, and its use in connection with our international and domestic politics, economic controls and military power, Socialism, Communism, etc., nor the merits or necessities of this system of money as opposed to the historical "gold standard." My only purpose is to point out that we do now have such a system which is *per se* inflationary in character and that investors should be interested and in fact have a very serious problem as to how best to conserve some part of their savings and hence some part of their present good standard of living. They are of course interested, as I am, in the philosophical, political or even moral aspects of the issues involved but the practical question is how best to conserve, survive (financially) and live in the present and the future.

One Solution

It is my belief that investors should assign some portion of their accumulated savings at this time to a carefully selected portfolio of gold mining company shares. Note I suggest only "some portion" because I realize that investors must speculate under present conditions in an effort to have their funds invested in the currently most profitable earnings industries in order to maintain their standard of living in a period of a depreciating money unit, and the gold mining industry is not favored in this respect at the present time and may well not be anytime soon. However my reasons for believing that some portion should be so invested are as follows:

Added Investment Difficulties

The admittedly "managed" and regulated economy we now have is obviously a compromise as between so-called "free enterprise" and a form of "State Capitalism" or "State Socialism." Whatever it is and by whatever name it goes by, it has created unusually complex problems of investment. Prior to the collapse of our free-swinging individual capitalism in 1933 the problem of investment or conservation of wealth was relatively simple. Government played a relatively minor part in economic and financial affairs. Prices of goods swung back and forth in the business cycle more nearly with supply and demand for goods, services and credit. The investor who wished to "speculate" could more accurately judge or estimate his risks. More important he could assume risks or not in accordance with his own wishes or necessities. Today as a citizen and taxpayer he is constantly being made a party to financial ventures and undertakings regardless of his own personal wishes, necessities or judgment. Foreign aid or loans is one of many examples of this. Today, also, the investor observing the central government "regulators" or "managers" turning money and credit supplies on and off, as well as goods and services, is at a loss to calculate exactly "what they will do next" and "when."

When he observes surplus food production stored in warehouses, in ships (idle ones rusting away in harbors) or under canvas to keep these supplies from hitting the markets for consumption, and thus through these subsidies to maintain prices sufficient to show some profit margin to that portion of production offered in the market, he is confused. It doesn't make sense to this old-fashioned person who had been taught to work, save, conserve and not "waste things." He doesn't understand and has a suspicion no one else does, and that this is all part of some mysterious conspiracy that isn't in his best interest. He wonders quite naturally "how long can this go on?" When in the same manner he observes credit and money supply made so plentiful that the products of industry, homes, automobiles, appliances, etc., may be purchased by millions of people with little or "nothing down" he wonders how long that can go on. In short, while he doesn't understand the complexities of these vast manipulations on a world-wide scale, common sense seems to tell him—"there has to be an end sometime" and he only wishes he could figure out someway, somehow, "WHEN."

Indefinite Inflation

Now if the present-day investor is really thinking in the foregoing terms he can of course sell his business, or his goods, or his equities (i.e., stocks) and take the proceeds in cash or money, i.e., paper currency or bank deposits. And a lot of people in recent years have done this periodically not knowing anything better to do. Of course a good many of these who have sold their property because it was "too high" have "invested" in government bonds which pay a little better than bank savings interest, and with a rigged market they have felt confident there was little "market risk" — they could "get their money back." At about this point, however, the thoughtful investor concludes that no political group can stay in power if it permits any considerable deflation in the prices of goods and services (wages), and that, therefore, debt and money inflation will probably be continued indefinitely accompanied unfortunately by a steady erosion of the value of his cash, currency or bank deposits, or government bonds. Confronted with this dilemma this "thoughtful investor" might well reach the following conclusions:

(1) The "regulators" and "managers" of the economy may periodically allow or cause certain sectors to deflate at certain times and for certain periods (if they can and they do have very great powers and controls—Federal Reserve, etc.) or—

(2) The "regulators" and "managers" may lose control of the whole mechanism because of the force of people (producers and consumers) pinched by corporate and personal debt, taxes and loss of purchasing power of their goods and services, or—

(3) Deflation may be forced upon the "regulators" by low-cost foreign competition, or the withdrawal of their gold reserves by the foreign owners. This could occur when the gold which is worth only $35 per ounce in the U. S. can be used to purchase more goods, services and political and economic power elsewhere.

Gold's Merits

If the foregoing lists some of the real probabilities, and I believe it does, the investor could well conclude he should interest himself in the one industry which is currently greatly "deflated" and which is entirely outside of the present inflated economic structure. This would be the gold mining industry. The investor who is sincerely concerned with the questions as outlined will find in good gold mining companies the following characteristics usually associated with SOUND INVESTMENT—to-wit:

(1) The industry produces a commodity having a world-wide acceptance and use as payment in exchange for goods and services, and as a vehicle for the conservation of wealth.

(2) The commodity "gold" is probably the **cheapest** commodity available today in exchange for paper currency.

Examples

	1933	1955
GOLD, ounce	$35.00	$35.00
Copper, pound	7¢	43¢
Lead, pound	3.56¢	16¢
Zinc, pound	4¢	13¢
Commod. Index	42.8	111.3

Note: If the investor believes government and other debt will eventually become so overextended that a severe readjustment of these factors must occur, then all presently (or then) inflated prices will be readjusted downward except GOLD. Under these circumstances the need for confidence in the money unit and credit will be so great that the price of gold will probably be increased to stimulate its production, increase its supply (down in contrast to everything else), and to bolster our "gold reserves" which are even at the present time considered important to confidence in government credit.

(3) Good, well-established gold mining companies with proven reserves and good management have:

(a) operated profitably and paid dividends under the most adverse conditions.

(b) have no long-term bonded indebtedness or bank loans.

(c) have substantial working capital and owe no money except for current wages, supplies and taxes.

THEY ARE FINANCIALLY SOUND—usually a most desirable characteristic for a conservative investment medium.

(4) The product of these enterprises—gold—has a universal market. There is no problem of sales, credit or overproduction. There is in fact a SCARCITY—the latter factor usually associated with value and opportunity for gain.

(5) Contrary to universal opinion the product—gold—is important! It is so important that the credit of all governments is appraised in relation to its gold reserves. It is so important that gold is the only money accepted by governments in adjusting their respective trade balances. The rest of international trade is settled on the ancient method of "barter" in part because governments and individuals do not "trust" each other's money units.

(6) Gold equities, i.e., stocks, are considered of no interest in public investment and speculation at this time. In my opinion the "public" is looking the other way now but will find them attractive at some future time and at much higher prices. Sound investments and values are usually acquired by far-seeing investors under such circumstances. The interesting thing is the high price in relation to dividend income that good gold shares command now. Investment usually associates low prices and high yields with a large degree of **future risk.** Examples and a few comparisons:

	'55 yr.-end Price	'55 Div.	Yield
General Motors	46	$2.17	4.5%
U. S. Steel	58	2.40	4.1
Hollinger Consol.	24	.[illegible]4	1
Homestake Gold M.	35	2.00	5.7
Kerr Addison	17	.80	4.4
Dome Mines	14	.70	5
U. S. Smelting	57	2.25	3.9

The foregoing "reasons" for some interest now in gold mining shares I consider valid from an entirely unbiased objective and conservative investment point of view. By this I mean to suggest that the problems of Investment generally involves the use of accumulated savings in property which will produce a maximum of income consistent with no loss of capital. Because of what would appear to be the certain continued loss of value of our money unit through politically managed paper currency inflation, the investor seems barred from using an orthodox vehicle like bonds paying a fixed sum of dollars at some future date. He must, whether he likes it or not, be a speculator for the most part. This is to say, he must constantly speculate as to which industry and which company is not overinflated in market price, and which are most likely to temporarily do more business, make more profits, pay more dividends, etc. than others. He is concerned because it seems more than likely that some years hence it will require $4 or even $10 to do the work of $1 a few years ago. I conclude the conservative investor has every reason to have no confidence in the future value of our paper currency, but every reason to have confidence that Gold will never be less in price than $35 per oz. and that it will in fact be priced higher in terms of our unit of money at some future time. Thus, no matter how successful his speculations in other areas may be in the meantime, his backlog of goldshares should over an extended period into the future be more valuable than paper currency, bank deposits, or "bonds" of any kind.

Present Financial Weakness

In presenting the foregoing conclusion I have no illusions as to its general acceptance anymore than I had acceptance to my notion that the shares of many depressed industries presented great opportunities for profitable investment during the past decade, but I am encouraged in my conviction by a recent statement by Murray Shields, economist and business consultant, a trustee of the National Industrial Conference Board, and otherwise closely associated with practical business. The statement appeared in the "U. S. News & World Report," issue of Dec. 22, 1955. When asked to comment on some of the most serious questions and problems of current business, finance and the general economic outlook, he said: "Another possible source of **financial weakness is our gold position.** People give it hardly a thought anymore." He was referring specifically to the fact that foreigners now have short-term claims upon our gold reserves totaling about $10 billion which they can draw down upon demand. He pointed out that such claims amounted to only some $6 billion in 1949. When he was asked if this meant that we are then "at the mercy" of these foreign owners of gold, he replied: "That's right."

I believe it is highly significant that a business consultant with the national stature and reputation of Mr. Shields believes that GOLD is now a present possible source of financial weakness in our economy. Surely the investor is primarily interested in our financial affairs. I believe it is particularly significant that Mr. Shields would **speak** of it. We expect such comment from historians, philosophers and professors and students of monetary history who frequently express their views but not from the likes of Murray Shields. It is usually a pretty hush hush subject and usually associated with "crack-pots" and "old fogies"! It could be that "times are changing"!

Godshall, Rees With Clement A. Evans Co.

ATLANTA, Ga. — Following a meeting of the Board of Directors of Clement A. Evans & Company, Inc., First National Bank Building,


R. Ellis Godshall   Arthur F. Rees, III

Clement Evans, President, announced that R. Ellis Godshall and Arthur F. Rees, III, had been elected Vice-Presidents and Directors. The two new officers will make their headquarters in the Atlanta office. Both men have had wide experience in the banking and investment field, and were formerly associated with Hancock, Blackstock and Company, Atlanta.

Forms Richards Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Meryl E. Richards is engaging in a securities business from offices at 1235 Van Ness Avenue under the firm name of Richards Investment Co.

Harry Roman Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harry M. Roman is conducting a securities business from offices at 3337 West Olympic Boulevard.

Taylor Opens Office

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Calif.—Gwen A. Taylor is engaging in a securities business from offices at 4234 Fleet Haven Road.

Amer. Interests Group

EL PASO, Texas — American Interests Group Services of El Paso is engaging in a securities business from offices at 1311 Ingersoll. John R. Karr is a principal of the firm.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Swiss Bank Corporation, Switzerland's largest bank, disclosed on Feb. 28 in its statement of condition as of Dec. 31, 1955, a net profit of 25,782,733 Swiss Francs ($6,016,973), compared with the Dec. 31, 1954 figure of 24,326,243 Swiss Francs ($5,677,068). Total assets climbed to a new high of 3,148,932,805 Swiss Francs ($734,873,406), compared with 2,984,776,835 Swiss Francs at the end of 1954; cash amounted to 361,359,892 Swiss Francs ($84,331,363); advances to customers, 1,203,094,022 Swiss Francs ($280,768,733); Government and other securities, 532,188,639 Swiss Francs ($124,198,060). As of Dec. 31, 1955, the bank had total deposits of 2,784,261,000 Swiss Francs ($649,769,194), versus 2,638,276,060 Swiss Francs ($615,700,364) a year ago.

* * *

Charles W. McCord has been appointed a Vice-President of **The Bank of New York, at 48 Wall Street, New York** it was announced on Feb. 28 by Albert C. Simmonds, Jr., President. Mr. McCord is a native of Louisville, Ky., and until recently was a Vice-President of Meinhard & Co., Inc. In his new position Mr. McCord will represent the bank's interests in the Middle South. Other appointments at the same time were Walston C. Gallie and W. Cameron Slack as Assistant Treasurers in the Commercial Banking Department.

* * *

Malcolm R. Tait, in charge of **Bankers Trust Company's (New York)** Public Utility Group, was elected Vice-President, on Feb. 23 it was announced by Alex H. Ardrey, President of the bank. Simultaneously, Mr. Ardrey announced the election of Lawrence C. Cooper, also of the Public Utility Group, to the post of Assistant Vice-President and the appointments to Assistant Treasurer of Arthur C. Christensen, of Banking Operations; Nathan Levine, of 682 Broadway Office, Oliver M. Mendell, of the 1107 Broadway Office; J. Bradford Wilson, of the 42nd Street Office, and Frank J. Hynes of the Wall Street Office. Mr. Tait, who joined Bankers Trust through the merger of that institution with the **Commercial National Bank** in 1951, began his banking career with Commercial in 1941 and was elected an Assistant Vice-President in 1946. Mr. Cooper started his career with the bank as an Assistant Treasurer in the Investment Research Division in 1951.

* * *

George Spinner has been elected a Vice-President of the **Commercial State Bank and Trust Company of New York**, it was announced on Feb. 24 by D. Mallory Stephens, Board Chairman, and Jacob Leichtman, President. A former Assistant Vice-President, Mr. Spinner began his banking career in 1910 with the **First National Bank of New York** and later was associated with the **Manufacturers Trust Co.** In 1949 he joined the **Metropolitan Industrial Bank** which was merged last April with **Commercial State Bank.**

* * *

The recently enlarged capital of the **Franklin National Bank of Franklin Square, N. Y.** to $9,748,000 became effective as of Feb. 16. Details of the plans to increase the capital of the bank were given in our issue of Feb. 2, page 639. In that item it was noted that an increase in the common stock of the bank to $9,150,000 by the issuance of a semi-annual stock dividend of 36,000 shares, par $5 each, payable to shareholders of record had been approved; the increase to the amount of $9,150,000 became effective Feb. 15, while the further increase of the common stock to $9,748,000 by the sale of 119,600 additional shares, became effective Feb. 16. A reference to the enlarged capital likewise appeared in our issue of Feb. 23, page 956.

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An addition of $150,000 made to the capital of the **First National Bank of Olean, N. Y.** by a stock dividend of that amount has enlarged the capital to $750,000, effective Jan. 23, compared with $600,000 previously.

* * *

Effective Jan. 13 the **Canal National Bank of Portland, Maine** reported a capital of $1,218,750, an addition to it by a stock dividend of $31,250 having increased it from $1,187,500.

* * *

The U. S. Comptroller of the Currency reports the capital of the **Merchants National Bank of New Bedford, Mass.**, effective Feb. 7 as $1,100,000. The capital was raised from $600,000 to the amount indicated by a $300,000 stock dividend and the sale of $200,000 of new stock. An item bearing on plans to enlarge the capital appeared in our issue of Feb. 2, page 639.

* * *

An increase of $200,000 has been brought about in the capital of the **Middlesex County National Bank of Everett, Mass.** by a stock dividend of that amount, the capital thereby becoming $1,800,000 as of Feb. 8, compared with $1,600,000 previously.

* * *

The newly enlarged capital of the **First National Bank of Jersey City, N. J.**, increased from $3,060,000 to $3,150,000 by a stock dividend of $90,000, became effective Jan. 25. Reference to the plans to increase the bank's capital appeared in our Jan. 26 issue, page 538.

* * *

The capital and surplus of the **1st National Bank and Trust Company of Paterson, N. J.** now stands at $11,000,000. This represents an increase of $250,000 in capital from $3,750,000 to $4,000,000 as the result of a stock dividend to shareholders and an increase in surplus of the bank from $6,250,000 to $7,000,000 by a transfer of $750,000 from undivided profits. After giving affect to these transactions, the undivided profits of the bank stands in excess of $3,200,000. The number of shares of stock outstanding is now 160,000.

* * *

Fred Labaugh, retired Vice-President of the **First National Bank & Trust Co. of Paterson, N. J.** died on Jan. 28 at the age of 77 years. According to the Newark "Evening News" Mr. Labaugh, who was born in Newark, was in the banking business in Paterson for more than 50 years. The paper quoted, added in part:

"He began with the Paterson Safe Deposit & Trust Co. as a messenger in 1894, and had advanced to the position of Treasurer when the institution merged with First National. He was elected a Vice-President in 1933.

* * *

The Board of Directors of **Broad Street Trust Company of Philadelphia** at its meeting held on Feb. 23 elected Robert R. Rudloff an Assistant Treasurer.

* * *

The American Security and Trust Company of Washington, D. C., is offering to its stockholders warrants to subscribe at $43.50 per share for 124,666⅔ shares of its $10 par value capital stock at the rate of one share for each three shares held of record Feb. 10. The warrants expire at 3 p.m., on March 13. The offering is being underwritten by a group of investment firms headed by Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan-W. B. Hibbs & Co., Inc. American Security and Trust Company also announced it will sell an additional 1,333⅓ shares of its capital stock to the underwriters without offering the shares to stockholders. Proceeds from the sale, it is announced, will be added to the bank's capital accounts to permit the bank to increase its service to customers and to enable it to obtain a larger participation in the nation's expanding banking business.

* * *

An increase of $1,500,000 by a stock dividend of that amount has brought the capital of the **First and Merchants National Bank of Richmond, Va.** up to $4,500,000 from $3,000,000, the new capital having been made effective Feb. 1.

* * *

Additions made to the capital of the **Old National Bank in Evansville, Indiana** have increased the capital as of Feb. 8 from $1,500,000 to $1,750,000. Part of the increase was due to a stock dividend of $187,500 and the further addition was made possible by the sale of $62,500 of new stock.

* * *

The Northern Trust Company of Chicago announced on Feb. 24 the promotion of Spencer Murphy to Second Vice-President in the Banking Department. He had previously been a member of the bank's Trust Department. Mr. Murphy joined the trust company in 1951, after attending the Advanced Management Program at Harvard School of Business. Prior to that he had been in business in Honolulu.

* * *

The National Security Bank of Chicago, Ill., which a month ago (Jan. 10) increased its capital from $1,200,000 to $1,300,000 by a stock dividend of $100,000, further enlarged the capital on Feb. 17 by the sale of $100,000 of new stock, making its capital $1,400,000 at the latest date. The previous increase was noted in our issue of Feb. 2, page 639.

* * *

A stock dividend of $15,000,000 has enlarged the capital of the **Continental Illinois National Bank and Trust Company of Chicago, Ill.** from $75,000,000 to $90,000,000, the latter having become operative as of Feb. 14.

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An increase in the capital of the **First National Bank of Joliet, Ill.** from $600,000 to $750,000, became effective on Jan. 17 by a stock dividend of $150,000.

* * *

Hartley G. Banks, President of the **Columbia Savings Bank, of Columbia, Mo.**, has been elected to the board of directors of the **Bank of St. Louis**, at St. Louis, Mo. Mr. Banks, who joined the Columbia bank in 1937 became President in 1945. He recently served as Treasurer of the Missouri State Bond Issue, and has served on various Missouri Bankers Association Committees.

* * *

As of Dec. 14 the **First National Bank in St. Petersburg, Florida** increased its capital from $1,000,000 to $1,500,000. Part of the increase resulted from a stock dividend of $200,000, while the further addition of $300,000 was brought about by the sale of that amount of new stock.

* * *

As of Feb. 9 the **Merchants National Bank of Mobile, Ala.** increased its capital from $2,020,000 to $2,525,000 by the sale of $505,000 of new stock. An item bearing on the consolidation effective Dec. 30 consummated by the Merchants National of Mobile with the **Loop National Bank of Mobile** and the **Prichard National Bank of Prichard, Ala.** appeared in our issue of Feb. 2, page 640.

* * *

As a result of a stock dividend of $250,000 the capital of the **Ouachita National Bank in Monroe, La.** became $1,000,000 on Jan. 13, having been increased from $750,000.

An increase in the capital of the **Groos National Bank of San Antonio, Texas** is reported by the U. S. Comptroller of the Currency, who indicates that the capital was raised from $600,000 to $900,000 as of Feb. 3 by the sale of $300,000 of new stock.

* * *

A merger of the **Miners and Merchants Bank of Bisbee, Ariz.** with common stock of $250,000, into the **First National Bank of Arizona, at Phoenix, Ariz.** with common stock of $8,000,000, became effective on Feb. 3. The merger was effected under the charter and title of the **First National Bank of Arizona.** At the effective date of the merger the enlarged First National Bank had a capital stock of $8,430,000, divided into 843,000 shares of common stock, par $10 each; surplus of $6,960,000 and undivided profits of not less than $1,980,832.

* * *

A merger was made known effective Feb. 10 of the **West Side National Bank of Yakima, Wash.** with common stock of $350,000; the **Naches State Bank of Naches, Wash.**, with common stock of $25,000; and the **Selah State Bank of Selah, Wash.**, with common stock of $100,000 into the **National Bank of Washington, Tacoma,** with common stock of $3,750,000 under the charter and title of the **National Bank of Washington.** At the effective date of the merger the capital of the latter was announced by the Comptroller of the Currency as $4,482,812.50, divided into 358,625 shares of common stock, par $12.50 each; surplus of $4,517,187.50 and undivided profits of not less than $2,942,813.57.

Named Directors

R. James Foster, Greenwich, Conn., partner in Rand and Company, and William S. Kies, Jr., Greenwich, Conn., President of W. S. Kies & Co., have been elected directors of Flexible Tubing Corp., Guilford, Conn., and Los Angeles, Calif., which manufactures, under its own design and process patents, several types of flexible tubing and ducting for air handling, materials handling, air conditioning, and fume and dust removal.

Anti-Inflation Paths: Consumption or Investment?

By PAUL EINZIG

Noting that investments bore the brunt of Britain's recent anti-inflation measures, Dr. Einzig points out: (1) industrial capital expenditures were lower in Britain than in other developed countries; (2) Socialists propose increasing both investments and consumption spending, and (3) cutting capital investments will jeopardize Britain's automation projects. It is found paradoxical that inflation should prompt measures preventing additional production of goods.

LONDON, Eng.—The two days' economic debate in the House of Commons on Feb. 20 and 21 drew attention to the Government's dilemma arising from the conflicting claims of consumption and capital expenditure. One of the few points on which there was universal agreement was that during recent years there has been an excess of purchasing power, leading to a rise in the cost of living and to a balance of payments deficit. The opinion of experts (and pseudo-experts) differed however, on the question whether this inflation was brought about mainly by excessive consumer spending or by excessive capital investment.

Dr. Paul Einzig

The latter view was strongly canvassed by all Keynesian economists. They appear to have succeeded in convincing the new Chancellor of the Exchequer, Mr. Macmillan, that the difficulties of 1955 were almost entirely the result of the increase of industrial capital expenditure by some 18% during that year. Yet in view of the fact that in 1954 the proportion of the national income spent on capital investment was appreciably lower in Britain than in any other Western European country or in the United States seems to indicate that an increase by 18% was, if anything, inadequate.

Notwithstanding this the main burden of Mr. Macmillan's disinflationary measures fell on investment. It is true consumption was aimed at by the reduction of subsidies on bread and milk, and by the reinforcement of restrictions on instalment selling. But the sum total of these measures is negligible compared with that of the measures directed against capital expenditure by the Government, the nationalized industries, the local authorities and by private firms. Mr. Macmillan, like all his predecessors at the Treasury, found it easier to cut capital expenditure, and to force others to cut capital expenditure, than to attack excessive consumer spending. Needless to say, cuts in capital expenditure react on consumer incomes in due course. Indeed, it is mainly through that effect that they lead to a curtailment of demand, a mitigation of the rise in prices, and an improvement of the balance of payments. If that result could be achieved through direct cuts in consumer spending it would have the advantage of maintaining investment programs instead of sacrificing them for the sake of remedying the immediate situation.

The Government was sharply criticized for concentrating its disinflationary drive mainly on investment. The Socialist critics of the official policy were not very consistent, however. The last thing they wanted is a curtailment of consumption, apart from cutting down the spending power of the rich. In this latter respect nobody during the debate pointed out the elementary fact that the spendings of tens of thousands of rich, or even of hundreds of thousands of moderately rich, on the primary and secondary necessities whose prices affect the cost of living, are negligible compared with the spendings of the tens of millions of the lower-income groups. Anybody who seriously believed that the inflationary situation in Britain could be corrected by cutting down the spending of the rich must have found disillusioning a recent statement of the Chancellor of the Exchequer in which he said that if all incomes over £2,000 were to be distributed among those whose incomes are under £2,000, the latters' share would be two pence a day per head.

What the Government's Opposition critics have failed to realize is that one cannot eat one's cake and invest it. Like the Medieval ecclesiastics who, when confronted with the dilemma of determination versus free will, decided that there is both free will and determination, the Socialist speakers during the economic debate argued in favor of an increase in the proportion of both investment and consumer spending. All the remedies they proposed would tend to aggravate the inflation instead of mitigating it.

The Government's policy of concentrating mainly on cutting capital investment is to be deplored from the point of view of future prospects. In particular, British industries will find it difficult to proceed with their automation projects. The withdrawal of tax concession on new investment, and the curtailment of credit facilities for that purpose, are bound to result in a setback in the instalation of automatic equipment which has shown encouraging progress during the last year or two.

It is true, owing to the peculiar technological character of automation there will be strong inducement for industrial firms to complete the project already initiated, because otherwise the amount already spent would be wasted. If a firm ordered £1 million worth of machine tools, a credit squeeze or a decline in consumer demand might make it appear profitable to cancel part of the order, to the extent to which the work on a number of machine tools has not yet been started. On the other hand, it is impossible to expect the engineering work to accept cancelation of an order for the unfinished half of an automatic transfer machine costing £1 million. What will probably happen is that few new orders for automatic equipment will now be placed during the duration of the disinflationary drive.

From the point of view of automatic production it is disadvantageous that inflation should make it necessary to resort to drastic disinflationary measures. As Mr. Peter Drucker rightly pointed out in an article in Harper's Magazine last year, automation necessitates continuous flow of production not only in a technological sense but also in an economic sense. Production schedules for automated works are fixed for a relatively long period so that the output cannot be easily reduced in response to a temporary fall in demand. It is unfortunate from the point of view of the progress of automation in Britain that, owing to excessive inflation, it should become necessary to interrupt that continuous flow.

Head Committees Of N. A. S. D.

Oliver J. Troster, Troster, Singer & Co., New York City, has been appointed Chairman of the National Uniform Practice Committee and a member of the Executive and Information Committees of the National Association of Securities Dealers, Inc. Earl K. Bassett, W. E. Hutton & Co., New York City, was named Chairman of the Finance Committee and a member of the Executive Committee. H. Warren Wilson, Union Securities Corporation, has been appointed a member of the Executive Committee.

Earl K. Bassett

Oliver J. Troster

H. Warren Wilson

Smith, Barney Group Sells Trane Shares

Public offering of 120,000 shares of common stock of The Trane Company, a leading manufacturer of air conditioning, heating, ventilating and special purpose heat transfer equipment, was made on Feb. 24 by a group of investment bankers headed by Smith, Barney & Co. The stock was priced at $49.50 a share. This offering was quickly oversubscribed and the books closed.

Part of the net proceeds, it is anticipated, will be utilized by Trane for capital expenditures in connection with its continuing improvement and expansion program. The balance of the proceeds will be added to working capital.

Upon completion of the offering outstanding capitalization of the company and its Canadian subsidiary will consist of $5,950,000 long-term debt and 1,320,000 shares of common stock.

Consolidated sales in 1955 amounted to $54,061,937 and net income to $3,452,753, equal to $2.88 a share on the 1,200,000 common shares outstanding at the year end.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

It is not generally realized that as a group the leading New York City bank stocks are today, from the standpoint of equity, better values than they were either at Dec. 31, 1932, just prior to the bank holiday, or at Dec. 31, 1933, some months after the closure. It will be recalled that the bank holiday occurred at the time the Roosevelt Administration took office and when the economy was only part-way through one of the most devastating depressions in our history. A number of the larger institutions had set up security affiliates, for at that time these appendages were permitted under the banking laws. Without these security companies the major banks would have weathered the worst of the depression better than they did, for in most cases the heavy charge-offs that became necessary as values tumbled were in the affiliates rather than in the banking portion of the business. Several of them showed charge-offs of upward of a quarter billion over the depression years, no small part of which was from the affiliates.

Therefore, if ever bank stock values were to be attractive for the conservative investor it should have been in the depth of the depression, with the stocks out of the hands of weak holders, and with loan volume sharply reduced, security holdings, including governments, much deflated, and interest rates low. And they were good values.

For the greater part of the intervening years the banks had to work with abnormally low interest rates; and, for a considerable period with a much curtailed demand for loan accommodation. But two periods enabled them to build up equity that had suffered so much in the market collapse, the war, during which the government relied so heavily on the banks for financing the war; and the present boom condition when loan volume has expanded and has put bank earnings at an all-time high. Generally, dividends were kept low, and as a consequence equity was built up over the depression and later years after completion of the charge-offs.

But only small portions of built-up reserves appear in most balance sheets, and, essentially, much of the reserve total could be added to equity. For example, the reserves for bad debts have been built up to very large totals. Chase Manhattan has over $76,000,000 in this reserve alone; Bankers $13,000,000; Morgan $6,000,000; First National City $50,000,000; Guaranty $12,000,000; Manufacturers $32,000,000; Hanover $8,000,000; Irving $10,000,000, etc. None of this was present in bank condition statements back in 1932, nor were general reserves or security valuation reserves as large than as they are today in most banks' balance sheets.

The accompanying table gives the changes in equity from 1932 and from 1933, to 1955, without benefit of any of the large reserve. Noteworthy also are the sizable increases in earnings for the 1932-1955 span, figures that do not include securities results.

The banks have been utilizing every opportunity to put fat on their bones, and with true equities in almost all cases well in excess of published figures, they offer excellent current values.

	Book Value					Operating		Market Price	
	—Dec. 31—			—Change—		—Earnings—		—Dec. 31—	
	1932	1933	1955	1932-55	1933-55	1932	1955	1932	1955
Bankers Trust	$23.77	$25.06	$58.83	$35.06	$33.77	$2.15	$4.73	38⅞	65¼
Bank of New York	126.83	131.22	255.17	128.34	123.95	11.58	19.16	170	248
Chase Manhattan	26.34	21.60	43.87	17.53	22.27	2.70	3.53	26	52
Chemical Corn Ex.	17.31	17.47	41.77	24.46	24.30	1.72	3.62	24½	49⅛
Empire Trust	107.20	100.91	140.93	33.73	40.02	7.43	14.71	49⅛	177
First Natl. City*	40.55	21.67	41.77	1.22	20.10	3.48	4.25	41¼	64⅜
Guaranty Trust	54.25	53.60	81.12	26.87	27.52	4.59	4.87	68	80¾
Hanover Bank	30.01	27.42	51.48	21.47	24.06	3.33	3.88	52½	50¾
Irving Trust	22.48	21.51	25.29	2.81	3.78	1.71	2.20	23⅜	31¾
Manufacturers Tr.	13.66	11.11	39.29	25.63	28.18	1.36	3.22	14⅞	43
J.P. Morgan & Co.†	139.40	----	247.23	107.83	----	8.29	21.67	151	312
New York Trust	34.52	33.55	64.83	30.31	31.28	4.59	4.90	47⅛	72
United States Trust	58.12	58.21	65.60	7.48	7.39	2.89	4.99	63⅝	76⅜

*Includes City Bank Farmers Trust Co. Data not strictly comparable.

†Data for J. P. Morgan & Co. covers only 1942-1955. Stock not publicly owned prior to 1941.

NOTE—Adjustments made in book values for all capital changes (exercise of rights assumed); earnings adjusted for stock dividends and split-ups.

NOTE—Bankers Trust, Chase Manhattan and Chemical Corn on pro forma basis reflecting mergers in each case. National City-First National consolidation was a pay-off.

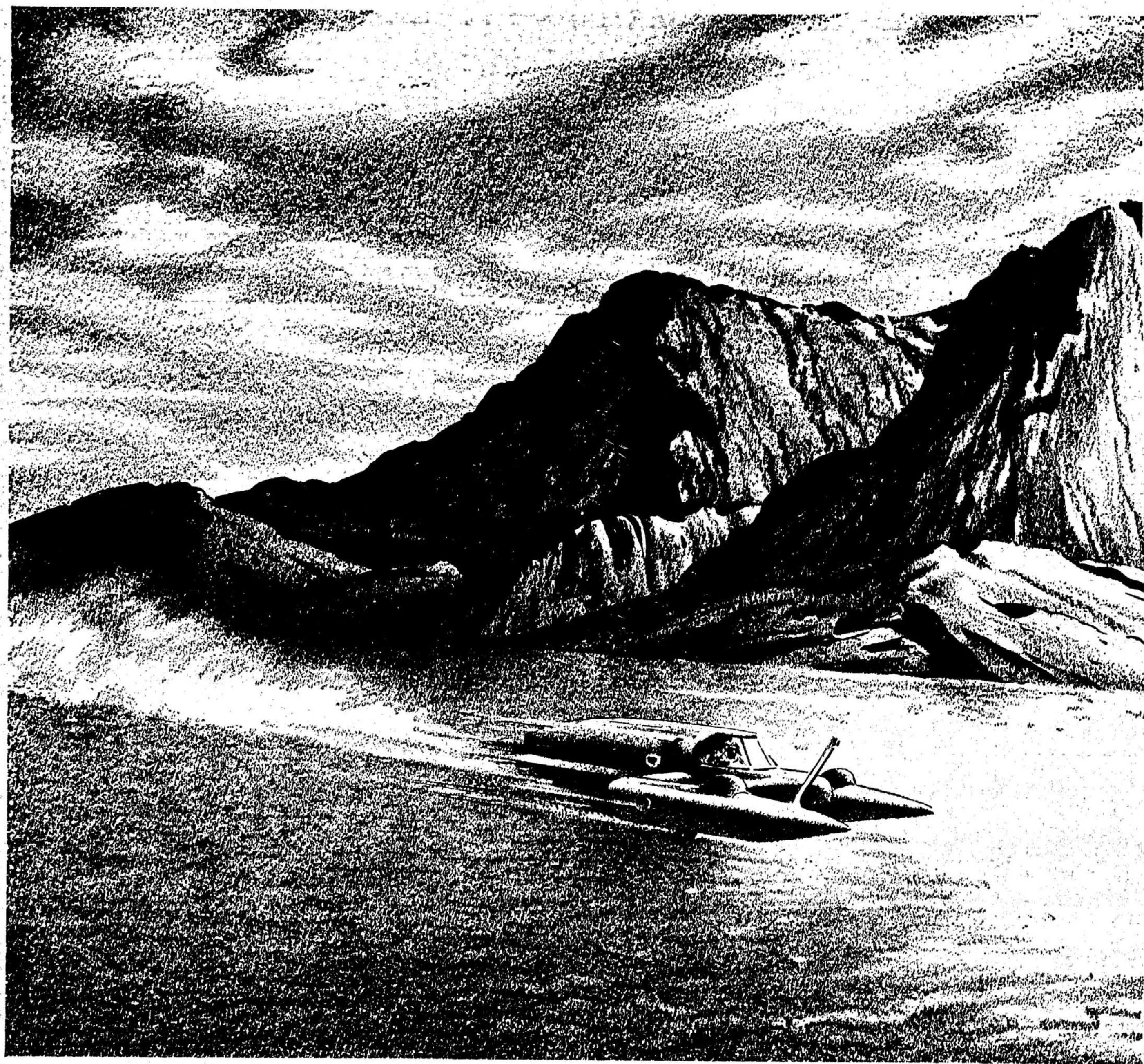
Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc. and associates yesterday (Feb. 29) offered $7,230,000 of Boston & Maine RR., series 1 4½% equipment trust certificates, maturing annually March 1, 1957 to 1971, inclusive.

These certificates, first instalment of a proposed issue of $18,510,000, are priced to yield 4¼% on all maturities. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The total issue is to be secured by box, hopper and flat cars and stainless steel coaches estimated to cost not less than $23,151,130.

Associated in the offering are: R. W. Pressprich & Co.; Baxter, Williams & Co.; Shearson, Hammill & Co.; Freeman & Co.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.



Elected Director

Dr. John H. Lux, President of Haveg Industries, Inc., announced the election of W. Joseph Straus as a director of the company.


W. Joseph Straus

Mr. Straus, economist and a financial adviser to William Rosenwald, Chairman of the Board of American Securities Corporation, is also a director of that investment banking firm, of American Machine & Metals, Inc., and of a number of other companies.

Haveg Industries, Inc. (Marshallton, Del. and West Warren, Mass.) manufactures and fabricates chemical equipment, corrosion resistant pipes, ducts and plastic raw materials.

John H. Harrison Opens Own Investment Office

ORLANDO, Fla.—John H. Harrison has opened offices in the Florida National Bank Building to engage in a securities business. Mr. Harrison was formerly Vice-President and Sales Manager for First Florida Investors, Inc.

Henry-Seay Branch

LUBBOCK, Texas — Henry-Seay & Black have opened a branch office in the Gibson Building under the direction of R. R. Gallaway.

New Krensky Office

MT. VERNON, Ohio — Arthur M. Krensky & Co., Inc., members of the New York Stock Exchange, have opened a branch at 1117 East Vine Street, under the direction of Ben Ferson.

New Purcell Office

HUDSON, N. Y. — Edward A. Purcell & Co., members of the New York Stock Exchange, have opened a branch office at 408 Warren Street under the management of Vincent M. Chiampa.

S. S. Huber Opens

SCRANTON, Pa.—Stephen S. Huber is conducting a securities business from offices at 601 Quincy Avenue. Mr. Huber was previously with J. S. Hope & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The backing and filling process continues in the government market, which means that prices and yields of Treasury obligations are being contained within the recently established ranges. The uptrend in the equity market still has a dampening effect upon the government market, whereas a decline in prices of common stocks seems to have a favorable effect upon quotations of government issues. The refunding operation of the Treasury, as well as the trend of economic conditions, are also factors which are being given more than a passing amount of attention as far as the money market is concerned.

The pattern of the government market is much the same as it has been, with the largest demand still in the short-term Treasury obligations. There are, however, reports of an expanding interest developing for the higher coupon more distant government bonds. It is expected that the intermediate-term issues will be more active, when the refunding terms are known.

Extension of Maturities Continues

A very important part of the business which is being done in the government market is the result of switches or swops. It is the opinion of many money market specialists that the trend of these exchanges is still toward the extending of maturities. To be sure, there has been a certain amount of switching done in the past with no particular trend in mind, but this seems to have given away to swops that appear to have the purpose of improving income and this brings about a lengthening of the due date.

It is indicated that, even though the liquidity angle is about as important as ever to the institutions that have been moving out maturities through switches, there appears to be no great amount of uneasiness because maturity dates have been extended. Evidently, it is the opinion of most of these "switchers" that the prevailing values for nearly all government securities does not involve a great deal of market price or yield concern to them.

Inflation Fears Waning

The return which is available in Treasury bills continues to attract sizable sums of money, especially from corporations. There is also important money coming into this selfsame security from private pension funds and, in some instances, private trust accounts, as well as monies of individuals that would ordinarily find a haven in some other form of investment.

Despite the attractiveness of Treasury bills, there is apparently a growing amount of purchases being made in the more distant government obligations, particularly the discount 2½% issues. The fear of inflation, which had been so very prominent in the past, seems to have gone the way of all flesh and, as a result, funds are now finding their way into selected long-term maturities of government securities. It is reported that the fear of further important hardening of interest rates was pretty much dissipated as far as many investors were concerned when the inflation pattern started to lose its momentum.

Money Tightness Continues . . . But

The money market is still being kept on the tight side because the monetary authorities have seen fit to have it that way. Nonetheless, it is indicated that certain of the economic barometers are beginning to show signs of some uncertain weather being ahead of us. There is no question but what further deterioration in some segments of the business picture will bring with it changes in monetary policies. Accordingly, because of the changing attitude which is evident in the government market, there are reports now of a growing demand appearing for the most distant obligations because not a few investors look upon these securities as an attractive medium for the placing of funds.

The 3s of 1995, according to reports, is still a very well behaved issue in spite of what is termed a fairly sizable amount of profit taking. It is indicated that some rather large sized switches have been made from the longest government bond into selected issues of the 2½s, with the 1965/1970s and the 1967/1972s being among the favored replacements.

Mortgage Market Easing

According to reports, the mortgage market is beginning to ease, with more money being made available to the building business. The changes in terms which were made not so long ago by government agencies in the mortgage field will no doubt have a favorable influence upon home building with the passing of time. The ease in the mortgage market might be the sign that not dissimilar conditions will prevail in the entire money market in the future.

Form Mineral Projects

MADISON, N. J.—Mineral Projects Co., Ltd. has been formed with offices at 55 Green Village Road to conduct a securities business. Partners are Charles S. Dewey, Jr., Cummins Catherwood, Kenneth L. Allen, Allan B. Grady, Clinton Davidson, Clinton Davidson, Jr.

Form Burke & Co.

Burke & Co. has been formed with offices at 52 Wall Street, New York City to resume the investment business. Partners are William A. Burke and J. Jay Schwadron. Both were partners in the former firm of Burke & Co. Mr. Schwadron has recently been with Eastern Securities, Inc.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago at their meeting on March 1 at the Adams Room of the Midland Hotel, will be addressed by J. Carlton Ward, Jr., President of the Vitro Corporation. Mr. Ward will speak on atomic energy and the Vitro Corporation and will comment on progress at home and abroad in the field of atomic energy and some of the investment implications of these developments.

Davis, Skaggs Branch

SAN JOSE, Calif. — Davis, Skaggs & Co. have opened a branch office here under the direction of V. N. Lundy.

Public Utility Securities

By OWEN ELY

Northern States Power Company

Northern States Power Company (Minnesota) and its subsidiary, Northern States Power of Wisconsin (together with several smaller subsidiaries), constitute the largest electric utility system in the West Central area, with annual revenues of $126 million. Over 85% of revenues are derived from parent company operations, 14% from the Wisconsin subsidiary, and less than 1% from the other subsidiaries.

About 86% of system revenues are obtained from electric operations, 12½% from gas, and the remainder from heating, telephone and water. Electric utility service is provided to about half the people in Minnesota, one-fifth of those in North Dakota and about one-tenth the population of South Dakota and Wisconsin. Of roughly two million people in the service area, about half live in Minneapolis and St. Paul and their suburbs, about one-quarter in cities and villages of 5,000 to 60,000 population, and about one-fourth in smaller towns and rural areas.

The territory served produces a great variety of agricultural products, and also has widely diversified commercial and light industrial activities. A number of industries are related to the farm economy of the area, such as flour milling, meat packing, soy-bean processing, and linseed oil extraction. Other industries include machine shops, ordnance plants, rubber tire production and refrigerator manufacturing. There are also "research" industries making such products as control devices, pressure-sensitized tapes, air-conditioning units, digital computers, hearing aids, etc.

While the West Central area is noted as an outstandingly stable area but not as a "rapid growth" section, Northern State Power's kwh sales have gained at an average rate of 7% per annum compounded in the past 25 years. System revenues since 1951 have grown from $88 million to $126 million, a gain of 41%; the increase for electric revenues was 38% and for gas 91%.

Pro forma consolidated capitalization as of Dec. 31, after adjustment for the current issues of $10 million preferred stock and about $11 million common stock, is approximately as follows:

	Millions	Per Cent
Long-Term Debt	$173	43%
Preferred Stock	90	22
Common Stock Equity (14,089,328 shs.)	139	35
	$402	100%

During the postwar period the Northern States Power system has spent about $327 million on its construction program, while $37 million property was retired, and there was a net increase of about $253 million in plant account. Construction requirements for 1956 approximate $40 million, about half of which is being raised through sale of bonds later this year (some short-term bank loans may also be utilized). The present issue of some $21 million in preferred and common stock will be used principally to retire $19 million bank debt.

Expenditures for 1957 are estimated at $39 million and in 1958 at $38 million, which funds will again be obtained about half internally and half through sale of securities, plus interim bank loans. The company does not anticipate any more equity financing until 1959 or perhaps 1960. The equity ratio, currently around 34.6% pro forma, is not expected to drop below 33% during 1957-58.

The company has been engaged in building up its generating facilities at a somewhat faster pace than the increase in peak load. Hence the margin of reserve capacity has now been raised to around 25%, giving the company a comfortable operating position.

Three 60,000 kw units were installed in 1949-52 and three 100,000 kw units in 1954-56 (the third should be ready for operation next November). With these new units the system has been able to increase its efficiency substantially, and Btu per kwh will probably drop below 13,000 this year. The relatively new "Black Dog" Plant at Minneapolis, with 300,000 capability, is now carrying over one-third of the system load. There are a large number of small hydro plants which last year contributed about one-fifth of total output. A major transmission system is now being developed to tie the company in with the Iowa and Wisconsin power pools.

The system buys its natural gas supply from Northern Natural Gas under 15-year contracts signed last fall. It also sells a small amount of LPG and manufactured gas (about 5% of the total). Recent developments have improved chances that the company will obtain further natural gas supplies, to substitute for artificial gas and to extend service to additional areas. Northern Natural Gas and Michigan-Wisconsin Pipe Line have applied for extensions, etc. which would permit some increase in supplies. Midwestern Gas Transmission Company, a new affiliate of Tennessee Gas Transmission, has requested FPC permission to construct a major pipe line from the Canadian border down through Minnesota and Wisconsin, which if granted would also be favorable. In general, therefore, the outlook for further rapid growth in the gas division appears favorable.

Share earnings last year were $1.16 compared with $1.10 in each of the two previous years, $1.06 in 1952 and 85c in 1951. According to Dow Jones, President King recently estimated earnings of 37c for the first quarter of 1956 compared with 34c in the same period last year, despite the planned sale of additional stock. Earnings for the calendar year 1956 are expected to be at least $1.16—the same as for 1955—absorbing the 5% increase in the number of shares. Mr. King stated that "the outlook for continued growth is excellent in the years ahead."

The stock has been quoted recently around 17½, paying 90c to yield 5.1%, and selling at about 15 times earnings.

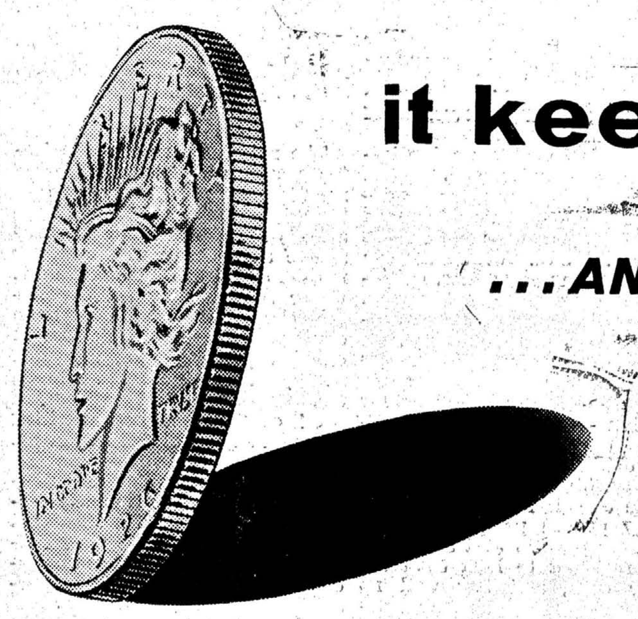
Five With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Peter D. Costigan, Edward C. Cronwall, Jr., Richard F. DeGraca, Fred E. Hollenbeck and Rollo H. Payne have been added to the staff of Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges. Mr. De Graca was formerly with Blyth & Co., Inc.; Mr. Hollenbeck and Mr. Payne were with Reynolds & Co.

New Quail Branches

DAVENPORT, Iowa — Quail & Co., Inc., members of the New York Stock Exchange, have opened an office at 274 Herbert Street, Alton, Ill., with William J. Fisher as representative, and at 1750 Overview Court, Dubuque, Iowa, with Hendrix Pichard as representative.



it keeps on rolling

...AND AMERICA PROSPERS

In 1955 our country produced more, sold more, built more and earned more for peaceful pursuits than ever before in a single year. More people held more jobs, made more money and acquired more necessities and conveniences for better living. It was a year of economic progress for the individual, for business and industry and for the nation.

Quietly behind the scenes was credit in its many applications, providing the massive, continuing flow of money that helped to make possible this unprecedented growth and prosperity. Consumer credit—installment financing—has been one of the big moving forces behind America's great economic upsurge throughout the last half century.

Associates is one of the nation's oldest, largest and strongest providers of credit—of dollars that roll and flow and move and work in the economy. Our largest field is automotive financing, but we serve still further with commercial financing of business and industry and personal financing of American families and individuals. In 1955, Associates alone provided over 1½ billion dollars of constructive, conservative financing—the kind of financing that keeps America great.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	Dec. 31, 1955	Dec. 31, 1954
CASH AND MARKETABLE SECURITIES	$ 85,724,980	$ 75,412,455
RECEIVABLES:		
Retail motor vehicle installment receivables	$649,982,667	$460,027,358
Wholesale motor vehicle short-term loans	81,398,810	38,290,322
Direct and personal installment loans	48,481,888	38,289,138
Commercial and other receivables	35,362,536	27,297,874
	$815,225,901	$563,904,692
Less: Unearned discounts	49,347,481	34,493,813
Reserve for losses	18,833,110	13,604,172
Total receivables, net	$747,045,310	$515,806,707
OTHER ASSETS	12,444,059	8,832,220
	$845,214,349	$600,051,382

LIABILITIES

	Dec. 31, 1955	Dec. 31, 1954
NOTES PAYABLE, short-term	$424,290,800	$262,574,200
TERM NOTES due within one year	34,720,000	36,270,000
COMMON STOCK DIVIDEND payable January 3, 1956	1,875,283	1,562,736
ACCOUNTS PAYABLE, ACCRUALS AND RESERVES	38,161,383	33,530,390
UNEARNED INSURANCE PREMIUMS	30,156,749	25,689,566
LONG-TERM NOTES	142,565,000	107,735,000
SUBORDINATED LONG-TERM NOTES	60,500,000	41,500,000
PREFERRED STOCK	22,500,000	12,500,000
COMMON STOCK	31,254,720	31,254,720
SURPLUS	59,190,414	47,434,770
	$845,214,349	$600,051,382

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year Ended Dec. 31, 1955	Dec. 31, 1954
Discount, interest, premiums and other income	$109,907,061	$ 94,199,209
Operating expenses	73,552,926	63,719,419
Net income before Federal income tax	$ 36,354,135	$ 30,479,790
Provision for Federal income tax	17,350,000	14,800,000
Net income	$ 19,004,135	$ 15,679,790
Consolidated net earnings per share of common stock after payment of preferred dividends	$5.86	$4.85

Associates

Commercial and Installment Financing

ASSOCIATES INVESTMENT COMPANY

ASSOCIATES DISCOUNT CORPORATION

and Other Subsidiaries

SOUTH BEND, INDIANA

Copies of the 1955 Annual Report are available on request

Continued from page 9

Nuclear Science Impact Upon American Industry

order. With perhaps a 11,000 ton **cruiser** ahead of them all! All of **these** will be possible long before **they** are economically practical. **Here,** again, factors other than **actual** costs will control.

Practical nuclear engines have been developed for propulsion of **military** airplanes, and have actually been flown in planes (powered by more conventional engines). It does not take much imagination to see these nuclear engines actually propelling the military planes like the Martin Seamaster specially designed for them; nor does it take much imagination to see the possibilities of such planes of enormous speed and power—and almost limitless cruising radius.

My imagination (and my crystal ball) fail me when it comes to early expectations of commercial atomic planes, or of nuclear-powered trains or autos.

Since nuclear power is—basically—generated largely as heat, we might do well to think of using this energy simply as heat, without worrying about conversion to electric energy or use for propulsion units.

Theoretically — but with economics not determined — atomic energy plants may someday operate large industrial plants like oil refineries or paper mills, heat large industrial or domestic areas, perhaps heat a military base in the Arctic, or furnish fresh water from sea water. These operations may not yet prove practical in areas like our won U. S., although waste heat from American plutonium reactors is used to heat part of the town of Hanford, Wash.

American industry — and you folks in the soap industry — will do well to think how your business will be affected if nuclear energy gives to foreign countries electricity, heat and water in quantities, at prices, and in areas not heretofore available. This could happen. Will it give you tougher competition? Cheaper raw materials? New and increasing markets?

Excepting political factors, these questions indicate the major impact of nuclear energy on American industry between now and 1980. The period 1955-1960 **may appear** somewhat quiet but we should remember that this time represents the building phase, with real results apparent when production actually starts.

I realize that it has long been popular to write or talk of approaching exhaustion of the world's supplies of fossil fuels—coal, oil, natural gas, etc., and that with each such pronouncement newly discovered fuel reserves made these warnings sound like the old cry of "Wolf," "Wolf." At the risk of again crying "Wolf" I remind you that "There **may be** a wolf—after all," We **can** see an end to American fossil fuels. At the predicted rate of consumption, they will be exhausted—so far as currently economic recovery is concerned — by the end of this century. The world as a whole is no better off: in the next 50 years alone, the people of the world will use as much energy as they have used since the birth of Christ!

Some additional sources are required: fossil fuels can no more supply the industry of the modern world than could the wood fuels of a century ago. The sequence is: wood — coal — oil — gas — nuclear—? ? It appears that there are enough nuclear fuels to last for many centuries. Perhaps Hiroshima and Nagasaki blasted the world loose from complacency and into construction—and just in time too.

III

Peaceful Uses Other Than Power

But atomic energy for bombs, heat or electric power represents the really gross uses of nucleonics and still leaves to us the numerous (and increasing) smaller applications of nuclear science. To paraphrase the Bible, this may be a case of "and after the fire and the wind came the still, small voice"—of science.

These smaller applications of nucleonics may prove just as important — and even more imminent — that military and power uses. I recently saw an official list of about 150 uses to which some form of atomic science is now applied industrially.

We can hardly talk of these special uses without bringing in the words, "isotopes," "radiation" and "tracers." Without getting too deeply involved it may be sufficient to explain these briefly.

Isotopes may be considered simply as different varieties of the same atomic species, or element. The isotopes—of the same element — all behave similarly — chemically — but vary in atomic mass and in many physical properties. Many of these isotopes—particularly those produced artificially—are highly radioactive and this property makes possible their use as "tracers."

Radioactive isotopes give off particles or certain types or radiation — some similar to X-rays — and these radiations can be detected by instruments or recorded on photographic film. This radiation cannot be destroyed (except by the passage of time) hence an atom of radioactive "tagged" carbon, for example, can be followed through any series of chemical or physiological reactions. It can be used to trace the life cycle of certain mosquitoes, the flow of oil in a pipeline or the exact buildup of complicated organic chemicals and medicines. The applications of radio isotopes as tracers are now so widespread—in industry, agriculture and medicine—that it is possible to mention only a few.

Industrial Uses

In industry radio isotopes are used to measure wear on tires and on gears and engine parts.

They help to locate leaks in underground pipes, to develop improved lubricants and to survey oil-bearing shales in very deep-drilled holes.

Rays from radio isotopes are used like X-rays to take radiographs of metal castings, etc., and thus reveal any hidden defects. Fifty dollars worth of Co^{60} does the work of $25,000 worth of radium and can be used on up to eight inches of steel. For thinner, or lighter, metals radio-caesium (Cs^{137}) can be used. Several pictures may be made, simultaneously, from a single source.

Certain radiation from radio isotopes is very penetrating, though absorbed in varying degrees by different materials. By continually measuring this radiation, it is practical to determine the nature and amount of materials between the radiation source and the detector. Thus beta-rays (from Sr^{90}) are used to measure —continuously and to an accuracy of 10 thousandths of an inch—copper sheeting being rolled at high pressures and at speeds of around 700 feet per minute. Similar equipment is used in paper, linoleum, rubber and steel industries.

Similarly, Co^{60} sources are used to measure and control levels of liquids under extreme conditions —where temperatures, pressures, or toxicities interfere with ordinary measurements. Accordingly, it is possible to measure levels of molten glass in closed furnaces, or of molten steel under molten slag in blast furnaces.

Radio isotopes are used to measure soil erosion and movement of silt.

In chemical analyses, raido isotopes have proved invaluable too. In the oil industry, hydrogen determinations — to a precision of 0.02 weight percent—can be made in five minutes. Vanadium can be detected in micrograms. Drinking water is quickly analyzed. Hydrogen/carbon ratios in hydrocarbons are easily established.

In addition to uses as tracers or as measuring instruments, radio isotopes — used as sources for radiation — promote certain reactions that might otherwise be very difficult to secure. Great new possibilities are opening up for the chemical industry; it has already proved possible to produce new plastics that are much more resistant to heat than the former ones, and this will no doubt greatly extend their possible uses. In the case of one plastic material (polyethylene), irradiation can increase the hardness, tensile strength and density of the product. This is but a single example.

There are many others.

Agriculture

In agriculture radio isotopes are used both as tracers and as sources for radiation.

By incorporating small amounts of radiophosphorus in fertilizers, and then using instruments to trace the uptake from the soil through roots, stem, leaves and blossom, agricultural experts can now determine the right amount of fertilizer to use in the most economical manner, and at the proper time in the growth cycle.

Radio isotopes help to show how much of a fertilizer is obsorbed by crops and how animals convert the crops into meat and milk. Similarly, by feeding a hen with radioactive phosphorus and calcium and then measuring the radioactivity of the egg, it is possible to find out how much of these elements is required in the process of egg production.

Snowfall and snow packs are remotely metered for water content—information used in irrigation and flood control — by burying a Co^{60} source in the ground and placing a shielded meter 15 feet above. Water equivalents up to 45 inches are telemetered with 5% error.

Similarly, moisture content of soil, grain, timber and stone may be determined.

Radiation is a valuable tool for the plant geneticists, who have already used radiation from isotopes to produce a new strain of rust-resistant oats, wilt-resistant tomato seedlings, and a peanut plant with 30% greater yield. These and similar developments will mean millions—perhaps billions—of dollars to farmers.

Irradiation of food and drugs has captured the public fancy—and millions of dollars of experimental funds. Both beta and gamma radiation from radio isotopes have been tried: undoubtedly radiation directly in a reactor will have possibilities.

Partial sterilization can preserve foods three days — three weeks without refrigeration. Trichina can certainly be killed in pork. Though all foods do not react alike to radiation, a reasonably well-balanced diet can be prepared of radiated food that has not been too greatly damaged in flavor or odor. Bacteria are certainly killed—unfortunately some vitamins are, too.

Either beta or gamma radiation of potatoes can prevent sprouting, at a commercially practical cost of around one cent per pound—which is not too far from freight charges in some areas. The U. S. Army expects to have in operation, by 1958, a plan to irradiate a thousand tons of food per month.

In addition, radiation can be used to kill insects in grain or fruits, and to sterilize medicines such as penicillin.

Medical Uses

The medical uses of radio isotopes and radiation have been most impressive and may prove of the greatest importance. We have already mentioned the use of Co^{60} source as a cheap substitute for radium or X-rays in radiography. Other sources may make possible cheap, light and portable equipment for use by doctors in examining and setting fractured bones, locating imbedded articles, etc.

Of course the most exciting work on radio isotopes lies in the field of malignancies — cancers, etc. Here progress has been phenomenal. Cobalt-60 is widely employed in hospitals for treatment of cancer; the rays from a radio-cobalt pellet are aimed at cancerous cells, which are more vulnerable (than surrounding normal cells).

Doctors hestitate to claim "cures" for cancers: they call them "arrested." But if I had the same information — or nerve — I would quote "Time" magazine which reported:

"It (radioactivity) can cure some kinds of cancer and promises to cure others."

Radio isotopes are of enormous importance in the diagnosis of certain diseases. It is hardly an exaggeration to say that they are revolutionizing diagnostic medicine. They aid in the detection of brain tumors. They shed new light on bodily processes such as metabolism, blood circulation, the formation of red blood cells and the spread of certain types of cancer.

Other radioactive techniques show promise in measuring liver and gall bladder function, which are important in diagnosis of disease of these two organs.

Radiosodium has been used in studies of the circulation, important to the understanding of heart disease. A tiny amount of radiosodium injected into a vein in the arm will give an accurate measurement of the time it takes the blood to reach the heart. The same isotope can be used to measure blood flow in coronary ailments. Radiosodium is especially suited to such applications because it decays rapidly.

When harmless doses of radioactive iodine are administered to a patient, the iodine concentrates in the thyroid gland, outlining it for a scintillation counter. Another instrument involving a scintillation counter also measures whether the thyroid gland is underactive or overactive. This is very much like measuring the U content of ore with a geiger counter. Ninty percent of hyperthyroid cases treated with I-131 are brought under control in two to four months.

Another interesting diagnostic technique involves the use of radioiodine in locating cancers of the nervous system. Radioiodine is built into a chemical compound which has a tendency to concentrate itself in brain tumors and thus can be precisely located for effective surgery.

Radiophosphorus has been used against leukemia. Leukemia is a sort of cancer of the blood stream in which great numbers of cancerous white cells are produced. Since radiation kills the abnormal cells somewhat more readily than other cells, patients may be given treatments of X-ray over the entire body. But a drink or injection of radiophosphorus into the blood stream accomplishes the same effect more conveniently and safely — killing the diseased white cells as long as it remains potent. Of course, neither X-ray nor radiophosphorus cures leukemia but both serve to make the patients more comfortable and extend their lives.

Summary

We have mentioned **atomic** bombs and the application of nuclear energy to production of power or to other peaceful uses —many of which are in the future. Perhaps—in commenting on the impact of nuclear energy on American industry — we should not try to look too far into the future and awake to the fact that the impact is already here—and will increase!

Atomic bombs—their production and potential use — represent a dominant factor in the military, economic and psychological thinking of our country. Imagine how the complete elimination of atomic bombs would affect (1) the size and disposition of our armed forces and our military budgets, (2) our whole problem of U. S. foreign aid and international trade, (3) our tax situation, etc.!

Economic atomic power is not yet here but is "just around the corner" and already affects our thinking on (1) distribution and location of manufacturing facilities, (2) costs of future production and (3) sociological effects on redistribution of people and products.

Finally, the numerous applications of nucleonics to medicine, agriculture, and manufacturing industries are **already** opening to us the doors of an **unbelievably** bright future. But we do not have to look to the future for "An Atomic Age." Ladies and gentlemen, we are in one! This Atomic Age was really opened, industrially, when President Eisenhower—in an address to the General Assembly of the United Nations, Dec. 8, 1953—just 12 years after Pearl Harbor—stated:

"The United States pledges before the world its determination to help solve the fearful atomic dilemma, to devote its entire heart and mind to find the way by which the miraculous inventiveness of man shall not be dedicated to his death, but consecrated to his life."

That this can be done was so finely stated by Adm. Lewis Strauss, who wrote—just 10 years after Hiroshima:

"My faith tells me that the Creator did not intend man to evolve through the ages to this stage of civilization, only now to devise something that would destroy life on this earth."

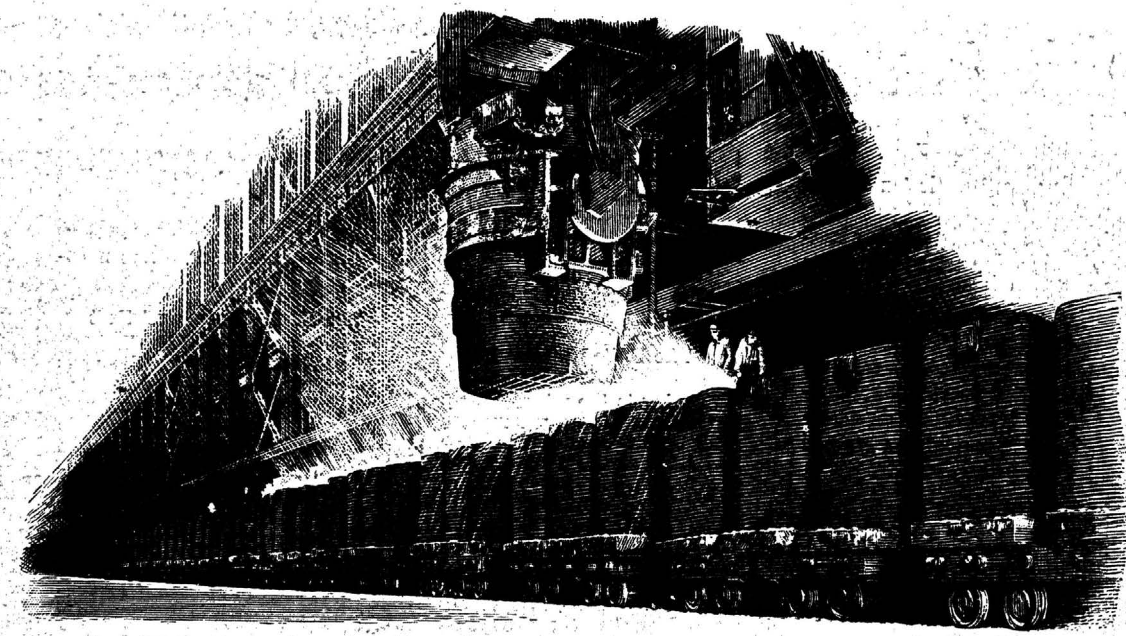
These two statements might well be the credo of American industry in an Atomic Age.

Harris, Upham Offers Inv. Course for Women

Mrs. Rose O'Neill, registered representative with Harris, Upham & Co., nationwide investment brokerage firm with 35 offices coast to coast, and members of the New York Stock Exchange, will conduct a series of two investment courses for women in the firm's 99 Park Avenue, New York office, on Monday, Feb. 27 and Monday March 5. Commencing at 7:30 p.m., the one-hour lecture — discussion periods will concern "The Stock Market and How It Operates" and "The Background of Individual Investment Planning."

A. J. Bellizzi With J. S. Strauss & Co.

SAN FRANCISCO, Calif. — A. Joseph Bellizzi has become associated with the trading department of J. S. Strauss & Co., 155 Montgomery Street. Mr. Bellizzi was formerly with Walston & Co.



Meeting the Demand

The following message from E. G. Grace, Chairman of Bethlehem Steel, appears in the company's Annual Report to Employees for 1955. If you would like to see the report, your request to us at Bethlehem, Pa., or the nearest Bethlehem office, will bring a copy to you promptly.

To the Employees:

It is very gratifying to report that our mutual efforts last year resulted in the production and shipment of more steel than ever before in Bethlehem's history.

The expansion and improvement of our facilities to meet a growing demand for steel products have brought benefits to our company and employees through increased production and earnings.

It was a notable year, one which showed that our large investments for growth have been bearing fruit. We cannot stop here.

The United States is growing and the steel industry must keep pace with that growth. Our rising population with its steadily increasing per capita consumption of steel creates a demand for goods using steel which must be supplied by private enterprise.

Bethlehem's response has been to launch the greatest expansion program in the company's history. Within the next two years we shall spend some $300,000,000 in adding more than 3,000,000 tons of annual ingot capacity.

In recognition of the needs of the country, the steel industry as a whole is planning the addition of 15,000,000 tons of annual ingot capacity in the next three years.

The financing of such a program is not an easy task. In the past, much of the expansion was brought about by improving or adding to existing installations. However, additions to capacity in this manner cannot continue indefinitely. In the future, the industry, and Bethlehem, must create entirely new capacity—integrated from raw materials to the finished product—to serve properly the demand of the public. This is much more costly.

For this reason we must maintain adequate earnings to attract investors and to have funds to put back into the business. This requires the maintenance of sound financial practices, realistic price and wage policies and continuing progress on the technological front. But, we must have also an enlightened public policy to assist us by means of sound government tax policies which will encourage expansion and development.

We have been presented with many problems in our endeavor to meet the great demand for steel that occurred during the last half of 1955. New problems will arise. But the response of our employees through record production last year shows what can be done.

I am confident that the demand for steel will remain strong throughout the year. Our shipbuilding prospects are improving significantly. In short, the immediate future is clear and promising. But the long range job, with all it implies, lies ahead. Production performance such as we had in 1955 will immeasurably ease our task.

The maintenance of steel as a free industry in a free economy is vital to our personal liberties. The growth of the industry is essential to our economy because steel is a basic ingredient. I am sure Bethlehem will do its part.

E. G. Grace
CHAIRMAN

BETHLEHEM STEEL

BETHLEHEM STEEL

Problems of the Domestic Mining Industry

By ANDREW FLETCHER*
President, St. Joseph Lead Company

Noted mining producer recommends an automatic tax on lead and zinc imports to resolve conflicting interests of producers, consumers and the Government. Tariff is found politically inexpedient and quotas too complex. Mr. Fletcher notes that exports are curbed when metals are short and questions why it does not follow that imports be curbed when metals are in excess supply. Cites deficiencies of stockpiling, bartering, free trade with subsidies, in making comparison to consumer savings resulting from allowing only "needed" imports and by stabilizing markets. Plan proposes a mobilization base level, set by consumer-industry board, around which the import tax would be imposed or suspended depending upon price direction.

We are all greatly concerned with finding a solution to the immediate problems of the domestic mining industry, and the lead-zinc branch of it in particular. Although an emergency solution was later reached in the form of the current stockpiling program, I hope none of you believes that the problems of domestic mining have all been solved. Actually they have only been concealed temporarily, not eliminated, and their resolution for better or worse should not much longer be postponed.

Andrew Fletcher

In considering measures that would bring a lasting solution to domestic mining's problems, I should like to confine my discussion to these two main points:

First: My reasons for believing that the maintenance of a healthy domestic mining industry is essential to the best interests not only of the domestic producers of metals but of the United States as a whole, and in particular of the domestic consumer of metals.

Second: An analysis of several methods of maintaining a healthy domestic mining industry. I will test each method by applying to it this four-point yardstick: Is the method effective, fair, automatic, and feasible? If not, it will not serve our purpose.

May I point out here that the St. Joseph Lead Company, of which I am President, has substantial investments in mining operations outside the United States, and is also one of the lowest-cost domestic producers of lead and zinc. Our organization thus has an appreciation of both foreign and domestic phases of the problem. Also, I would like to use the lead-zinc mining industry as my chief example because I am more closely acquainted with its activities.

Background for Discussion

Our past experience in studying solutions for mining industry problems makes it clear that if a program can be supported by everyone — producers, consumers, and the Government—its chances of succeeding are enormously improved. In working out such a program, these are some of the special considerations with which we must be prepared to deal:

The United States cannot avoid a position of leadership in the free world today. Therefore, we cannot avoid giving recognition to the effect on other countries of any action we recommend. By "giving recognition" I do not mean instant agreement with whatever our foreign friends ask of us! We should have the wisdom to determine what we must do to preserve our own strength, and to wit, the courage, and the tact to convince our friends that it must be done.

The economy of the United States requires a growing quantity of metals and minerals. These requirements have grown so rapidly, and our production has fallen so greatly, as to make the United States a net importer of many of them, for example, of copper, lead, zinc, petroleum and iron. We know that domestic consumers will demand an adequate supply of metals at a reasonable price, and we must admit that the adequacy of this supply depends, to some extent at least, on imports.

The present Administration in Washington, and it is likely any future Administration, will probably continue to resist any marked increase in tariff protection for domestic industries. I do not approve of that position. I simply state it as a condition that we must recognize.

The domestic mining industry is faced with the unpalatable fact that metals and minerals can, in general, be produced for sale more cheaply outside the United States than inside.

Therefore, whatever course we recommend must consider Administration foreign policy and the needs of domestic consumers, as well as the immediate problems of domestic miners. Is it possible to reconcile these seemingly conflicting interests? To put it quite simply, I do not believe that there can be much choice. We can reconcile these points of view because we have to, and we have to in the best interests of us all.

The Domestic Producer's Best Interests

I hope that current prices of lead and zinc have not dulled your memory of 1953, of 10-cent zinc and 12-cent lead. Keep that memory fresh in your minds, and remember, too, what caused those prices. The collapse of lead and zinc markets, and the closure of so many domestic mines, was the direct result of unrestricted and unneeded imports. This threat to domestic miners has not been wiped out by stockpiling. It can, and will, wreck our markets again and again until we find some equitable and feasible means to control it.

The problem is simply stated. Domestic miners are faced with steadily rising costs, the major elements of which are almost beyond their control. They cannot raise prices too high or they will encourage their competitors in other materials. They cannot sell as low as foreign producers can, because their lower grades of ore and higher wage scales make it impossible. The domestic producer cannot completely satisfy the domestic market, except when demand drops seriously. That is why excessive demands abroad can force domestic prices abnormally high, as they did after Korea in 1951, and excessive supplies abroad can force our markets down to a non-profit level for many producers, as they did in 1953. Domestic producers were powerless in both instances, and all they ask is a measure of protection should either occur again. Let us keep clearly in mind that our chief objective is to develop a long-range program that will at least protect domestic miners against ruinous floods of unneeded imported metals.

The United States' Best Interests

Turning to the mineral needs of the United States, we must consider both the peacetime economy and the defense requirements of the nation. In peacetime, some imports of the major non-ferrous metals are generally required. Therefore, it is not in the interests of either foreign producers or domestic consumers if we set up a scheme to exclude all, or a substantial part, of metal imports. The damage is done not by needed imports, but by unneeded imports.

As to the defense needs of the nation, I could cite no better authority than President Eisenhower's Cabinet Committee on Minerals Policy. In its report to the President, this Committee sought "ways and means of maintaining or achieving proper levels of efficient domestic (mineral) production required as an adequate component of the mobilization base." This Committee also recognized "that a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States," and throughout its report re-emphasized that the domestic mineral industry is "an important element of the nation's mobilization base." The truth of this statement is so obvious as to need no reaffirmation. The only problem is how best to assure the kind of thriving domestic industry we are all agreed is essential.

In line with the Committee's recommendation, the President did establish a temporary remedy for the ills of the lead and zinc industry. In lieu of the tariff protection recommended by the Tariff Commission, he set up the current stockpile program. Although this program did bring about higher prices for lead and zinc, it has not materially increased domestic production, which is still considerably below the output of 1951. It has been of at least as much benefit to foreign operators as it has to those of the United States—in fact, I have heard of foreign producers complaining that the existing London metal prices are so high that the competitive position of the metals in European markets is being adversely affected, and production too greatly stimulated. The stockpile program has therefore met the test of effectiveness and feasibility as far as the market price was concerned, but unless our government is willing to assure that stockpiling will be continued for five or even ten years and is willing to take the world surplus production of lead and zinc, then the stockpiling program falls far short as an automatic or fair device.

Also, in connection with stockpiling, let me warn you of the authorization that the Department of Agriculture has to barter through the Commodity Credit Corporation its agricultural surpluses for strategic and critical materials — in fact, I have been told that the production of fluorspar in Mexico has already been increased through an exchange for wheat, to the detriment of domestic fluorspar producers. The minerals obtained under barter agreements are not automatically placed in the government's strategic stockpile but are held in a supplemental stockpile, and without restrictions as to subsequent resale or use. The barter program may temporarily aid the farm problem, but in addition to possibly annoying many nations whose economies are based on agriculture, it will certainly create new and grave problems for metal producers and consumers. The lesson of history is plain that large-scale government interference in world commodity markets usually generates confusion and bitterness, and often solves nothing.

The U. S. Consumers' Best Interests

Next, let us consider the very important problem — the position of the United States consumer of metals. Many consumers take the view that they are concerned only with obtaining adequate supplies of satisfactory raw materials at as low a price as possible. The place of origin is of secondary importance. There may have been a time when this view could have been justified, but recent experience shows that it is rather shortsighted, if not untenable. Certain programs the mining industry has offered in the past have met opposition on the part of consumers, largely, I believe, because the consumers were not convinced that the programs, carried out over a period of years, would actually save them money. By presenting the facts on what has happened in the recent past, I hope to convince consumers of metals that their own best interests lie in helping domestic mining. I certainly do not expect that this job will be done on any one occasion or by any one man. It is a job in which we all must join, because our interests are indentical. The consumer belongs on our side; it is up to us to show him why.

Fortunately, in so doing, we do not have to deal in theory as to what might happen to consumers under various circumstances. We can cite what did happen to them, and I am prepared to show that what happend to them, in lead and zinc particularly, cost them more money than a market more favorable to domestic mining would have cost them.

First, let me outline the ideas we will have to work against. Imagine for a moment the results of following the free trader's suggestion of buying our metals wherever we could get them the cheapest. Production of metals would be stimulated abroad, and, in time, because of higher costs would decline in the United States. The number of U. S. metal producers would narrow down to a very few. Only the lowest-cost producers could survive. Mining's labor force, as well as its "know-how" would decline, and the domestic industry's customary markets would disappear except for those last few producers. But some manufacturers might view all this with equanimity because, after all, they would be getting metals from abroad at low prices.

Sooner or later, however, with domestic production greatly reduced, demand for metals such as lead and zinc would inevitably rise beyond the capacity of foreign producers alone to meet. Such a condition of world-wide scarcity could even happen almost overnight, as has recently happened in the copper industry. The simple force of industrial growth in the world will be enough to bring it about. Left uncontrolled, this situation would obviously result in competitive bidding for available supplies, and in turn, skyrocketing prices. Manufacturers in the United States would turn accusingly once more to domestic metal miners and call for help, just as they have done in past war years. But the next time there would be few to answer the call, and even with the best intentions in the world, it would take months or years to bring production back to anything like necessary levels. In the meantime, prices of lead or zinc or copper could and would climb beyond any levels they have hitherto reached.

I am convinced there is not the slightest intent on the part of any of my friends among foreign producers of metals to drive prices up at the expense of our domestic consumers. I am sure that they would resist to the best of their abilities an excessive upward movement of prices, because they know, just as we do, the very adverse effect of abnormal prices on our customers. My point is that regardless of their good intentions, they would be completely unable to control the forces thus set in motion. It simply cannot be argued that this would not happen because we have all seen it happen, last year and in the years immediately preceding, not just once but over and over again.

The London Metal Exchange must bear a part of the responsibility for this situation. Because so much metal outside the United States is sold on the basis of London Metal Exchange quotations, there are two points concerning it that U. S. metal consumers ought to realize. These are: (1) The London Metal Exchange (LME) has an extremely powerful effect on U. S. prices of metals, especially now that we are an importing nation; (2) prices on the LME are based on sales of relatively small tonnages of metal. Representing at best a thin market, the LME is therefore extremely sensitive,and its prices fluctuate quite rapidly and widely. In comparison, U. S. metal price quotations are based on actual sales to consumers. On the contrary, LME prices only rarely reflect actual sales to consumers. The LME supplies a means for hedging against price changes or of speculation; it does not, normally, supply metal for consumption. Therefore, the LME does not provide an accurate index of the true supply-demand situation in any given metal. Nevertheless, the LME exerts a powerful influence on U. S. markets, largely through the ebb and flow of foreign metal whose movements are based on LME prices. In general, the greater the influence of domestic metal in domestic markets, and the lesser the influence of imported metal in domestic markets, the less the influence of LME prices on U. S. prices and the greater the stability of U. S. metal markets.

Let me give you a few examples of metal markets where domestic consumers recently have had to pay extremely high prices because domestic mine output fell far short of demand and lost out to imported metal in influence on metal prices.

In copper, work stoppages in three of the five major producing areas of the world last year lost a total of about a month's output. At a time when the U. S. price was still 36 cents a pound, London Metal Exchange price of copper was up around 400 pounds, the equivalent of 50 cents a pound in the U. S. As always, in a rising market, the LME copper price led the U. S. price upward; just as in a weak market, the LME price has forced U. S. prices downward. Competitive bidding among consumers for the reduced available supply pushed the domestic producers' price up to 43 cents a pound, the highest level since 1872. Custom smelters sold at up to 50 cents, and grey market transactions went even higher. The recent behavior of copper prices is an excellent example for consumers of what happens when domestic producers are overwhelmed by runaway markets.

In mercury, beginning in about 1948, imports from Spain and Italy increased from 13,000 flasks in 1947 to 31,951 flasks in 1948,

*An address by Mr. Fletcher to the Colorado Mining Association Meeting, Denver, Colorado, Feb. 3, 1956.

103,141 flasks in 1949, and even 56,080 flasks in 1950. Most of the 1949 imports went to the strategic stockpile, but enough went to consumption to effectively submerge the domestic mercury mining industry. U. S. production of mercury dropped from 22,823 flasks in 1947 to 4,312 flasks in 1950. When U. S. demand picked up again with the Korean crises, U. S. mines could not possibly meet it. Imports continued at a high rate, but prices skyrocketed from a low of $70 per flask in mid-1950 to over $200 per flask in a matter of months. The high price has only recently begun to encourage U. S. mines to reopen because their owners well knew that they could not compete with the output of foreign mines on straight cost of production basis. Consequently, U. S. consumers of mercury will continue to pay high prices until such time as demand drops or U. S. producers build up production.

In potash, there was an even more striking instance of the effect of curtailed domestic output. In November, 1949, the Carlsbad, N. Mex., mines were shut down by a strike which thus cut off about 80% of potash production in the United States. Almost immediately the price of imported potash was raised from 65 cents a unit to 80 cents a unit, to the accompaniment of anguished cries from domestic consumers. Prices returned to normal again early in 1950 when production was resumed.

In tungsten, by way of contrast, under the encouragement of the G.S.A. floor price of $63 a unit, U. S. tungsten output has risen from less than one-fourth of our domestic requirements in 1950 to a point well above our peacetime requirements in 1955. However, the world price of tungsten is below the production cost of most domestic mines, and without the G.S.A.'s aid, the United States tungsten industry would collapse, which may well happen about June 1, 1956. At that time the funds available for the G.S.A. program will have been exhausted and no program to aid the U. S. tungsten industry is now in sight.

In antimony, one finds that the metal can be delivered in the United States from abroad at less than 30 cents a pound. To maintain a domestic antimony production would require a price between 40 cents to 50 cents a pound. At the present time, the United States antimony industry has been reduced to by-product production from Idaho. If a substantially increased demand should develop in this country for the metal, the price would probably behave as I have indicated for the other metals.

In uranium, we had little, if any, domestic production until the government established a very profitable base—now there is so much domestic production that the producers, not the consumers, are worrying as to what will happen after 1962. This is an excellent example of why the United States is not a Have-Not Nation!

In lead and zinc, the unreliability of imported metal as a source of supply for domestic consumers is most clearly shown. In 1951, at the height of the Korean Crisis when we desperately needed metal, imports of zinc dropped over 40% from the previous year's rate. Lead imports dropped 60% at the same time, because—higher LME prices had made it more profitable for foreign producers to sell outside the United States.

Within 12 months, the speculative orgy abroad had spent itself, metal was again in good supply, LME prices dropped, and metal came flooding back to the U. S. in search of dollars. Imports of zinc rose 270% in 1952; imports of lead rose 280%, both to all-time highs. Naturally, U. S. lead and zinc prices reflected these gyrations in imports. The dearth of foreign offerings in 1951 raised zinc to 19½ cents and lead to 19 cents in the U. S. In 1953, the flood of imports of both metals pushed zinc to 10 cents a pound and lead to 12 cents.

I'm sure I don't need to relate in detail what this flood of imports did to domestic lead and zinc mines. Let me point out only that domestic mine output of both metals fell from 388,164 tons of lead and 681,189 tons of zinc in 1951 to 318,985 tons of lead and 465,245 tons of zinc in 1954. Since then, even under the stimulus of the government's stockpile program, domestic output has risen only slightly. If demand should rise again sharply, domestic output could not keep pace, and sharp price increases would be inevitable.

The best light in which a consumer should view what has happened in lead and zinc, however, is the simple one of cost to himself. Let us take just a moment to see what the cost of lead and zinc has been during the period I have just described. Between 1948 and 1952, lead and zinc went through a cycle of dropping, rising, and dropping prices. For easier figuring, let us picture a consumer who regularly bought 50 tons a month each of lead and zinc all during this period. He paid $968,034 for his lead and $885,765 for his zinc in that time. If, however, there had been a steady market all that time at 15 cents for lead and 13 cents for zinc, he would have paid $900,000 for his lead and only $780,000 for his zinc. In other words, stable markets, even at prices that would then have been regarded as fairly high, would have saved him nearly $174,000 or about 10%.

Do you think this period was hand-picked, so to speak? Let's do the same thing for the last five-year period for which I have figures. In the period 1950 through 1954, our consumer would have spent $897,656 for 50 tons a month of lead and $835,408 for 50 tons monthly of zinc. At a straight price of 15 cents for lead and 13 cents for zinc, he would have spent more for lead, but his savings in zinc would have put him $53,000 ahead.

In the foregoing calculations, I assumed stable prices of 15 cents and 13 cents for lead and zinc because they seemed to me to strike a balance between levels that many consumers would have thought too high at that time, and levels that many of us thought were too low. Actually, with the wage increases granted in 1955, plus probable further cost increases in 1956, if the domestic mining industry is to be maintained on a profitable basis, the consumer should begin to think in terms of generally higher prices for all metals.

Let us then go on to consider how we can bring about a situa-

Continued on page 28

Continued from page 27

Problems of Domestic Mining Industry

tion of stable and fair prices in view of the fact that in general the cost of domestic production is greater than foreign production.

Tariff — A Simple Solution

The simplest and most obvious method, of course, is a moderate increase in tariffs on imported metals to equalize this disparity in domestic and foreign costs. Unfortunately, the political situation is such that whether under a Republican or a Democratic Administration it seems unlikely to achieve such tariff increases.

Actually, if the intent of Congress when it established tariffs on lead and zinc prior to the recent reductions of the so-called reciprocal trade agreements were to be followed, our tariffs would be well above present levels. Considered on a percentage or ad valorem relationship to former prices, we should now have tariffs on lead and zinc of around three cents a pound at least. At the risk of seeming repetitious after my talk at Las Vegas in October, let me just say that an increase in tariff on lead and zinc would have the following advantages:

It would immediately establish United States prices at a higher level than the rest of the world.

It would aid the American miner who needs help, but it would not unduly stimulate production from foreign miners.

Owing to the higher United States prices, the foreign producers could still market a portion of their output in the United States because they could afford to pay the tariff and still net the same world market price. The United States would thus receive sufficient imports to meet the requirements of our consumers.

The regular flow of lead and zinc ores among nations would still be subject to the conditions of supply and demand, and the automatic laws of the market place that are fundamental to our economy. As a consequence, we would avoid the serious risks attached to artificial devices such as cartels, subsidy plans, international stockpile balance wheels, or other forms of governmental experiments and controls.

In short, a moderate increase in tariff appeals to me as meeting the requirements of effectiveness, automatic operation, and fairness, but because of the present political climate, I am afraid one must regard it as not feasible.

In passing from the simple solution of the tariff to other methods, it is of interest to refer to a recent address by Mr. Dillon, our Ambassador to France, in which he commented that England pays under the much-discussed higher tariff on bicycles less duty to the U. S. than to any country excepting Denmark, and that under the higher duty more Swiss watches have been imported than under the lower former one.

Are Subsidies the Answer?

The free traders' answer to our problem is, of course, to eliminate tariffs, encourage imports of metals, and pay subsidies to any domestic miners who are injured as a result. Subsidies usually lead to stockpiling of surplus metals; they obviously burden the taxpayer; and they inevitably lead to government control of prices and production. All this, mind you, in the name of free trade! I urge you not to join the free trader in this distortion of the facts and proclaim that "Subsidized Industry Is Free!" I regret that I must pass

Continued on page 29

Continued from page 28

Problems of Domestic Mining Industry

over at this time a discussion of the faults of a differential subsidy plan, such as the World War II so-called Premium Price Plan, which would once more develop nothing but inefficiency for domestic mining. Let me simply say that by our yardstick, subsidies fail on the points of effectiveness, fairness, automatic action and feasibility.

Are Quotas Practical?

If one could trust implicity in the wisdom and speed of some governing body that would constantly and equitably adjust import quotas to just the amounts needed by domestic consumers in excess of domestic production — but no more than that — one could advocate a quota system with some enthusiasm. I can believe that quotas on the fairly simple importation of metals mighs be feasible, but the problem of establishing quotas on concentrate imports becomes very complex, owing to wide variation in grades and content of impurities. I am afraid that quotas for metals, ores, and concentrates, however earnestly they were handled, would be adjusted either too much, too little, or too late. Applying our yardstick to the quota system, I think you will agree that the method would be effective in curbing imports, but would fall short on the counts of automatic operation, fairness, and feasibility.

If the following suggestion covering an import tax is not politically possible, it is of interest to know that under the provisions of the Export Control Act of 1947, the Commerce Department is currently controlling the export of so-called "scarce" materials, such as scrap copper, aluminum, and steel, ostensibly to help curb inflation, but actually to keep metal prices down for the benefit of manufacturers. If Government power is to be used for that purpose when supplies are short, I respectfully submit the suggestion that the law be amended in 1956 to permit the establishment of quotas when metal supplies are in excess and are depressing the domestic mining industry.

Merits on an Import Tax

As each of the foregoing methods is either politically or "practically" unsatisfactory, we can turn to another method that has been partially applied to copper imports. That is simply an import tax that would be applied automatically to imported metals whenever the domestic price for a calender month averaged lower than a certain base level. The lengthy discussions of a sliding-scale import tax are probably still fresh in the minds of many in this audience. I will not pretend that I do not still think that the sliding-scale tax, as originally conceived, had much merit. However, for simplicity's sake, let us confine this discussion to the plain, fixed-unit import tax somewhat similar to that now existing for copper. This is how it would work in the case of lead and zinc.

A tax of two cents a pound would be applied to imported lead and zinc whenever the U. S. prices averaged below a so-called mobilization base level, which level might well be established initially by the Department of the Interior, possibly working with the Industry Advisory Lead and Zinc Committees and consumer representatives. If 1956 does not bring new wage, freight, and

Continued on page 30

Continued from page 29

Problems of the Domestic Mining Industry

other cost increases to non-ferrous metal producers, this base level might be set at lower than present market prices. The tax on concentrates would be 75% of that on metal, and on all imports it would probably be practical to consider the date of the bill of lading as the date for determining whether or not an import tax were due. If prices rose again and averaged higher than the base levels for a month, the tax would be suspended. There would be no sliding-scale feature, and the proceeds of this tax would go into the U. S. Treasury.

There is precedent for this type of tax legislation, as duties on lead and zinc were suspended with the approval of the domestic producers when the domestic prices for these metals during the Korean War were 19 cents for lead and 19½ cents for zinc and were reinstated when the prices fell below 18 cents. The initial four cent import tax on copper, which under the Reciprocal Trade Agreements was reduced to two cents, was suspended when the domestic price exceeded 24 cents, and the two cents has not been reinstated, as the domestic copper price has not again fallen to 24 cents. This principle having been accepted by Congress, the proposal of an import tax for lead and zinc should prove acceptable, especially with the automatic suspension of the tax when the domestic price is higher than the mobilization base.

Next, what would this tax do for the domestic miners? I believe it would solve their primary problem, the ironing out of the cost advantage enjoyed by foreign producers when the market price is below the mobilization base. Beyond that, this tax would tend to stabilize markets at about the base levels chosen because it would serve as an approximate ceiling as well as a floor. Thus there would be a tendency to end the boom-and-bust cycles of the last decade. These effects of the import tax would be of tremendous help of the majority of U. S. lead and zinc miners—but how would domestic consumers benefit? I have already indicated how U. S. consumers would benefit financially through stable metal prices, I think the tax would help bring this about. Beyond that, they would enjoy a steadier and more reliable source of metals in a flourishing domestic mining industry that would not, like the foreign producers, be inclined to seek the better markets.

How would foreign producers be affected? One would hardly expect foreign producers to be enthusiastic about the import tax, but at least they could take comfort in the fact that of all the devices the United States might adopt to insure a healthy domestic mining industry, this import tax is the least troublesome to them, except possibly a direct subsidy to domestic miners, or an indefinite continuation of stockpiling. There would be nothing but the present minor tariff on imported metals as long as prices were high enough to sustain domestic production. Foreign producers can hardly quarrel with that situation. When prices fell, the two cents tax would act to discourage excessive imports that could only drive prices lower for all producers. After all, a healthy mining industry in the United States is quite as essential a defense measure for other nations of the free world as it is for the United States. The import tax is a way of minimizing the inconvenience to other nations while we protect an essential industry of our own.

In conclusion, let me, for the last time, apply my yardstick to this method of the automatic import tax. Is it effective? Yes, possibly not as effective as quotas, but at least as effective as a tariff. Is it automatic? Yes, the mechanics could be clearly stated, easily understood, and would operate smoothly. Is it fair? Yes, because it protects the domestic miner, but does not penalize needed foreign production. It will sustain about the present market, and will increase market stability, Is it feasible? Quite likely. Only we, by our own efforts, can bring about a "yes," or fumble into a "no" to that last question.

Therefore, because it seems clear to me that an import tax, applied as I have outlined, most clearly approaches meeting the test of effectiveness, automatic operation, fairness, and feasibility, I recommend it to you for your further consideration. In the meantime, my associates and I in St. Joe, will stand ready to help in any way we can to carry to a successful conclusion this two-fold task before us all. First, to convince consumers of our products that maintenance of a healthy domestic mining industry is in their best interests; second, to work out an equitable method for reaching that goal.

First Boston Group Offers Aluminum Co. Common Stock at $87

A secondary distribution of common stock of Aluminum Company of America was made on Feb. 27 with the public offering by The First Boston Corporation and associates of 150,000 shares of the aluminum producer's stock at $87 per share. This stock represents a portion of the holdings of Arthur V. Davis, Board Chairman of the company, who will own approximately 6.5% of the common stock after this sale. Aluminum Company of America will not receive any proceeds.

The company and its subsidiaries constitute an integrated producer of primary aluminum, from the mining and processing of bauxite to the fabrication of aluminum and its alloys into semi-finished and finished products. Total net sales and operating revenues for the nine month period ended Sept. 30, 1955, amounted to $631,660,000 and net income was $68,134,000, compared with $523,016,000 in net sales and operating revenues, and $42,164,000 in net income for the comparable 1954 period.

With Sutro Bros.

(Special to THE FINANCIAL CHRONICLE)

KEY WEST, Fla. — Samuel C. Dobbs has become associated with Sutro Bros. & Co. Mr. Dobbs was previously with Oppenheimer & Co.

Hooker & Fay to Admit

SAN FRANCISCO, CALIF. — Henry D. Babcock, member of the New York Stock Exchange, on March 1st will become a partner in Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

William W. Cabell

William Wymond Cabell, partner in Branch, Cabell & Co., Richmond, Virginia, passed away on February 14th.

Kleeman Heads Inter-American Affairs Committee

Arthur S. Kleeman, President of the Colonial Trust Company, New York, has been appointed Chairman of the Inter-American Affairs Committee of the Avenue of the Americas Association, it was announced today by Richard L. Maloney, Jr., President of the Association.

Arthur S. Kleeman

Mr. Kleeman has long been interested in international banking and trade, having been one of the incorporators of the Avenue of the Americas Association, and has long been active in the development of trade between the Americas through the facilities which Colonial Trust Company has made available to banks and businessmen of the Latin-American republics.

Mr. Maloney, who is also President of the New York Savings Bank, said that Mr. Kleeman's Committee hoped to present a broad program of activity for the promotion of the Avenue as a center for Inter-American trade and culture.

San Fran. Clearing House Elects Officers

SAN FRANCISCO, Calif.—The San Francisco Clearing House Association, organized Feb. 4, 1876, held its 80th Annual Meeting Feb. 14.

The following officers were elected:

President: Elliott McAllister, Chairman, The Bank of California, N. A., San Francisco, Calif.

Vice-President: James K. Lochead, President, American Trust Company, San Francisco, Calif.

Secretary: E. H. LeMasters, President, Pacific National Bank of San Francisco, Calif.

The President and Vice-President being ex-officio members, the following were elected members of the Clearing House Committee: S. C. Beise, President, Bank of America N. T. & S. A., San Francisco, Calif.; I. W. Hellman, President, Wells Fargo Bank, San Francisco, Calif.; Paul E. Hoover, President, Crocker-Anglo National Bank, San Francisco, Calif.; T. P. Coats, Chairman of the Board, First Western Bank and Trust Company, San Francisco, Calif.

The Manager of the San Francisco Clearing House is Russell W. Schumacher and the Assistant Manager is Howard H. Huxtable.

F. L. Salomon to Admit

On March 1st F. L. Salomon & Company, 29 Broadway, New York City, members of the New York Stock Exchange will admit Daniel D. Brockman, Samuel B. Camiel and Louis Brockman to limited partnership.

Dean Witter to Admit

SAN FRANCISCO, CALIF. — Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges, on March 1st will admit Bequita Monfort to limited partnership.

Eugene Scofield Opens

Eugene Scofield is engaging in a securities business from offices at 286 Fifth Avenue, New York City.

Federal vs. State Sovereignty

By HON. HERBERT BROWNELL, JR.*
Attorney General of the United States

Administration's Attorney General describes Federal and state dual sovereignty as a two-level governmental system of complementary, mutual strength rather than a source of conflicting claims for power. In depicting judicial precedent as a guide, Mr. Brownell believes the problem now is determining by political, economic and administrative standards a better division of responsibility. References made to judicial precedents include: (1) the contributions of John Marshall; (2) invalidation of only ten Congressional Acts between 1789-1873; (3) reaffirmation of state's rights under Taney, and during 1890-1900; (4) Chief Justice Hughes' resurrection of national power; and (5) distinction made prior to 1941 between "direct" and "indirect" effects on state power.

As has aptly been said, Federal governments are not the offspring of political science; they are the product of economic and social pressures. Such was the origin of our Union. The government that preceded the United States was a collaborative arrangement of 13 states which, in pursuit of legal sovereignty, was in danger of self-destruction. This was particularly evident in the instance of states having no convenient ports for foreign commerce. As a consequence they were taxed by their neighbors through whose ports their commerce was carried on. In the classic analysis of Madison, N. J., placed between Philadelphia and New York, "was likened to a cask tapped at both ends," and North Carolina, between Virginia and South Carolina, "to a patient bleeding at both arms."

Herbert Brownell, Jr.

To overcome the defects inherent under the Articles of Confederacy, the framers of the Constitution established a central government supreme in its sphere, with power to protect the economic interests common to all the states and to enforce its authority directly upon the people, not merely by grace of the states.

In order to correct prior inadequacies and abuses, the Constitution was drafted so as to enumerate specific restrictions upon state and national power. For example, the states are forbidden to impair the obligation of contracts, to coin money, to lay tonnage duties, or to make treaties. Conversely, the Federal Government is forbidden to tax exports, or to lay a direct tax not apportioned accordingly to population, or to give preference to the ports of any state. On the other hand, the Federal Government was given certain specific powers: to coin money, for example, and to declare war. But it is not the particularized provisions which so often raise thorny problems of construction. The really troublesome questions as to the distribution of power between state and nation more usually arise in the application of the comprehensive clauses giving Congress the power "to regulate commerce . . . among the several states" and "to lay and collect taxes." They arise also from the implications of the fact that we are a union of states.

Inevitably, therefore, the interplay of forces within a federalism is largely moulded by judicial interpretation. We need only touch the periphery of the body of Supreme Court opinion to view a few of the developments of the Federal-State relationship in its sovereignty aspect.

*An address by Attorney General Brownell before the Fordham Law Alumni Association, New York City, Feb. 11, 1956.

Reading of the Court's opinions vividly reflect the struggle throughout our history for supremacy by each of the two sovereign systems. The high points of public clamor for the state's occupancy of paramount position was most evident immediately after the adoption of the Constitution and, again, in the pre-Civil War era. During the first period, the Court, under Marshall's brilliant leadership, was able to command sufficient respect for its emphasis on the need for strong Federal powers to quiet the fears of the public. I need not detail the result of the second states' rights surge.

At other times we have observed stronger concepts of nationalism leading the Court in its shaping of Constitutional doctrine. For example, in the 81 years from 1789 through 1869, only four Acts of Congress had been declared invalid. Yet, in the four years from 1870 to 1873, six of such Acts were held unconstitutional. Some of our landmark cases in the Supreme Court portray the pulls and stresses among our people as groups of opposite opinion looked to the Court for support of their position.

Looking back, it is interesting to observe that the very first three suits entered in the Supreme Court involved the question of state sovereignty. The right of the Federal judiciary to summon a State as a defendant had been the subject of deep apprehension and active debate at the time of the adoption of the Constitution. But the existence of any such right had been disclaimed by many of the most eminent advocates of the new Federal Government. And it was largely through their dissipation of the fear of the existence of such Federal power that the Constitution was finally adopted. Yet, in spite of such disclaimers, the first suit filed with the Court at its February Term in 1791 was brought against the State of Maryland by a firm of Dutch bankers as creditors; and the question of State sovereignty became at once a judicial issue. The next year, at the February 1792 Term, a second suit was entered by an individual against the State of New York; and, at the same time, a suit in equity was instituted by a land company against the State of Virginia. These suits aroused great alarm among those who feared that the independence of State Governments might be lost in the increasing growth of the Federal Government. But the issue was squarely decided in still another proceeding in the Supreme Court. In 1793, in *Chisholm v. Georgia*, a suit was brought by two citizens of South Carolina as executors of an English creditor of the State of Georgia. The state hotly declined to appear to defend the suit, denying the jurisdiction of the Supreme Court to entertain such an action. To the general surprise, the Court, under Jay, held that a state could be sued in the Supreme Court by an individual. Within two days of the handing down of the decision in *Chis-*

holm v. *Georgia*, a Constitutional Amendment was introduced into Congress depriving the federal courts of all jurisdiction in cases brought against a state by citizens of other states or of any foreign country. This was ratified in 1798 and became the Eleventh Amendment.

As history unfolded, the action of the Court in that case set the stage for the several decades of the Marshall Court. Inquiry into almost any phase of Constitutional doctrine usually begins with the opinions of the great master, John Marshall. As we know, there is no doubt as to the position of Marshall on the basic issue of sovereignty. His nationalism was boldly and eloquently proclaimed in case after case. Here, in this period and in these decisions, we find the birth of those concepts of Federal Sovereignty which were to contribute such vitality and strength to the infant nation. In such important areas as interstate commerce, banking, and contractual rights, among others, this brilliant jurist marked out many of the important lines of division between the permitted reach of state and national powers.

In *Gibbons* v. *Ogden*, for example, Marshall told the State of New York that its grant of an exclusive charter for Hudson River navigation was offensive to the commerce clause of the Constitution. "This power," said Marshall, "like all others vested in Congress, is complete in itself, may be exercised to its utmost extent, and acknowledges no limitations, other than are prescribed in the Constitution."

In *Cohens* v. *Virginia*, Marshall, in pointing out that "The general government, though limited as to its objects, is supreme with respect to those objects," gave us the teaching that the "constitution is framed for ages to come, and is designed to approach immortality as nearly as human institutions can approach it."

Perhaps the real core of Marshall's legacy lies in the view that although the Constitution is the supreme law of the land, it must not lose contact with the daily affairs and needs of its people; that it is living law, even when it collides with the will of the legislature, state or Federal; and that the judiciary, with the Supreme Court at its apex, is the natural and final interpreter of the Constitution.

There is much to choose from in Marshall's opinions on the subject of the state and Federal sovereign system. For me, his language in *McCulloch* v. *Maryland*, never loses its vibrancy. In that case, you many recall, the State of Maryland sought to impose a heavy tax upon the Maryland branch of the Bank of the United States through assertion of its sovereign right to tax instrumentalities within its boundaries. Marshall's opinion in the case is commonly regarded as his greatest state paper. The opening paragraph is itself a masterpiece of writing. He recognizes, at the outset, that the adjudication of a contest over sovereignty between a state and the national government imposes upon the Court an "awful responsibility" which, nevertheless, must be discharged to avoid the possibility of continued hostility.

Coming to the heart of the crucial questions, Marshall laid down, for the guidance of generations to come, enduring Constitutional principles. This one, for example: "In considering this question, then, we must never forget, that it is a *Constitution* we are expounding." And the familiar statement that the Constitution is "intended to endure for ages to come, and, consequently, to be adapted to the various crises of human affairs." The opinion also includes the t h o u g h t f u l statement that "The Constitution must allow to the National Legislature that discretion, with respect to the means by which the powers it confers are to be carried into execution, which will enable that body to perform the high duties assigned to it, in the manner most beneficial to the people." On the familiar theme that "the power to tax involves the power to destroy," the Court held that the states have no power, by taxation or otherwise, to impede or control constitutional acts of the Congress. It was here, too, that Marshall announced the implied powers doctrine — the most pregnant instrument which has yet been devised for giving breadth to national powers.

In our "case or controversy" system of law, the situations which prompt adjudication of Constitutional questions largely reflect the clash of differing opinions of the day. During the early days of the courts, the impact of state and Federal law on property rights were outstanding issues. It was probably not until the 1860's that a discernible change occurred in the character of litigation before the courts and the consequent development of Constitutional doctrine on sovereignty in relation to personal rights and community welfare. This change reflected the sharply different social and economic conditions and political atmosphere of the times. For the period from 1830 to 1860 was an era of liberal legislation — the emancipation of married women, the abolition of imprisonment for debt, the treatment of bankruptcy as a misfortune and not a crime, prison reform, homestead laws, abolition of property and religious qualifications for the electorate, recognition of labor unions, and liberalization of rules of evidence. Of course, the revolution in business and industry methods, in means of transportation, and the expansion of the nation's activities provided the great stimulus for a new outlook by the Court.

To the Court under the leadership of Chief Justice Taney, the paramountcy of national power within the sphere of its competence was of equal but no greater importance than complete maintenance of the reserved sovereignty of the States. Neither was to be unduly favored or promoted. Under his aegis, there took place a rapid development of the doctrine that the State possessed great powers to provide for its people through the police power. Taney's views were made especially plain in the *Charles River Bridge Case*. There, he cautioned against depriving the states of "any portion of that power over their own internal police and improvement, which is so necessary to their well-being and prosperity."

Under Chief Justice Taney, the Court particularly reflected a departure from Marshall's conservative nationalism in the interpretation of the commerce clause. To Marshall, the clause granting the

Continued on page 32

Continued from page 31

Federal vs. State Sovereignty

power to regulate interstate commerce deprived the states of such power. In Taney's view, the states could be deprived of this power only by appropriate legislation by the Congress and then only if the state action was in irreconcilable conflict with federal legislation. The supremacy of the national government in this field was not thereby disputed; Taney merely insisted that the national legislature make its will explicit if state action were to be invalidated under the commerce clause.

There is no doubt that this much-maligned Chief Justice, whom we now recognize as a great jurist, personally detested slavery, but who was fearful over the prospect of violent disunion. Quite apart from the unfortunate *Dred Scott* decision, we are able to observe Taney's deep concern over the possibility of undue infringement of the power of the states to enact legislation necessary to the welfare of their citizens. Because of this concern, Taney is regarded as a vigorous champion of so-called state police powers.

The question whether a state statute which is otherwise a valid exercise of the state's police power has been suspended, superseded, or displaced by a federal statute, enacted pursuant to the paramount power of Congress over the subject matter under the Constitution, has been before the Supreme Court many times. Usually, though not invariably, the basis of the assertion of the superior federal authority has been the commerce clause.

In the development of judicial decision on the commerce clause we find reflected many recurring issues bearing upon our system of dual sovereignty. It was to be expected, of course, that with the tremendous industrial expansion, aided by the large influx of immigrants, the approach of the 20th Century would find this Constitutional provision a subject of considerable litigation.

Beginning about 1890, the country held to the theories of *laissez faire*, which boil down to the idea that the less government interferes with business, the better for all. By then, the Court had firmly established the principle that any state law which affects interstate commerce to such an extent as to regulate it, is void. This doctrine permitted business interests to spread over the country without much regard to state lines.

However, with Congressional entry into fields of comprehensive regulation of economic enterprise, beginning with the Interstate Commerce Act of 1887 and the Sherman Act in 1890, the Court proceeded to set up state power as a limit upon the scope of national legislation. The Sugar Trust decision in 1895 is illustrative of the Court's new concept as it affected Congressional legislation. Here, the Anti-Trust Act was held not to apply to a combination of sugar refiners who were conceded to control 98% of that necessary product. Chief Justice Fuller, speaking for the Court, reached this result by labelling the effects of the combination of producers upon commerce among the states as "indirect" and, therefore, beyond Congressional power. Additionally, manufacturing was held not to be commerce. In a number of cases, the Court held that production and mining, along with manufacturing, were subject to state regulation and taxation on the ground that such activities were purely local and not interstate commerce. In following this reasoning, the Court, in 1918, went so far as to hold that Congress could not bar from interstate commerce goods produced by child labor.

However, after 1900, a much larger body of cases established the power of Congress over intrastate transactions. The modern doctrine is regarded as stemming from the opinions of Mr. Justice Hughes in the *Minnesota Rate Cases* and the *Shreveport Case*. These hold that the federal power extends to intrastate acts which are inseparably commingled, either economically through forces of competition, or physically, with interstate transactions so that the latter cannot be controlled unless the intrastate acts also are controlled.

In the years prior to 1941, the constitutional boundary between state and federal power in the area of interstate commerce was customarily phrased in terms of "direct" or "indirect" effects. This led the Court to hold, in 1936, that labor relations in the coal industry only "indirectly" affected interstate commerce, and therefore were outside national legislative competence. It was so held although labor disputes might obstruct not only commerce in coal but the railroads and many interstate manufacturing industries as well. Within a year, however, the coal case was discarded in cases holding the National Labor Relations Act validly applicable to factories shipping goods in interstate commerce. More recently, Mr. Justice Stone shifted the emphasis from the "directness" aspect to the standard "whether the regulation was an appropriate means to the attainment of a legitimate end." His opinion in the *Darby* case, upholding the application of the Fair Labor Standards Act to a lumber manufacturer shipping in commerce, also re-established for the future that the Tenth Amendment, as its words proclaimed, only reserved to the states what had not been granted to Congress, and therefore was not a limitation of its enumerated powers.

Decisional law on the sovereignty question necessarily presents emphasis on the conflicting claims of each system to supremacy. It is not able, within its limited function of adjudication, to picture the large areas of reconciliation and progress through cooperative effort and the exercise of powers possessed by each. We have more and more come to understand that the national government and the states need not and should not be regarded as competitors for authority. Rather, wisdom has dictated that we recognize two levels of government cooperating with or complementing each other in meeting the demands upon both. Especially significant has been the increased recognition of the importance of state and local governments as essential and necessary elements in an effective system of government.

Experience has shown that both in theory and in result this dual system of sovereignty possesses the necessary degree of flexibility to meet the crises of the present and future as successfully as it has met them in the past. A proceeding now pending in the Supreme Court illustrates the view that in the important area of seditious activities, for example, there is room for legislative action by the states, notwithstanding Federal legislation. Thus, the Government, as *Amicus Curiae*, in the *Nelson* case, has taken the position that to warrant a holding that state legislation which is otherwise a valid exercise of the state's police power has been superseded or suspended by an act of Congress dealing with the same subject matter, the Congressional act must be in irreconcilable conflict with the state act, or the Congressional intent to occupy the field exclusively must othewise appear. This principle, having its roots in early Constitutional history, is believed by the Government to permit the Commonwealth of Pennsylvania as an essential attribute of sovereignty and in the exercise of its police power, to proscribe and punish advocacy of the violent overthrow of organized government, at least in the absence of clear Congressional purpose to preempt the field.

It seems quite clear that if we bring to our governmental system patience, understanding, and a will to act wisely and effectively, both a proper and effective balance will be maintained. In this relationship, responsibility is a large ingredient. As well put by The Commission on Intergovernmental Relations in its 1955 Report to the President: "The States have responsibilities not only to do efficiently what lies within their competence, but also to refrain from action injurious to the Nation; the National Government has responsibilities not only to perform, within the limits of its constitutional authority, those public functions the States cannot perform, but also to refrain from doing those things the States and their subdivisions are willing and able to do."

In terms of Constitutional power and prohibitions, judicial precedent affords many guides to a determination of what may or may not be undertaken by either the State or Federal Government or both. But this, it seems to me, is not the most pressing question in our present state of development. The problem is, rather, to determine the most prudent and effective means for satisfying national needs through proper divisions of responsibility. These are mainly questions for legislative judgment and the standards to be employed are chiefly economic, political, and administrative. The drive is, as it should be, on mutual and complementary undertakings in furtherance of common aims. Given central strength and local freedom of action as we enjoy them today, there is no impediment to the attainment of an enduring, peaceful and prosperous nation through continued reliance upon our dual system of sovereignty.

Salomon Bros. Places Pfd. Stock and Notes

Salomon Bros. & Hutzler on Feb. 28 announced that it has arranged direct placement of 224,880 outstanding shares of Kerr-McGee Oil Industries, Inc. 4½% cumulative prior preferred stock (par $25) and a new issue of $5,500,000 Thorp Finance Corp. (Thorp, Wis.) 4% promissory notes due Feb. 1, 1966.

John J. O'Brien Partner

CHICAGO, ILL. — Philip W. Smith, Jr. on March 1st will acquire a membership in the New York Stock Exchange and will become a partner in John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Jacob Treff Opens

Jacob I. Treff is conducting a securities business from offices at 1195 Sherman Avenue, Bronx, New York.

William Baylis

William Baylis passed away February 15th at the age of 74 after a brief illness. Before his retirement he was associated with Finch & Wilson and Delafield & Delafield.

Role of Faith and Bulldozers For Greater Economic Progress

By BENJAMIN F. FAIRLESS*

President of American Iron and Steel Institute
Chairman of the Executive Advisory Committee
United States Steel Corporation

Mr. Fairless stipulates factors promoting progress to be: (1) understanding and acceptance of our economic system; (2) mutual faith in each other; (3) overcoming hindering laws and customs; (4) stable, orderly government, and (5) do-it-yourself spirit. Exception is taken that "men should work." The aim of man is held to be creation of maximum goods and services with a minimum labor accomplished by machines that will do more work in less time.

It seems that every time an inventor designs a machine to do the work of two or more men, there are always a few persons around to call him an enemy of the people. To listen to those misguided and short-sighted persons, you would think that the objective of life on earth is not that men should work fruitfully, but just that men should work, period. They don't seem to care whether or not the labor produces any needed goods and services. I sometimes suspect that those persons believe that the best way to encourage prosperity and progress would be to destroy all the bulldozers and go back to moving the earth with spades.

Benjamin F. Fairless

True enough, the hand-labor method of building roads and dams would guarantee full employment. In fact, that system did guarantee full employment for the slaves who built the pyramids in Egypt. And today, it is still guaranteeing full employment in Communist China and other nations that have few bulldozers and other capital equipment. Of course, it doesn't provide adequate food, clothing, housing, medical care, or other necessities and luxuries that people want. But, even so, it definitely does provide full employment for everybody — including the old women in Russia who sweep the streets of Moscow with crude brooms made from tree branches.

Capitalism's Progress

Some day, I predict that mankind in general will finally understand that the purpose of the capitalistic economy with its free and competitive market is to provide everyone with maximum goods and services at a minimum amount of labor. That is exactly what it does. And when enough of us finally grasp the full meaning of that idea, we can then devote our united thoughts and efforts to doubling our production and standards of living while steadily decreasing our hours of labor. The only possible way we can do that is to invent and design machines that will do more work in less time.

But we can never accomplish that objective unless we understand it, have faith in it, and oppose all laws and customs that discourage it. That's why I would like to discuss with you for a few minutes the subject of faith, bulldozers, and progress. And I'll begin with the little girl who was told in Sunday School that faith could move mountains. In her prayers that night, she decided to test the idea by requesting the removal of a small hill near her home.

Now it so happened that the Park Commission had previously decided to build a playground there. So the next morning when the little girl went out to see if the hill was gone, by a sheer coincidence, she found three large bulldozers leveling it out.

She watched the machines and listened to the operators until the job was done. Then the little girl decided she should give thanks to Heaven for such prompt and efficient service.

She finished her thanks, hesitated a moment, and then added: "Maybe I shouldn't tell on them, God, but you should have heard the language used by your angels!"

Well, I'm willing to admit that the little girl was not entirely accurate in thinking that The Moles and their bulldozer operators are angels. And I've always heard it said that you tunnel and heavy construction men talk straight, blunt, and to the point—and maybe even cuss a little. But I still share that little girl's belief that faith *can* move mountains. In fact, the theme of my brief remarks is that there would be no progress at all, without faith.

I could give you hundreds of examples of mountains that have been moved by this combination of faith and bulldozers. But you men know them better than I do. Your daily work is to move mountains and fill in valleys; to divert rivers or to tunnel under them; to build dams and bridges and roads. If there were no men with bulldozers—if there were no heavy construction industry—our present rapid progress toward a better standard of living for everyone would come to a sudden stop.

Faith

Now, some of you may be of the opinion that, in this combination of faith and bulldozers, the bulldozers contribute more to progress than does faith. If so, you'll appreciate the attitude of the man who was working in his garden one day when the minister came by. The good reverend said to his parishioner "That's a fine garden you and the Lord have there."

The gardener replied: "Yes, I know. But you should have seen what a mess it was when only the Lord was working it!"

Well, I'll also agree that faith alone is not enough, and that it's a pretty good idea to have plenty of earth moving equipment handy when you've got a mountain to move. But let's not sell the faith part of that combination short.

For example, it has been my pleasure and privilege to help make many agreements with you contractors to "move mountains" for United States Steel throughout our own country, and even in foreign countries. Now suppose I had no faith in you as honorable and dependable persons. Well, of course there would be no contract—regardless of how much equipment you owned. The mountains

*An address by Mr. Fairless at the Moles Award Dinner, New York City, Feb. 2, 1956.

would continue to provide beautiful scenery, but nothing else.

And, in turn, if you had no faith that the management of United States Steel would keep its agreements, you wouldn't even talk about moving mountains for us—regardless of how much we might want them moved. It works both ways. Without this mutual faith in the intentions and capabilities of each other, progress would stop.

I am pleased to report that among you excavators and builders, your word has always been better than gold. I am sure it will continue to be. I have no doubt but that this combination of faith and bulldozers will continue to move any mountains that need moving. And of the two, I suspect that faith is the more important.

For example, suppose we had no faith in the builders of airplanes, or in the pilots who fly them? There would be no aviation industry. That same idea holds true for the automobile, construction, and all other industries.

Suppose our customers lost faith in the intent and ability of the management of U. S. Steel to serve them. We would soon be out of business. Thus, we are always careful to keep our promises —even if it is costly to do so.

As you know from your own experiences, it's not too easy to make and keep money these days —what with high taxes and high costs for everything. So we don't exactly enjoy taking a loss on any contract. But we would far rather take a monetary loss than to go back on our pledged word and have our customers lose faith in the integrity of U. S. Steel and its management. For, when that happens to a company or a person, they're both through. We can always build new steel mills and bigger and better bulldozers. But it is far more difficult to rebuild a destroyed faith.

Role of Government

Just as that idea applies to a person or a company, just so does it apply to a government. Now, I'll admit that for most of the past 25 years, I haven't always been happy with everything that's been going on down in Washington. But at no time have I ever lost faith in the essential soundness of our political system and our ability to govern ourselves.

I especially appreciate the value of our stable government with its orderly elections when I look at the situation now existing in various foreign nations. In some of them, conditions of near anarchy are retarding progress. Others are governed by brutal dictatorships. In both cases, most of the people have little faith in their governments, and the governors have little faith in the people.

Progress

When that mutual faith is completely lost, there can be little or no progress. Even a plentiful supply of bulldozers and other capital goods aren't of much value at that point. Again, there can be no real progress without faith.

And also again, faith alone won't bring progress unless it is shored up with a generous portion of the do-it-yourself spirit. That idea was spelled out some 2,500 years ago by Aesop in his fable about the lark that built her nest in the middle of a wheat field.

One day as the farmer and his sons were looking over the ripening wheat, the farmer said: "Tomorrow we'll invite our friends to come and help us harvest the crop."

The lark heard the conversation but didn't bother to leave the wheat field. She knew she war in no danger.

A couple of days later, the lark heard the farmer say: "Tomorrow we'll invite our relatives to come and help us harvest the wheat."

Again, the lark sat tight in her nest.

The next afternoon, the lark heard the farmer tell his sons: "Early tomorrow morning, we ourselves will harvest the wheat."

That night, the lark took her young ones and moved over into another field where the owner was still waiting on someone else to do his work for him.

This same do-it-yourself spirit is also well illustrated by a favorite story of my good friend, the late Phil Murray. As he told it, a Catholic priest and a Protestant minister went to a prize fight together. As one of the fighters left his corner for the first round, he crossed himself. The minister turned to the priest and asked: "Do you think that will help him any?"

The priest replied: "It will if he can fight."

You tunnel and heavy construction men also understand that faith without good works won't move any mountains. Progress requires both faith and bulldozers.

Now when you go home tonight, your wives will naturally ask you what kind of a speech you heard. I can almost hear some of you answering in a puzzled voice: "Well, it sounded sort of like a sermon on faith."

Understandably, the wife will exclaim: "A sermon? At The Moles Award Dinner?"

When she does, you can stop her cold with this reply: "Yes. But you haven't heard the most unbelievable part yet — the preacher was Ben Fairless!"

Well, I'm no preacher and this is no sermon — even though we could all doubtless use one. This is merely my way of trying to make one point: Without faith, there can be no progress.

But since we have faith in ourselves, in each other, in our free and competitive economy, and in the American form of government, I am confident that the progress that always results from that combination will continue at an increasing rate. And as usual, you Moles with your bulldozers, will be leading the way.

John H. Kaplan Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Mrs. Frances T. Petras and Mrs. Janice M. Freeman have joined the staff of John H. Kaplan & Co., Hotel Fontainebleau.

Form Goodwin Harris & Co., Inc. in N. Y. C.

Goodwin Harris & Co. of Toronto, Ontario, members of the Toronto Stock Exchange, announces the formation of Goodwin Harris & Co., Inc. located at 149 Broadway, New York City. The new firm's brokerage operations will center on Canadian securities for banks, brokers and institutions.

Chester Schneider, formerly manager of the Canadian Stock Department of A. M. Kidder & Co. will be the General Manager of Goodwin Harris & Co., Inc. of New York.

Opening of the new firm was previously reported in the Chronicle of Jan. 5.

Continued from page 3

Stock Market Outlook in 1956 and Next Decade

tory too well to need any documentation of the fact that money —invested in men and machines —is The dynamic force behind America's great progress and prosperity. As man progressively added the fishhook, the wheel, and money (and credit) to his physical abilities, he progressively produced a bigger, better, healthier, and more prosperous economy.

Certainly, during the year just passed, our economy's three basic "M's" have been productively working as never before: Money was in such demand that it was very actively used and in short supply (relatively high interest rates); and men and machines worked at all-time high levels. This potent balance of basic economic forces produced a "near-perfect" prosperous economy: a new high level of hand-in-hand growth of production and consumption, provided by expanding private business without inflation or undue inventory accumulation.

In fact things have been so "good" that I detect both a healthy and an unhealthy fear of prosperity. I hesitate to say, "We ain't seen nothing yet," but I do feel strongly that we should not fear (losing) our prosperity; on the historically sound basis of progress and prosperity through combining men, machines, and money — the future is uniquely bright.

Men (people) exist as never before, and we know that people are the basic source of demand and economic activity. Today, we have over 166 million men (women and children) in the United States; and every 12 seconds a new person is added to our population! During the next 10 years — by 1965 — we should have at least a 25 million increase in our population—maybe 28 million **more** bodies to **produce** for —to feed, clothe, house and generally satisfy their ever growing demands. (Chart I). Thus, the basic source of economic demand —people — should be huge over the period ahead.

To satisfy this huge and growing goods-and-services demand of our people over the next decade doesn't appear to be easy because there will be a definite tendency toward a labor shortage during this next decade. This condition is clearly indicated by the age-grouping charts Nos. II and III.

As you can see from the charts, back in 1920, by age groupings, we had a nicely shaped "Christmas tree" of over 106 million population. By 1940, the "lower branches" of our 131 million population "tree" were pretty skimpy because of the low birth rate during the depression years of the early '30's. By 1955, the skimp baby crop of the early '30's had begun to show up in the narrowing labor force age groups; and the huge post-World War II baby crop clearly showed up in the 1955 census. Today's population "Christmas tree" (age groups) certainly has plenty of "lower branches."

Tremendously important and ramified implications of this 1955 age chart—for the next decade to 1965 — are already "loud and clear"; the basic outline of the future decade is almost irrevocably shaped right now by the **existing** people, their sex, and their ages. I'll only mention a few of the basic future implications in the interest of time today, so let us quickly look again at this 1955 age-population chart — and then at the projected 1965 chart.

Economically speaking, the most clearly indicated condition of the next decade will be a tendency toward labor shortage; and the need for increasing capital investment to increase each worker's output. During the next decade, as compared with all our past history, we will have an unusually large and disproportionate population increase in the number of non-worker people—those 19 and under and those over 65 years of age. This is not a criticism; just a fact, which means that for the next decade, each worker must become even more productive. Obviously, the basic problem of the next decade should not be unemployment — but a tendency toward inflationary pressures.

Chart III clearly dramatizes this basic point. As you can readily see, of the 25 million or more people added to our population during the next 10 years, over two-thirds of them will be represented by the middle bar in the chart — the "non-working" group (but big consumers) — whereas only about one-third of our greatly increased population will become available as additional producers (labor force — manpower). In short, our **potential** manpower will be short over the next decade—increase only about 14%; and it can hardly be changed —1965's labor force is already born!

As the Chart IV indicates, however, just to feed, clothe, house and satisfy all the other demands of our 1965 population at our historical trend of living standards, we must increase total production by around 50% during the next 10 years.

Yet, as Chart IV also shows, we will only have an increase in our available manpower of about 14% during the next decade. Therefore, the additional amount of total production needed **must** be provided by more machines. Thus, we must have more money to invest in machines—capital investment — which provides both the tools for prosperity and the basic opportunity area for investors to share in that prosperity.

In short, this unique and rare situation in our economy of relatively low manpower per the total output requirements of our economy over the next 10 years means a tremendous (1) lifting force from the demand side of people alone, and a tremendous (2) driving force from the needed machines—capital investment — side which tends to generate and regenerate demand, production, jobs, income—prosperity—as you so well know. As I said earlier, it needs no documentation, especially to this erudite group, that capital investment is **the** powerful breeder of prosperity.

In this connection, if you haven't read it already, I recommend that you read "Focus on Investment" in the Feb. 4, 1956 issue of "The (London) Economist" in which it is succinctly stated: "It is obvious that if the standard of living is to be doubled in a generation, investment, more than anything else, will have to be relied upon to do the trick. . . . The way to plenty is to build up as rapidly as possible the national capital of machines, of buildings to house them in, of power to drive them and of communications between them. Productive investment must play the leading role in any long-term program."

In this "open season" of annual forecasting and current "will he or won't he" talk, I believe that it is especially important that we do not lose sight of this vital role and need for capital investment in our economy; certainly the steel, auto, rail industries, etc. are not forgetting it — witness their announced huge capital investment plans.

Stock Prices Could Double by 1965

Thus, despite the brevity of my discussion of the basic economic forces at work for the next decade, and certainly despite the fact that "every day" will not be rosy, the basic fundamentals at work in our economy point to abundant opportunity and substantial prosperity for the future —far greater than anything we have seen yet.

Specifically, and quickly, over the next decade, we should achieve over a $550 billion level of national output of goods and

CHART I

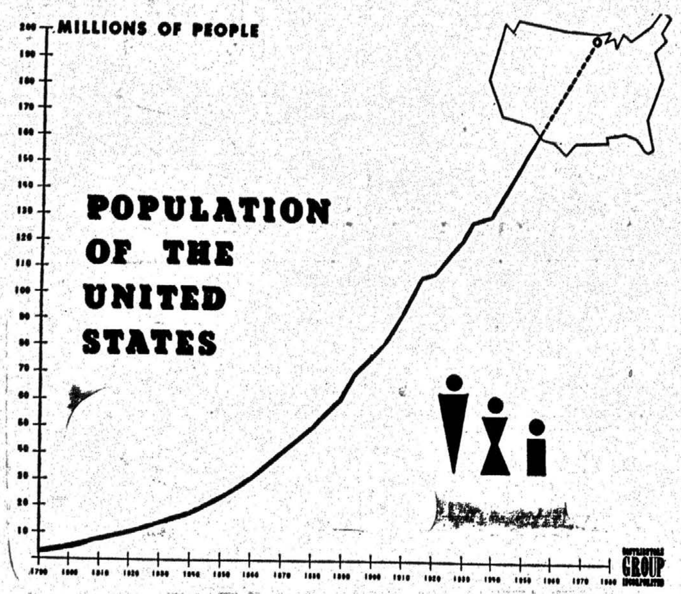


CHART II

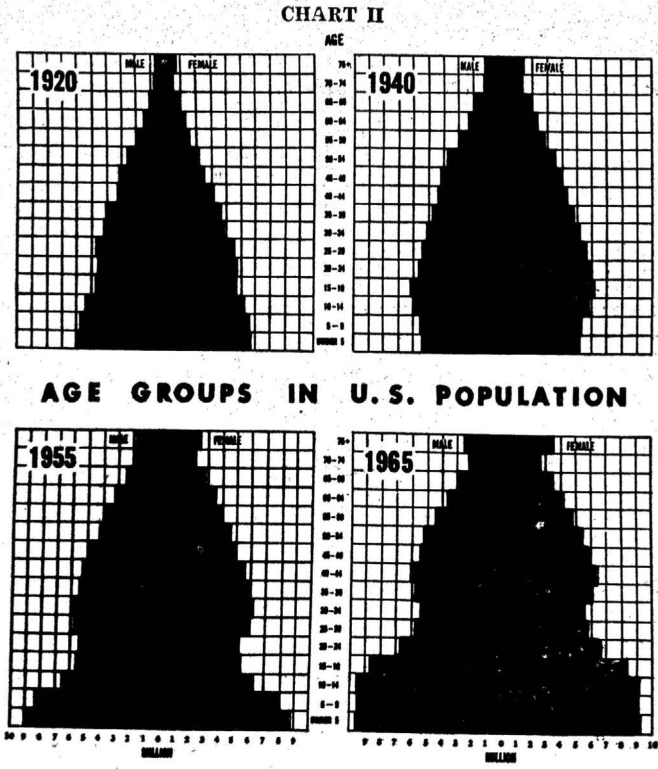


CHART III

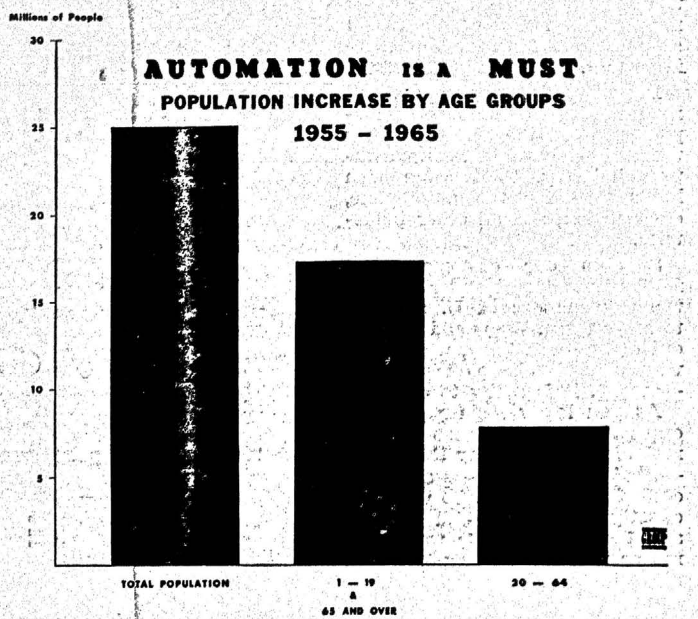


CHART IV

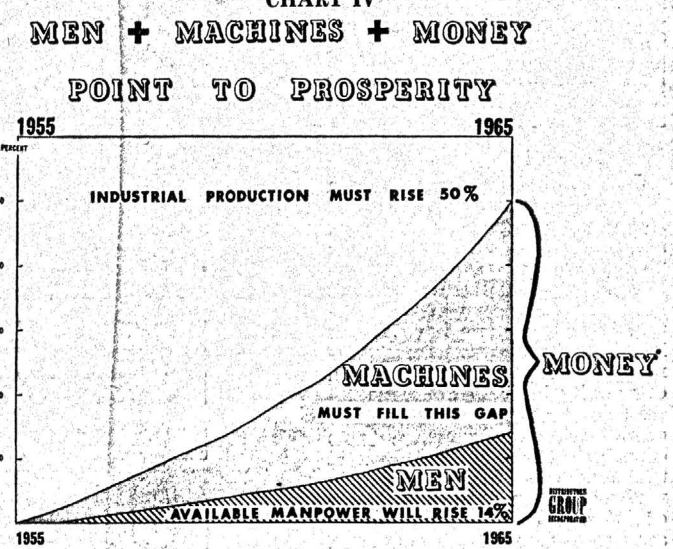
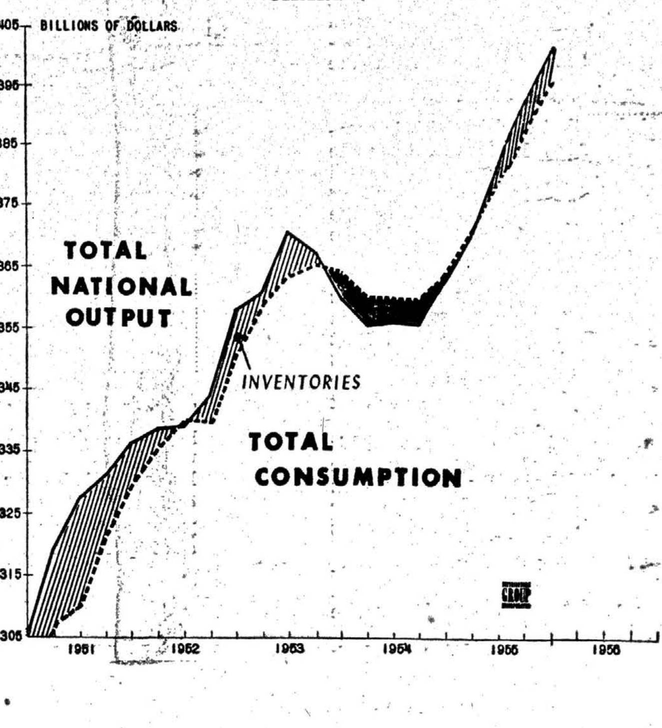


CHART V



services, with attendant high levels of employment, income, spending, saving, etc. More particularly, corporate earnings, as measured by the Dow Jones Industrial Average stocks, should easily increase from today's $36 per share level to the $50-$55 area; and dividends should increase to between $30 and $35 from today's $21 plus level.

Thus, the normal value for the Average stock (Dow Jones Industrial) should easily rise to 700 or more: and stock prices **could** well double over the next decade.

1956—Business and Stocks "Resting" in Broad Trading Range

So, while it's pretty clear that we need not fear prosperity, nor the stock market for the longer term, I think it is about time we came down off cloud No. 1956 and check No. 1956 a little closer. Let us, therefore, get right into a dynamic analysis of today's business and stock market conditions. For this continuing problem, one must have an organized PLAN of constant analysis and evaluation.

Stripped to its basic essentials, formulating investment policies is a constant calculation of (1) how much risk for (2) how much return. Investment risk can best be reduced and return increased by a combination of three basic areas of research: (1) Business Conditions, (2) Security **Valuation** Research, and (3) Security **Price Action** Research.

Therefore, let us look at each research area separately first and then bring them all together to calculate a logical investment management policy for today.

Business Conditions

To get a quick view of the past, present and indicated future business scene, let us look at our economy's TOTAL **supply** and **demand** picture at this time. It is shown in Chart V. This chart shows the total supply of all the goods and services produced for sale in this country since 1951 and the total purchases, private buying and government buying. The difference between total output and purchases, obviously, represents the nation's inventory situation.

As Chart V clearly suggests, over the last couple of years, we have been enjoying the ultimate in dynamic prosperity, substantial, hand-in-hand growth in output and consumption, provided by expanding private business without inflation or undue inventory accumulation.

It is also pretty clear, however, that we can't keep going forever at the two-to-three-times-normal business pace of the last year. Equally true, though, is the fact that a balanced weighing of all the evidence at hand currently—on new orders, production, employment, income, savings and debt, prices, consumers' and businessmen's spending intentions, and practically all the other basic economic factors—strongly indicates that total production and consumption will continue high for 1956.

Specifically, with government spending increasing moderately and private consumption still pointed upward — and recently reinforced by rising new orders and increasing capital expenditures—an all-time high gross national output of around $400 billions appears quite certain for 1956, probably achieved in the pattern of a shallow saucer.

Our government recognizes, too, that times are good, and wisely has taken positive action to preserve our prosperity by attempting to slow down those aspects of it that might otherwise go too far. The financial community has a high degree of confidence in the ability of those leaders in government who manage our nation's budgeting and monetary affairs to "stretch out" today's good business.

It would be normal, therefore, to expect some relaxing over the months ahead by the monetary authorities of their 1955 "restrictive" credit policy, and very likely a moderate tax cut by mid-year, because **all** basic industries are no longer recording rising sales. As the famous First National City Bank's February "Letter" states:

"Some sectors are expanding while a few contract. Some, like housing, may be nearing the end of their adjustment period. Others, like automobiles, are now in the adjustment process. Still others may have several months of sustained operations or even further gains ahead before a downturn occurs. A few may go through 1956 without the pains of adjustment.

"In short, another "rolling readjustment" is under way. The net effect may be a gradual rise or a gradual decline, depending on the relative strength of the forces involved. In any case, simultaneous weakness in the major segments of industry and trade does not seem to be at hand or in sight.

"In general, business confidence remains high. Actions speak louder than words. Within the past month the steel, automobile, and

Continued on page 36

Continued from page 35

Stock Market Outlook in 1956 and Next Decade

other important industries have announced plans for expansion and modernization running into billions of dollars. The managements of these large firms are willing to put huge sums into new plant and equipment in the expectation that there will be a prosperous and profitable economy in which to sell the goods these facilities will produce. In maintaining a high level of investment, they help sustain the prosperity they anticipate."

Thus, it seems fair to say that the current business picture, while no longer booming, is good—enjoying a healthy rest this year—preparatory to the decade ahead which generally gives promise of being one of America's most prosperous periods due to the powerful forces of population growth, technological and productivity advances, and the great need for public and private capital investment.

So now what is this kind of an economy worth — its earnings, dividends and money rates—in terms of stock prices?

Values in Securities

You are all familiar with the general position, trend and importance of corporate earnings, dividends, book values, earnings ratios, money rates, yield spread, etc. in connection with stock values.

Obviously, I cannot show you all the charts we keep on all these factors to enable us to establish **intrinsic values** for hundreds of individual stocks as well as for the Dow Jones Industrial Average. In this latter connection, however, a lot of people say the "market" is too high because this stock Average is historically high in price. I do not think very much of the Dow Jones Industrial Average as a stock market index, but it is easy to show that at around 465 these days (when I'm writing this paper) that **even this "blue chip" Average is not too high.** "High," of course, refers only to price (465), so I ask, **high to what** — earnings? dividends? assets? money rates?

Let me summarize our work in this connection by referring to Chart VI which is a mathematically computed normal valuation of the basic value factors affecting the Dow Jones Industrial Average.

This Value chart tells us many things, but here are the most significant ones as I view it.

Normal value for the Average stock has been in a strong uptrend for the last 15 years, but particularly so beginning in the fall of 1953 when the Average stock was clearly undervalued.

Normal value for the Average stock, however, is "levelling off" at the currently computed figure of 456; but the **trend** of value is still rising moderately. It is expected to pick up sharply later in this decade, rising to around 700 by 1965.

For the present, however, the Average stock has caught up with the extreme undervaluation[1] of the past, particularly since the fall of 1953. Now, the Average stock is "confidently" priced between normal and "exuberant" levels; not "wildly" priced as in 1929.

Obviously, if investors continue CONFIDENT, the Average stock **could** rise to a dangerous (at this time) level of over "500." Equally obvious is the fact that if investors lose their present CONFIDENCE for any combination of reasons (i.e. political or money and credit pressures), the Average stock **could** have a "bear market" tumble. While this is possible, the solid base of Normal Value is still rising and so close below present prices that such a development seems **improbable.** More probable, it would seem on factual evidence, is a trading range of 5% to 10% swings around "460" for the Average stock during the 1955-57 period—similar to the 1951-53 period.

Thus, at this time, it is quite clear that the No. 4 factor determining stock prices—investor sentiment—as opposed to the value factors of earnings, dividends and money rates, is highly important because the value factors in general are "confidently" recognized. Thus, without much expected in the way of change in values for this year, the Average stock could range quite a bit in price—if investor sentiment should change. What is the outlook for investor sentiment?

The Technical Price Position of Stocks

The "trading range" probability indicated by **Business** and **Value** analysis discussed above is strengthened by an analysis of the market's (sentiment) internal **price position,** too.

Chart VII shows the changes in investor preference between cyclical stocks, which tend to have relatively wide swings in earnings, dividends, and prices; and between investment stocks, which tend to be more stable with respect to earnings, dividends and prices.

Without going into the details of this chart's construction at this time, let me say that extensive research on the relative price performance of cyclical stocks has rather clearly shown that the market risk in holding common stocks generally is slight when cyclical stocks as a class are acting better than the market as a whole, and that greater care and a reduction of risk position is desirable when they begin to lose their above average performance.

As Chart VII clearly shows, since last July-September the forward momentum of the established leaders (cyclical stocks) seems to have "rolled over" and a "character change" in the market is developing — investor preference is gradually shifting from the market's former leaders to the less advanced more-stable-type stocks. Thus, while relatively few stocks have formed major distributional tops in this market so far, it must be watched carefully for opportune "cross-overs" to the less advanced, lower risk, sound dividend paying stocks.

Significantly, there is no dearth of such opportunities today because only about a quarter of the listed common stocks have risen substantially, while nearly a third of the issues are still selling below their last bull market highs of 1946, with the rest of the stocks priced somewhere in between. Such a "spread" in stock prices, reflecting as it does the modern day "breaking up" of the old fashioned business cycle, of course, presents great opportunities for changing investments by the professional manager of money. Frankly, we rather welcome these changes in the market, and are constantly alert for them because they have already allowed us during recent months to (1) take some substantial profits in certain former market leaders, and (2) buy others of equal or better quality which are paying a higher income and appear to be in a much lower investment risk position.

As the year progresses, several other favorable investment portfolio shifts should present themselves if one is alert to the continuing **Character Changes** taking place in the market; some stocks are beginning to lose (or have lost) their forward momentum just as others are turning up.

For example, I call your attention to the fact that as far back as last April, the best acting group of stocks in this bull market, the aircraft stocks, broke sharply to 1955 lows, and very likely have lost their forward momentum. A few months back, the auto's and auto equipments lost their forward momentum; and very likely the steels are in the process of so doing, etc.

At the same Average **level** in the market, however, there are many stocks and groups of stocks in this market which appear to be picking up forward momentum at this time.

For example, we still think there are a lot of good stocks to own and buy yet if one looks around carefully in such stable industries as retail trade, utilities, tobaccos and food; in such "depressed" industries as farm equipment, air conditioning, natural gas, railroad equipment, and capital machinery equipment; and in such growth industries as oil, chemical, drugs, electrical equipment and electronics. Certainly that is what we are doing in our Funds where common stocks are appropriate because comprehensive analyses show that currently it is in these investment areas that one can find the investment manager's goal—the stocks with the highest combination of good income and low investment risk.

Conclusions and Indicated Investment Policy for Today

So, it seems to me, that along with this more specifically indicated investment policy for today, these concluding thoughts should be kept in mind.

Over-all investment policy, on the basis of currently analyzed evidence, should be generally cautious as one watches how the current "levelling off" period develops. One should not be "scared," however, because the total evidence still suggests that in your—

Applied investment policy you are entitled to retain a healthy position in carefully selected stocks. As you apply this thought, however, may I remind you of these basic facts. One invests for only two benefits: (1) income and (2) capital increase. The first benefit is **continuously** available. The second investment benefit is **intermittently** available. For quite some period, as we all know, stock investors have been receiving both benefits of investment in historical abundance. Both benefits still appear to be available on a highly selective basis; but we should begin to condition ourselves — both as managers of money and as investors—for a period in which it may be prudent to "rest" our money while we pleasantly enjoy mainly the continuous benefit of income, so that in due time, again, both benefits of investing can be received in really historical abundance over the promising decade ahead.

In this general connection, we know that President Eisenhower has for some time been fully aware that his decision as to a second term is one which we anxiously await. With this in **his** mind—as well as in all of ours—I feel very confident that, whatever he decides, and no matter what the immediate reaction, there will be no reason to change the following conclusions which the President transmitted with his Economic Report to Congress on Jan. 24 of this year:

Conclusion

"Foresight has helped our nation make great strides in recent years toward a balanced and sustained prosperity. We have succeeded in expanding the scope of free enterprise and yet increased the sense of security that people need in a highly industrialized age.

"Taking recent developments all together, it is reasonable to expect that high levels of production, employment, and income will be broadly sustained during the coming year, and that underlying conditons will remain favorable to further economic growth.

"Great opportunities lie ahead for American businessmen, consumers, workers, farmers, and investors."

Of all the quotes attributed to President Eisenhower over the past several months, I believe—and I think he would agree—this one is the most significant one for all of us to remember over the days and months ahead.

[1] Obviously, and most significantly, there are many *individual* stocks that are still clearly undervalued around this Average, just as there are numerous ones that are clearly overvalued around this Average.

CHART VI

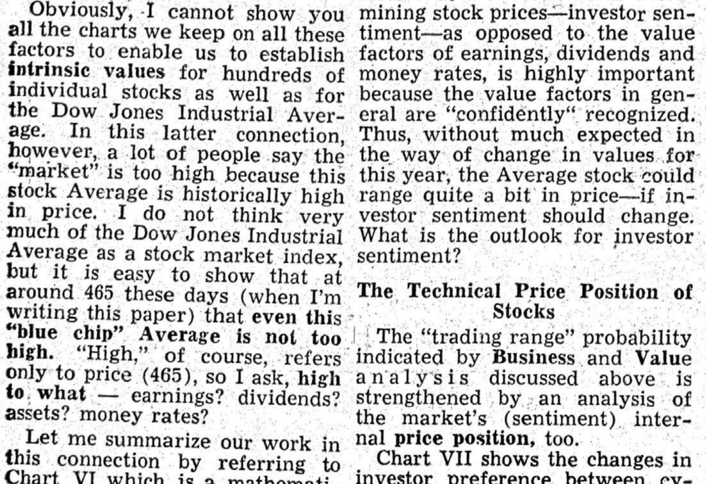
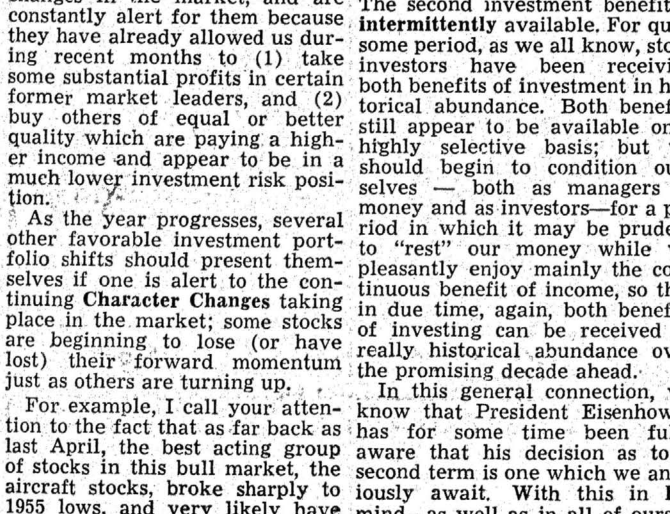


CHART VII



Customers' Brokers Speakers' Service

The Association of Customers' Brokers has announced that a special speakers' committee of 10 has been arranged to make speakers available to interested groups and answer their questions on investment matters. There are no charges for the talks as each speaker gives his services to help the public obtain a factual view of the operations of a free market in the securities they own. The speakers' committee will send a representative to any club, lodge, social, business or professional group in the Metropolitan area.

Interested groups should contact Justin Jacobs, Chairman of the speakers' committee, Association of Customers' Brokers, 25 Broad Street, New York 4, New York.

Officers of the Association are Nicholas E. Crane, Dean Witter & Co., President; Albert F. Frank, Ladenburg, Thalman & Co., Vice-President; Gerald L. Wilstead, Hallgarten & Co., Treasurer; J. Harold Smith, Hirsch & Co., Secretary.

Henry Montor Branch

CHICAGO, Ill.—Henry Montor Associates, Inc., members of the New York Stock Exchange, have opened a branch office at 134 South La Salle Street. Seymour Fishman is Vice-President in charge.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Vera Franklin, Lawrence A. Hutchings and Miner Trowbridge have joined the staff of Investors Planning Corporation of New England Inc., 68 Devonshire Street.

Slayton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Esther A. Kaltwasser, Walter H. Keller and Clarence L. Theobald have become affiliated with Slayton & Company, Incorporated, 408 Olive Street.

Phila. Secs. Assn.

PHILADELPHIA, Pa. — Members of the Philadelphia Securities Association will be guests of the American Marietta Company at a luncheon in the Barclay Ballroom on Tuesday, Feb. 28 at 12:15 p.m. The speaker will be Robert E. Pflaumer, President, who will discuss the outlook for the company.

Three With Wayne Jewell

DENVER, Colo.—Wayne Jewell Company, 818 Seventeenth Street, announce that the following have joined their staff at the Denver office: Donald Carpenter, Victor H. Girali, and Edward Poinier.

B. R. Glass With General Investing

Bernard R. Glass has been appointed General Manager and Advertising Director of General Investing Corporation, 80 Wall Street, New York City, who will expand their newspaper, magazine, radio, TV and direct mail advertising. Mr. Glass formerly was a merchandising consultant for 10 years and more recently, President and General Manager of The Mark-O Corporation, manufacturers of marking implements and chemicals.

T. S. Jenks With Jenks, Kirkland Co.

PHILADELPHIA, Pa. — Jenks, Kirkland, Grubbs & Keir, members of the New York Stock Exchange, 1421 Chestnut Street, announce that Thomas S. Jenks has become associated with them in their Philadelphia office.

Mr. Jenks has been associated with the banking and securities industries for a number of years. Prior to joining Jenks, Kirkland, Grubbs & Keir, Mr. Jenks was an Assistant Vice-President of the Girard Trust Corn Exchange Bank. Before joining the Philadelphia bank he was associated with the Guaranty Company of New York.

Form Fin. Secs. Corp.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Financial Securities Corporation has been formed with offices at 3460 Wilshire Boulevard to engage in a securities business. Officers are Herbert Resner, President; B. L. Resner, Vice-President; and Sovel I. Resner, Treasurer.

Harold Levine Opens

NEWARK, N. J. — Harold D. Levine is engaging in a securities business from offices at 11 Commerce Street.

Johnson, Lane, Space Offers Radiation Stk.

Dillon, Read & Co. Inc. headed by Johnson, Lane, Space & Co., Inc., on Feb. 24 offered 150,000 shares of Radiation, Inc., class A common stock (25 cents par value) at $5 per share.

Net proceeds from the sale of the stock will be used to retire unsecured notes, increase working capital, expand facilities and develop and promote sales of civilian products.

Radiation, Inc. engages in research, development, instrumentation, production and services which fall within the broad classification of electronics. More than 95% of the company's work is devoted to fulfilling defense requirements and the security classification of much of this work precludes any detailed description of operations. Three major fields of endeavor are telemetering (metering or measuring a quantity from a remote location), electronic test equipment and aircraft instrumentation.

Giving effect to the sale of the class A stock, the company's capitalization will consist of 400,000 shares of common stock (25 cents par value), 150,000 shares of class A common (25 cents par value) and $58,450 in unsecured notes.

Other members of the underwriting group include — Scott, Horner & Mason, Inc.; Grimm & Co.; Prescott, Shepard & Co., Inc.; Saunders, Stiver & Co.; Howard, Weil, Labouisse, Fredericks & Co.; French & Crawford, Inc.; and Roman and Johnson.

Dillon, Read Group Offers Southwestern Pub. Serv. Securities

Dillon, Read & Co. Inc. headed an investment banking group which offered for public sale yesterday (Feb. 29) $10,000,000 of 3.35% first mortgage bonds due 1981 and 120,000 shares of 4.40% cumulative preferred stock, $25 par value, of Southwestern Public Service Co.

The bonds are priced at 100.25% and accrued interest. They are subject to optional redemption prices scaled from 103.25% if called during the 12 months beginning Feb. 1, 1956 to the principal amount after Jan. 31, 1980. The sinking fund redemption price commences at 100.25% and scales down to the principal amount.

The preferred stock is priced at $25 per share and is redeemable at prices ranging downward from $26.25 per share through Jan. 31, 1961 to $25.50 after Jan. 31, 1966.

Proceeds from the sale of these securities will be applied in entirety or in large part toward the payment of bank loans, which have been made to enable the company to pay in part the costs of additions and improvements to its property. The company's construction program contemplates the expenditure of approximately $27,700,000 for the period of two fiscal years ending Aug. 31, 1957, including the construction of its new Cunningham plant of 75,000 kilowatts capability.

The company is engaged principally in the generation, transmission, distribution and sale of electric energy in a territory which includes the Texas and Oklahoma Panhandle, the South Plains region of Texas and the Pecos Valley area in New Mexico. The population of the territory served is estimated at 775,000. For the 12 months ended Dec. 31, 1955, the company reported operating revenues of $36,025,962 and net income of $6,742,767.

Allen & Co. Branch

(Special to The Financial Chronicle)

ORLANDO, Fla. — Allen & Company has opened a branch at 1415 Conway Road under the direction of Stan E. Comstock.

Alex. Brown Branch

TOWSON, Md. — Alex. Brown & Sons, members of the New York Stock Exchange has opened a branch office in the Jenifer Building under the direction of Clinton P. Stephens.

H. Philip Anewalt Opens

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—H. Philip Anewalt has opened offices at 524 B Street to engage in a securities business.

Continued from first page

As We See It

draw broad conclusions, quite alien to the statistics on which they are based.

"GNP"

Possibly the most commonly employed of the lot is GNP, and it often appears that the user is not quite familiar with the content of the magnitudes he is using so glibly. The impression often seems to prevail that "Gross National Product," measures the contributions of a given period to the satisfactions and the capital accumulations of the period. Of course, nothing of the sort is true. Naturally, current output is not accomplished without cost in resources, equipment and other items of capital. No account is taken of these items of cost in the figure known as Gross National Product. Neither is it always realized that the labors of the vast army of housewives and "do-it-yourself" addicts who add billions of dollars each year to the output of goods and services are not included in GNP.

If from GNP is deducted depreciation and certain other "capital consumption allowances" to get "Net National Product"—or going a step farther indirect business taxes and a few other relatively minor items are also deducted to get "National Income," the figure is still to be interpreted with caution. Those depreciation charges are determined on an original cost basis, and hence the real cost of production is often grossly understated, giving a much higher figure for either "Net National Product" or "National Income" than the facts actually warrant. Moreover all these measures include corporate income taxes, so that all of them could theoretically at least show a substantial increase merely by reason of an increase in corporate income tax rates.

Scarcely less often or less seriously misused are the terms "National Saving" and "Productivity." One of the figures appearing regularly in the so-called National Accounts, labeled "Gross Saving" actually includes depreciation and other capital consumption items! Corporate saving, usually assumed to be the equivalent of undistributed earnings, is frequently seriously overstated by reason of the fact that depreciation as an item of current expense and thus a determinant of corporate profits is often very seriously understated since it is based on original rather than reproduction cost. "Personal Saving" is all too frequently employed as if it were the antithesis of personal spending, or something very near that. But obviously the mere fact that a person saves, say half his income, does not mean that he locks the funds up in a strong box or hoards demand deposits. As a matter of fact, even the official figures in effect include home building as a part of saving, as they do in point of fact all sorts of capital investment on the part of the individual. But how many popular commentators fully understand these facts?

"Productivity"

And, Productivity! What crimes have been committed in thy name! As ordinarily employed the term merely means output per man hour of work. Obviously, the term or the figures purporting to measure productivity, carry no implication of causation. Plainly the more machinery and the better machinery put at the disposal of the workman the higher the per hour output is likely to be, assuming no serious reduction in the effort put forth by the worker himself. And this truth is pervasive, extending throughout the production process often far removed from the individual worker himself. The invention and development of the ordinary telephone must have greatly increased the "productivity" of labor! And so with a vast multitude of other devices and instruments—as well as mere improvements in shop layouts and the like.

But apart from considerations such as these—and the pitfalls in trying to measure "productivity" as currently defined, a subject we pass over entirely—"productivity" and "productiveness" are obviously not synonymous terms. It may even be said that they are not necessarily related at all. Output per hour of labor does not measure output per man per week or per year—which in turn would measure the productiveness of the working population. Production per capita or per head of population of working age might be even a better measure of the productiveness of a people. Steady shortening of the hours devoted to work might leave such measures as these unchanged in the face of a substantially larger output per man hour. These figures of "productivity" about which we hear so much these days, doubtless, have value, but their significance can very easily be overestimated or misinterpreted —as indeed they constantly are.

"Disposable Income"

"Disposable Income" is another figure which must be interpreted with circumspection. Statistically it is merely personal income less taxes, but all the sums officially labeled "disposable" are certainly not all at the disposal of the income receiver. Certainly not at the disposal of the recipient when he has a long list of rigid commitments such as mortgage interest and amortization, installments on personal debt, rent and various other items. An appreciable part of "disposable income" is in any event, "imputed" rather than actual income. The average man today needs a glossary of new economic terms always at his elbow.

Continued from page 4

The Outlook for Interest Rates —Long-Term and Short-Term

1955? There are a number of reasons:

(1) The pressure in the loan market was primarily concentrated in the mortgage market where net demands increased $4.5 billion. This market did reflect heavy pressures and considerable indigestion developed with yields moving steadily upward by virtue of increased discounts on government guaranteed mortgages and higher rates on conventional mortgages.

(2) On the other hand, the net increase in the supply of long-term corporate bonds and municipals decreased by about $1 billion, or 10%.

(3) Corporate and state and local government pension funds do not invest in mortgages; hence their increased funds available for investment in 1955 were directed into the bond market where the supply was reduced.

(4) The direct placement market which is predominantly an insurance company market is not reflected in the public corporate bond yields. This market underwent considerably greater pressure than the public market and yields in this sector increased more than in the public sector. This reflected the fact that life insurance companies, which are the principal participants in direct placements, also invested heavily in mortgages; hence the pressures on the mortgage market were transferred to the direct placement market. Insurance companies with more attractive investment outlets in mortgages and direct placements did not, in general, invest in the public market where the activities of the pension funds in the face of a decreased supply created unattractive yields.

(5) Some of the pressure resulting from the heavy supply of mortgages was transferred from the long-term market to the short-term market through bank credit. Thus instead of selling government or corporate bonds which would have increased yields in those markets, perhaps materially, the mortgage investors placed increased reliance on "warehousing" of mortgages with the commercial banks.

This placed increased pressure on the short-term market which correspondingly reduced the pressure on the long-term market.

(6) Commercial banks which were under heavy pressure from a tremendous increase in the demand for short-term credit had to liquidate over $7 billion of governments in order to meet these demands. However, instead of liquidating long-term securities, they confined their selling primarily to short-terms and reduced their liquidity substantially. In the first 10 months of 1955, Treasury ownership data revealed a decline of over $7 billion in commercial bank holdings of government securities maturing within one year and an actual increase in holdings of more than one-year maturity. This action in turn probably reflects the fact that in 1954 when interest rates were declining, commercial banks materially lengthened the maturity of their government portfolio. Liquidation of these purchases at the materially lower price levels of 1955 would have resulted in losses. This again meant, however, that these pressures were concentrated in the short-term market rather than being transferred to the long-term market.

(7) As a result of this concentration of pressures in the short-term market, interest rates in this market did behave in rather striking fashion. The bill rate for example increased from the 1954 low of about 0.75% to a peak of 2.69%, the highest in over 20 years. This sharp increase in the short-term rate structure brought a new supply of funds into the market — namely, the corporate investor who bought short-term governments very heavily, switching from cash. This enabled the commercial banks to liquidate in a more favorable market than would otherwise have been the case. Finally as a result of the reduced attraction of the stock market by virtue of its high level, certain institutions became relatively more interested in the public bond market than previously.

Sheltered Governments

Thus in 1955 the long-term capital market did reflect considerable pressures. The public bond market which is only one segment of this market was sheltered to a considerable degree from these forces for the reasons outlined above. Turning now to the outlook for 1956 we find a situation materially changed from that of a year ago. Then we had a super housing boom under way with talk of a million and a half starts, a sharp general business recovery well under way, the prospect for a substantial increase in short-term credit and a possible outlook for lower personal savings because of large scale resort to increased consumer credit.

Today the boom has been topping out with industrial production having remained fairly constant since November, automobile production is down sharply; housing has been declining for months; the outlook is for no sharp increase in the demand for short-term credit this year, and there is the prospect of somewhat higher personal savings due to a small increase in consumer credit.

The public bond market has already reflected this changed situation. Yields on high grade corporates in the short space of two months have moved half way back to the level prevailing at this time last year. The yield on long-term governments is actually somewhat lower than a year ago. The bill rate has declined from the 2.69% back to about 2.40% but still is over 1% higher than a year ago.

What then is the outlook for the balance of the year? Unfortunately the interest rate outlook is almost completely dependent upon the business outlook and thus involves a business forecast with all its attendent risk and uncertainties.

Business Outlook

There are a number of unfavorable factors in the business outlook, most of which have been discussed in detail by economists. We have a decline indicated by the leading series of business indicators; diffusion indices of business activity are characteristic of the top of a cycle; the present recovery has been average in duration and extent, indicating the possibility of an imminent decline. Housing starts have been declining; automobile inventories have been piling up and production has been curtailed; a sizable government cash surplus is in prospect this year; consumer credit increased so sharply last year that some slow-down this year is likely as payments catch up with advances; inventories are increasing and if carried far enough may initiate a decline.

While these are undoubtedly weighty considerations, there are some strong supporting factors underpinning business. Consumers give no evidence as yet of a decreased willingness to spend—retail sales have been behaving well and consumer intentions as reported are strong. Likewise the evidence relating to capital goods actively is favorable—new orders for durable goods have been in a strong upward trend, and plant and equipment spending surveys indicate a strong year. It is rare that any substantial business decline sets in without a prior fairly substantial drop in capital goods new orders. State and local expenditures will continue to increase, and U. S. Government spending will likewise increase this year.

Residential housing starts which have been in a downtrend for some months give an indication of possibly levelling out at around 1,200,000 units. January start figures, seasonally adjusted, showed no decline; likewise applications for FHA insurance and VA appraisal reports have ceased declining, at least temporarily. F. W. Dodge figures of residential contract awards for January are actually above January a year ago which was the highest January on record, and preliminary indications for the first part of February indicate a like trend. A survey of builders' intentions which is now being tabulated, and which has been relatively accurate in the past, indicates in a preliminary basis as many planned starts this year as last. Finally credit conditions in the mortgage market have eased somewhat and the planned level of starts can readily be financed. Consequently it may well be that the decline in residential housing is now behind us, or at least that the worst is over.

With reference to the automobile situation, if a pre-war seasonal increase in automobile sales takes place, the worst of the reduction in automobile output has been seen. If it does not take place, then, obviously a further cut in production of sizable proportions would be necessary.

The business situation abroad remains strong and in England demands are so strong that inflation is the primary problem.

Finally, in an election year every effort will naturally be bent to prevent a recession in business of any duration; a tax reduction, easier money, and a faster letting of defense contracts all would serve to counteract any decline.

Thus I have come to the following somewhat tentative conclusion concerning the business outlook for this year. The year as a whole should be an excellent one, with an average level ahead of last year. It should be one of consolidation and adjustment, rather than one of dynamic advance such as 1955. Industrial production will remain relatively stable or decline gradually to the seasonal low period in July and the last half may well see business activity rising.

Interest Rate Outlook

It is on the assumption of this pattern of business that I have drawn the following conclusions concerning the outlook for interest rates. Demands in the long-term sector of the market should continue to be heavy although probably somewhat less than in 1955. Total net mortgage demand is assumed to be not too much below last year's record shattering $17 billion, with residential down somewhat and other categories up. Corporate and state and local net demand will probably not be much changed from 1955.

The supply of long-term funds will continue to increase but will continue to be exceeded by the demand for funds although the margin of excess demand will be materially reduced. The pressures on the market will be eased as compared to last year.

The short-term demand for funds will drop much more than the long-term demand as business ceases to expand rapidly as it did in 1955. Consequently the demand for bank loans will decline and pressure in the short-term market will be materially reduced. It still seems likely, however, that bank loans will show a modest increase this year and that banks will be net sellers of government securities on balance.

The U. S. Government with a relatively large cash surplus and smaller refinancing requirements will be a less important factor in the market this year, although it is probable that opportunities will be presented for a successful offering of long-term bonds.

Thus while the money markets generally should be easier in 1956 than in 1955, the principal beneficiaries of this greater ease should be the two markets under greatest pressure last year, namely the mortgage market and the short-term market. In the mortgage market, if the supply holds up as well as assumed, the primary result of the changed situation will be greater relative availability of mortgage credit and somewhat easier terms, rather than any substantial change in interest rates.

Unlike in 1954 the material prospective easing in the short-term market should not be communicated in any large degree to the long-term market for the very same reason that the tightening in that sector in 1955 did not appreciably affect the long-term public market. It does not seem probable that the commercial banks will be net purchasers of securities but even if they are, their purchases would in all probability be concentrated in the short-term market to restore their liquidity, and it is likely that corporate holdings of short-terms will decline.

Thus as far as the long-term bond market is concerned there should not be any very material further changes in interest rates this year. Present yields come quite close to discounting supply-demand conditions in the latter part of the year, provided that business is definitely on the upgrade at that time. In the interim, the present psychology of the bond market is likely to result in some further reduction in yields but the change should not be large.

It is possible, of course, that if production declines, even though slightly, in the first half year, excessive steps will be taken to ease the situation by the Federal Reserve and the Treasury and that in consequence, yields might decline more sharply than anticipated. The Federal Reserve in the past, however, has shown commendable resistance to pressures for undue ease, and in retrospect some people feel that the situation was eased too much in 1954. It remains to be seen whether the psychology of an election year will affect matters.

Finally, I wish to stress that any interest rate forecast is dependent almost wholly upon the correctness of the underlying business forecast assumed. Should a decline in business persist in the second half year or turn downward more sharply in the first half year, then unquestionably substantial steps would be taken to ease money and these coupled with natural pressures could materially reduce interest rates. If on the other hand, the dynamic upward forces of 1955 continue this year and press against the ceiling of capacity, there is little doubt that interest rates would rise materially.

Long-Term Outlook

I have been asked to say a word about the strictly long-term outlook for interest rates as against the cyclical or year-to-year outlook. While there is not time here to go into this subject in any detail, I will outline my opinions without attempting to fully document them. In brief I believe that in all probability the limits of fluctuation in long-term interest rates have already been set in the last 10 years and that the fluctuation over the next 15 years will fluctuate up and down within the channel. In other words, I feel that there is no long-term trend up or down. However, if such a trend does develop it will probably be in a gradually upward direction rather than in a downward direction. This latter conclusion is based upon the historical studies of savings which have been made in recent years. Kuznets, for example, based upon his long study of the subject, reached the conclusion that in the past history of our country, savings have been the limiting factor in our economy, not investment opportunities. If any trend exists in the savings ratio, it is probably in the direction of a minor long-term downtrend. Goldsmith in his monumental study of the subject likewise comes to the conclusion that excluding consumer durable goods as a form of saving there has been a slight secular downdrift in the savings ratio. When we look into the future and see the tremendous potentialities opened up by the scientific "breakthroughs" in atomic structure, in electronics, and in the new opportunities presaged by the huge growth in spending on research, and add these to the tremendous investment demands that have resulted from our rapidly continuing suburbanization movement, it is quite likely that in the future as in the past savings will be the limiting factor in our growth, not investment opportunities.

Tekoil Exec. Committee

DALLAS, Texas—A three-man executive committee has been named by Tekoil Corporation to expedite growth decisions in the absence of the company's board of directors.

The trio includes W. H. Davison, President of Tekoil and resident of Robinson, Ill., and Dallas, Tex.; Dean P. Guerin, President of Southwest Investors, Inc., Dallas; and Alfred E. McLane, partner in the Dallas law firm of Turner, White, Atwood, McLane and Francis.

Tekoil is a petroleum reservoir engineering firm specializing in secondary recovery methods, chiefly by waterflooding. Executive offices are in Dallas with regional offices in Midland, Texas, Oklahoma City and Robinson, Ill.

Bertrand L. Burbank

Bertrand L. Burbank passed away Feb. 20 at the age of 58. A former member of the New York Stock Exchange, Mr. Burbank was with White, Weld & Co.

Continued from first page

Economics in Election Year And Self-Defeating High Taxes

higher than they were in mid-1954, the take-off point, but Federal spending is lower by about the same amount. It is the private sector of the economy which has moved ahead under its own power, financing itself and expanding rapidly in response to the confidence of consumers and businessmen.

A year and a half ago there were many who believed that a revival from the minor adjustment then underway could not be achieved without massive action on the part of government. They called for increased Federal spending, more subsidies, an unbalanced budget, and an easier monetary and credit policy. Long after the recovery was progressing in late 1954, the demands for expansionary intervention were continued and the monetary authorities were criticized for the modification of the "actively easy" policy of the preceding months.

Fortunately, these pressures for the injection of economic stimulants were resisted. Government policy has been one of providing a favorable atmosphere for business advance without attempting to force that advance. Under these conditions, the economy has demonstrated once again its amazing resilience and basic strength. The business upsurge of the past year has surpassed even the most optimistic predictions. I think that the course of events has demonstrated quite clearly that those who demanded immediate all-out government action in 1954 were false prophets. Had what they so vociferously urged been followed, there is no question that we would have experienced violent inflation during 1955 and there is a strong possibility that the runaway situation which would have developed would by now have plunged us into a sharp business downturn.

The sound policy of general credit restraint followed by the monetary authorities during 1955 contributed greatly to the stability of the boom. We were not entirely successful in avoiding inflation. Although the Consumer's Price Index rose only slightly, nevertheless the steadiness was largely a case of lower food prices offsetting rises in nearly everything else that the farmer and the rest of us buy. But at least serious price rises were averted. Thus we find ourselves in early 1956 with a high level of business activity, with the economy pressing capacity in many lines and with real incomes at an all-time peak.

II

The Business Outlook in Early '56

Apart from possible difficulties in connection with election efforts, the year ahead of us gives every indication of continuing prosperity. Now that we have reached a very high utilization of the existing labor force and physical plant, we cannot expect to move ahead as rapidly as was possible with some slack in the economy. The maximum advance in real output over the coming year will probably be around 3%. Allowing for adjustment in some industries, the actual advance is more likely to be around 2%.

There are those who see a decline in business activity in the last half of 1956, but not as many as there were. Certainly such a decline is possible, but I do not believe that the facts now available to us support such a conclusion. One never knows when a reversal in business or consumer psychology will cause a let-down in sales. But neither consumers nor businessmen have yet signaled such a reversal. In my view there is nothing yet in the business picture which would prevent a moderate, yet steady, advance throughout the year.

But what about the possible effects of election year political maneuvers and oratory upon our economy, and for that matter, our national security. We perhaps have more reason to be uneasy about these than in the usual election year. There are several threatening situations abroad, and an economy of our present magnitude is sensitive, based as it is, and always will be in peace time, so largely upon consumer and business confidence.

However, election years in the past have not turned out appreciably different from non-election years. The records indicate that domestic oratory doesn't generally make overseas critical situations more critical, and election year business activity, like that in non-election years, generally follows the pattern established in the years immediately preceding.

I do not believe that statistics of the past give us much clue as to what lies before us this year. Nevertheless, if an election year normally holds dangers, they will be at least as great this year. One reason is that we came into this year expecting too much: optimism was high and there was a feeling on the part of the public that we are destined, almost without effort on our part, to have a long and mounting period of prosperity. Some of this optimism — especially the long range guesses and predictions as to a miracle future, which you all have seen, — is unrealistic and invites overconfidence, although the immediate future seems sound enough.

There are a number of reasons why some of us think that election year activities this year, at least, hold dangers. We have already seen evidence that vital international relationships may be upset as a result of campaign activities. The Middle East situation is looming as a major domestic political issue, with partisans rounding up strong political pressures. Russia's odd new peace offensive, with unilateral appeals to the Administration, is unquestionably timed to create domestic political doubts, as well as world wide propaganda material. So far it has failed. The problems of foreign aid and foreign trade are shaping up as a partisan political battle.

More specifically, however, the partisan activities of an election year make us more than usually liable to take action and positions which can do considerable short or long range damage or both, in a number of situations confronting us. A few of these I would like to discuss briefly:

(1) Consumer willingness to spend money and use available credit.

(2) Declining net farm income.

(3) Major problem of maintaining a stable and prosperous economy—and at the same time avoiding the very real danger of inflation.

Consumer Willingness to Spend Money and Use Available Credit

No matter how broadly based, prosperity disappears quickly when consumers cut down on buying. Consumer spending at the moment is running very high. Just what factors cause consumers generally to buy or to curtail buying I do not know. However, there are some logical clues to the causes. Take one example in my own field of life insurance. During the war people were earning more than ever before and there was little to spend it on as you recall — no houses, no cars, no durable goods, few soft goods. One would expect the sale of life insurance to be very high. It was not. Shortly after the end of the war life insurance sales skyrocketed even though other things, much wanted, were coming onto the market. Why? You will recall the universal belief during the War that as soon as it should end we would go into a deep recession with untold millions out of work. As a consequence, those who had the money and should have bought life insurance did not do so because they thought they would be out of work at the end of the war and unable to continue the premiums. Instead of recession we entered on a boom. As soon as people realized that work would continue available, life insurance sales went to unheard of highs.

To me this points clearly to confidence in continued work and income as a principal factor in consumer willingness to buy. How about his willingness to use consumer credit, take on time payments? Obviously there must be the same confidence in continued work. But suppose he already is making time payments? Today, in my view, consumer credit is on the high side. Others, with much logic say that it is not unduly high in relation to spendable income and the economy generally. I believe, nevertheless, and think it quite elemental that a man with substantial time payments is going to be more subject to loss of confidence and more cautious about new purchases than if he didn't have so large a debt hanging over his head.

There is very little more, in my estimation, to stimulate sales by easy credit terms over what has already been done. Thirty year mortgages with minute down payments in the home mortgage field and no down payments with three years to pay in some other fields seem to leave little more give. If those terms are necessary in a time of great prosperity, what do we do in case of a downturn?

All this has a particular bearing, because consumer confidence, by indirection perhaps, becomes an election year target. Confident voters are less likely to demand a change. Two things follow: the administration in power may be tempted to maintain consumer confidence with short-sighted and inflationary measures to be sure to have a high level of business until after election. It is equally important politically for the other side to point out dangers and problems and to make prosperity and the future look as fragile as possible. The economy can easily lose, either way. We are particularly vulnerable to a change in consumer psychology because in the United States a substantial proportion of consumer purchases are for luxuries in the sense that they can be postponed readily with little or no hardship to the buyer. This is a danger not present in Russia or China where they are always at the bottom of a depression consumer-wise and the purchase of necessities cannot be put off.

Declining Farm Income

We have struggled with the farm problem for decades and today it is with us in aggravated form. It appears that today's farm problem, the problem of farm surpluses, will be the subject of more political generalities and heated debate than any other single issue in the 1956 campaign. There is a strong possibility that political positions taken and Congressional and administrative actions forced by them may do long range damage to the farmer and the country. And yet the problem is real and urgent and must be handled. (It is not, however, simply a matter of farm prices and surpluses, important as these are, but is also part of an even broader problem.)

One obvious solution would be to remove all government support from farm prices and let the natural forces of the market reduce the supply of agricultural products. I doubt that anyone here would endorse this solution. Even if it were desirable, which it is not, it would be politically impossible.

In an attempt to meet the problem, the government over the years has adopted various subsidy arrangements, mostly of a forced draft makeshift type and designed merely to push the problem off for a few years. Even the most ardent advocates of these government programs recognize that they are not complete solutions to the question. Nevertheless many ideas proposed and measures adopted have real merit. All, however, in the final analysis seem to depend for full success on a great increase in demand for farm products in the future.

The hoped for increase in future demand is not entirely illusory. The growth in our population in even the next five years will provide a partial solution — if we can restrain further increases in farm production; and by 1975 our farm surpluses are likely to become farm shortages unless production can be stepped up substantially.

I am not proposing a solution to the lowered income of the farmer, because I do not know one.

I believe, however, that there is a broader aspect to the farm problem which has not had sufficient attention. Farmers are in difficulty not so much because their gross income has declined as because their costs have risen. Even with declining unit prices, the increased volume of marketings has maintained gross income per farm fairly well. But the rise in the price of labor, equipment and supplies has squeezed farm net income badly. The rise in the price of the things farmers buy has, in turn, been the result of a growing tendency in industry to divide the fruits of increasing productivity between stockholders and those who work directly for the company, passing along little or nothing to the consumers generally, including that very large section of the economy which is not a part of industry. Labor has demanded and received an increasing share of industrial returns. Stockholders have received larger returns and in some instances have overthrown management to get them. Where increased productivity has not absorbed the increased costs, they have been passed along to the consumer. All this serves to isolate the industrial community in a sense from the rest of the economy and to minimize to the vanishing point the portion of productivity savings which go to consumers as price reductions.

There is thus a growing imbalance in the economy resulting from this failure of industry to pass along to consumers some portion of rising productivity in the form of lower prices. Not only farmers have been hurt by this imbalance. All consumers on more or less fixed incomes, and all those not in a position to demand higher incomes, (and that includes most people), are passed by in the division of our economic product. Substantial progress in solving the farm problem, as well as the general problem of economic imbalance, cannot be achieved unless consumers generally are permitted to share, along with labor and the owners, in our advancing productivity.

Maintaining a Stable Economy and Avoiding Inflation

All of us wish to maintain a high level of employment and incomes. All say they wish to safeguard the real purchasing power of those incomes, but many are not adverse to a little inflation on the side. In any event, many think inflation has been built irrevocably into our economic system. I do not go along with that view but I do think our system has a definite bias toward inflation.

Apart from any particular current trend in our economy, there are two great underlying pressures contained in it; one on our natural resources and another on our capital funds. I am, of course, speaking long range.

The constant stepping-up of our production machine, accelerated this year, demands new investment in plant and equipment far greater than ever before in history. It is probable that by 1965 we will need to spend at the rate of $60 billion per year for increased and improved facilities if we are to escape severe manpower shortages which would greatly push up the price for manufactured goods. It has been estimated that if we had to produce today's goods with the facilities and equipment available at the end of the war, we already would have a manpower shortage of some 10 million men. Prices would be out of reach. There is a real question as to whether we can safely raise the capital which will be called for. Plowed back earnings will provide large sums. Insurance companies, pension funds and all the savings institutions will add vast amounts. Capital funds, however, can come only from savings and it is not at all clear that the savings will be enough. If the savings fall short, then inflationary devices will supply the remainder and prices will rise accordingly. On the other hand, failure to provide the plant will push up prices. Failure to save enough to provide the funds, without inflationary devices, will push up prices. I believe that our excessively high income tax rates are coming home to plague us in the form of inadequate savings.

Another long range inflationary pressure is developing as a result of the mounting demands on our diminishing natural resources. The rate of demand on forest products, as merely one among many examples, is increasing by almost incredible leaps and bounds. The cost of many critical materials has multiplied because our production machine requires 24% to 85% of the free world's supply of petroleum, rubber, iron and similar products of the earth. Although we have only 10% of the free world's population, we use almost as much lead, zinc and copper as the rest of the non-Communist world combined. Our per capita use of water is 22 times that required in European cities. I do not fear the exhaustion of these materials — but the pressure on them will greatly raise the development, extraction and processing costs, and the cost of developing syntheses and substitutes. Huge investments will be required in this field.

These two basic pressures, on resources and on capital, in themselves justify my view that our system has a bias toward inflation. On the other hand we have learned much about controlling inflation and recessions, although much more remains unknown. The administration of monetary and fiscal policy over the past three years gives hope that we are accomplishing a major breakthrough on this front. We weathered the adjustment of 1954 with a minimum of loss and the boom of 1955 has been held within manageable proportions. Reliance must be placed on general credit controls because selective credit controls bring us into the authoritarian field where one control calls for another until we are helplessly entangled.

The political dangers in the field of monetary and fiscal controls are great to say the least.

They multiply in an election year. The best way yet found, in my mind, to prevent a recession is to dampen off a boom and not let it top out. Yet this is just where the greatest political pressure is exerted to prevent the damping off of a boom. Too many people like the boom. In an election year one is apt to find the party in power pressing to keep the boom burgeoning until election is past. At any time there is the constant pressure of particular interests on the monetary and fiscal authorities. It takes courage and strength of a high order to keep our monetary and credit policy aimed always at the national as distinct from partisan interests.

In spite of our prosperity we have problems and adjustments ahead of us. That is the way our economy adjusts to changing consumer desires. Some industries and areas will have setbacks and at times the entire economy.

These are the times which will test our abilities and our courage; our abilities because we must attempt to understand the true nature of the economic change going on and the appropriate action to correct, to ease, or to facilitate that change; our courage because we inevitably will be besieged by cries for all-out government action to pour out more money, to inject stimulants here and there, to frantically push the economy ahead without balance and at the expense of price stability.

Perhaps our greatest economic task in 1956 is therefore to strive for objectivity in viewing our national affairs, to resist the pressure of partisan groups, to seek out real solutions rather than temporary palliatives, and to place the interests of the whole economy above selfish advantage.

Toledo Bond Club to Hold Outing in June

TOLEDO, Ohio — The Bond Club of Toledo will hold its 1956 summer outing on June 29th at Inverness Club, the site of the 1957 National Open Golf Tournament. A cocktail party and buffet dinner will be held at the Commodore Perry Hotel on the preceding evening.

S. F. Exchange Member

SAN FRANCISCO, Calif.—The Governing Board announces the election of Barry M. Newman to membership in the San Francisco Stock Exchange effective Feb. 24, 1956.

Mr. Newman is a General Partner of the member firm of Stone & Youngberg. He will be a Specialist Odd Lot Dealer on the Exchange.

Filosa Secs. Co. Opens

GRAND JUNCTION, Colo. — Filosa Securities Company has been formed with offices at 407 Main Street to enage in a securities business. Officers are Frank R. Filosa, President; William B. Feinberg, Vice-President; and Peter L. Filosa, Secretary-Treasurer. Frank Filosa was formerly Office Manager for Ralph M. Davis & Co. with which Peter L. Filosa was also associated.

Eastern Secs. Corp.

JACKSONVILLE, N. C.—Eastern Securities Corporation has been formed with offices at 331 Marine Boulevard. Officers are Charles R. Hixon, President; Noah E. Dinnis; and B. C. Dennis.

A. Jackson Sailer

A. Jackson Sailer, member of the Philadelphia-Baltimore Stock Exchange, and partner of A. J. Sailer & Co. passed away Feb. 12. Mr. Sailer had been a member of the Philadelphia-Baltimore Stock Exchange since 1928.

Railroad Securities

By GERALD D. McKEEVER

Gulf, Mobile & Ohio

At the current price just under 37, Gulf, Mobile & Ohio common is closer to the lower limit of the 1955-56 price range than the stocks of any of the roads of the Southern group, which, as a whole, are favored by growth. Under the leadership of Mr. I. B. Tigrett who died in 1954 the Gulf, Mobile & Ohio enjoyed a period of aggressive expansion and vigorous growth, but it has had some relative relapse in the past two years from its forward march in both traffic and revenues. The road's recent relative revenue trend is indicated by the following table of revenue indices based on the 1947-49 average as 100:

	Gulf, M. & O.	Southern Region	Class I Total
1955	111	*116	112
1954	107	111	104
1953	123	123	119

*Partly estimated.

Since the market is inclined to place emphasis on growth in viewing the rails of the Southern group it is not altogether surprising that Gulf, Mobile & Ohio stocks seem to be somewhat in eclipse. The current price of 96½ for the road's $5 preferred places a reasonable valuation on its highly satisfactory statistical aspects, but the road's common stock has been allowed to drift until its well protected dividend—$2.00 per share regular and 50 cents extra in 1955—produces the outstandingly high yield of 6¾% at the current price, and is rivaled among the Southern roads only by Seaboard common in this regard, and then only at times.

The maintenance of total payments at the 1955 rate seems well within the road's capabilities since "available income" amounted to $5.75 per common share in 1955 and averaged over $6.00 per common share for the preceding five years. It may be well to explain that "available income," which amounts to only 15 to 20 cents per year less than net income in the case of the Gulf, Mobile & Ohio, is that part of net income that remains after sinking funds have been provided for also.

The Gulf, Mobile & Ohio operates 2,757 miles of road, the "main stem" of which extends from Mobile, Ala. to Chicago via Jackson, Tenn. and East St. Louis. A branch to the east connects with Montgomery, Ala. and trackage rights give the road access eastward to Birmingham and westward to Memphis. Another branch acquired with the Alton extends to Kansas City while a southward branch goes to New Orleans. Access to St. Louis is gained by trackage rights over the Terminal RR. Association of St. Louis.

This roughly describes the system as it has been since 1947 when the Gulf, Mobile & Ohio acquired the properties of the Alton RR., then a bankrupt subsidiary of the Baltimore & Ohio. These properties gave the road its line northward from East St. Louis to Chicago and from Alton, Ill. west to Kansas City. Prior to that, the northern terminus of the road had been East St. Louis by virtue of the combination in 1940 of the Gulf, Mobile & Northern with the Mobile & Ohio to form the road of the present name. The Mobile & Ohio had been a former subsidiary of the Southern Ry. which had been in receivership since 1932. By these acquisitions, more or less "under the hammer," the road was able to triple its original size on favorable terms. The nucleus was the original Gulf, Mobile & Northern, an 826-mile road organized in 1916 with operations confined to lines in Alabama, Tennessee, Louisiana and Mississippi.

The acquisition of the Mobile & Ohio resulted in the duplication of the route between Mobile, Ala., and Jackson, Tenn., the latter having been the northern terminus of the original Gulf, Mobile & Northern. The eastward leg is the more intensively used, but together these represent a segment of a heavy density operation between Chicago and New Orleans despite being in competition as to longer hauls with the Illinois Central and lower rate barge and steamer service on the Mississippi River. But even so there has been only minor evidence of freight rate erosion, at least until 1954. In that year the road made "several important adjustments," according to its 1954 report, "which are expected to restore considerable tonnages to our line." It was stated further that a number of others were pending.

The Gulf, Mobile & Ohio is an efficient operation. Although it had ranged somewhat lower in the 1951-53 years, the road's Transportation (cost) Ratio of 30.1% of revenues in 1955 was among the lowest and the road's wage ratio is correspondingly on the low side. The latter is of particular significance currently in tending to minimize the impact fo recent wage increases, and which are estimated to amount to about $2¼ million annually for the Gulf, Mobile & Ohio at the present level of business. This is equivalent to about $1.70 per common share after taxes based on the 30% effective rate at which they were accrued by this road in 1955.

The operating efficiency of the Gulf, Mobile & Ohio stems principally from two sources. One is the small proportion of branch mileage and the satisfactory level of productiveness of much of it. The other chief factor is that operations are fully dieselized and have been so since 1949. As may be inferred from this date, the Gulf, Mobile & Ohio was one of the very first to dieselize completely. Further evidence of the road's achievement in gaining a high level of operating efficiency is seen in the 100% increase in gross ton-miles moved per freight train hour—the over-all efficiency measure—between 1946 and the end of 1954. The corresponding gains for the Southern Region and for Class I were about 60% and 40% respectively.

Although the Gulf, Mobile slipped somewhat in the past two years as to relative growth it is nevertheless essentially a growth road serving a territory capable of considerable further development. The road also sets a great deal of store by the importation of iron ore through the Port of Mobile, although this traffic is shared with the Southern and the Louisville & Nashville. Revenues from this business are estimated at about $1¼ million for 1955 as against only some $700,000 for 1954 in which these shipments did not begin until the year had become quite advanced.

Gulf, Mobile & Ohio common is highly leveraged, the 917,235 shares of this issue being preceded by 283,438 shares of $5 preferred stock and about $74 million of funded debt. Another factor that has been a little disturbing to some observers is the large tax deferral element reflected in the road's net income. In 1954 this was placed at the equivalent of $1.56 per common share and it may have been a little less for 1955. However, the offsetting factor of a generous maintenance allowance must not be lost sight of. This was charged at the rate of 33.9% of revenues in 1955 and averaged the same figure for the past five years. The Gulf, Mobile & Ohio has not been one of the roads to pad earnings at the expense of maintenance and as a result, among other things, freight cars in need of repair stood at only 3.3% of the total at the 1955 year-end as against 4.2% on the average for Class I and 5% to 8% for a number of roads. The Gulf, Mobile & Ohio thus may be laying on quite a bit of "fat" in the event it is later deemed appropriate to bolster earnings by a reduction in the maintenance allowance. A reduction in this charge to 31% for instance, would produce an addition to net before taxes an amount at the present level of revenues that in a year's time would be almost equal to the tax deferral.

In any case, objections that may be raised against the situation of the Gulf, Mobile & Ohio find a great deal of compensation in the current price of the road's stock which is selling at only a little over 6 times 1955 net of $5.92 per share and produces the aforementioned yield of about 6¾%. Moreover, the quality of earnings is well recognized in the low proportionate "pay out" represented by the 1955 total rate of $2.50.

Paul A. Harris Opens

FT. WORTH, Tex. — Paul A. Harris is engaging in a securities business from offices at 4728 Houghton.

Form Erich Loser Co.

Erich Loser Co. has been formed with offices at 235 West 102nd Street, New York City to engage in a securities business.

Cass Johnson Opens

CHAPEL HILL, N. C. — Cass Johnson has opened offices in the Brockwell Building to conduct a securities business.

With Makris Inv.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Franklin H. Johnson has become affiliated with Makris Investment Bankers, Ainsley Building.

Mutual Funds

By ROBERT R. RICH

M. I. T. Shareholders Surveyed

Do the owners of mutual investment company shares tend to retain their holdings for the long term or cash them in when the market slumps or takes a sharp dip?

A study made by Massachusetts Investors Trust, oldest and one of the largest of these companies, shows that shareholders tend to hang on to their shares and regard them as a long-range investment.

"A recent sampling of shareholdings," the study notes, "indicates that a major percentage of present shareholders including heirs and successors have owned their shares for 15 years or longer."

Of the Trust's 20 largest shareholders about one-half made their original purchases more than 10 years ago, the study reveals, and adds that the shares purchased in 1924 by the trust's first owner are still held over 31 years later by his heirs.

"Studies made during periods of unusual market activity offer further evidence that our shareholders regard their shares as a long-range investment. In 1929 the vast majority of the shareholders retained their ownership.

"During other periods of decline such as in 1937 and 1946 and more recently in September, 1955, following announcement of the President's illness, only a negligible percentage of share owners redeemed their holdings. In fact, during the September break, issuance of the trust's shares substantially exceeded redemptions."

Massachusetts Investors Trust's 130,900 shareholders reside in all 48 states, Alaska, Hawaii, Puerto Rico, Canal Zone, Guam, Virgin Islands, the District of Columbia, and in 40 foreign countries.

The average shareholding at current market is worth about $7,300, but a considerable number of shareholders have invested larger sums, and more than $200,000,000 of the trust's shares are owned by shareholders with individual investments of $50,000 or more.

These larger owners hold nearly one-fifth of the trust's shares since total net assets at the 1955 year-end were $957,467,354. The comparable asset figure in 1954 was $791,073,860.

In addition to individual shareholders, the trust lists 10,544 fiduciary and institutional owners including banks and trust companies, religious organizations, homes and hospitals, schools and colleges, libraries, clubs, lodges, pension funds, employee benefit plans, profit-sharing plans, insurance companies, and various other institutions.

TV Fund Assets At $112 Million

Net assets of Television-Electronics Fund, Inc. on Jan. 31 amounted to $112,788,562, equal to $10.99 per share after deducting 51 cents per share paid to shareowners from capital gains, according to Paul A. Just, Executive Vice-President of Television Shares Management Corporation which sponsors and manages the fund. This compares with net assets of $79,231,429, or $10.89 per share, on Jan. 31, 1955. January sales were reported at $2,784,100 compared with $5,423,498 in January last year. For the three months ended Jan. 31 — the first quarter of the fiscal year — sales totaled $10,072,126 compared with $15,989,608 in the corresponding period a year earlier.

D. I. F. Reports Portfolio Changes

Diversified Investment Fund, Inc., in a shareholder message accompanying distribution of its 45th consecutive quarterly income payment, reported that additions to the fund's investments, effected since the close of the 1955 fiscal year last Nov. 30, included New York & Harlem Railroad Co. series B mortgage 4s of 2043 and the common stock of Seaboard Air Line Railroad Co.

The fund's investment in United Aircraft Co. 5% preferred stock was eliminated through the call for payment of the entire issue by the issuing company.

Today's dividend distribution amounted to 10 cents per share, which compares with nine cents per share paid in the first quarter of the 1955 fiscal year.

Steel Output To Remain High, National Reports

Although the steel industry cannot be expected to continue indefinitely its production at the annual rate of about 126 million tons which prevailed during January, there is little reason to believe that output in 1956 will decline sharply from the 117 million tons produced in 1955, according to an analysis of the nation's steel industry as prepared by the economic staff of National Securities & Research Corporation.

"The slump in steel production which normally might be expected to accompany a decline in automobile production has failed to make an appearance to date," the study declared.

It added that industrial, commercial and public construction, steel warehousing, railroad equipment, machinery and home appliance demands are offsetting the supply of any finished tonnages which may become available by currently reduced requirements of the automobile industry.

"Some attempts to accumulate steel inventories are undoubtedly being made as a hedge against further price increases or the possibility of a protracted strike in July when labor contracts with the steel unions expire," it was stated.

However, the study added, with general industrial activity and national consumption holding at high levels, it is doubtful if unwieldly stocks of finished steel are becoming commonplace.

Discussing plans of the steel industry to boost productive capacity by 15 million tons, or about 12% over the next three years, National Securities & Research Corp. points out that "steel makers have traditionally been most conservative in their planning, and their proposal to augment facilities by about 12% can only be construed as an indication of the potential growth inherent in the national economy over the next three years."

Mutual Investment Fund, Inc. As of Dec. 31, 1955, shows net assets of the fund increased to $8,304,394 as compared with $5,606,330 a year earlier. This increase of $2,698,064 excludes $284,512 distributed to shareholders during the year from realized security profits. The year's increase, including such profits, exceeded 53%. During 1955 the number of shares outstanding increased by 40% to a total of 844,756 shares, and the number of shareholders increased about 25%. Net asset value per share as of Dec. 31, 1955 is indicated as $9.83, on the basis of 844,756 shares outstanding. This compares to a share value of $9.35 with 599,510 shares outstanding at the end of 1954.

de Vegh Income Fund, Inc., has announced that its net asset value per share on Dec. 31, 1955, was $17.02. This compares with $16.10 on Sept. 30, 1955, and $14.02 per share on Dec. 31, 1954.

Age Level of Plan Holders Is Declining

The increasing popularity of mutual fund accumulation plans indicates a gradual lowering in the age level of shareholders, according to Edward B. Burr, director of public information for the National Association of Investment Companies.

Reporting on the Association's 126 open-end member companies, Mr. Burr revealed that in January investors opened 122,990 new plans for quarterly or monthly purchases of shares in open-end companies, a record number for any single month.

"This undoubtedly means that more and more younger men and women are buying investment company shares for the first time," said Mr. Burr. "A survey of mutual fund investors in 1955 revealed that the typical accumulation plan-holder is 41 years old, or 12 years younger than the shareholder who has no formal plans to add to his holdings."

As of Jan. 31, net assets of the association's open-end member companies amounted to $7,728,429,000 as against $7,837,524,000 at the end of the previous month, and $6,240,767,000 a year earlier. New share sales reached $123,146,000 in January, compared with $109,783,000 in the same month of 1955. Share redemptions totaled $40,478,000 in January, as against $47,299,000 redeemed in January of 1955. Cash, U. S. Government securities and short-term obligations held by the 126 mutual funds totaled $438,158,000 at the end of January, with holdings of $437,966,000 at the end of December, 1955.

Incorporated Net Assets $235 Million

Rise in net assets of Incorporated Investors to a record high of $235,273,615 at Dec. 31, 1955, is revealed.

Net asset value increased $37,320,624 during the past year, with the per share net asset value rising from $15.73 to $19.06 after payment of a capital gains distribution of 26¾ cents. Profits on sale of securities of $1.11 per share, realized in 1955, will also be distributed to stockholders on Feb. 10.

In the report to stockholders by President Charles Devens and Chairman William A. Parker, management of the fund states its belief that 1956 will prove to be an excellent year for the American economy and that therefore the fund remains fully invested in securities selected for their conformity with its investment policy.

The report cites economic forces contributing to the soundness, stability and long-term expansion of our economy. These forces include wider distribution of national income, a 5½ fold increase in 30 years in expenditures for research and development, long range investment planning by industry, of which the $3 billion steel expansion program for 1956-1958 is an example, and the extension of governmental power, not only to tax, borrow and spend, but also to control credit.

Wellington Sales At New Peak

Wellington Fund started off the new year with largest sales volume of any January in the Fund's 27-year history, A. J. Wilkins, Vice-President of the Fund, reported.

Mr. Wilkins stated that new investments in Wellington Fund shares in January reached a record $7,879,000, up more than $1,000,000 over the previous record of $6,853,000 established in January last year.

Electronic Sales Up

Factory sales of industrial electronic equipment in 1956 are expected to increase 20% to a new peak level of $800,000,000, according to the March issue of "Keeping Up," published by Television Shares Management Corp.

One Million In Dividends

Group Securities will distribute $1,043,877 in dividends from net investment income for the first quarter, ending Feb. 29, of the current fiscal year, Herbert R. Anderson, President, reports. This brings the total of dividend payments from net income to $43,589,218 since Group Securities' inception.

Diversified Fund Reports Gain

Diversified Growth Stock Fund, Inc., in summarizing operations for the year ended Dec. 31, 1955, reported to shareholders that investments newly added to the Fund's security holdings during the year included Burroughs Corp., Carrier Corp., Kaiser Aluminum & Chemical Corp., National Homes Corp. class B, Owens-Corning Fiberglas Corp., and Royal Dutch Petroleum Co.

The fund also reported that the year produced a 17.9% increase in net asset value per share, after adjustment for a 61 cents per share distribution of security profits realized in 1955. Net asset value per share on Dec. 31, 1955 amounted to $11.52, as compared with $10.29 at the 1954 year-end.

Net assets on Dec. 31, 1955 totaled $12,878,246, reflecting an increase of $1,616,192 over the amount reported at the close of 1954.

During the year 1955 the fund reduced its investments in three broad industry groups: electronics and instrumentation, oil and gas, and chemical and drug.

New York Capital Fund of Canada, Ltd. net assets of Dec. 31, 1955 aggregated $27,457,924, equivalent to $28.54 per share, according to the annual report. This compared with $24.85 per share on Dec. 31, 1954.

Net asset value per share at the close of 1955 compared with the starting net worth of the Fund of $23.35 per share and $28.57 per share at the Sept. 30, 1955 quarterly report, it was pointed out.

National Investors Corporation directors have declared a 100% stock distribution to effect a 2-for-1 split of its shares. The distribution will be paid on March 31 to shareholders of record at Feb. 27.

Whitehall Fund, Inc. directors have declared a 100% stock distribution to effect a 2-for-1 split of its shares. The distribution will be paid on March 31 to shareholders of record at Feb. 27.

Axe-Houghton Fund B shareholders have approved a 3-for-1 stock split by voting to increase the fund's authorized capital stock from three million to 12 million shares. The new shares will be delivered March 21 to shareholders of record at the close of business Feb. 28. The split-up is the second in the fund's 17-year history. The first was April 20, 1946, when the stock was split 2-for-1.

Delaware Fund reported the largest January sales in its 17-year history. Gross sales for the month according to W. Linton Nelson, President, totaled $1,049,368, a 25% gain over sales of $821,505 in January, 1954.

PURITAN FUND, INC., net assets of the fund totaled $21,314,737 on Jan. 31 compared with $18,424,131 as of Oct. 31, 1955, an increase of 15.7%. A year ago on Jan. 31, 1955, the net asset value was $5,825,642. Net asset value per share was $6.53 on Jan. 31, 1956, compared with $6.36 a year ago.

Continued from page 7

Rail Stocks Currently Attractive

competition. Therefore, railroads carrying a large percentage of such type of traffic have been the most adversely affected. Also with respect to less carload freight, it is generally expensive to handle because it has a large labor factor. Thus, as wages have gone up the roads with the greatest amount of this type of traffic have found it most difficult to control expenses.

IV—TERMINAL SITUATION: Generally speaking wage increases granted in the postwar years have been on a cent-per-hour basis, with all classes of employees getting practically the same dollar increases. Obviously, this has meant that the lower salary workers have received the largest percentage increases. As a result, costs for yard and station employees have increased at a more rapid rate than have those of road haul workers and, in addition, it has been more difficult to offset such wage increases. It has been found that railroads with heavy terminal operations, particularly where the average length of haul of freight is low, have experienced a much more serious squeeze during the past decade than have those roads which do relatively little terminal work. I might bring out the fact that the cost of originating or terminating any shipment is just as high if it travels 50 miles as if it moves 200 miles and produces four times as much revenue.

V—PASSENGER BUSINESS: Passenger business and particularly short-haul local and commutation service is expensive and is generally conducted at a substantial loss. Obviously, the road that has a large passenger business in relation to its freight revenues will experience a serious drain on its profits that may be derived from the freight service.

VI—MANAGEMENT: The caliber of management will vary widely and it is management that makes the important decisions that influence traffic volume through aggressive solicitation policies, costs through modernization programs, financial policies, etc. With the many serious problems that the railroads have had to face in recent years, and still must face, the question of quality, capability, and depth of management has become of increasing importance. As a matter of fact, I might say that this question of management is the most important consideration at the present time. There is no question in my mind that the caliber, imagination and aggressiveness of railroad management generally has improved sharply during the past 10 to 15 years. But, I am just as sure that in many instances there is still a long way to go.

Long-Term Record

I have outlined some of the different influences that weigh with varying impact on individual railroads. These differences are reflected in the operation and earnings of the individual railroads. How wide the variations may be is best illustrated by the wide range of transportation ratios, the percentage of the revenue dollar spent on actually moving and handling the traffic, and the profit margins, the percentage of the revenue dollar carried through to net operating income before Federal income taxes. This profit margin reflects all of the costs of operating the railroad including credits or debits for joint facility rents and hire of equipment.

Last year the Class I carriers had an indicated transportation ratio of 37.2%. Among the major carriers the indicated ratios ran all the way from a low of 19.6% for Virginian to a high of 47.4% for Delaware, Lackawanna & Western. At this juncture I might point out that it is rather dangerous to take merely a single year as any criterion of the individual railroads status, as expenses may be temporarily influenced by extraordinary and non-recurring factors. As a matter of fact, this was true of Delaware, Lackawanna & Western last year when it was severely afflicted by the fall floods. It is the long-term record and the trend that are important. When a road is consistently near the top, or consistently near the bottom, however, it must be accepted as a true measure of the company's capabilities.

Of the major railroads, there were six last year with transportation ratios below 30%. There were eight with transportation ratios above 43%. I think it is significant that of the eight with the highest ratios seven operate in the eastern and New England regions. Included in the group are both New York Central and Pennsylvania. Of the six with transportation ratios below 30% two were the Pocahontas carriers, Virginian and Norfolk and Western and four operated in the central western or southwestern sections of the country. It takes little imagination to see that there is a vast difference in the status and prospects of a road that has to spend less than 30 cents out of every revenue dollar to handle the traffic and one that has to spend 43 cents or more to accomplish the same purpose.

Similarly, the Class I carriers as a whole last year had a pre-tax profit margin of 15.5%. For the individual railroads the range ran all the way from a low of 3.5% for New Haven to a high of 45.4% for Virginian. There were 15 major railroads that had profit margins of 10% or less. Here again, it is significant that the vast majority of this group operated in the eastern section of the country. This low profit margin for the majority of eastern railroads is not a new phenomena. It has been pretty consistent ever since the end of World War II.

On the other end of the scale there were eight railroads that had profit margins of more than 25%. Three coal railroads—Virginian, Norfolk and Western and Western Maryland top the list followed by Kansas City Southern, St. Louis Southwestern, Denver & Rio Grande Western, all with margins above 30%, and Chesapeake & Ohio with 27.4% and Southern Railway 26.1%. Here again, the roads represented on the top of the list have been there fairly consistently over a period of quite a few years. This profit margin is a highly important tool for measuring the investment status of a railroad security. Obviously, the higher the profit margin the less serious will be the impact of rising wages and fuel and material costs.

Price Earnings Ratios

Railroad stocks generally are selling at relatively low price-earnings ratios. Yields are well above those available on similar quality industrial stocks. In many cases these yields will be further enriched within the next 12 months by continuing dividend increases. It is my opinion that the market cannot long ignore these considerations. Of course, the outlook for every rail is not so favorable for the coming year. For instance, Chicago & North Western is still a very high cost operation and it remains to be seen whether or not the recent management change will bring a material improvement in this respect. Similarly, New Haven is not considered to be attractive at this time. Aside from the basic operating difficulties, it has been made fairly obvious that the new management will have to increase maintenance outlays substantially in the current year. Pennsylvania and New York Central, both having rather high wage ratios, will be particularly hard hit by the lag in the inauguration of increased freight rates. Moreover, both of these roads have paid practically nothing in the way of Federal income taxes in recent years and any increase in earnings from here on presumably will be retarded by the necessity for making some provision for such taxes. As I have said, selectivity is essential.

Attractive Rails

It seems to me that the outlook for the three so-called Pocahontas roads—Chesapeake & Ohio, Norfolk & Western and Virginian—is quite favorable based on the continued export demand for coal as well as the expanding domestic public utility requirements. Other than those, at this time I would favor Southern Railway, Western Pacific, Illinois Central and Great Northern. All of these operate in growth territories and in each instance it is anticipated that the already high degree of operating efficiency will be further improved in the current year.

On the speculative side, I still consider the outlook for Baltimore & Ohio as encouraging. A milestone in the company's history was passed last year with the comprehensive debt refunding and retirement program. Fixed charges and contingent interest requirements combined were reduced below $20 million thus eliminating many of the onerous sinking fund provisions and dividend restrictions. The company now proposes to exchange the income 4½s par-for-par into fixed interest 4½s. If this plan is successful, as I am convinced it will be, the last remaining restrictions imposed on the railroad in earlier debt readjustment plans will be eliminated. This in turn will open the way to establishment of a regular quarterly dividend on the stock.

In the lower price group my favorite would be Chicago, Milwaukee, St. Paul and Pacific. The road has traditionally been a low profit margin property but it is indicated that some change for the better is now under way particularly with respect to yard operations. The road will benefit substantially from a change in divisions of rates with eastern carriers that went into effect on Jan. 1. Finally, it is my opinion that material benefits will flow as an indirect result of the new arrangement for joint transcontinental passenger operations with Union Pacific. The above list does not include all of the railroad stocks that I consider attractive at this time. They are merely the ones that I consider represent the best value over the coming year.

R. C. Barber Opens

LA GRANGE, Ind.—Richard C. Barber has opened an office at 115½ South Detroit Street to conduct a securities business.

Lipton Opens Office

Lew Lipton is conducting a securities business from offices at 130 West 44th Street, New York City.

John F. B. Mitchell

John F. B. Mitchell, partner in Wood, Walker & Co., New York City, passed away Feb. 13.

Continued from page 5

The State of Trade and Industry

of buying caution in sheets and bars, states "Steel" magazine the current week.

The metalworking weekly reported a slight easing of demand for sheets, the product most noticeably affected by the slower pace in the automobile industry.

Sheet mills in opening second-quarter books for business found some customers, other than automotive, who did not want all the tonnage offered them for April, according to the publication. Some did not wish to commit themselves beyond that month, preferring to await May lead time before taking action. Cautiousness is also being expressed in bars to some extent, "Steel" reported.

So far as mill shipments of sheets are concerned, consumers in general can't profit from the auto cutbacks before March and April. That's when cancellations and deferments largely become effective, it points out.

The metalworking weekly said steelmakers seem noticeably confident of a snapback in automotive demand with spring just around the corner. The seasonal surge in car buying is expected to cut into the large stockpile of over 850,000 autos reportedly in the hands of dealers.

Retrenchment in automotive steel requirements continues, with car production slowing down. While autobuilders are cutting back on their current commitments to the steel mills and, reportedly, are liquidating their excess steel inventories, they have indicated they will want their full steel quotas for May and June. This seems to mean they anticipate a substantial quickening in their production schedules in about 60 days at the latest, this trade weekly notes.

Steel pointed out it is not likely any tonnage will go begging for buyers so long as over-all demand exceeds supply, as in the case particularly in plates and structurals. Should demand for sheets shrink to the point where excess capacity were available, sheet mills can be counted upon to quickly shift their production emphasis to plates, a product which is particularly in short supply. Diversion of greater semi-finished tonnage to production of structurals would take up some slack, it added.

The scrap market continues weak with "Steel's" price composite on steelmaking scrap dropping for the fifth week since it attained an all-time high of $53.33 a gross ton. It declined to $48.33 from $49. The finished steel price composite remains 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 98.4% of capacity for the week beginning Feb. 27, 1956, equivalent to 2,422,000 tons of ingot and steel for castings as compared with 98.9% 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 99.3% and production 2,444,000 tons. A year ago the actual weekly production was placed at 2,218,000 tons or 91.9%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based an annual capacity of 125,-828,310 tons as of Jan. 1, 1955.

Electric Output Eased Further the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 25, 1956, was estimated at 11,277,000,000 kwh., a decrease below the week ended Feb. 18, 1956, according to the Edison Electric Institute.

This week's output fell 44,000,000 kwh. below that of the previous week; it increased 1,552,000,000 kwh. or 16.0% above the comparable 1955 week and 2,881,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Feb. 18, Advanced 2% Over the Previous Week

Loadings of revenue freight for the week ended Feb. 18, 1956 increased 13,991 cars or 2% over the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 18, 1956, totaled 698,319 cars, an increase of 48,071 cars, or 7.4% above the corresponding 1955 week, and an increase of 79,696 cars, or 12.9% above the corresponding week in 1954.

U. S. Car Output Decline the Past Week Estimated to Be the Lowest for the Current Year

Car output for the latest week ended Feb. 24, 1956, according to "Ward's Automotive Reports," was estimated to be the lowest total of the current year.

Last week the industry assembled an estimated 124,453 cars, compared with 128,328 (revised) in the previous week. The past week's production total of cars and trucks amounted to 147,520 units, or a decrease of 4,035 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 3,875 cars, while truck output was lower by 160 vehicles during the week. In the corresponding week last year 171,188 cars and 15,053 trucks were assembled.

Last week the agency reported there were 23,067 trucks made in the United States. This compared with 23,227 in the previous week and 15,053 a year ago.

Canadian output last week was placed at 6,500 cars and 1,226 trucks. In the previous week Dominion plants built 6,038 cars and 1,314 trucks, and for the comparable 1955 week, 8,218 cars and 620 trucks.

Business Failures Moved Lower in Latest Week

Commercial and industrial failures declined to 230 in the week ended Feb. 23 from 252 in the preceding week, Dun & Bradstreet, Inc., reported. Although the toll was the lowest in seven weeks, it remained considerably above a year ago when 178 failures occurred, or in 1954 when there were 204. Compared with the pre-war level, failures continued 14% below the total of 267 for the similar week of 1939.

Failures involving liabilities of $5,000 or more dipped to 199 from 209 in the previous week but exceeded the 156 of this size last year. Among small failures with liabilities under $5,000, there was a decrease to 31 from 43, but the level remained above the 22 of a year ago. Concerns failing with liabilities in excess of $100,000 numbered 25 as against 11 in the preceding week.

Thirty-three Canadian failures were reported as compared with 34 in the preceding week and 31 in the corresponding week of 1955.

Wholesale Food Price Index Moved With Indecision and Turned Slightly Lower the Past Week

Continuing the up and down movement of recent weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell slightly last week to stand at $5.93 on Feb. 21. This compared with $5.94 a week earlier and marked a drop of 10.8% from $6.65 on the like date a year ago.

Higher in wholesale cost the past week were flour, wheat, corn, rye, lard, sugar, coffee, cottonseed oil and eggs. On the down side were oats, barley, hams, bellies, butter, cocoa, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Extended Its Upward Trend the Past Week for the 5th Consecutive Week

Continuing its mild but steady upward movement into the fifth straight week, the Dun & Bradstreet daily wholesale commodity price index reached the highest level in about two and a half years the past week. The index finished at 281.82 on Feb. 21, comparing with 281.24 a week earlier and with 276.26 on the corresponding date a year ago.

Grain markets were somewhat quieter a week ago, reflecting uncertainties surrounding the outcome of the present farm bill now in Congress.

A firming influence in wheat was the heavy movement of cash grain from the Chicago market and a consequent tightening of "free" supplies.

Substantial amounts of wheat were reported sold to various countries in recent weeks principally out of surplus stocks of the Government. Prospects for Winter wheat in the Southwest were improved as the result of recent precipitation. Corn prices advanced slightly, as the result of continued small offerings.

Export sales of corn during January were estimated at about 10,000,000 bushels, up sharply from January last year.

Trading in grain and soybean futures on the Chicago Board of Trade was less active last week. Daily average sales totalled 33,600,000 bushels, against 35,400,000 the previous week and 42,400,000 a year ago.

Coffee prices continued to rise with buying stimulated by expectations of another general advance in roasted coffee at the wholesale level.

Trading in cocoa was more active with prices showing some firmness at the week-end as the result of better trade buying. Warehouse stocks of cocoa were up moderately in the week and totalled 313,840 bags, as compared with 121,277 bags on the like date a year ago. Lard finished higher reflecting strength in vegetable oils. Livestock markets were generally weaker.

The rising trend in domestic raw cotton prices continued during the week reflecting dwindling certified stocks and the still mounting total tied up under Government loan. Trading in spot cotton in the 14 markets was less active and totalled 318,100 bales during the week, as against 357,500 the previous week and 167,400 in the corresponding week a year ago. Entries of cotton into the CCC 1955 loan program in the week ended Feb. 10 were reported at about 112,000 bales, compared with 126,688 a week previous, and 202,413 two weeks earlier. Repossessions during the week of Feb. 10 amounted to only 41,000 bales. So far this season growers have placed 6,868,000 bales under Government loan, a new seasonal record.

Trade Volume Showed Strength the Past Week and Was Moderately Above Like Period of 1955

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 —3 to +1; East 0 to +4; South and Northwest +2 to +6; Middle West, Southwest and Pacific Coast +3 to +7%.

Wholesale buying in the week was unchanged from the level of the previous week, but slightly exceeded that of the corresponding week last year. An upsurge in the re-ordering of women's Spring apparel occurred, and purchases of men's Summer sportswear noticeably exceeded those of the previous week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 18, 1956, increased 6% above those of the like period of last year. In the preceding week, Feb. 11, 1956, an increase of 5% was reported. For the four weeks ended Feb. 18, 1956, an increase of 6% was recorded. For the period Jan. 1, 1956 to Feb. 18, 1956 a gain of 2% was registered above that of 1955.

Retail trade in New York City last week was affected by unseasonably cold weather and as a consequence, sales volume was held to a minimum. Trade observers estimated that sales would be confined to 1%, either way, from last year's volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 18, 1956, increased 3% above those of the like period last year. In the preceding week, Feb. 11, 1956, an increase of 1% was recorded. For the four weeks ending Feb. 18, 1956, an increase of 5% was registered. For the period Jan. 1, 1956 to Feb. 18, 1956 the index recorded a rise of 2% above that of the corresponding period in 1955.

Monitor Exploration Stock at $1 a Share

Globe Securities Corp., New York City, are offering publicly, as a speculation, an issue of 300,-000 shares of common stock (par five cents) of Monitor Exploration Co. (a Colorado corporation) at $1 per share.

It is planned to use the net proceeds from the sale of these securities to pay the balance due on the purchase of the Silver Bit claims, pay notes and other indebtedness, and used for working capital and other general corporate purposes.

Monitor Exploration Co. was incorporated in Colorado on Nov. 9, 1955 for the purpose of continuing with uranium operations on the Silver Bit unpatented claims located in McKinley County, New Mexico, and will evaluate the properties by drilling and such other exploration work as may be indicated for their complete exploration.

Following completion of the financing, there will be outstanding 641,250 shares of common stock, out of an authorized issue of 2,000,000 shares.

Long Island Arena Stock at $1.50 a Sh.

Dunne & Co., New York City, are offering 525,000 shares of common stock (par 10 cents) of Long Island Arena, Inc. at $1.50 per share.

Organized under New York law on March 25, 1954, Long Island Arena, Inc. intends to build and operate an indoor arena for sports events, entertainments, civic and commercial events and recreational activities in Commack, N.Y., in Smithtown Township, Suffolk County, Long Island. According to the prospectus, all necessary approvals of the plans for the arena have been obtained, work on the foundation was started in early December, 1955, and the company anticipates that the arena will be in operation by September, 1956.

Net proceeds of the present financing will be added to the company's general funds and will be available for its general corporate purposes, including the construction of the arena. The overall cost of construction of the arena and of equipping it for operation, including parking facilities but excluding the cost of the land, is estimated at $700,000. The company estimates that the proceeds from the sale of the 525,000 shares, if all are sold, together with funds on hand, will be sufficient to pay the entire cost of the construction of the arena and of equipping it for operation.

The company has outstanding 524,735 shares of common stock.

FHLB Notes on Market

Public offering of $164,000,000 Federal Home Loan Banks 3.05% Series A-1957 non-callable consolidated notes, dated March 15, 1956 and due Jan. 15, 1957 is being made today (March 1) by the Federal Home Loan Board through Everett Smith, fiscal agent of the Banks, with the assistance of a nation-wide group of securities dealers. The notes are priced at 100%.

Proceeds of the offering, together with current funds of the Banks, will be applied to retirement on March 15, 1956 of a maturing note issue in the principal amount of $180,760,000.

Upon completion of the offering and the retirement of the March 15 maturity, outstanding note issues of the Banks will be reduced to $878,240,000 from $895,000,000.

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)	Mar. 4	§98.4	*98.8	99.3	91.9
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 4	§2,422,000	*2,433,000	2,444,000	2,218,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 17	7,116,050	7,045,750	7,044,950	6,767,300
Crude runs to stills—daily average (bbls.)	Feb. 17	¶7,989,000	8,016,000	7,952,000	7,511,000
Gasoline output (bbls.)	Feb. 17	25,899,000	25,899,000	26,566,000	24,404,000
Kerosene output (bbls.)	Feb. 17	2,723,000	2,594,000	2,627,000	2,543,000
Distillate fuel oil output (bbls.)	Feb. 17	13,730,000	13,437,000	13,575,000	12,640,000
Residual fuel oil output (bbls.)	Feb. 17	8,953,000	9,171,000	9,317,000	8,925,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 17	189,428,000	187,618,000	175,785,000	176,877,000
Kerosene (bbls.) at	Feb. 17	19,541,000	20,069,000	22,711,000	20,170,000
Distillate fuel oil (bbls.) at	Feb. 17	77,850,000	80,569,000	94,610,000	71,019,000
Residual fuel oil (bbls.) at	Feb. 17	38,203,000	37,727,000	39,012,000	46,710,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 18	698,319	684,328	699,286	650,248
Revenue freight received from connections (no. of cars)	Feb. 18	678,807	676,609	677,483	632,048
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 23	$440,059,000	$268,250,000	$362,320,000	$312,218,000
Private construction	Feb. 23	292,854,000	150,052,000	149,361,000	207,823,000
Public construction	Feb. 23	147,205,000	118,198,000	212,959,000	104,395,000
State and municipal	Feb. 23	117,801,000	83,946,000	157,618,000	78,292,000
Federal	Feb. 23	29,404,000	34,252,000	55,341,000	26,103,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 18	10,090,000	*10,150,000	10,540,000	8,935,000
Pennsylvania anthracite (tons)	Feb. 18	506,000	585,000	628,000	598,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 18	95	97	98	90
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 25	11,277,000	11,321,000	11,512,000	9,725,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 23	230	252	284	178
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 21	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Feb. 21	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Feb. 21	$48.67	$49.00	$50.83	$37.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 21	45.700c	43.300c	43.975c	32.700c
Export refinery at	Feb. 21	46.175c	45.525c	45.550c	36.900c
Straits tin (New York) at	Feb. 21	100.750c	100.375c	104.125c	90.500c
Lead (New York) at	Feb. 21	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	Feb. 21	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	Feb. 21	13.500c	13.500c	13.500c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 28	95.70	95.86	95.91	96.34
Average corporate	Feb. 28	108.16	108.16	107.98	109.42
Aaa	Feb. 28	111.81	111.81	111.44	112.75
Aa	Feb. 28	110.34	110.34	109.97	110.88
A	Feb. 28	108.16	108.16	107.98	109.79
Baa	Feb. 28	102.80	102.96	102.63	104.48
Railroad Group	Feb. 28	106.39	106.39	106.21	107.62
Public Utilities Group	Feb. 28	108.52	108.52	108.34	110.15
Industrials Group	Feb. 28	109.42	109.60	109.24	110.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 28	2.82	2.81	2.81	2.77
Average corporate	Feb. 28	3.27	3.27	3.28	3.20
Aaa	Feb. 28	3.07	3.07	3.09	3.02
Aa	Feb. 28	3.15	3.15	3.17	3.12
A	Feb. 28	3.27	3.27	3.28	3.18
Baa	Feb. 28	3.58	3.57	3.59	3.48
Railroad Group	Feb. 28	3.37	3.37	3.38	3.30
Public Utilities Group	Feb. 28	3.25	3.25	3.26	3.16
Industrials Group	Feb. 28	3.20	3.19	3.21	3.14
MOODY'S COMMODITY INDEX	Feb. 28	404.2	403.9	407.8	398.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 18	226,447	246,870	249,990	249,452
Production (tons)	Feb. 18	291,777	283,585	293,186	262,282
Percentage of activity	Feb. 18	99	100	101	95
Unfilled orders (tons) at end of period	Feb. 18	545,180	613,937	577,998	419,484
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 24	107.00	107.11	107.47	107.18
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	Feb. 4	1,190,414	1,351,389	1,069,137	1,700,303
Dollar value	Feb. 4	$63,371,893	$71,393,463	$56,369,435	$86,644,582
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 4	966,395	1,011,115	856,980	1,432,752
Customers' short sales	Feb. 4	4,666	5,779	2,241	7,916
Customers' other sales	Feb. 4	961,729	1,005,336	854,739	1,424,836
Dollar value	Feb. 4	$51,163,343	$53,007,826	$44,699,898	$67,746,797
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 4	224,550	229,500	222,760	367,340
Short sales	Feb. 4	------	------	------	------
Other sales	Feb. 4	224,550	229,500	222,760	367,340
Round-lot purchases by dealers—					
Number of shares	Feb. 4	534,450	601,000	419,730	616,068
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	Feb. 4	406,530	432,780	277,300	728,590
Other sales	Feb. 4	9,821,460	10,710,570	9,507,780	16,459,410
Total sales	Feb. 4	10,227,990	11,143,350	9,785,080	17,188,000
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 4	1,281,650	1,485,280	1,148,180	1,909,78(
Short sales	Feb. 4	200,540	236,340	160,270	396,330
Other sales	Feb. 4	1,015,210	1,260,500	1,140,680	1,615,250
Total sales	Feb. 4	1,215,750	1,496,840	1,300,950	2,011,580
Other transactions initiated on the floor—					
Total purchases	Feb. 4	258,360	294,340	237,730	388,250
Short sales	Feb. 4	28,550	23,500	10,700	46,900
Other sales	Feb. 4	203,810	255,910	285,680	348,470
Total sales	Feb. 4	232,360	279,410	296,380	395,370
Other transactions initiated off the floor—					
Total purchases	Feb. 4	475,268	445,042	504,276	619,250
Short sales	Feb. 4	93,280	55,120	50,190	139,395
Other sales	Feb. 4	524,467	464,485	420,689	748,525
Total sales	Feb. 4	617,747	519,605	470,879	887,920
Total round-lot transactions for account of members—					
Total purchases	Feb. 4	2,015,278	2,224,662	1,890,186	2,917,280
Short sales	Feb. 4	322,370	314,960	221,160	582,625
Other sales	Feb. 4	1,743,487	1,980,895	1,847,049	2,712,245
Total sales	Feb. 4	2,065,857	2,295,855	2,068,209	3,294,870
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 21	112.0	112.1	111.7	110.3
Farm products	Feb. 21	85.7	86.0	85.5	93.7
Processed foods	Feb. 21	98.4	*98.7	98.6	103.2
Meats	Feb. 21	70.7	*72.3	73.1	85.4
All commodities other than farm and foods	Feb. 21	120.2	*120.2	119.8	115.4

*Revised figure. ¶Includes 793,000 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
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 31:			
Imports	$236,939,000	$251,682,000	$272,708,000
Exports	219,567,000	210,400,000	187,182,000
Domestic shipments	8,667,000	8,950,000	10,315,000
Domestic warehouse credits	37,572,000	54,125,000	292,542,000
Dollar exchange	11,214,000	16,742,000	16,572,000
Based on goods stored and shipped between foreign countries	110,342,000	99,781,000	89,908,000
Total	$624,301,000	$641,680,000	$869,227,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:			
Manufacturing number	209	191	195
Wholesale number	106	104	114
Retail number	535	404	456
Construction number	126	136	87
Commercial service number	72	73	87
Total number	1,048	908	939
Manufacturers' liabilities	$14,442,000	$11,554,000	$11,636,000
Wholesale liabilities	4,375,000	10,867,000	4,391,000
Retail liabilities	14,936,000	10,775,000	9,647,000
Construction liabilities	6,163,000	7,341,000	9,044,000
Commercial service liabilities	2,974,000	1,106,000	3,154,000
Total liabilities	$42,890,000	$41,643,000	$37,872,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of December (millions of dollars):			
Manufacturing	$45,900	*$45,700	$43,300
Wholesale	12,300	12,300	11,500
Retail	23,900	*23,600	22,100
Total	$82,100	*$81,600	$76,900
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of December (000's omitted)	$ 2,418,700,000	$ 294,600,000	$ 1,978,400,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of January	746,996	855,447	716,045
In consuming establishments as of Jan. 28	1,712,495	1,699,257	1,808,241
In public storage as of Jan. 28	17,289,089	17,592,790	13,528,730
Linters—Consumed month of January	156,484	141,934	123,894
Stocks Jan. 28	1,397,615	1,418,864	1,831,075
Cotton spindles active as of Jan. 28	19,399,000	19,440,000	19,413,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Jan. 28	21,987,000	22,219,000	22,495,000
Spinning spindles active on Jan. 28	19,399,000	19,440,000	19,282,000
Active spindle hours (000's omitted) Jan. 28	9,577,000	10,992,000	9,184,000
Active spindle hours per spindle in place Jan.	478.8	439.7	459.2
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of January:			
Sales (average monthly), unadjusted	88	197	84
Sales (average daily), unadjjusted	90	194	86
Sales (average daily), seasonally adjusted	114	110	109
Stocks unadjusted	108	110	102
Stocks, seasonally adjusted	122	121	114
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of January:			
All manufacturing (production workers)	13,240,000	*13,460,000	12,523,000
Durable goods	7,763,000	*7,853,000	7,182,000
Nondurable goods	5,477,000	*5,607,000	5,341,000
Employment Indexes (1947-49 Avge. = 100)—			
All manufacturing	107.0	*108.8	101.2
Payroll Indexes (1947-49 Average=100)—All manufacturing	158.4	163.8	141.5
Estimated number of employees in manufacturing industries—			
All manufacturing	16,798,000	*17,009,000	15,925,000
Durable goods	9,802,000	*9,884,000	9,113,000
Nondurable goods	6,996,000	*7,125,000	6,812,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$209,179,000	$189,453,000	$207,594,000
Matured endowments	56,942,000	53,464,000	54,241,000
Disability payments	9,476,000	9,207,000	9,795,000
Annuity payments	38,230,000	39,485,000	40,551,00€
Surrender values	78,795,000	71,667,000	71,445,000
Policy dividends	163,043,000	72,397,000	142,372,000
Total	$555,665,000	$435,673,000	$525,998,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of December (millions of dollars):			
Inventories—			
Durables	$26,280	*$26,050	$24,023
Nondurable	19,579	*19,619	19,242
Total	$45,859	*$45,669	$43,265
Sales	27,288	*27,343	$24,097
NEW CAPITAL ISSUES IN GREAT BRITAIN-MIDLAND BANK LTD.—Month of Jan.	£4,429,000	£13,000,000	£4,813,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of November:			
Production (barrels)	24,894,000	27,924,000	23,826,000
Shipments from mills (barrels)	21,682,000	28,641,000	22,766,000
Stocks (at end of month—barrels)	11,663,000	8,753,000	10,732,000
Capacity used (per cent)	101	110	98
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914 = 100—As of Jan. 15:			
All farm products	226	223	239
Crops	231	227	243
Commercial vegetables, fresh	244	231	221
Cotton	259	264	276
Feed, grains and hay	171	170	202
Food grains	220	221	239
Fruit	225	207	218
Oil-bearing crops	236	232	279
Potatoes	161	144	182
Tobacco	452	445	430
Livestock and products	221	219	236
Dairy products	260	265	264
Meat animals	207	201	253
Poultry and eggs	205	204	155
Wool	222	220	284
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Dec. (000's omitted):			
Savings and loan associations	$700,072	$765,340	$784,085
Insurance companies	155,908	152,272	191,404
Bank and trust companies	457,444	499,277	419,806
Mutual savings banks	166,244	170,595	157,762
Individuals	267,646	285,235	252,358
Miscellaneous lending institutions	440,988	443,405	461,560
Total	$2,188,302	$2,316,124	$2,266,975

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Abundant Uranium, Inc., Grand Junction, Colo.
Feb. 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—319 Uranium Center, Grand Junction, Colo. **Underwriter**—Ralph M. Davis & Co., Grand Junction, Colo.

★ Aircraft Danger Light Corp., Minneapolis, Minn. (3/5)
Feb. 17 (letter of notification) 10,000 shares of common stock (par $1). **Price** — $11 per share. **Proceeds**—For production and development of various models of the Atkins Light. **Office** — 1755 Rand Tower, Minneapolis, Minn. **Underwriter**—Craig-Hallum, Inc., Minneapolis, Minn.

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.

★ American Alloys Corp., Kansas City, Mo.
Feb. 24 filed 130,000 shares of 6% cumulative convertible preferred stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To retire bank and mortgage indebtedness of $142,000; to construct additional furnace facilities; and for working capital and general corporate purposes. **Underwriter**—S. D. Fuller & Co., 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.

★ Arrow Graphic Corp. (Del.)
Feb. 20 (letter of notification) 50,000 shares of common stock (par one cent) and $70,000 of 10-year 8% debenture bonds. **Price** — Of stock, $3.50 per share; and of bonds, 100% (in units of $10 each). **Proceeds**—For loans to two subsidiaries and for working capital and further acquisitions. **Office**—210 Fifth Ave., New York 10, N. Y. **Underwriter**—None.

★ Atlas Corp.
Feb. 28 filed 9,890,095 shares of common stock (par $1) to be issued pursuant to an agreement of merger with this corporation of Airfleets, Inc., Albuquerque Associated Oil Co., RKO Pictures Corp., San Diego Corp. and Wasatch Corp. on the following basis: Four shares for one of Atlas common; 2.4 shares for one share of Airfleets common; one share for each share of Albuquerque common; four shares for each 5.25 shares of RKO common; 2.4 shares for each share of San Diego common; 13 shares for each share of Wasatch cumulative preferred; and 1.3 shares for each share of Wasatch common. The registration statement also covers 1,250,000 shares of 5% cumulative preferred stock (par $20) which will become issuable upon and to the extent that shares of common stock are convertible into shares of preferred stock.

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 (expected at $10 per share). **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.

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**—To be received up to 11 a.m. (EST) on March 6 at Room 2315, 195 Broadway, New York, N. Y.

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.

★ Bocabelli, Inc., Canal Fulton, Ohio
Feb. 16 (letter of notification) 1,000 shares of cumulative preferred stock (par $50); 10,000 shares of class A nonvoting common stock (par $5) and 1,000 shares of class B voting common stock (par $5). Purchasers of each share of preferred stock will have the option to buy 10 shares of class A stock and will be required to purchase one share of class B stock. **Price**—At par. **Proceeds**—To acquire an inventory of soap through private cantract manufacture. **Office**—Canal Fulton, Ohio. **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. **Proceeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

★ Canadian Delhi Petroleum Ltd. (3/20)
Feb. 28 filed 698,585 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record March 5, 1956, at the rate of one new share for each five shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For advances to Canadian Delhi Oil Ltd., a wholly-owned subsidiary, who will use the funds to repay bank loans of $1,350,000, and for general corporate purposes. **Underwriters**—Lehman Brothers and Allen & Co., both of 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 represented thereby to the public on Feb. 23, at $145 per share; and 16,600 rights were placed 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.

★ Century Controls Corp. (3/2)
Feb. 21 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For repayment of loans, equipment and working capital. **Office** — Allen Boulevard, Farmingdale, N. Y. **Underwriter**—P. J. Gruber & Co., Inc., New York.

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.

• Colohoma Uranium, Inc. (3/5)
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.

• Cooper-Jarrett Inc. (3/2)
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.

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) (3/9-12)
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.

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.

★ Doctors Oil Corp., Carrollton, Tex.
Feb. 23 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — For working capital, to be devoted mainly to acquiring, exploring, developing and operating oil and gas properties; and to pay off $13,590.80 liabilities. **Underwriter** — James C. McKeever & Associates, Oklahoma City, Okla.

• Duro-Test Corp., North Bergen, N. J.
Feb. 8 filed 42,758 shares of cumulative preferred stock, series of 1956 ($25 par-convertible on or prior to March 15, 1966) being 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**—$5.25 per share. **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.

★ Eaton & Howard Balanced Fund, Boston, Mass.
Feb. 27 filed (by amendment) 1,000,000 additional trust shares (par $1). **Price**—At market. **Proceeds**—For investment.

★ Economart, Inc.
Feb. 17 (letter of notification) 2,989 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For expansion of operations and working capital. **Business** — Sale of cameras and photographic equipment. **Office**—91-08 Sutphin Blvd., Jamaica, N. Y.

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.

★ Florida Mutual Fund, Inc., St. Petersburg, Fla.
Feb. 27 filed (by amendment) 1,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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. (3/7)
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.

★ Gar-Pac, Inc., Carson City, Nev.
Feb. 16 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—402 N. Carson St., Carson City, Nev. **Underwriter**—None.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter—**Philip Gordon & Co., Inc., New York 6, N. Y.

● General Steel Castings Corp. (3/7)
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 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.

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.

★ Grolier Society, Inc. (3/8)
Feb. 23 (letter of notification) 12,000 shares of common stock (par $1), of which 8,000 shares are for account of company and 4,000 shares for selling stockholders. **Price**—$25 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters** — Dominick & Dominick, New York; George D. B. Bonbright & Co.,

Continued on page 48

NEW ISSUE CALENDAR

March 1 (Thursday)

Chicago & North Western Ry.____Equip. Trust Ctfs.
(Bids noon CST) $3,900,000

Mississippi Power Co.________________Bonds
(Bids 11 a.m. EST) $4,000,000

Mississippi Power Co.________________Preferred
(Bids 11 a.m. EST) $4,000,000

March 2 (Friday)

Century Controls Corp.________________Common
(P. J. Gruber & Co., Inc.) $100,000

Cooper-Jarrett, Inc. ________________Common
(Allen & Co.) 125,000 shares

Pinellas Industries, Inc.________Class A Common
(Eisele & King, Libaire, Stout & Co.) about $48,000

March 5 (Monday)

Aircraft Danger Light Corp.____________Common
(Craig-Hallum, Inc.) $110,000

Colohoma Uranium, Inc.________________Common
(General Investing Corp.) $1,000,000

Nevada Natural Gas Pipe Line Co.___ Debs. & Com.
(First California Co.) $2,020,000

Robinson (J. C.) Co.________________Class A
(D. B. Fisher Co.) $300,000

St. Louis Steel Casting, Inc.____________Common
(A. G. Edwards & Sons) 280,000 shares

Washington Gas Light Co.______________Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and Johnston, Lemon & Co.) 148,917 shares

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

Piasecki Aircraft Corp.________________Common
(Emanuel, Deetjen & Co.) $600,000

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

Van Waters & Rogers, Inc.______________Common
(Blyth & Co., Inc.) 63,560 shares

March 7 (Wednesday)

● Fruehauf Trailer Co.________________Debentures
(Lehman Brothers) $47,500,000

General Steel Castings Corp.____________Common
(Hornblower & Weeks) 165,000 shares

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

Grolier Society, Inc.__________________Common
(Dominick & Dominick; George D. B Bonbright & Co.; Ball, Burge & Kraus; and Foster & Marshall) $300,000

Rokeach (I.) & Sons, Inc.______________Common
(Jay W. Kaufmann & Co.) 400,000 shares

Ryder System, Inc.____________________Common
(Blyth & Co., Inc.) 151,050 shares

March 9 (Friday)

Cuba (Republic of)____________________Bonds
(Allen & Co.) $2,000,000

Oklahoma Gas & Electric Co.____________Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane) 298,479 shares

March 12 (Monday)

Murdock Acceptance Corp.______________Common
(Equitable Securities Corp. and Bullington-Schas & Co.) 50,000 shares

Parker Petroleum Co., Inc.___Preferred & Common
(D. A. Lomasney & Co.) $1,500,000 preferred and 150,000 shares of common stock

Westcoast Transmission Co., Ltd.____Debs. & Com.
(Eastman, Dillon & Co.) $20,500,000 debetnures and 615,000 shares of stock

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

Pennsylvania RR. ___________Equip. Trust Ctfs.
(Bids noon EST) $7,560,000

March 14 (Wednesday)

Laclede Gas Co._______________________Preferred
(Offering to stockholders—bids to be invited) 202,657 shares

Missouri Pacific RR.____________________Notes
(Bids to be invited) about $23,000,000

March 15 (Thursday)

Alabama Power Co.______________________Bonds
(Bids 11 a.m. EST) $14,000,000

Winn-Dixie Stores, Inc.________________Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $20,000,000

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)

Canadian Delhi Petroleum, Ltd.__________Common
(Offering to stockholders—to be underwritten by Lehman Brothers and Allen & Co.) 698,585 shares

Louisiana Power & Light Co.____________Preferred
(Bids 11:30 a.m. EST) $7,000,000

Narragansett Electric Co.________________Bonds
(Bids 11 a.m. EST) $10,000,000

Pacific Gas & Electric Co.________________Bonds
(Bids to be invited) $25,000,000

March 22 (Thursday)

Rotary Electric Steel Co.________________Common
(Offering to stockholders—to be underwritten by W. E. Hutton & Co.) 69,670 shares

March 29 (Thursday)

Georgia Power Co.______________________Bonds
(Bids to be invited) $16,000,000

April 3 (Tuesday)

Columbus & Southern Ohio Electric Co.____Bonds
(Bids 11 a.m. EST) $12,000,000

Florida Power & Light Co.________________Bonds
(Bids 11:30 a.m. EST) $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

Duquesne Light Co._______________________Bonds
(Bids 11 a.m. EST) $20,000,000

April 5 (Thursday)

El Paso Electric Co.____________________Common
(Offering to stockholders—Dealer Manager may be Stone & Webster Securities Corp.) 56,025 shares

April 16 (Monday)

Kansas City Power & Light Co.__________Preferred
(Blyth & Co., Inc. and The First Boston Corp.) $12,000,000

April 18 (Wednesday)

New England Electric System____________Common
(Offering to stockholders—Bids to be invited) 834,976 shares

April 19 (Thursday)

Portland Gas & Coke Co.__________________Bonds
(Bids to be invited) $16,500,000

April 26 (Thursday)

Long Island Lighting Co.________________Preferred
(Blyth & Co., Inc.; The First Boston Corp.; and W. C. Langley & Co.) $12,000,000

April 30 (Monday)

New York Telephone Co.__________________Bonds
(Bids to be invited) $55,000,000

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

July 11 (Wednesday)

Florida Power Corp.______________________Bonds
(Bids to be invited) $20,000,000

September 25 (Tuesday)

Virginia Electric & Power Co.______________Bonds
(Bids to be invited) $20,000,000

October 1 (Monday)

Tampa Electric Co.________________________Bonds
(Bids to be invited) $10,000,000

October 2 (Tuesday)

Columbia Gas System, Inc.______________Debentures
(Bids to be invited) $30,000,000

Continued from page 47

Rochester, N. Y.; Ball, Burge & Kraus, Cleveland, O.; and Foster & Marshall, Seattle, Wash.

★ Group Securities, Inc., Jersey City, N. J.
Feb. 27 filed (by amendment) 2,000,000 additional shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment.

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.

★ Hard Rock Mining Co., Pittsburgh, Pa.
Feb. 20 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—To purchase machinery and equipment and for working capital. **Office**—377 McKee Place, Pittsburgh, Pa. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ Hawaiian Telephone Co., Honolulu, Hawaii
Feb. 27 filed 275,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 1, 1956, at the rate of one new share for each five shares held. **Price** — To be supplied by amendment. **Proceeds**—For payment of bank loans and construction program. **Underwriter**—None.

Helio Aircraft Corp., Canton, Mass.
Dec. 29 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For improvements, research, development and working capital. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—To be supplied by amendment.

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.

Hometrust Corp., Inc., Montgomery, Ala.
Jan. 5 filed 125,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — To expand operations of subsidiary and increase investment therein. **Underwriter**—None.

Household Gas Service, Inc.
Jan. 6 (letter of notification) 920 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share) and accrued dividends. **Proceeds**—To repay indebtedness and for working capital. **Office** — Clinton, N. Y. **Underwriter**—Mohawk Valley Investing Co., Utica, N. Y.

Houston Lighting & Power Co. (3/7)
Feb. 9 filed $30,000,000 of first mortgage bonds due 1986. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Equitable Securities Corp. **Bids**—To be received up to 11:30 a.m. (EST) on March 7 at Two Rector St., New York, N. Y.

★ Idaho-Alta Metals Corp.
February (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development expenses. **Underwriter** — Fenner Corp. (formerly Fenner-Streitman & Co.), New York.

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.

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 Atomic Devices Corp.
Feb. 21 (letter of notification) 59,900 shares of common stock (par $2). **Price** — $5 per share. **Proceeds** — For working capital and general corporate purposes. **Business**—Manufacture of Educational Atomic Kits. **Office**—18 North Willow St., Trenton 8, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

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.

★ Investors Selective Fund, Inc., Minneapolis, Minn.
Feb. 23 filed (by amendment) 1,000,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

"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.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

★ Kara Commodity Fund, Inc.
Feb. 24 (letter of notification) 275,988 shares of common stock (par 10 cents). **Price** — 100/92 of the bid price (about $1.067 per share). **Proceeds**—For investment. **Office**—521 Fifth Ave., New York, N. Y. **Business**—An open-end mutual fund dealing in commodities and commodity futures. **Underwriter**—Bruns, Nordeman & Co., New York.

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.

★ Laclede Gas Co., St. Louis, Mo. (3/14)
Feb. 21 filed 202,657 shares of convertible preferred stock, series A (par $25) to be offered for subscription by common stockholders of record March 16, 1956, at the rate of one preferred share for each 15 shares of common stock held; rights to expire about April 3. **Price**—At par ($25 per share). **Proceeds** — To reduce bank loans. **Underwriters**—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.

★ Lester Engineering Co., Cleveland, Ohio
Feb. 24 (letter of notification) 37,500 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1956 on the basis of one new share for each 4¼ shares held. Of the unsubscribed portion, up to 7,500 shares are to be offered to employees. **Price**—$8 per share. **Proceeds** — For general corporate purposes. **Office**—2711 Church Ave., Cleveland, Ohio. **Underwriter**—None.

● Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) being offered for subscription by stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering (Jan. 31, 1956), after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds** — For expansion and working capital. **Underwriter**—Frank Keith & Co., Shreveport, La.

● Lisbon Uranium Corp.
Dec. 26 filed 1,306,209 shares of common stock (par 15c) being offered for subscription by common stockholders of record Feb. 20, 1956, at the rate of three new shares for each ten shares held (with an additional subscription privilege); rights to expire on March 8. **Price**—$3.75 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. Statement effective Feb. 20.

L-O-F Glass Fibers Co., Toledo, O.
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.
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. Statement effective Feb. 29.

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. 28 filed (by amendment) 22,000 additional shares of beneficial interest in the Massachusetts Life Fund, Boston, Mass.; and 100 trust shares. **Price**—At market. **Proceeds**—For investment.

★ Massachusetts Investors Trust, Boston, Mass.
Feb. 27 filed (by amendment) 3,691,491,462 additional shares of beneficial interest in the Trust. **Price**—At market. **Proceeds**—For investment.

Mercantile Acceptance Corp. of California, Calif.
Jan. 18 (letter of notification) 15,000 shares of 5% cumulative first preferred stock. **Price** — At par ($20 per share). **Proceeds** — For working capital. **Office** — 333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Midland General Hospital, Inc., Bronx, N. Y.
Jan. 12 filed 24,120 shares of common stock (no par) and 30,000 shares of $6 dividend preferred stock (no par). The company does not intend presently to sell more stock than is required to raise, at most, $2,700,000. **Price** — $100 per share. **Proceeds** — For construction, working capital, reserve, etc. **Underwriter**—None.

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.

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.

● Murdock Acceptance Corp. (3/12-16)
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.

★ Narragansett Electric Co. (3/20)
Feb. 21 filed $10,000,000 of first mortgage bonds, series E, due March 1, 1986. **Proceeds** — To repay bank loans and to reimburse treasury for property additions. **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 up to 11 a.m. (EST) on March 20 at Room 804, 15 Westminster St., Providence 1, R. I.

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. (3/5-8)
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 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 Ohio Telephone Co., Bellevue, Ohio
Feb. 24 filed 70,290 shares of common stock (par $10) to be offered for subscription by stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To reimburse the company's treasury for additions and betterments made to property. **Underwriters**—Hayden, Miller & Co.; McDonald & Co.; Merrill, Turben & Co.; and Lawrence Cook & Co.; all of Cleveland, O.

● Northern States Power Co. (Minn.)
Jan. 20 filed 670,920 shares of common stock (par $5) being 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. **Price**—$16.75 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Lehman Brothers and Riter & Co. (jointly) who were awarded the issue on Feb. 29.

★ Norvell-Wilder Supply Co., Houston, Tex.
Feb. 23 (letter of notification) 2,500 shares of capital stock (par $100). **Price**—$120 per share. **Proceeds**—To be added to working capital. **Office**—c/o F. S. Carothers, President, Box 2178, Houston, Tex. **Underwriter**—None.

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.

★ Old Colony Finance Corp., Mt. Rainier, Md.
Feb. 17 (letter of notification) 40 shares of cumulative preferred stock to be offered at par ($25 per share) and $25,800 of 6% subordinated debentures due July 1, 1971 to be offered in exchange, par for par, for outstanding 6% debentures due Oct. 1, 1957; also 11,580 shares of common stock (par $1) to be issued at $2 per share upon exercise of warrants to be attached to debentures due July 1, 1971 entitling holders thereof to purchase a total of 9,000 shares, and upon exercise of warrants attached to debentures due Oct. 1, 1957 entitling holders to purchase a total of 2,580 shares. **Proceeds**—To reduce notes payable and to increase working capital. **Office** — 3219 Rhode Island Ave., Mt. Rainier, Md. **Underwriter**—None.

★ Oneita Knitting Mills
Feb. 21 (letter of notification) $296,600 of 20-year 6% debentures due March 1, 1976. **Price**—100% of principal amount. **Proceeds**—To redeem preferred stock and for working capital. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

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.

★ Pacific Gas & Electric Co. (3/20)
Feb. 28 filed $25,000,000 of first and refunding mortgage bonds, series Z, due Dec. 1, 1988. **Proceeds**—For retirement of short term bank loans obtained for temporary financing of additions to company's utility properties. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; The First Boston Corp. **Bids**—Tentatively expected to be received on March 20.

● Parker Petroleum Co., Inc. (3/12)
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. **Office**—Ponca City, Okla. **Underwriter**—D. A. Lomasney & Co., New York.

★ Peabody Coal Co., Chicago, Ill.
Feb. 27 filed 210,823 shares of common stock to be offered for subscription by stockholders of record Jan. 30, 1956 on the basis of nine additional shares of common stock for each 100 common shares held and nine new shares of common stock for each 45 shares of preferred stock held. This offer will not be made to holders of the 6,492,164 shares of common stock issued for the acquisition of the Sinclair properties under an offer of June 28, 1955. **Price**—At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Perma Glass Fibre Fabrics Inc.
Feb. 10 (letter of notification) 200,000 shares of common stock (par 1 cent). **Price**—$1.50 per share. **Proceeds**—For purchase of building and machinery and for working capital. **Office**—1150 Broadway, Hewlett, L. I., N. Y. **Underwriter**—Golden-Dersch & Co., New York.

● Piasecki Aircraft Corp. (3/6)
Jan. 17 filed 75,000 shares of common stock (par $1). **Price**—$8 per share. **Proceeds** — To repay outstanding notes and for working capital. **Office**—Philadelphia, Pa. **Underwriter**—Emanuel Deetjen & Co., New York.

★ Pinellas Industries, Inc., St. Petersburg, Fla. (3/2)
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & 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.

★ Pittsburgh Consolidation Coal Co.
Feb. 23 filed $1,500,000 of participations in an Investment Plan for Salaried Employees, together with 75,000 shares of common stock (par $1), being the estimated maximum number of shares which contributions to the plan will purchase during the 13 months period following the effective days of the registration statement.

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.

★ Platte Uranium, Inc., Denver, Colo.
Feb. 23 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 30 cents per share. **Proceeds** — For mining expenses. **Office** — 1306 West Alameda, Denver, Colo. **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. Statement to be withdrawn.

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.

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.

★ Richolode Uranium Corp.
Feb. 27 (letter of notification) 2,500,000 shares of capital stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—Suite 201, 65 East Fourth South, Salt Lake City, Utah. **Underwriter**—Herbert Gordon, Houston, Tex.

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 (3/6)
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 (3/6)
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.

★ Robinson (J. C.) Co., Detroit, Mich. (3/5)
Feb. 17 (letter of notification) 150,000 shares of cumulative convertible class A stock (par $1). **Price**—$2 per share. **Proceeds**—To build a new plant and for working capital. **Office** — 654 Mt. Elliott Ave., Detroit, Mich. **Underwriter**—D. B. Fisher Co., Detroit, Mich.

● Rokeach (I.) & Sons, Inc., Flushing, N. Y. (3/8)
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. (3/8)
Jan. 30 filed 151,050 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds**—To help finance purchase of five other truck lines. **Underwriter**—Blyth & Co., Inc., New York.

● St. Louis Steel Casting, Inc. (3/5-8)
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.

★ St. Regis Paper Co.
Feb. 21 filed 540,000 shares of common stock (par $5) to be offered in exchange for outstanding common stock of Rhinelander Paper Co. on a share-for-share basis. The offer will be declared effective if 90% of Rhinelander common stock is deposited for exchange; and may be declared effective if a lesser amount, but not less than 80% of said shares, are so deposited. **Dealer-Managers**—White, Weld & Co., New York, and A. G. Becker & Co., Inc.

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.

Continued on page 50

Continued from page 49

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.

● Slick Airways, Inc., Burbank, Calif.
Jan. 31 filed 422,992 shares of common stock (no par) being offered for subscription by stockholders at the rate of one new share for each share held of record Feb. 17, 1956; rights to expire on March 13. Up to 50,000 shares of any unsubscribed stock may be subscribed for by employees. **Price**—$5.25 per share. **Proceeds**—To repay certain indebtedness; to purchase additional equipment and facilities; and for working capital. **Underwriter**—Auchincloss, Parker & Redpath; and Allen & Co., both of 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 property and equipment for new construction and working capital. **Underwriters**—Johnson, Lemon & Co., Washington, D. C., and Union Securities Corp., New York.

★ Southwestern Oklahoma Oil Co., Inc.
Feb. 27 (letter of notification) 15,001 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For expenses incident to development of oil and gas properties. **Office**—801 Washington Bldg., Washington, D. C. **Underwriter**—None.

★ Spencer Grean Fund, Inc., New York
Feb. 23 filed (by amendment) 200,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ Spencer-Kennedy Laboratories, Inc.
Feb. 24 (letter of notification) $300,000 of 6% 10-year subordinated convertible debentures due March 1, 1966 and 30,000 shares of common stock (par $1) to be offered in units of $500 principal amount of debentures and 50 shares of stock. **Price**—$500 per unit. **Proceeds**—To reduce bank loans and for investment in community TV antenna systems. **Office**—1320 Soldiers Field Road, Boston 35, Mass. **Underwriters**—Childs, Jeffries & Thorndike and Minot, Kendall & Co., Inc., both of Boston, Mass.

Spokane Natural Gas Co.
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.

★ Stewart-Warner Corp., Chicago, Ill.
Feb. 17 (letter of notification) not to exceed 1,300 shares of common stock (par $5), to be offered to employees of company and subsidiaries in lots of 50 shares, or less. **Price**—At market. **Proceeds**—For general corporate purposes. **Office**—1826 Diversey Parkway, Chicago, Ill. **Underwriter**—None.

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.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O Box 127, Arvada, Colo.

★ Table Rock Laboratories, Inc., Greenville, S. C.
Feb. 13 (letter of notification) $80,000 of 6% sinking fund subordinated debentures and 2,500 shares of class B non-voting stock (par $10) to be offered in units of $400 of debentures and five shares of stock. **Price**—$500 per unit. **Proceeds** — For working capital. **Office**—211 Frank St., Greenville, S. C. **Underwriter** — Edgar M. Norris, Greenville, S. C.

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.

★ Texas Co., New York
Feb. 24 filed $10,200,000 of participations in the company's Employees Savings Plan, together with 85,804 shares of capital stock (par $25) which may be acquired pursuant to the plan.

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.

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.

★ Thunder Basin Oil Co., Gillette, Wyo.
Feb. 27 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For expenses incident to development of oil and gas properties. **Underwriter**—None.

★ Tide Water Associated Oil Co.
Feb. 29 filed $100,000,000 of 30-year sinking fund debentures due 1986. **Price** — To be supplied by amendment. **Proceeds** — To finance various projects, including construction of the company's Delaware Flying A refinery; for acquisition and development of crude oil production, for expansion and improvement of refining and transportation facilities; and for repayment, in whole or in part, of short term borrowings. **Underwriters**—Eastman, Dillon & Co.; Kuhn, Loeb & Co.; and Lehman Brothers.

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.

★ TranSouth Life Insurance Co., Columbia, S. C.
Feb. 21 filed 941,250 shares of class A non-voting common stock (par $1) and 10,270 shares of class B voting common stock (par $1) of which 100,000 class A and all of the class B shares are to be reserved on exercise of options to be granted to employees and directors of the company. Class A shares are to be offered in units of four shares each, and at $8 per unit, under a condition that each purchaser donate one share out of every four shares purchased to TranSouth Educational Foundation, Inc. **Proceeds**—To finance its business as a life insurance company. **Underwriter**—None. J. R. Hoile is President-Treasurer; and G. F. Kennedy is Secretary.

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.

★ Tru-Tip Writing Instrument Corp.
Feb. 23 (letter of notification) 2,182 shares of founders stock, class A (par $3.33⅓). **Price**—At par ($3.33⅓ per share). **Proceeds**—For corporate purposes. **Office**—153-09 10th Ave., Whitestone 57, N. Y. **Underwriter**—None.

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.

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.

★ United Funds, Inc., Kansas City, Mo.
Feb. 24 filed (by amendment) 600,000 shares of United Income Fund; 800,000 shares United Accumulative Fund; 100,000 shares of United Continental Fund; $22,000,000 in periodic investment plans without insurance and the underlying shares of United Accumulative Fund.

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.

★ U. S. Rubber Reclaiming Co., Inc.
Feb. 23 (letter of notification) 7,344 shares of common stock (par $1). **Price** — At market (at around $4 per share). **Proceeds** — To Alexander L. Hood, a director, who is the selling stockholder. **Underwriter**—None. Sales to be made on the American Stock Exchange.

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.

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.

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.

● Westcoast Transmission Co., Ltd. (3/12-16)
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.

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.
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.

★ Williamson Co., Cincinnati, Ohio
Feb. 20 (letter of notification) 20,656 shares of class B common stock (par $1) to be offered for subscription by class B common stockholders on a 1-for-7 basis. **Price**—$6.84 per share. **Proceeds**—For working capital. **Office**—3500 Maison Road, Cincinnati, Ohio. **Underwriter**—None.

★ Winn-Dixie Stores, Inc. (3/15)
Feb. 24 filed $10,000,000 of sinking fund debentures due April 1, 1976. **Price** — To be supplied by amendment. **Proceeds** — For carrying increased inventories; and for expansion, improvement and modernization of company's

hain stores, warehouses and other facilities. Office—acksonville, Fla. Underwriter—Merrill Lynch, Pierce, enner & Beane, New York.

Wy-Cal Uranium Enterprises, Inc., Lander, Wyo.
ec. 6 (letter of notification) 273,000 shares of capital ock (par 50 cents). Price—$1 per share. Proceeds—or mining operations. Office—268 Main St., Lander, Vyo. Underwriter—Valley State Brokerage, Inc., 2520 outh State St., Salt Lake City, Utah.

Wycotah Oil & Uranium, Inc., Denver, Colo.
ov. 10 filed 1,500,125 shares of common stock (par one ent) to be offered only to the owners of percentages of vorking interests in certain oil and gas leases and to the wners of certain uranium properties, and in exchange or such working interests and properties. Price—Shares o be valued at an arbitrary price of $4 per share. Proeeds—To acquire properties. Underwriter—None.

★ **Wyoming Wood Products, Casper, Wyoming**
eb. 17 (letter of notification) 90,000 shares of common ock (par 10 cents). Price—25 cents per share. Proceeds—For working capital, etc. Office — 300 Consolidated oyalty Bldg., Casper, Wyo. Underwriter—None.

Prospective Offerings

Air-Vue Products Corp., Miami, Fla.
eb. 20 it was reported early registration is expected f 150,000 shares of common stock. Price—Around $4.25 er share. Proceeds — For expansion program. Underriter—Arthur M. Krensky & Co., Inc., Chicago, Ill.

American Gas & Electric Co.
an. 30 it was reported company plans to offer about 30,000,000 of common stock to its common stockholders n June or July. Underwriter — To be determined by ompetitive bidding. Probable bidders: The First Boston orp. and Union Securities Corp. (jointly); Blyth & Co., nc.

American Security & Trust Co., Washington, D. C.
eb. 21 the Bank offered to its stockholders of record eb. 10 the right to subscribe on or before March 13 for 24,666⅔ shares of its capital stock (par $10) on the asis of one new share for each three shares held. Price $43.50 per share. Proceeds — To increase capital and urplus. Underwriters—Alex. Brown & Sons; Auchinloss, Parker & Redpath; and Folger, Nolan-W. B. Hibbs Co., Inc.

American Shopping Centers, Inc.
an. 23 it was announced company will soon offer pubcly some new securities in the approximate amount of 6,000,000. Proceeds—To acquire shopping centers. Ofice—Minneapolis, Minn. Underwriter—Carl M. Loeb, hoades & Co., New York.

★ **Anderson-Prichard Oil Corp.**
eb. 17 it was announced stockholders will vote April 19 n approving the creation of a new authorized issue of 20,000,000 preferred stock, of which the company inends to initially issue $10,000,000, which would be conertible into common stock and may be first offered for ubscription by common stockholders. It is also planned o increase the authorized common stock from 1,000,000 hares to 3,000,000 shares and effect a two-for-one stock plit. Underwriter—Glore, Forgan & Co., New York.

Baltimore & Ohio RR.
eb. 16 company sought ICC authority to issue up o $54,710,000 of convertible 4½% debentures, series A, ue Feb. 1, 2010, which it proposes to offer in exchange o holders of its outstanding convertible 4½% income onds on a par-for-par basis.

Bank of America, N. T. & S. A. (3/13)
an. 17 it was announced the company plans to offer 600,000 additional shares of capital stock to stockolders of record March 12 in the ratio of one new hare for each 15 shares held, subject to approval of tockholders on March 6; rights to expire on April 2. rice—To be determined later. Proceeds—For expanon, etc. Underwriters—Blyth & Co., Inc. and Dillon, ead & Co. Inc.

California Bank, Los Angeles, Calif.
eb. 9 Bank offered 169,200 shares of common stock to tockholders on the basis of one new share for each even shares held as of record Feb. 8, 1956; rights to xpire on March 9. Price—$42.50 per share. Proceeds—o increase capital and surplus. Underwriter—Blyth & o., Inc., Los Angeles, Calif.

California Oregon Power Co.
eb. 13 it was reported company plans to issue and sell n April or May $16,000,000 of first mortgage bonds. nderwriter—To be determined by competitive bidding. robable bidders: Halsey, Stuart & Co. Inc.; Blyth & o., Inc. and The First Boston Corp. (jointly); Lehman rothers; White, Weld & Co.; Merrill Lynch, Pierce, enner & Beane and Kidder, Peabody & Co. (jointly).

Central Illinois Light Co. (4/4)
an. 25 it was announced company plans to offer to its ommon stockholders of record April 3 the right to subcribe on or before April 19 for 100,000 additional shares f common stock on the basis of one new share for each 0 shares held. Price—In the neighborhood of $50 per hare. Proceeds—For construction program. Underwriter—Union Securities Corp., New York. Registration—Expected on or about March 15.

Chicago & North Western Ry. (3/1)
ids will be received up to noon (CST) on March 1, t Room 1400, 400 West Madison St., Chicago 6, Ill., for he purchase from the company of $3,900,000 equipment rust certificates to be dated Nov. 1, 1955, and to mature n 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.

★ **Columbus & Southern Ohio Electric Co. (4/3)**
Feb. 24 it was announced company plans to issue and sell $12,000,000 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.; Lee Higginson Corp.; Blair & Co Incorporated and Baxter, Williams & Co. (jointly); Salomon Bros. & Hutzler; White, Weld & Co.; Lehman Brothers; Dillon, Read & Co. Inc. and The Ohio Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). Bids — To be opened at 11 a.m. (EST) on April 3 at City Bank Farmers Trust Co., 2 Wall St., New York, N. Y. Registration—Planned for about March 13.

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.

★ **Cribben & Sexton Co.**
Feb. 27 it was reported stockholders will vote March 6 on approving a proposal to increase the authorized common stock from 250,000 shares to 750,000 shares, the additional shares probably to be issued in connection with future financing. Underwriter—May be Hornblower & Weeks, New York.

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.

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. (4/4)**
Feb. 23, Philip A. Fleger, Chairman of the Board, announced that company plans to sell $20,000,000 of bonds. 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 up to 11 a.m. (EST) on April 4 at Room 1540, 15 Broad St., New York, N. Y.

★ **Edo Corp., College Point, L. I., N. Y.**
Feb. 27 it was reported company plans to raise between $1,000,000 and $2,000,000 through the sale of some additional common stock through a group of underwriters. Business—Aircraft floats and components.

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.

● **Florida Power Corp. (7/11)**
Feb. 20 it was announced company plans to issue and sell $20,000,000 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. Bids—Expected July 11. Registration—Planned for June 14.

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 up to 11:30 a.m. (EST) on April 3. Registration—Scheduled for March 2.

● **General Tire & Rubber Co.**
Feb. 24 stockholders approved a proposal to increase 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 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 outstanding at any one time does not exceed 600,000 shares. [The company expects to issue 23,000 additional preference shares—5,000 for acquiring stock and property and 18,000 for cash. Having completed long-term borrowing negotiations of $30,000,000 from insurance companies, the company expects to sell not more than $15,000,000 in debentures.] 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.

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.

★ **Long Island Lighting Co. (4/26)**
Feb. 29 company announced that it plans to issue and sell $12,000,000 of preferred stock following approval by the New York P. S. Commission and clearance by the Securities and Exchange Commission. Underwriters—Blyth & Co., Inc.; The First Boston Corp.; and W. C. Langley & Co.

● **Maine Bonding & Casualty Co.**
Feb. 4 it was announced that the company plans to offer to its common stockholders on a 3-for-7 basis an additional 30,000 shares of common stock (par $10). Underwriter—To be selected. Meeting—Stockholders on Feb. 17 approved an increase in the 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.

Continued on page 52

Continued from page 51

★ Manufacturers & Traders Trust Co., Buffalo, N. Y.
Feb. 25 it was announced Bank plans to offer 340,000 additional shares of its capital stock (par $5) to its stockholders of record March 9, 1956, on the basis of one new share for each four shares held; rights to expire on March 26. **Price**—Expected to be about $20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

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.

★ Missouri Pacific RR. (3/14)
Feb. 27 it was announced that following termination of bankruptcy proceedings expected today (March 1), the reorganization managers planned to issue invitations about March 5 for an issue of approximately $23,000,000 of new collateral trust notes, which are to be first offered in exchange for New Orleans, Texas & Mexico Ry. first mortgage bonds, of which there are outstanding $41,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Bids**—Expected to be opened on March 14.

★ National Finance Co., Detroit, Mich.
Feb. 23 it was reported company plans to issue and sell 48,000 shares of convertible preferred stock (par $10). **Price**—Expected to be about $12.50 per share. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

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. (4/30)
Feb. 21 the New York P. S. Commission authorized the company to issue and sell $55,000,000 of refunding mortgage bonds due April 1, 1996. **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 April 30.

★ Niagara Mohawk Power Corp.
Feb. 27 it was reported company is tentatively considering issuance and sale of additional general mortgage bonds due 1987 some time this Spring. **Proceeds**—For construction program which may cost approximately $62,000,000 this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.; The First Boston Corp.

● Northern Illinois Gas Co.
Feb. 20 it was reported company plans to issue and sell this summer $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.

● Pennsylvania Electric Co.
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 in April.

● Pennsylvania Electric Co.
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 in April.

● Pennsylvania RR. (3/13)
Bids will be received by the company up to noon (EST) on March 13, at Room 1811, Suburban Station Bldg., Philadelphia 4, Pa., for the purchase from it of $7,560,000 equipment trust certificates, series FF, to be dated April 1, 1956 and mature in 30 equal semi-annual instalments from Oct. 1, 1956 to April 1, 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Portland Gas & Coke Co. (4/19)
Feb. 24, Charles H. Gueffroy, President, announced that the company plans to issue and sell $16,500,000 of first mortgage bonds. **Proceeds** — To redeem $13,150,000 of 4⅛% mortgage bonds and for conversion to natural gas operation. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be opened on April 19. **Registration**—Planned for about March 23.

★ Puget Sound Power & Light Co.
Feb. 15 the company announced that it estimates that its construction program for the years 1956-1959 will amount to $87,000,000, including $20,000,000 budgeted for 1956. This large expansion, the company says, can be financed wholly by debt and from internal sources. **Underwriter**—If determined by competitive bidding, may include Halsey, Stuart & Co. Inc.; The First Boston Corp.

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).

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. **Bonds** may be placed privately.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

Stubnitz Greene Corp., Adrian, Mich.
Feb. 1 it was announced corporation plans to offer rights to its common stockholders to purchase $1,000,000 of 5½% sinking fund subordinated debentures, 100,000 shares of 60-cent cumulative preferred stock, and warrants to purchase 60,000 shares of common stock at $8 per share in units of $250 of debentures, 25 shares of preferred stock and detachable warrants (good until March 31, 1961) to purchase 15 shares of common stock. The offering is to be made on the basis of one unit for each 100 shares held as of a date not yet determined. **Price**—$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.

★ Tampa Electric Co. (10/1)
Feb. 18 it was reported company may issue and sell around Oct. 1, $10,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Goldman, Sachs & Co.; Kidder, Peabody & Co.

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).

★ United States Envelope Co.
Feb. 17 it was announced stockholders will vote March 9 on changing the authorized preferred stock from 80,000 shares (par $50) to 400,000 shares (par $10) and the authorized common stock from 160,000 shares (par $50) to 800,000 shares (par $10) in order to effect a five-for-one stock split-up; also on increasing the authorized common stock to 1,000,000 shares (par $10), all or a part of which are expected to be offered for subscription by common stockholders. The offering will be underwritten.

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.

Our Reporter's Report

The last several days have been wearing on the nervous systems of people in the underwriting business, judging by some of the comment of those attending "syndicate meetings," the sessions at which the final touches are put to new offerings.

These gatherings merely served to make it plain "rightly or wrongly," according to at least one competent observer, that no one was going to do anything much before President Eisenhower made known his decision on the forthcoming Presidential race.

It was simply a case of "sitting on the hands" and waiting for the White House announcement which came out at mid-morning yesterday.

The rank and file of underwriters, according to on the scene observers, were as they put it, "afraid to do anything" and more puzzling, "afraid not to do something."

The situation was perhaps aptly described as one in which emotions carried a great deal more weight than plain common sense. But for the moment the rank and file leaned pretty heavily to the "wait and see what Ike does" idea and appeared satisfied to sit it out.

Meantime, the several relatively small new offerings which made their appearance were reported a bit on the slow side due as much to this trend of thinking as to any other consideration. Institutional portfolio managers were not in a venturesome mood to say the least.

Best Month Ahead

Provided nothing happens to upset present plans of potential borrowers and investment bankers, March shapes up as easily the best month to date this year for volume of business.

Roughly a dozen medium to substantial-sized corporate debt undertakings are on the calendar, footing up to a total of something like $243.5 million between now and the close of the month.

Among the larger undertakings are next week's Bell Telephone of Pennsylvania's $35 million; Pacific Gas & Electric, $25 million later in the month, Missouri Pacific's $25.6 million of notes and Fruehauf Trailer's two issues for an aggregate of $47.5 million.

Quick Secondary

Bankers who handled the marketing of 150,000 shares of common stock of Aluminum Co. of America for the account of the company's chairman, enjoyed one of the fastest secondary undertakings in quite a while.

Books had scarcely been opened, with the shares priced at $87, when the sponsors were able to announce that the offering had been oversubscribed.

When it is figured that this deal involved a turnover of some $13 million gross, it is evident that investment funds are around waiting opportunities. None of this money, incidentally, reverted to the company.

Cheer Ike's Decision

The aura of uncertainty which had prevailed through the first half of the week yielded to a spirit of confidence and satisfaction on the announcement by President Eisenhower of his willingness to run again.

The full effect of his decision will not be reflected in the new issue market, however, until the early part of next week, since the bulk of business in prospect for the current period had gone through before the news.

Consensus, however, seemed to be that the way now was clear for going ahead with prospective new business along normal lines since the cloud which has been hanging over the political atmosphere since last September finally has lifted.

Continued from first page

Interest Rate Trend in 1956 And for the Long-Term

effective. Perhaps belatedly, but nevertheless with some firmness, the process of monetizing home mortgage debt was slowed down materially and some other financing was undoubtedly cancelled or deferred.

(2) The vigorous recovery in business activity from the lows of 1954 ran into short-run problems of physical capacity and started to top out from other causes as well.

(3) The flow of funds into the major thrift institutions has continued to grow and is showing signs of being more nearly adequate, when taken with other non-bank sources, to meet a demand for long-term funds which has clearly flattened out.

Under this combination of circumstances, there is no mystery about why the Federal Reserve has not been taking new steps to restrain credit expansion but has relied largely upon action previously initiated. Chairman Martin quite appropriately observed recently that, while the Fed is ready "to lean against the wind," sometimes it is quite difficult to tell which way the wind is blowing.

This moment of calm in the economic scene has, then, replaced the stormy period of inflationary pressures. The pace of credit expansion is slackening; the mortgage market has become more orderly; and the financing of economic activity will apparently require a much smaller contribution from the banking system than did the 1955 boom. If this is an accurate appraisal of the outlook, how should we expect interest rates to behave during the coming year? Are they going to ease materially? If so, for how long?

The Near-Term Outlook

In the field of real estate finance, we should observe that the prime mover in 1955's persistently rising interest rate pattern has apparently settled down to a highly satisfactory level of great prosperity. The increasing volume of debt repayments may result in either no appreciable change or a modest reduction in the net demand for mortgage money. The attitude of lenders toward the renewed easing of terms will be important, but on balance it seems to me that we must look elsewhere in 1956 if we want to find the kind of vigorous demand for funds which will maintain tightness in the capital markets.

Consumer installment credit increased last year by approximately $5½ billion largely as a part of the process of selling a record volume of automobiles in 1955. Repayments will be up sharply this year, and credit extensions in the automobile business should be down by 10% or perhaps more. The volume of installment credit outstanding, therefore, is likely to show only a nominal increase this year, so that there will be nothing like the pressures on the money or capital markets which were evident in the recent past. It is true that the structure of rates has been fairly encouraging to long-term borrowing by sales finance and small loan companies, but a major portion of this demand for funds would appear to be behind us. Remembering how important new security issues by these borrowers were in the late spring of 1953 in stimulating that rise in interest rates, we should, I think, pay special attention to this element in the outlook for the demand for funds.

With a slowdown in toll road financing, the net demand for funds on the part of state and local governments is not likely to increase over last year to any important extent. On the other hand, important buyers of tax exempt bonds such as the property insurance companies, should have at least as much money for this market as last year. If, as anticipated, state and local government borrowing continues at about the same pace, it will not be an important factor in changing the trend of interest rates.

The demand for funds on the part of nonfinancial corporations is of course the most difficult to appraise because there are so many variables. It seems clear that plant and equipment expenditures by business will reach record levels and that there may be some continuation in the build-up of both inventories and receivables. Last year these corporations could finance a substantial fraction of their enlarged working capital requirements through the Federal income tax liability account, since the amounts accrued on the basis of excellent earnings were running substantially ahead of actual payments to the Treasury. In the current year, the situation will be quite different, on the assumption that profits will level out and current payments will exceed accruals. This adds up to selling of government securities by corporate holders. This demand for funds seems firm even if the business picture should fade somewhat more during the coming weeks. Certainly the behavior of the business loan statistics supports this view.

On balance, then, we can see a well sustained demand for funds for real estate financing, for state and local government outlays, and for the operations of nonfinancial corporations. Only consumer credit looks like a materially less aggressive competitor for funds. The Federal Government may be an entrant into the long-term market as a matter of choice, but not as a matter of necessity. It would take a real decline in business activity to make this the setting for an important **further** decline in interest rates. Thus, I conclude that the rally in the bond market early this year reflected a modest temporary easing in the money and capital markets, partly a seasonal phenomenon. I have no confidence in the notion that it will develop into a protracted advance in bond prices.

Prospects for Later in the Year

If we could have another Dean's Day in about three months, at which I could review and perhaps revise my appraisal of the outlook, I should be quite content with the statement that we are now in a period of reduced tension in the money and capital markets which should lead to a modest advance in bond prices. Unfortunately, however, recognition of the sterling qualities and devoted service of our business school administrators has not reached the mature development which would make quarterly homecoming conferences necessary to meet a clamorous and insistent demand. Doubting that I shall be able to amend my statement later, therefore, it appears that I shall have to develop a second one in order to piece out the full 12 months which we are required to cover by the stern rule of our moderator.

Beyond the next three to six months, I must confess that my second sight is more foggy than usual. The usual recourse under the circumstances is to predict more of the same by assuming in this case that the easing in interest rates will continue at a modest pace with the range of fluctuations quite narrow. I just wonder whether this is any more probable than that we will have a reversal in the trend before the year is over. I should like to suggest five reasons why it is plausible to look for a return to an upward push in interest rates and the displacement of the present calm by some familiar winds.

(1) I see no evidence to support the expectation of an important downturn accompanied by inventory liquidation and cancellations of plant and equipment expenditure programs.

(2) When we are operating this close to capacity, inflationary pressures are close at hand. This suggests the dangers in any real relaxation of credit restraints.

(3) The restoration of reasonably good order to the mortgage market could be upset by the widespread adoption of more liberal lending terms and another wave of heavy forward commitments.

(4) Perhaps we are underestimating the corporate demand for funds. With booming capital expenditures, a renewal of inventory accumulation while meeting heavy tax payments could greatly enlarge the essentially marginal demand for external sources of funds.

(5) A resurgence of consumer spending, particularly on durable goods, could quickly destroy the present picture of a comparatively modest demand for funds in the field of consumer credit.

This list is certainly not exhaustive, but it is enough to cast some doubt on the notion that we should look for an extended easing in rates or that we should assume a reversal in the trend to be out of the question in the near future.

The Longer-Term Outlook

Whether or not there is this resurgence of tightness in the capital markets late this year, I think we shall come to recognize the 1953 and 1955 peaks in interest rates as cyclical tops created by the coincidence of business booms, inflationary pressures, and the lack of national self-discipline so characteristic of our thinking on matters of economic policy. It is my view that these cyclical peaks in interest rates represent approximately the high points which we should expect when looking down the road a few years. Similarly, I would take the minimum rates during 1954 as a reasonable facsimile of the low points to be anticipated.

I am subscribing to the notion that there is no important secular trend in interest rates and that we are concerned primarily with cyclical movements. I am not at all sure that my colleagues on this panel agree. To clarify the issue much more than will be of service to our individual or collective reputations, I would expect the level of long-term interest rates five years from now to be within the range of the 1954-1955 extremes, the precise point depending upon whether we are in a period of boom or recession at the particular moment of measurement. Barring war, I would not expect rates to fluctuate outside of this range unless we embark upon a speculative orgy on the scale of the late 1920's or we suffer the dismal frustrations of the late 1930's.

In reaching this conclusion, I hope that I am giving adequate weight to the potential demands for savings in the years ahead while at the same time recognizing the efficiency of our system of thrift institutions in mobilizing liquid assets for investment. The significance of my views is, of course, only that I am looking at the prospects for the near future against an assumed lack of any pronounced long-term trend in rates. A different view of the secular trend would obviously alter the expectations of the observer.

Continued from page 13

The Business Outlook—1956

and it is not likely to evaporate with mild changes in the short-run outlook for sales and profits.

It should be pointed out that the situation is very different from that which existed in 1929 in at least two important respects. At that time the ratio of existing plant and equipment to total output was much higher than it is now and potential capacity was above the level of current demand to a much greater extent than is true today. Secondly, the population structure and birth rate trend in 1929 was such that the supply-demand relationship was the reverse of the situation we have now. The outlook in 1929 was for a greater rate of increase in the size of the active age groups than for the total population. The problem then was "Where is the increase in demand going to come from to absorb an already overlarge and rapidly growing capacity to supply?" We adjusted to that situation very painfully indeed. Part of our plant and human capacity became unemployed and stayed unemployed.

Today the question is "Where is the supply going to come from to match the rate at which demand is likely to grow?" The logical answer is more plant and equipment. If we remember that about 60% of today's level of corporate capital expenditures serve simply to maintain existing capacity, the outlook for the very high levels of planned expenditures seems to be wholly justified.

Consumer Purchases

The outlook for consumer purchases of housing and other durable goods is for a declining volume of demand in 1956.

In January, 1955, housing starts were running at an annual rate of over 1,400,000. This rate declined steadily through 1955 and is now somewhat below 1,200,000 per annum. Requests for Veterans Administration appraisals and mortgage applications for FHA loans have also declined since the spring of 1955. Actual expenditures for housing construction tend to follow the trend of new starts with a short lag. These expenditures reached a peak rate of over $17 billion in July, August and September. Since that time the trend has been downward and will continue downward for several months, even if the rate of housing starts should stabilize at present levels.

Two factors which tend to offset the effect of a decline in starts are the tendency toward larger units and the increased cost per square foot of construction. Because of these factors the decline in dollar expenditures will be less than the decline in units started.

The decline in housing starts is not likely to continue much below current levels. The tightening of credit and maturities imposed in mid-1955 was one factor reducing the demand for new homes. These restraints have now been removed and this should stimulate demand. Underlying demand is still basically strong, and while overbuilding has taken place to some extent in some areas, notably the West and Southwest, many areas like Chicago still have a significant backlog of unsatisfied demand. In connection with underlying demand, the following factors are worth noting:

(1) With the continued high rate of net internal migration, any housing surpluses that might exist in the West and Southwest are likely to be absorbed fairly rapidly.

(2) We have experienced a marked downtrend in the number of females in the typical family formation age group between 18 and 24 years of age. This is a result of the low birth rates that prevailed in the 30's. This trend has reached its lowest point and from now on there will be a strong, steady and prolonged rise in the size of the 18-24 age group. This in turn should result in an increase in the rate of family formation and hence in a steady increase in the demand for new housing from this source.

(3) Consumer surveys show that a lot of people are still basically dissatisfied with their present housing facilities. Over 25% of owners and over 40% of renters want living quarters that are either larger, or better, or located somewhere else. Most importantly, about 20% of all consumer units were planning to do something about their dissatisfaction either by buying or moving. Adjustments in credit conditions designed to stimulate the housing market are likely to produce tangible results in such an environment. Taking all factors together, the outlook is for expenditures of around $15½ billion for residential construction in 1956, about $1 billion below the 1955 level.

Consumer investment in automobiles and other durables has also begun to decline since reaching a record level of $37 billion in the third quarter of 1955. In order to purchase at this unexpectedly high rate, consumers increased their net short-term borrowing by $6 billion. Now when the rate of new credit granted rises rapidly to a higher level, repayments tend to lag behind extensions. If, at the same time, credit terms are lengthened, repayments lag extensions to an even greater extent. Both phenomena occurred between the fourth quarter of 1954 and the third quarter of 1955. Since this time, the level of new extensions has stopped rising and the lengthening of maturities has also ceased. When this happens, the level of repayments keeps rising until it once more catches up with or exceeds new extensions. This is what we are going to witness in 1956. The stimulus we had in 1955 because consumers were borrowing faster than they were repaying is going to diminish and finally disappear by about the third quarter of 1956. By this time, consumers will be repaying old debts at least as fast as they incur new ones. The net effect of this shift in the credit factor will in itself reduce consumer spending by about $3 billion in 1956 relative to 1955. Most of this decline will be felt in the market for consumer durables, with the bulk of the impact on the automobile market.

Now $3 billion is an important matter in a $30 billion market even if we do not take secondary repercussions into account. It should not be ignored. But neither should we exaggerate the downward impact of the disappearance of the credit stimulus. Even when we subtract the entire effect that net credit extension has had in

Continued on page 54

Continued from page 53

The Business Outlook—1956

the consumer durables market since 1953, we find that consumers have been spending on the average about 11% of their disposable income on durable goods. If this continues, and there is no reason to believe that it won't, the demand for consumer durables in 1956 will be around $32½ billion.

Taking consumer spending as a whole, the liberal use of net credit in 1955 resulted in an extremely low rate of personal saving. During the first three quarters of 1955 the rate of saving averaged only 6% of disposable income. In contrast, the average saving rate for the period 1951-1953 was nearly 8%. During 1956 the gradual disappearance of net consumer borrowing will again push the saving rate to the more normal level of 8%.

Inventories

We come now to the last and most troublesome of our sectors—inventory demand. All through 1955 inventory accumulation by business has been a stimulating factor. During the last quarter of 1955, inventories were being built up at a rate of about $5 billion. About $1.5 billion of this was increases in dealer stocks of new cars. Production cutbacks in the automobile industry should prevent any further rise in these inventories beyond the present level.

In the other sectors of the economy, inventories have only recently returned to peak 1953 levels. In the interim, the rate of business sales has increased about 10% above peak 1953 levels, so that the ratio of inventory to sales is still conservative. Surveys indicate that some sectors are planning further increases in the level of stocks. Some of these plans are based upon an anticipation of higher prices in textile and other industries that are affected by the forthcoming rise in minimum wage rates from 75 cents to $1. Some of the plans are based on a need for the higher level of stock required to provide smooth operations at the higher level of sales now being achieved. On account of these factors, inventory accumulation will continue for some time.

However, the over-all level of sales is not expected to increase, and this is a limiting factor on how far voluntary accumulation of stocks is likely to go. A conservative estimate would be for accumulation to continue at a declining rate and to become negligible after the middle of the year.

Summary

If we bring together the divergent movements we have surveyed, the over-all outlook is for a gross national product of around $400 billion in 1956, and for stability in this level from quarter to quarter.

Federal reserve and tax policy will probably move in the direction of somewhat easier conditions. The threat of inflation that was present last December has clearly subsided. Credit demands have eased, overtime is no longer as widespread, and demand-induced pressures on prices have abated. On the other hand there is no evidence of the kind of simultaneous weakness in the major segments that calls for strong support from government and Federal Reserve action.

One final guess and I'm through. When and how will the "intermission," as I have called it, end? If we can assume that inventory accumulation is moderate in the next six months, a resumption of a normal rate of growth in GNP should begin in the last quarter of the year. By this time consumers should have repaid a good part of the instalment debt they incurred in late 1954 and 1955, and repayment rates should become stabilized at around conservative level of new credit extensions. About this time the consumer durables market will be subjected to the stimulation of new models from Detroit and will no doubt be persuaded to new extensions of credit. These extensions will once again run ahead of repayments, and consumers will again be spending over 92% of their now higher level of disposable income. Under this added stimulus gross national production will start rising again by the end of the year.

GROSS NATIONAL PRODUCT

(Billions of Dollars)

	1955 (Estimated)	1955 4th Qr. Rate (Estimated)	1956 (Projected)
(1) Government Sector—			
Federal Government: purchases of goods and services	$45.8	$46.0	$47.0
State and Local Government: purchases of goods and services	30.1	31.0	32.5
(2) Business Investment Sector—			
Plant and Construction purchases	15.8	16.2	16.5
Machinery and Equipment purchases	23.8	25.5	26.5
Net foreign purchases of goods and services	0.3	0	0
(3) Consumer Investment Sector—			
Nonfarm residential construction	*16.6	16.2	15.5
Consumer purchases of Durable Goods	*35.3	35.0	32.5
(4) Consumption—			
Consumer purchases of Nondurable Goods	125.9	129.0	131.0
Consumer purchases of services	91.1	93.5	96.0
(5) Inventories—			
Inventory accumulation	3.3	5.0	2.5
Total sales of Gross National Product	$387.4	$397.4	$400.0
Personal Disposable Income†	$269.2	$276.9	$282.0

*Reached peaks in third quarter, 1955, of $17.2 and $37.0 billion.
†Assuming tax reduction in last half of about $2 billion.

Chamberlain, Boston Mgr. for Nesbitt

BOSTON, Mass. — Richard F. Chamberlain is now Manager of the Boston office of Nesbitt, Thomson & Co., Inc., 140 Federal Street. Mr. Chamberlain was previously with A. E. Ames & Co., Incorporated.

Blunt Ellis Simmons To Admit H. H. Orndorff

CHICAGO, Ill. — Harvey H. Orndorff on March 1 will be admitted to partnership in Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Clarence M. Kimball has been added to the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

DIVIDEND NOTICES

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 85

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on March 30, 1956, to stockholders of record at the close of business on March 7, 1956.

A. R. BERGEN,
Secretary.
February 27, 1956.

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of ninety cents (90c) per share on the capital stock (without par value) of the Corporation, payable March 15, 1956, to stockholders of record March 2, 1956.

L. G. REGNER, Secretary-Treasurer.
Milwaukee, Wis.
February 21, 1956

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER

The first interim dividend on the Ordinary Stock for the year ending 30th September 1956 of sixpence for each 10/— of Ordinary Stock (free of United Kingdom Income Tax) will be payable on the 29th March 1956.

Holders of Bearer Stock, to obtain this dividend, must deposit Coupon No. 225 with the Guaranty Trust Company of New York, 32 Lombard Street, London, E.C.3, for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less United Kingdom Income Tax) for the year ending 30th September next will also be payable on the 29th March 1956. Coupon No. 105 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2, for examination five clear business days (excluding Saturday) before payment is made.

The Directors have recommended to the Stockholders the payment, on the 31st May 1956, of a final dividend on the issued Ordinary Stock for the year ended 30th September 1955 of ninepence for each 10/— of Ordinary Stock (free of United Kingdom Income Tax).

To obtain this dividend (subject to the same being sanctioned at the Annual General Meeting to be held on the 13th April next) on or after the 31st May next holders of Ordinary Stock Warrants must deposit Coupon No. 226 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E.C.3, five clear business days (excluding Saturday) before payment can be made.

DATED the 24th February, 1956.

BY ORDER OF THE BOARD
A. D. McCORMICK,
SECRETARY.

Westminster House,
7, Millbank,
London, S.W.1.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., February 20, 1956

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable April 25, 1956, to stockholders of record at the close of business on April 10, 1956; also $1.50 a share on the Common Stock as the first quarterly interim dividend for 1956, payable March 14, 1956, to stockholders of record at the close of business on February 28, 1956.

P. S. DU PONT, 3RD, *Secretary*

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock, payable April 1, 1956 to Preferred Stockholders of record at the close of business March 15, 1956.

Stanley F. Patten
Treasurer
February 23, 1956

DU MONT

In All Phases of Television

CHEMICALS
FIBERS
PLASTICS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A
The regular quarterly dividend for the current quarter of $1.12½ per share, payable April 1, 1956, to holders of record at the close of business March 9, 1956.

7% SECOND PREFERRED STOCK
The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1956, to holders of record at the close of business March 9, 1956.

COMMON STOCK
12½ cents per share payable March 26, 1956, to holders of record at the close of business March 9, 1956.

R. O. GILBERT
Secretary
February 28, 1956.

DIVIDEND NOTICES

Newmont Mining Corporation
Dividend No. 112

On February 28th, 1956 the Directors of Newmont Mining Corporation declared a dividend of Fifty Cents ($.50) per share on the 2,658,230 shares of its Capital Stock now outstanding, payable March 15th, 1956 to stockholders of record at the close of business March 7th, 1956.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., February 28th, 1956.

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 167

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable April 2, 1956, to stockholders of record at the close of business on March 15, 1956. The stock transfer books of the Company will not be closed.

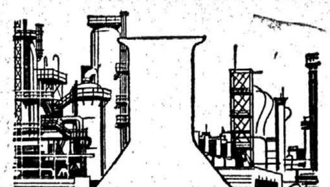
HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY
One Wall Street, New York

February 23, 1956

The Board of Directors has this day declared a quarterly dividend of 40 cents per share on the capital stock of this Company, par $10, payable April 2, 1956, to stockholders of record at the close of business March 2, 1956.

RALPH B. PLAGER, *Secretary*



COSDEN petroleum corporation

DIVIDEND NOTICE

The Board of Directors has declared a regular quarterly dividend of 37½¢ per share on the common stock of this Company, payable March 29, 1956, to stockholders of record at the close of business March 14, 1956.

HIGHER COSDEN OCTANE

R. L. TOLLETT,
President
February 22, 1956

CONTINENTAL BAKING COMPANY

Preferred Dividend No. 69

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable April 1, 1956, to stockholders of record at the close of business March 16, 1956.

Common Dividend No. 44

The Board of Directors has declared this day a regular quarterly dividend, for the first quarter of the year 1956, of 50¢ per share on the outstanding Common Stock, payable April 1, 1956, to holders of record of such stock at the close of business March 16, 1956.

The stock transfer books will not be closed.

WILLIAM FISHER
TREASURER
February 21, 1956

DIVIDEND NOTICES

GEORGE W. HELME COMPANY
9 Rockefeller Plaza, New York 20, N. Y.

On February 29, 1956, a quarterly dividend of 43¾ cents per share on the Preferred Stock and a dividend of 40 cents per share on the Common Stock were declared, payable April 2, 1956, to stockholders of record at the close of business March 12, 1956.

J. F. McCAULEY, Secretary

ELECTRIC BOND AND SHARE COMPANY
NEW YORK, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock, payable March 30, 1956, to shareholders of record at the close of business on March 9, 1956.

B. M. BETSCH,
Secretary and Treasurer
February 23, 1956.

MERCK & CO., INC.
RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock, have been declared, payable on April 2, 1956, to stockholders of record at the close of business March 9, 1956.

CARL M. ANDERSON,
Secretary
February 28, 1956

TENNESSEE CORPORATION

TENNESSEE CORPORATION

February 23, 1956

A dividend of fifty (50c) cents per share was declared payable March 29, 1956, to stockholders of record at the close of business March 7, 1956.

JOHN G. GREENBURGH
Treasurer.
61 Broadway
New York 6, N. Y.

ROBERTSHAW-FULTON CONTROLS COMPANY
Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable March 20, 1956 to stockholders of record at the close of business March 9, 1956.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable March 20, 1956 to stockholders of record at the close of business March 9, 1956. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
February 17, 1956

DIVIDEND NOTICES

MRS. WAGNER'S PIES

WAGNER BAKING CORPORATION

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, also a dividend of 5 cents per share on the Common Stock. Both dividends payable April 1, 1956, to stockholders of record March 16, 1956.

J. V. STEVENS, Secretary

MINERALS International CHEMICALS

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
20 North Wacker Drive, Chicago 6

QUARTERLY DIVIDENDS

4% Cumulative Preferred Stock
56th Consecutive Regular Quarterly Dividend of
One Dollar ($1.00) per Share

$5.00 Par Value Common Stock
Forty Cents (40¢) per Share

Declared—Feb. 23, 1956
Record Date—Mar. 16, 1956
Payment Date—Mar. 30, 1956

A. R. Cahill
Vice President and Treasurer

PHOSPHATE • POTASH • PLANT FOODS • CHEMICALS
INDUSTRIAL MINERALS • AMINO PRODUCTS

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

A quarterly cash dividend of $.40 per share on the outstanding Common Stock of this Corporation has been declared payable March 31, 1956 to stockholders of record at the close of business on March 16, 1956.

DONALD A. HENDERSON,
Treasurer.

TISHMAN REALTY & CONSTRUCTION CO. INC.

DIVIDEND NOTICE

The Board of Directors declared a quarterly dividend of seventeen and one-half cents (17½c) per share on the Common Stock and a regular quarterly dividend of twenty-five cents (25c) per share on the Preferred Stock of this corporation, both payable March 26, 1956, to stockholders of record at the close of business March 15, 1956.

NORMAN TISHMAN, *President*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower will turn out to be the luckiest of politicians in 1956 if he escapes a terrific squeeze on the farm bill as a direct result of this veto of the Gas bill.

When Bill Knowland, Senate Republican leader, so indicated, he was not kidding. Likewise Mr. Knowland was not threatening the President. What he was trying to put across has nothing to do with revenge, for few politicians will forsake self-interest for the fun of getting even.

The situation confronting several key Senators on the question of standing with the President for the so-called "flexible" price supports and voting against a return to the mandatory 90% supports, is exactly what confronted several other key Senators in the vote on the Gas bill.

As Senator Knowland pointed out, some votes were obtained for the Gas bill on the assumption President Eisenhower wanted it. In other words, to back their President, some of these Senators "voted to exempt natural gas from regulation," as the demagogues put it. They, to this extent, hazarded their own political standing in order to conform to what they were told were the President's wishes.

(The comparatively large margin the Gas bill got on Senate passage reflected the anger over the inherently phony character of Senator Francis Case's charges against the oil industry and the implicit reflection upon their integrity. But for this ire, the margin probably would have been smaller.)

Now a similar trial confronts the Senators on whether to back the President on the flexibles or to take the "popular" side and vote for the mandatory 90% supports. As far as a particular Senator—any Senator—is concerned, it is easier to vote for the 90% supports when they are from farm areas which would benefit, than to arouse anger of farmer-voters and stand up and be counted with Ike.

Even before the Gas bill veto the margin for the President, if any, looked precarious.

What happens if a Senator, for the greater interest of the party as a whole and for the fortunes of the Eisenhower Administration, submerges his self-interest and backs the President, and then the President runs out and signs the farm bill, after all but permitting the word to go out that he would veto a bill with 90% supports?

That is the question which will bother many. What Bill Knowland was saying, in effect, was "how can I whip the boys into line to stick by the President if he again might run out on them?" (And instead signs a bill with 90% supports.)

May Not Veto

For the President may be confronted with a terrible decision if a bill with 90% supports comes to him. The decision will probably be exactly one of accepting the 90% supports along with the "soil bank" and getting the money out in time to buy the election, or vetoing the bill and delaying thereby the "soil bank" vote bribe from going into operation this year.

There is no doubt about that the Eisenhower Administration is terrified over farm discontent. Every one on the Hill hears this. Consequently there will be few babes in the woods who will stake their personal political fortunes, after the Gas bill veto, on the premise Eisenhower won't again run out on them.

Many on the Hill doubt that Secretary Benson could actually pay out many truckloads of hardtaxpayer cash to farmers on 1956 crops even if the "soil bank" became law tomorrow. That is because millions upon millions of computations have to be worked out of average acres and yields for every farm, for two, three, or four crops per individual farm, in some cases.

These tailored computations are necessary. For if the dole is not high enough, farmers won't volunteer to operate under the Henry Wallace, as modified by Ezra T. Benson, scheme for pay for no work. If the computations are too high, the cost would go beyond reason.

Pleads for Speed

When he appeared before the House Committee on Agriculture the other day, Mr. Benson pleaded for haste. He said a month or so of "unavoidable delay" probably would preclude putting the "soil bank" into operation this year. Others than Mr. Benson think it may be impossible anyway. This would mean no sweetening of the farm income kitty, courtesy of the taxpayers and the Republican party.

It is as certain that spring will come, that IF Mr. Eisenhower vetoes a bill with 90% supports, the Democrats who are in control, will see to it that although he will get a "soil bank" *sans* mandatory supports, he will get it in May or later. Then the money will not go out in quantity this year.

Democrats, however, believe they will be sitting pretty with the farmers, and Ike will reap the harvest of what the Eisenhower Administration is afraid is the large farm discontent

This possibility has not yet penetrated the cute and smart little boys who advised Mr. Eisenhower to veto the Gas bill. The all-important timing factor shortly will, however, begin to dawn on the White House.

It will be a hardy President who can risk the loss of the farm subsidy for the sake of the principle of the "flexible" supports. Likewise it will be a hardy Senator who will risk voting against the mandatories only to be left out in a political arctic freeze after a Finnish bath.

Assuming that those Senators who were told the President wanted the Gas bill were not mis-informed, the lesson of the veto of the Gas bill is elementary: In politics as in business a double-cross is wonderful if one can get away with it, but it seldom works more than once.

Wolcott Is Quitting

Representative Jesse P. Wolcott is quitting the Congress. This veteran Michigander will not run again this November, he announced. The Congress and the Republican party will not only lose one of their stalwarts, but one of the most effective of conservatives will have passed from the active political scene.

The Michigander has always been an arch foe of the controlled economy. He fought controls implacably from the end of War II, and was one of the architects of their abandonment in 1946. That year he helped teach Harry Truman a lesson about how people felt about controls, for Truman stuck to them and the Republicans won the 80th Congress.

Even under Eisenhower he fought them. Although the Republican party was committed against the controlled society, when the President saw former Chairman Homer Capehart (R., Ind.) of the Senate Banking Committee getting Democratic support (to embarrass Republicans) for his 1953 endeavor on behalf of "standby" controls, the President adopted a benevolent neutrality on the issue. It was Jesse Wolcott who, in partnership with the late Bob Taft, finally killed this design. After it was killed, the President started taking credit for ending controls.

Wolcott even after Senator Taft capitulated, refused to go along with public housing. Even when the President backed that New Deal hallmark as part of the Housing Act of 1954, the Michigander refused to back it. As a matter of fact, it is a probability that Bob Taft only backed public housing on the premise that if it passed the Senate, Wolcott would kill it in the House, a premise that proved to be wrong, not because the Michigander did not try, but because the House didn't go along.

Hope Also Quitting

As well known in the agricultural areas as Wolcott in finance is Rep. Cliff Hope (R., Kans.) who also has announced that he will not run again. Mr. Hope is also ranking minority member and former Chairman of his committee.

Many have felt that if Mr. Hope had been made Secretary of Agriculture, the path of the Administration, because of his vast experience and high standing, would have been made much smoother on farm issues. However, that is doubtful, for a man of Hope's standing could not have played second fiddle to the White House politbureau any more than a man of Wolcott's integrity on certain fundamental fiscal principles could have subordinated his convictions as Secretary of the Treasury to the talk-economy but act-for-spending methodology of the Eisenhower Administration.

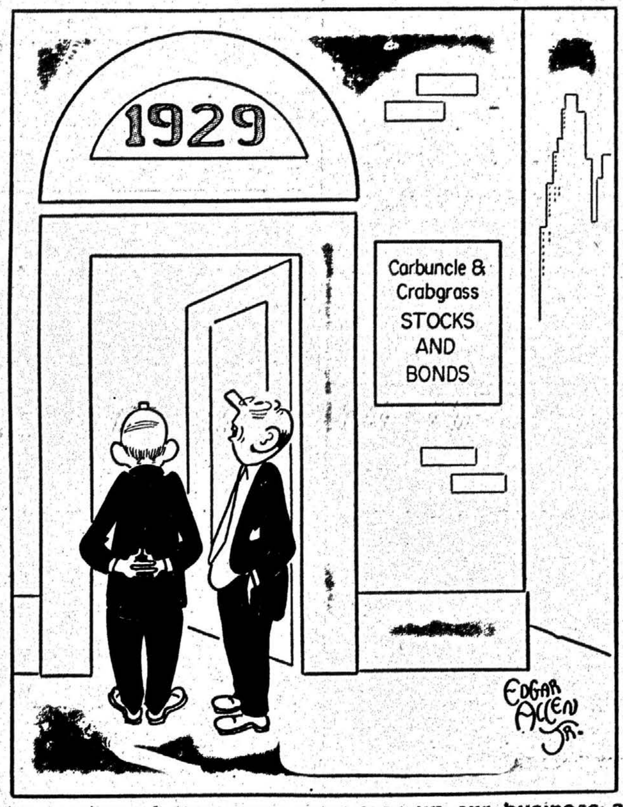
As men basically gentle and tolerant, neither Messrs. Wolcott nor Hope blamed Mr. Eisenhower or any one for their abandonment of public office at the peak of their careers. Those who know them, however, are certain that their reason for quietly quitting the scene was largely their inability to adopt spending and welfare concepts just because they happen to become official Republican concepts.

Eminent and useful as Messrs. Wolcott and Hope have been, however, the big story of their quitting is not just the story of the loss of two beloved figures around the Capitol.

The big story is that the Republican party is going most rapidly to be made over in the image of the Sherman Adams, Dwight Eisenhower mold. Democrats in the South long resisted the corrosion of their conservative ideas despite the long reigns of Roosevelt and Truman, because their party had a state political monopoly. In the Republican North, however, few conservatives have a semi-sure tenure only because they are Republicans.

[*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



"Sometimes I think we might jack up our business a bit if we moved to a building with a different number!"

Bank of America Group Offering $30,000,000 California State Bonds

Bank of America N.T. & S.A. and associates were awarded $30,000,000 State of California School Building Aid Bonds, Series L, as 5s, 3s, 2¾s, 2¼s and ¼s on a bid of 100.034. The bonds mature from May 1, 1958 to 1982. The 1958 to 1981 maturities are being reoffered at prices to yield from 1.70% to 2.40%, according to maturity. The ¼s maturing in 1982 are not being reoffered.

Also associated in the offering are: The Chase Manhattan Bank; The First National City Bank of New York; Blyth & Co., Inc.; The First Boston Corporation; Harris Trust and Savings Bank; R. H. Moulton & Company; American Trust Company, San Francisco; Glore, Forgan & Co.; C. J. Devine & Co.; Union Securities Corporation; Merrill Lynch, Pierce, Fenner & Beane; Weeden & Co.; The First National Bank of Portland, Oregon; Seattle-First National Bank.

Security-First National Bank of Los Angeles; Dean Witter & Co.; Reynolds & Co.; California Bank, Los Angeles; William R. Staats & Co.; J. Barth & Co.; Bache & Co.; John Nuveen & Co. (Incorporated); B. J. Van Ingen & Co. Inc.; Coffin & Burr Incorporated; Heller, Bruce & Co.; Barr Brothers & Co.; Hayden, Stone & Co.; A. G. Becker & Co. Incorporated; Clark, Dodge & Co.; Shearson, Hammill & Co.; Ira Haupt & Co.; G. H. Walker & Co.; Roosevelt & Cross Incorporated; Andrews & Wells, Inc.; Bacon, Whipple & Co.; F. S. Smithers & Co.

Brown Brothers Harriman & Co.; E. F. Hutton & Company; Wm. E. Pollock & Co., Inc.; Fidelity Union Trust Company, Newark; Wood, Struthers & Co.; A. M. Kidder & Co.; New York Hanseatic Corporation; The First National Bank of Memphis; Gregory & Sons; Branch Banking & Trust Company; Van Alstyne, Noel & Co.; The Ohio Company; Kaiser & Co.; Fairman, Harris & Company, Inc.; National Bank of Commerce of Seattle; Schaffer, Necker & Co.; Robert Winthrop & Co.